HIKAL

Annual Report 2014

building lasting bonds

Hikal celebrates 25 years of creating chemistry. Our journey of collaborating with partners has been fulfilling and rewarding.

We commit ourselves to safeguarding the interests of our employees, the local community, and the environment. Our sustainable chemistry approach has created value for internal and external stakeholders.

We pledge ourselves to realize the potential of chemistry for improving the quality of life.

Jai Hiremath, the founder of Hikal Limited, has more than 35 years of experience in the fine chemicals and pharmaceuticals industry. He played a critical role in making Hikal a leading contract manufacturing company. He is a board member of Novartis India Limited, National Safety Council of India, National Committee on Drugs & Pharmaceuticals of the Confederation of Indian Industry, and the Drug, Chemical & Associated Technologies Association, New Jersey, USA. He has served as a President of the Indian Chemical Council and chairman of the Chemicals Committee of the Federation of Indian Chambers of Commerce and Industry (FICCI). He received the 'Chemtech Business Leader of the Year - Chemicals' award in 2005. He is a fellow of the Institute of Chartered Accountants in England and Wales, and an alumnus of Harvard University, USA.

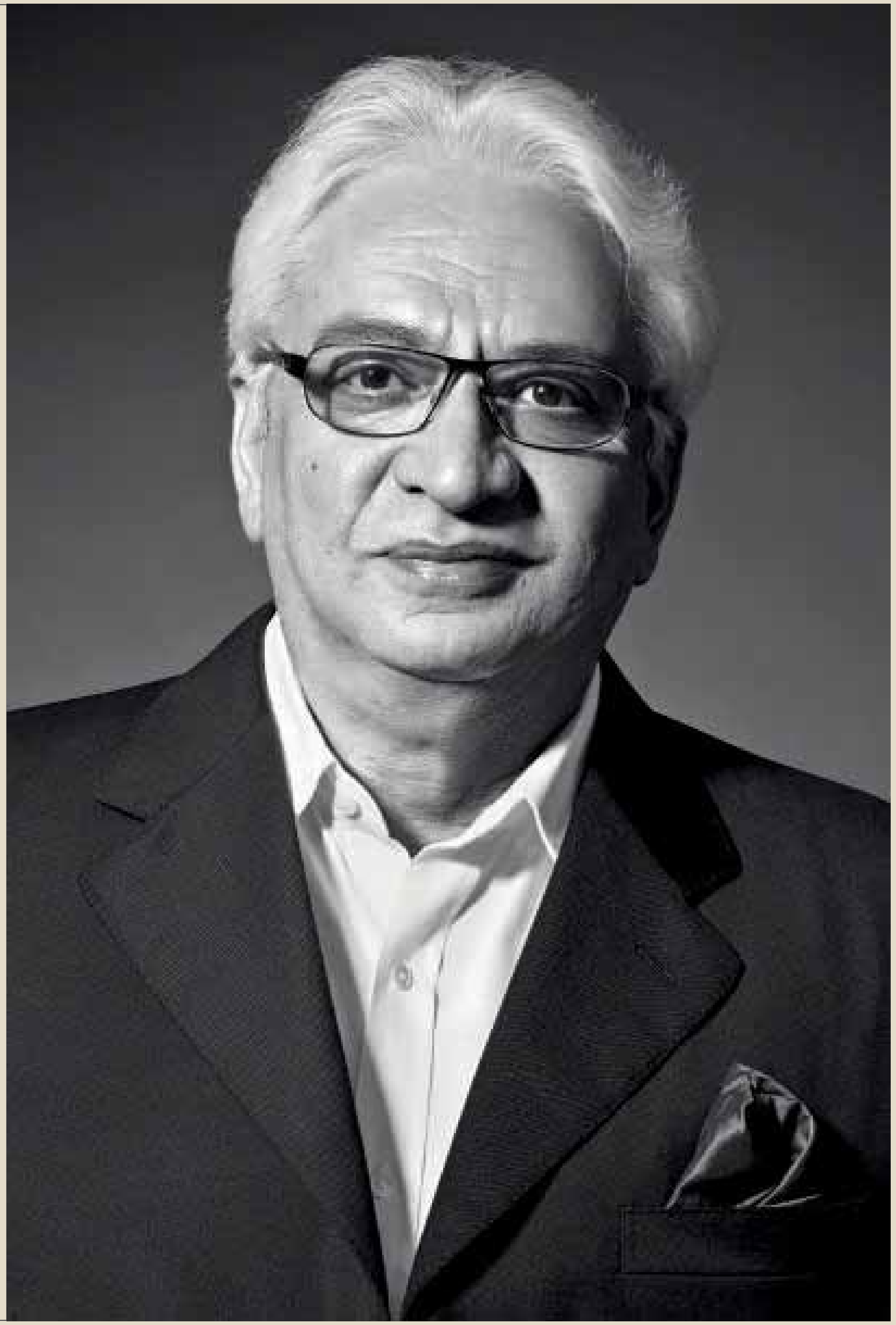
I started my career in 1971 with a rather good job at Unilever. However, in two years, the charm of a comfortable job wore off and my aspiration to build and create something on my own deepened.

The Hikal story began with the Mahad plant, which I built with a small team. Like every entrepreneurial venture, the initial years were tumultuous.

The turning point for the company was a venture with Merck, USA. The project was a result of our perseverance and commitment to building long-term relationships. We continued to expand the business by acquiring manufacturing sites and focusing on R&D.

Never losing sight of the vision has helped Hikal remain committed to the core values of quality, consistency, high standards, relationships, and green chemistry. The teamwork and dedication of our high performing employees will make Hikal a global leader. We must focus on strategy, operations, execution, ethics, innovation, and partnerships.

Jai Hiremath
Chairman and Managing Director



I credit my passion for chemistry to a chemistry set that I played with when I was eight years old. The commissioning of the Taloja plant was a turning point for the company since it exceeded our turnover by ten times. It taught me to think big and take risks. Since then, we've never looked back. We expanded our operations, invested in R&D, acquired and built new plants, and grew the Hikal family. In twenty five years, Hikal has never deviated from sound corporate governance, world-class quality and EHS standards, commitment to clients and best-in-class technology.

Sameer Hiremath
President and Joint Managing Director

Sameer Hiremath manages day-to-day operations of the company. As President and Joint Managing Director, he is responsible for the performance of three divisions – Pharmaceuticals, Crop Protection and R&D. He has rich experience in technology, plant operations, and business development and strategy. Sameer has a degree in chemical engineering from the Maharashtra Institute of Technology (MIT), Pune, India and MBA and MS (Information Technology) from Boston University, USA.

Chairman's Message

Dear Shareholders,

Over the past few years we have been making fundamental changes to deliver quality through innovation to our customers while taking steps to improve the financial performance for our stakeholders. In 2013-14, we strongly delivered towards these goals.

2013 was a very special year for Hikal. The 25th anniversary of our company's founding gave us the opportunity to celebrate with our stakeholders who helped us achieve this significant milestone. Our focus has been and continues to be what we do best, which is to offer our clients sustainable solutions in research and development, manufacturing and quality. We are aligning the organization to meet our clients' needs by transforming ourselves to be market oriented, utilizing technology and innovation to deliver. While this is an ongoing journey, we expect to deliver sustainable organic growth and value to our shareholders.

Financial Performance: In terms of revenues, the company grew by 26% to ₹8,292 million from ₹6,604 million in the previous year. We added a few new products in the portfolio and increased the quantities of the existing products to current clients and added several new clients. Both our divisions have contributed evenly to this significant growth.

Our pharmaceuticals division revenues were up by 28% to ₹4,754 million compared to ₹3,716 million in the previous year. We regained lost market share for our key products last year which was made possible by process improvements carried out in R&D to our commercial manufacturing facilities. Some existing contract manufacturing products also experienced an increase in off-take given the competitive value proposition we offered to our clients.

Our crop protection division revenues came in at ₹3,537 million, a substantial increase of 23% compared to the previous year of ₹2,888 million. The ongoing efforts to target several crop protection clients globally have started to yield dividends. We have seen an increased forecast in products from our existing clients. Over the past year, several early stage products have gone into semi-commercial stages and are expected to grow in the years to come. We are positive about the future prospects of the crop protection business.

Despite a challenging global economic environment, EBITDA of the company increased by 8% to ₹2,062 million from ₹1,907 million. The profit after tax surged to ₹641 million as against ₹255 million last year, an increase of 151%. Our earnings per share (EPS) came in at ₹38.98 compared to ₹15.52 in the previous year.

Based on the results, the Board recommended a dividend of 45%. Our core strategy and focus is to be a leading provider of contract development and commercial manufacturing services (CDMO) to the global life sciences industry. We are aligning ourselves with our clients' sales strategies in order to offer real competitive advantages of competence, quality and cost.

As part of our overall strategy to be a more efficient supplier, we have made significant changes to the structure of our Research and Development division in 2013. As part of our refocused strategy, we have decided to consolidate our R&D center at one location. Over a period of time, the scale and complexity of our enquiries required us to house all our activities under one roof. The consolidation of R&D in one location will yield multiple benefits, including better communication and project management as well as cost benefits.

We have redefined our strategy for the crop protection division as well. Our focus has been on diversifying the products and clients. We have been able to accomplish this task by adding new technologies on the commercial scale to our existing capabilities and focusing on efficient manufacturing. We have streamlined some of our large manufacturing facilities by debottlenecking our plants to increase capacity and throughput while improving existing processes through the support of our R&D.

Our pharmaceuticals business has been divided into generics and contract manufacturing opportunities. We are able to offer comprehensive end-to-end solutions to a broad spectrum of companies ranging from large pharmaceuticals and biotech companies to specialty pharmaceuticals, generics and emerging pharmaceuticals companies. These measures will allow us to align ourselves more closely with our customers' requirement.

The animal health business has a natural synergy with our two divisions, crop protection and pharmaceuticals. Our facilities are well suited to provide value added services to this fast growing niche market. We have established ourselves as an integrated supplier to this growing market and expect revenues to grow in this future segment.

Overall, our redefined strategy will yield results in the near future as we target new clients as well as new geographies, especially Japan. It has given good results with a 26% increase in our turnover resulting from our improved business development efforts and research and development focus.

Along with efficient project management which yielded better utilization of capacity and increased volumes, we have also focused on hiring young professionals who will drive the vision of Hikal forward.

Hikal has always remained proactive in responding to community's needs. In 2013, we achieved a milestone by opening a fully equipped free medical center in Taloja near our plant to fulfil healthcare needs of the community.

Sustainability: As part of our endeavor to be a sustainable company, we continue to invest in renewable resources and in developing more efficient processes. We were shortlisted by the International Finance Corporation, part of the World Bank, to receive funding as part of a special project for 'Clean Energy'. We have invested in boilers using biomass across our manufacturing sites as well as setting up a co-generation plant to produce energy. These projects will drastically reduce our carbon footprint while contributing positively to the bottom line through cost savings.

Looking ahead: Looking to 2014-15, we see continued momentum for both our businesses. Our commitment to the 'Hikal Way' has given us twenty five years of being a preferred partner to global crop protection and pharmaceutical companies. All of our achievements and our future success depend greatly on our human capital and the work environment we provide to them. Our strong corporate values are crucial for the sustainable growth that we aim for. Success through integrity, flexibility and efficiency is the cornerstone of our value system.

In closing, I would like to express my gratitude to all our employees, clients, partners and shareholders for their continued commitment, confidence and support.

We look forward to a prosperous 2014-15.

With regards,

Jai Hiremath
Chairman and Managing Director

Hikal at a Glance

Highlights

- Our Pharmaceuticals business grew by 28% whereas Crop Protection business grew by 23%
- New innovator and biotech customers for early stage molecules have been added for contract development in our Pharmaceuticals business. We have completed the pilot trials of another animal health product for a leading Japanese company.
- Our facilities in Panoli and Bangalore were successfully inspected by FAHMP, Belgium for EU GMP & CEP compliance. We were also successfully inspected by EDQM, France as part of the European Union's good manufacturing compliance procedures.
- In terms of technology, we have developed sustainable processes for several molecules using enzyme technology. We have validated two 'green' enzymic process technologies for major API products.

Financial Highlights	₹ in Millions		Growth
	March 31, 2014	March 31, 2013	%
Turnover	**8,292**	6604	25.56
Operating profit before exceptional item (PBIDT)	**2,393**	1,907	25.49
Interest	**680**	599	-
Gross profit	**1,713**	1308	30.96
Depreciation	**550**	491	-
Exceptional item	**179**	484	-
Profit after tax	**641**	255	151.37
Paid-up equity share capital	**164**	164	-
Earnings per share (EPS) ₹.	**38.98**	15.52	-
Cash earnings per share (EPS) ₹	**72.43**	45.39	-
Dividend per share ₹	**4.50**	2.50	-
Payout (including tax)	**87**	48	-

Board of Directors

Jai Hiremath

Sameer Hiremath

Baba Kalyani

Kannan Unni

Dr. Peter Pollak

Dr. Axel Kleemann

Dr. Wolfgang Welter

Prakash Mehta

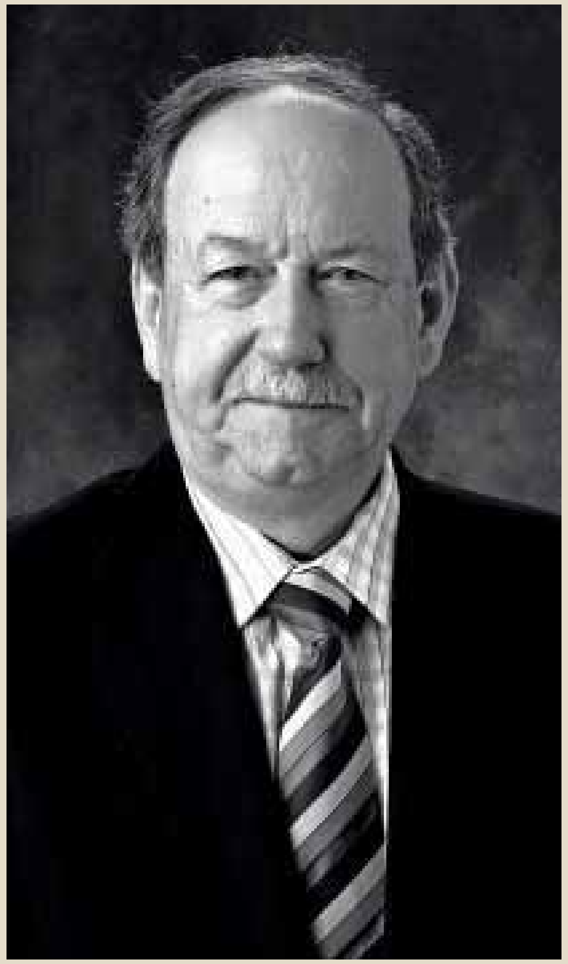
Shivkumar Kheny

Sugandha Hiremath

Amit Kalyani

Baba Kalyani is the Chairman and Managing Director of Bharat Forge Limited, the flagship company of the US$ 2.5 billion Kalyani Group. He is a member of Indo-German Chamber of Commerce, Chairman of Indo-Japan Chamber of Commerce & Industry, and a member of the Advisory Committee at Robert Bosch GmbH, Germany. Mr. Kalyani has been honored with the Padma Bhushan by the Government of India and the 'Chevalier de l'Ordre de la Légion d'Honneur' by the Government of France. He has a B.E. (Mechanical) from the Birla Institute of Technology & Science Pilani, Rajasthan, India, and M.S. from the Massachusetts Institute of Technology, USA.

Board of Directors



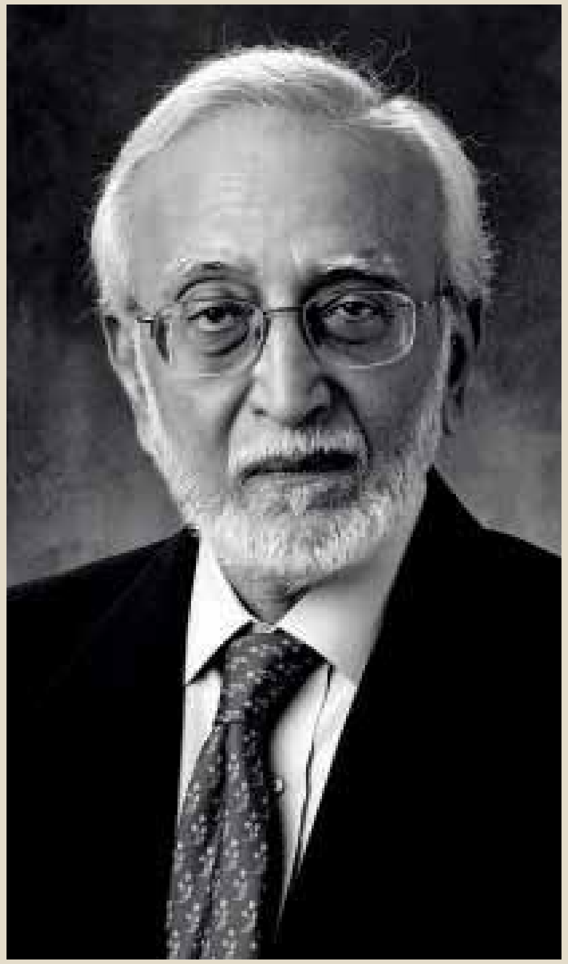
Kannan Unni, a pioneer in crop protection, has more than 50 years of experience in the agrochemical industry. His techno-commercial experience spans agriculture, animal health, mergers and acquisitions, joint ventures, and marketing. Mr. Unni has worked in multiple capacities at Hoechst, AgrEvo, Aventis CropScience, and Bayer CropScience. He was the Chairman and Managing Director of Bilag Industries Pvt. Ltd., a 100% subsidiary of Bayer CropScience. He holds a B.Sc. (Agriculture) and Diploma in Marketing from Mumbai University.

Dr. Peter Pollak is recognized globally for his contribution to the development of the modern fine chemicals industry. He has more than 40 years of experience, and serves as a consultant to fine chemicals and pharmaceutical companies. Dr. Pollak established the custom manufacturing business at Lonza in Switzerland and USA. He authored the book, 'Fine Chemicals – The Industry and the Business.' He holds a Ph.D. in chemistry from the Swiss Federal Institute of Technology, Zurich.

Dr. Axel Kleemann has diverse experience spanning research and development, production, engineering, and drug safety. He is the Chairman of Protagen AG and a member of the advisory board for several biotech and fine chemicals companies. He co-authored Pharmaceutical Substances (5th edition and online version). He is a member of the editorial board of Ullmann's Encyclopedia of Industrial Chemistry. He has been on the board of various organizations and scientific societies in Germany, including ASTA Medica AG. He was the director of Corporate Organic Research at Degussa AG (now Evonik AG) from 1976 to 1987. He holds a Ph.D. in chemistry from the Johann Wolfgang Goethe-University, Frankfurt am Main, Germany, where he is an honorary Professor of Chemistry.

Dr. Wolfgang Welter has 36 years of experience in crop protection, manufacturing operations and fine chemicals. For 6 years, he served as the board member responsible for industrial operations and Quality, Health, Safety, and Environment (QHSE) at Bayer CropScience.

Board of Directors




Prakash Mehta is the managing partner of Malvi Ranchoddas & Co., a leading law firm in Mumbai. He has rich experience in corporate and commercial law, and serves on the board of several listed and unlisted Indian companies. He is a member of the Managing Committee of the Bombay Incorporated Law Society. He holds a degree in law from the Mumbai University.

Shivkumar Kheny is an entrepreneur with extensive industry experience in the steel and infrastructure sectors. He is a board member of several companies listed on the Bombay Stock Exchange.

Sugandha Hiremath, a member of the Audit Committee at Hikal, has more than 30 years of experience in the financial industry. She serves as an independent director on the board of several companies.

Amit Kalyani is an Executive Director of Bharat Forge Limited, the flagship company of the US$ 2.5 billion Kalyani Group. He is responsible for global strategy and business development initiatives at Bharat Forge. He holds a degree in mechanical engineering from Bucknell University, Pennsylvania, USA.

Management Committee

" Hikal offered me opportunities to grow professionally. The management encouraged me to pursue higher education even while I worked."

Sham V. Wahalekar
Senior Vice President – Finance & Company Secretary

" It is a pleasure to work at Hikal. Although high operating standards are a pre-requisite, our enthusiastic scientists and impeccable professionalism will make Hikal stand out in the industry. Our work culture will transform talented scientists into experienced technologists."

Dr. Peter Nightingale
President, R&D

" Every employee has a platform to share feedback. Our work culture facilitates team work and collaboration to deliver results. Significantly, Hikal is extremely customer-oriented, a pre-requisite to become a leading contract development and custom manufacturing organization."

Manoj Mehrotra
President, Pharmaceuticals

Jai Hiremath

Sameer Hiremath

Sham Wahalekar

Dr. Peter Nightingale

Manoj Mehrotra

Satish Sohoni

Anish Swadi

Ravi Khadabadi

Sham Wahalekar manages financial operations and compliance at Hikal. He has more than 36 years of experience in corporate law and financial management. He is a law graduate with a degree from the Institute of Company Secretaries of India. He also holds an M.Com. (Hons) degree.

Dr. Peter Nightingale is a process development chemist with more than 30 years of global experience in development, scale up, and technology transfer across pharmaceuticals, agrochemicals and fine chemicals sectors. His expertise ranges from small-scale process development to large-scale operations. He has held senior managerial positions at Development Chemicals, USA; Synprotec, UK; and Coalite Group, UK. He has a Ph.D. in chemistry from the University of Manchester, UK.

Manoj Mehrotra has more than 25 years of experience in the fine chemicals and pharmaceuticals industry. He has served several leading companies including Dr. Reddy's Laboratories, Thermax and SRF Limited. He has a B.Tech. (Hons) in chemical engineering from IIT Kharagpur and MBA from XLRI, Jamshedpur.

Management Committee

Satish Sohoni has 30 years of experience in the fine chemicals industry. He has held senior positions at Rallis India, Tata Chemicals as well as Hindustan Lever and its parent company, Unilever, in Central and Eastern Europe. He holds a bachelor's degree in commerce from Mumbai University and MBA from Pune University.

Anish Swadi manages corporate strategy initiatives and information technology operations at Hikal. He has been an international financial advisor with Merrill Lynch, USA. He holds a bachelor's degree in international business and finance from Ithaca College, New York, USA.

Ravi Khadabadi has more than 30 years of experience in materials and chemicals procurement. He holds master's degrees in chemistry and polymers from the University of Massachusetts Lowell, USA.

" Hikal has a robust value system. A clear articulation of vision and mission makes it a pleasure to work at Hikal. The management encourages learning new skills and sharing knowledge. Our deep rooted values and commitment to quality will make Hikal among the top 3 global companies in contract development and manufacturing."

Satish Sohoni
Senior Vice President, Crop Protection

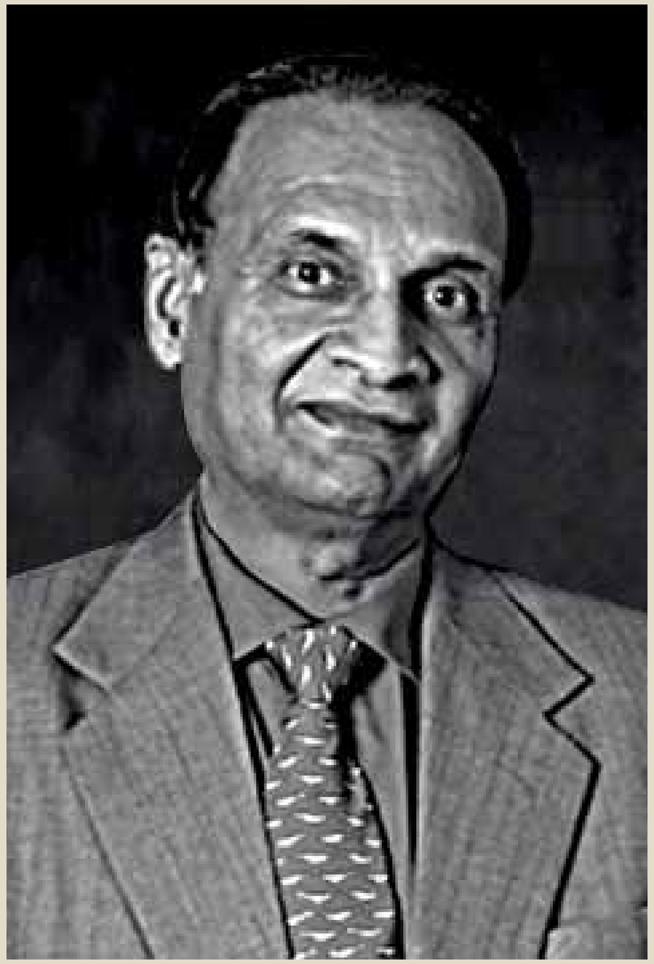
" Hikal is synonymous with quality and performance. The opportunity to make a difference each day and contribute to the success of the company is extremely rewarding. I am proud to be a part of a respected and successful company."

Anish Swadi
Vice President, Business Development

" During my stint outside Hikal, I realized that I missed the warmth and the value system of Hikal."

Ravi Khadabadi
Vice President, Procurement

Scientific Advisory Board



Prof. Goverdhan Mehta

Dr. K. Nagarajan

Dr. Axel Kleemann

Professor Goverdhan Mehta, a distinguished organic chemist, is the National Research Professor, Eli Lilly Chair, School of Chemistry at the University of Hyderabad. He is a Fellow of the Royal Society and a member of several academies and societies across the world. He has been a CSIR Bhatnagar Fellow, Director of the Indian Institute of Science in Bangalore, and Vice Chancellor of the University of Hyderabad. He is a former president of the Indian National Science Academy and the International Council for Science (ICSU), and a former member of the Scientific Advisory Committee to the Prime Minister of India. Prof. Mehta has been honored with more than 50 prestigious awards, including the Padma Shri in 2000 by the President of India, and 'Chevalier de la Legion d'Honneur' in 2004 by the President of France. He holds a Ph.D. in organic chemistry from Pune University and has undertaken postdoctoral research at the Michigan State and the Ohio State universities in USA. He has been conferred with D.Sc. h.c by over a dozen universities in India and abroad. He has mentored almost a hundred doctoral and postdoctoral students, and published more than 500 research papers.

Dr. K. Nagarajan spearheads scientific initiatives at Hikal. He is associated with national research institutions such as the Central Drug Research Institute, scientific agencies such as the Department of Biotechnology, and projects of the Ministry of Earth Sciences. He has served as Head, Medicinal Chemistry, Ciba Research Centre and Director, R&D, Searle India Limited, among others. Dr. Nagarajan has received the SS Bhatnagar Prize for Chemical Sciences, and Lifetime Achievement Award of the Chemical Research Society of India. He has a B.Sc. (Hons) in chemistry from Loyola College, Chennai, and Ph.D. from the University of Madras. He is a Postdoctoral Fellow of Wayne State University, California Institute of Technology, USA, and the University of Zurich, Switzerland.

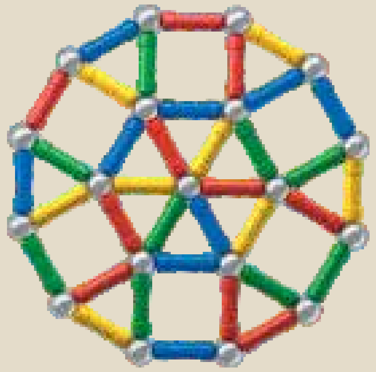
Dr. Axel Kleemann has diverse experience spanning research and development, production, engineering, and drug safety. He is the Chairman of Protagen AG and a member of the advisory board for several biotech and fine chemicals companies. He co-authored Pharmaceutical Substances (5th edition and online version), a comprehensive reference guide for pharmaceutical compounds. He is a member of the editorial board of Ullmann's Encyclopedia of Industrial Chemistry. Dr. Kleemann has been on the board of various organizations and scientific societies in Germany, including ASTA Medica AG. He was the director of Corporate Organic Research at Degussa AG (now Evonik AG) from 1976 to 1987. He holds a Ph.D. in chemistry from the Johann Wolfgang Goethe-University, Frankfurt am Main, Germany, where he is an honorary Professor of Chemistry.

Creating lasting chemistry

Hikal is the journey of an enterprising team that focused on the right chemistry from the outset. The company was established on the cusp of economic liberalization in India. Our founders envisioned Hikal to be a preferred partner of global pharmaceuticals, biotechnology, crop protection, and specialty chemicals companies.

We realize the vision by implementing state-of-the-art greenfield projects, attracting world-class scientists and chemists, and diversifying the product portfolio to meet the unique requirements of clients. Hikal achieves sustainable growth by protecting the interests of stakeholders: employees, clients and the environment.

Sustainability is the common thread that runs through Hikal. The welfare of our constituents is linked to the long-term growth of our company. Our clients partner with us to address business challenges and implement solutions for a competitive edge. Our employees realize their potential in a safe and inspirational workplace.



Our R&D team breathes life into molecules by exploring their composition, structure, properties, and reaction. Our domain expertise enables us to meet a broad spectrum of R&D requirements in discovery research, process development and custom synthesis.

Hikal's advanced facilities provide global clients with the infrastructure for end-to-end research.

Intellectual capital

Hikal is managed by scientists, chemists and technologists who are focused on performance. Our multi-disciplinary team is mentored by a Scientific Advisory Board of globally renowned organic chemists. A rich pool of talent has been the driving force behind the growth of Hikal.

We hire professionals to deliver compelling value to clients. Our work culture ensures professional fulfilment and work-life balance. We have earned the respect of clients with a culture of accountability, confidentiality and ability to safeguard their Intellectual Property.

We are deeply committed to the well-being of our employees. Since inception, Hikal has upheld global safety standards in plant operations. In 2000, Hikal's occupational health and safety management system was honored with the Five Star rating of the British Safety Council. We ensure continuous knowledge transfer and training, implement safety systems and procedures, and undertake frequent safety audits and mock drills. Our safety agenda resulted in 'One Million Safe Person Hours' without lost time injury at the Taloja plant.

Our culture inspires scientists and chemists to question outcomes, probe further and investigate deeper. 'Why Not' sparks the imagination of our employees, encourages them to think out-of-the-box and achieve breakthrough solutions.

Our winning attitude helps us explore uncharted territory, set new benchmarks and realize our potential. Significantly, it manifests in a growing global clientele that turns to Hikal for repeat business.

Engines of growth

Hikal is a technology-driven company. We invest in advanced plants and facilities to meet the diverse requirements of global clients. Our experience in setting up greenfield projects as well as acquiring and scaling up existing facilities enables us to maximize the capacity and utilization of plants.

Hikal commenced operations with a plant in Mahad. We commissioned a plant in Taloja along with Merck, USA for crop protection offerings. We diversified into the pharmaceuticals business by acquiring a plant from Novartis (formerly Sandoz) in Panoli and a drug manufacturing plant from Wintac (formerly Recon) in Bangalore. Hikal established a R&D center in Pune to focus on R&D and augment pharmaceuticals and crop protection processes.

Our plants are built, maintained and operated to comply with stringent regulatory guidelines. Our facilities have been audited and certified by the USFDA, European and Japenese regulatory authorities for current good manufacturing practices (cGMP). We always deploy the latest systems, equipment and technologies to uphold global quality standards.

Hikal serves as the extended organization of global innovator companies. We deliver customized solutions to manufacture intermediates and APIs for formulations. We undertake custom synthesis of key intermediates. Our intermediates have been used for new candidate drugs in Phase I, II and III clinical trials. We supply building blocks for discovery research on a contract basis.

Responsible chemistry

Hikal is a practitioner of 'responsible chemistry.' We unlock the intrinsic value of chemistry in a responsible manner by ensuring the safety of our employees and plants. Our policies and actions have been recognized with the 'Responsible Care' certification by the Indian Chemical Council (ICC) that is governed by the International Council of Chemical Associations. Hikal is the first Indian life sciences company to receive this certification.

We believe that the environment is a stakeholder in our growth. Our ISO 14001 and OHSAS 18001:2007 certified plants maintain the quality of land, air and water. We installed briquette boilers and solvent recovery plants to minimize our carbon footprint. Our Taloja plant recycles and reuses water, saving 105 m^3 of the precious resource daily.

We understand that the environment has a symbiotic relationship with business – what benefits the environment makes business sense. Our process enhancement initiatives result in lower raw material consumption, better waste management and higher yields. We evaluate our energy requirements continuously to optimize utilization.

Hikal is committed to sustainable growth. While we have grown steadily, we have reduced our environmental footprint. We are doing our best to safeguard the environment.

We adopt renewable sources of energy, reduce emission levels, and recycle water.

Social responsibility

Hikal is a responsible corporate citizen and performs a proactive role in improving the welfare of the local community where our plants are located. We engage with residents to provide employment opportunities, access to healthcare and improve the quality of life.

Our employees are involved in volunteering and raising money at the corporate and individual level to finance education and healthcare campaigns. We support education by improving the infrastructure of local schools and providing financial assistance.

We conduct healthcare awareness camps and eye check-ups at old age homes in the vicinity of our Taloja and Mahad plants. We commissioned a fully equipped medical center offering free healthcare to the local community in Taloja.

The girl child is an agent of change in underprivileged sections of society. However, a majority of girl children drop out of school to supplement family income. We help girls shrug off the legacy of illiteracy and follow their dream through education.

Under the auspices of the 'Savitribai Phule Dattak Palak Yojana' program, Hikal sponsors the primary education of girls. We support children by providing school uniforms and bags, education material, and daily meals.

" Our common sense of purpose coupled with action drives my team members. We do not settle for anything but the best."

Dr. Pramodchandra Sane
Technical Services & Projects

" Hikal provides me advanced facilities to become a process engineer. I dream of commissioning a world-class plant in the near future."

Koontal Bajaria
Chemical Engineer

" My 17 years at Hikal have been fulfilling because I explored diverse areas – EHS, communications, business development, industrial relations and HR."

Dr. Debabrata Chatterjee
HR & Administration

" In my first job, I am fortunate to get the support of seniors and encouragement from peers. The environment helps me grow and achieve results."

K. Suresh
Chemical Engineer

Our Panoli plant is certified by leading global regulatory authorities. Spread over 1,26,000 square meters, it has three multipurpose pharma plants and process development laboratories.

PANOLI - GUJARAT

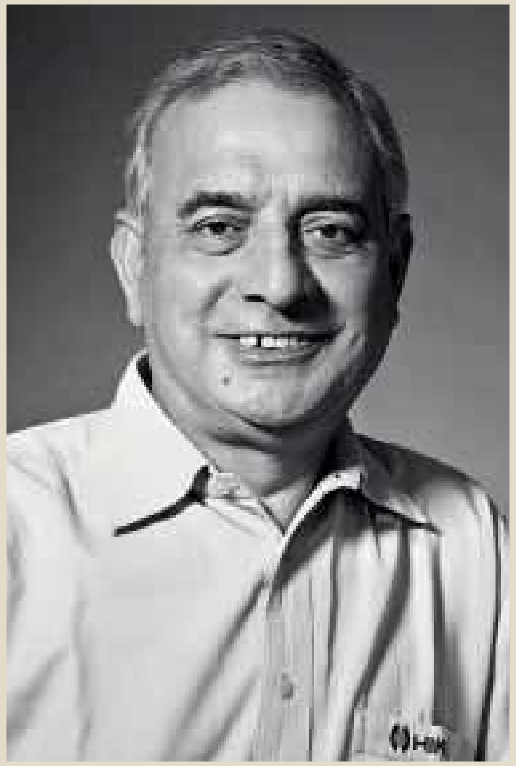
MULTIPURPOSE PHARMA PLANT

" Hikal has supported me financially during an emergency. It motivates me to work harder and give my best."

V. H. Shivananda
Production Technician

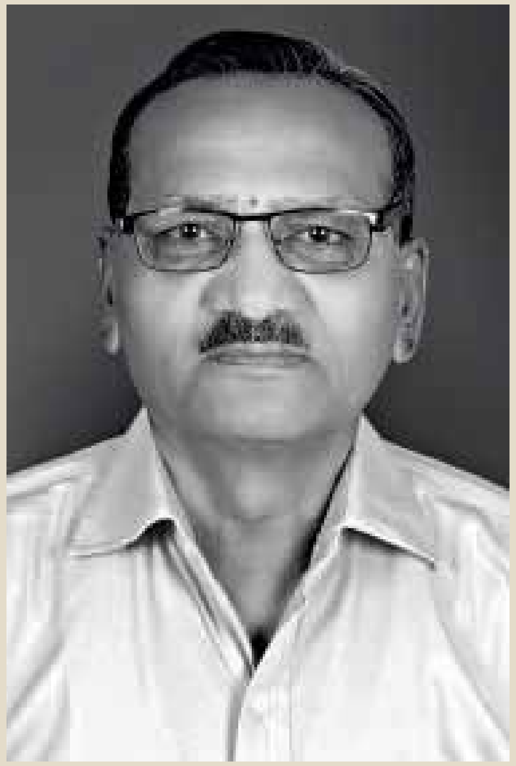
" In tumultuous times, seniors and colleagues encouraged me to overcome every challenge and seek opportunities in challenges."

K. Srinivasan
Procurement



" I have learned three key values at Hikal – dedication, sincerity and honesty."

Ashok Moza
Corporate Head – EHS



" I am inspired by the humility and dedication of the senior management. You are welcomed like a family member and recognized for your work at Hikal."

S. G. Swami
Stores

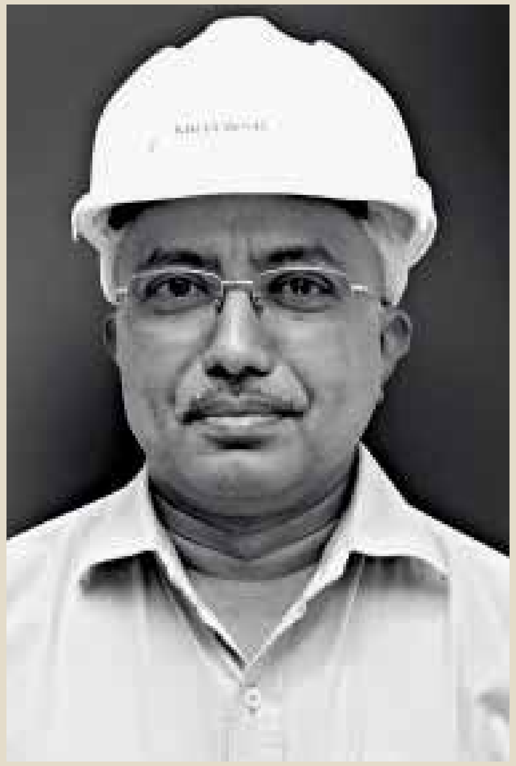
Our Jigani plant is certified by leading global regulatory authorities. Spread over 87,700 square meters, it has multi-product plants for manufacturing advanced intermediates and APIs.

JIGANI - BENGALURU

USFDA CERTIFIED API PLANT

“ Hikal makes the extra effort to protect my health and safety. I have learnt new skills and become more confident about my capabilities.”

Avinash Hule
Mechanical Technician



“ I am proud to work in a company that adopted an EHS policy because it makes eminent business sense.”

Kiran Desai
Head – Crop Protection Manufacturing

“ For nine years, I have worked for Hikal in the United States. It is a pleasure to represent a company focused on technological expertise, while being committed to the environment and safety of employees. Our offerings from early stage contract research to commercial production make Hikal one of the premier contract development and manufacturing organization (CDMO) in the pharma industry.”

John Pashko
US Representative

“ Every day is a learning experience. I learnt about regulatory procedures, state-of-the-art instrumentation and global safety standards at our USFDA certified Jigani facility.”

Venkatesha T
Chemical Engineer

Our Taloja plant is
ISO 9000 : 2008, ISO 17025,
ISO 14000, and OSHAS 18001 certified.
Spread over 3,400 square meters,
it is a 100% export oriented unit
with a well-equipped kilo lab, pilot plant,
and multi-purpose plants.

TALOJA - MAHARASHTRA

CROP PROTECTION PLANT

" I empower team members and encourage them to think independently. It motivates them to think out-of-the-box and deliver to the best of their abilities."

Dr. T. Devanathan
Head - IP & Quality, Pharmaceuticals

" As a working mother, my objective of joining Hikal was initially the proximity to my house. However, Hikal offered me not only convenience and flexibility but also space to experiment, learn and thus grow professionally."

Sukeshini Kurien
Executive Assistant - Joint Managing Director's office

" Hikal has given me some of the most significant milestones of my professional career. This company is successful because it is firmly committed to customer satisfaction."

Toshiaki Hashimoto
Japan Representative

" Our work culture of learning and collaboration will enable us to develop a healthy product pipeline."

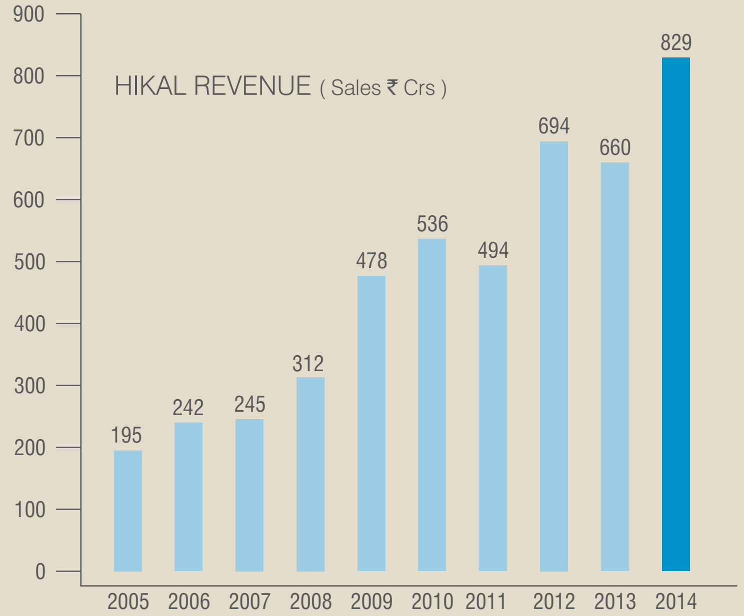
Pradeep Jain
Head – Pharmaceutical Operations

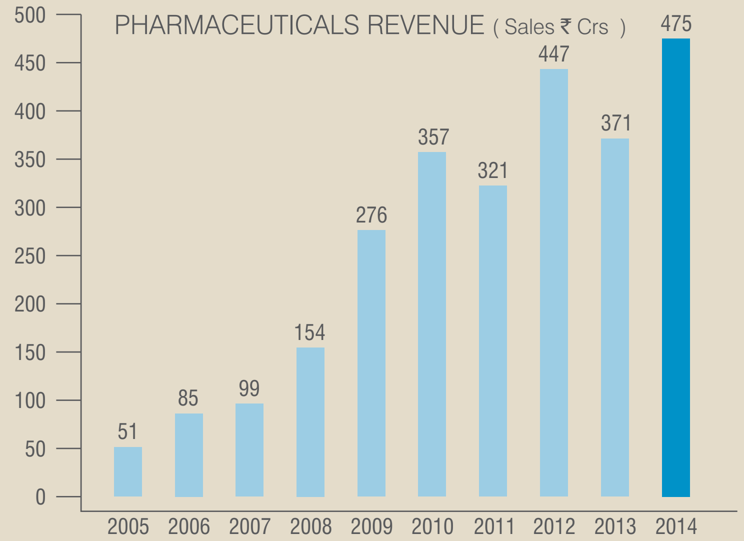
Our R&D center in Pune has state-of-the-art infrastructure to support our global clients through various stages of product life cycle.

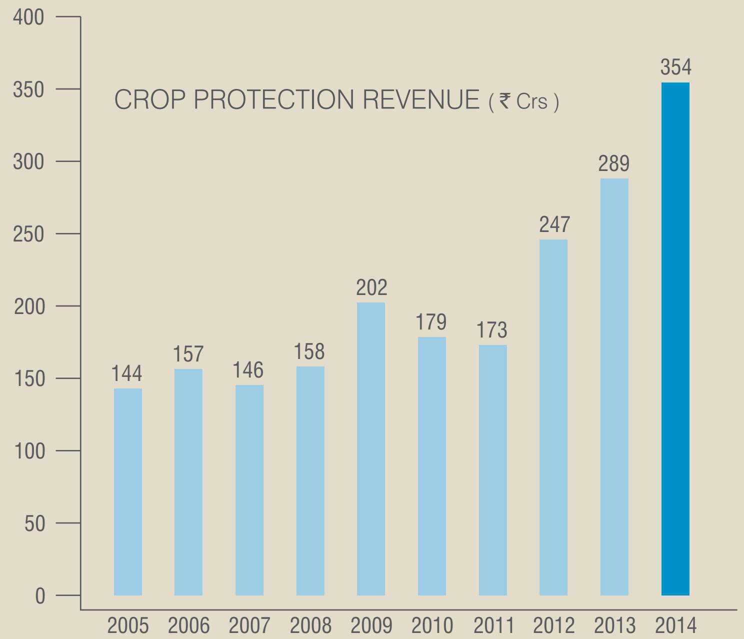
PUNE - MAHARASHTRA

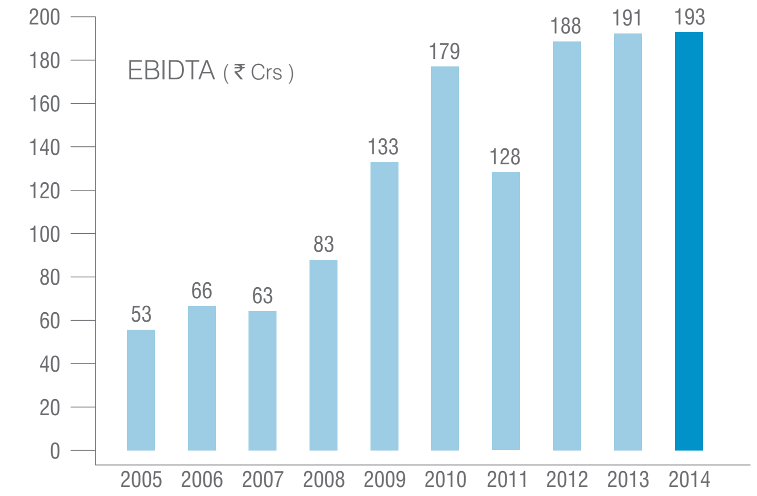
RESEARCH & DEVELOPMENT

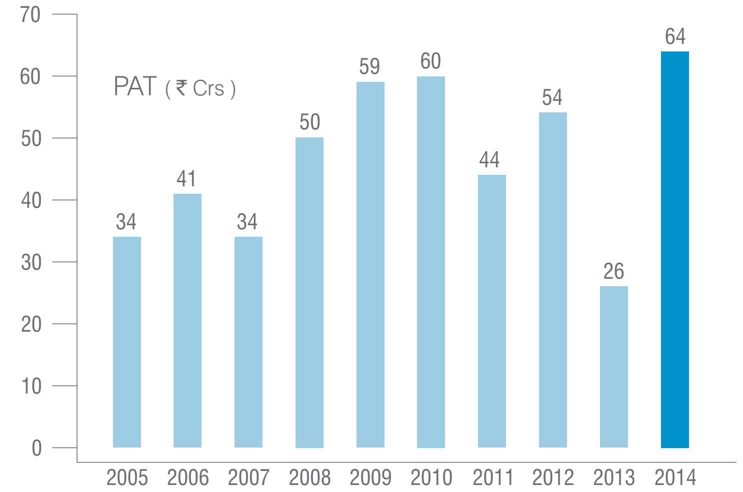
Sustainable Growth

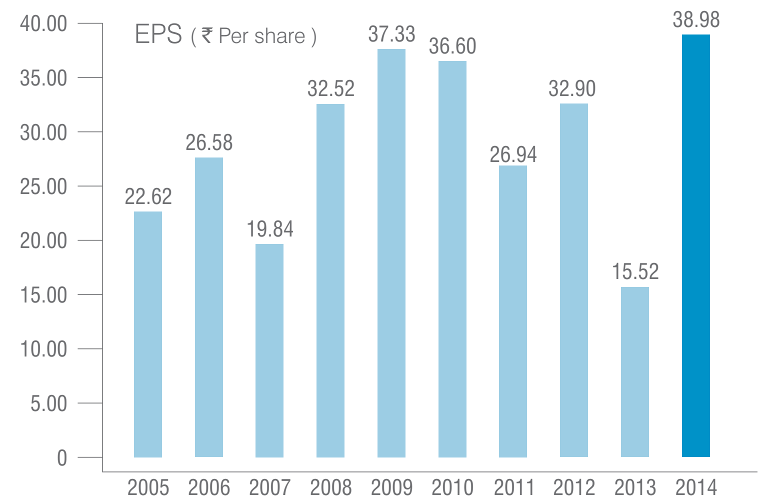












Directors' Report

To

The Members,

The Directors are pleased to present the 26th Annual Report with the Audited Accounts for the financial year ended March 31, 2014.

₹ in Millions

1. FINANCIAL RESULTS

	2013-14	2012-13
Turnover	8292	6,604
Profit before interest and depreciation and exceptional items	2393	1,907
Interest	680	599
Profit before depreciation	1713	1,308
Depreciation	550	491
Profit after depreciation before exceptional items	1162	817
Exchange loss	179	484
Profit before taxation after exceptional items	983	333
Provision for taxation		
- Current tax	208	66
- Less MAT tax credit	(105)	(66)
- Deferred tax liability	239	78
Profit after tax	641	255
Reserves and surplus	4895	4,348
Dividend on equity share	74	41
Tax on dividend	13	7
Transfer to general reserve	100	30

COMPANY'S PERFORMANCE

A significant growth in revenues and profitability were seen in the FY 2013-14. Turnover of the company showed an upward trend of 26%. As compared to last year the Pharmaceutical business showed positive growth of 28% due to higher off take by the customers. The Crop Protection business continued its upward trend and grew by 23%.

Despite a challenging global economic environment, EBITDA of the company increased by 8% to ₹2062 millions from ₹1907 millions.

The profit after tax has surged to ₹641 millions as against ₹255 million last year, an increase of 151%.

Finance costs for the year were higher by 13.5% at ₹680 million compared to ₹599 million in FY2013 on account of increase in interest cost. Finance cost for FY2014 also includes exchange loss on working capital borrowing of ₹132 million as against ₹76 million in FY2013.

Depreciation for FY2014 was higher at ₹550million compared to ₹491 million in FY2013 on account of increase in fixed assets of Pharmaceutical business.

Increase in tax expenses from ₹78 million in FY2013 to ₹342 million in FY2014 was mainly on account of full absorption of carry forward losses and deferred tax.

Total debt as on March 31, 2014 was ₹4704 million compared to ₹4799 million as on March 31, 2013. Debt/Equity ratio was 0.93 as on March 31, 2014 compared to 1.03 as on March 31, 2013.

During the year, gross fixed assets increased by ₹388 million mainly on account of increase in capital assets in Pharmaceutical business and capitalization of exchange loss on long term capital borrowing.

Despite the challenging economic environment, the company has performed well and based on the results, the Board recommended a dividend of 45%.

2. EXPORTS

Exports for the year increased to ₹7,057 millions (85% of total sales) from ₹5,568 millions (84% of total sales) in the previous year; an increase of 27% versus the last fiscal year. This is due to the new customers added in overseas geographies.

3. MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis on the operations of the company is provided in a separate section and forms a part of the report.

4. DIVIDEND

The Board had recommended an interim dividend of 20% (previous year: nil) and a final dividend of 45% including the interim dividend for the year (previous year: 25%)

5. RECOGNITION

Panoli Industries Association has recognized the company's persistent efforts for tree plantation to increase the green cover in Panoli, Gujarat.

6. SUBSIDIARY ACCOUNTS

In terms of the General Circular No. 2/2011 dated February 8, 2011 read together with General Circular No. 3/2011 dated February 21, 2011, issued by the Government of India – Ministry of Corporate Affairs under section 212 (8) of the Companies Act, 1956, granting exemption to companies from attaching financial statements of subsidiaries, subject to fulfilment of conditions stated in the circular, copies of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and Auditors Report of the subsidiary companies viz., Hikal International B.V. and Acoris Research Limited for the year ended March 31, 2014 have not been attached to the Balance Sheet of the Company. The company will make available these documents / details upon request made by any shareholder of the company interested in obtaining the same and the same can also be inspected at the Registered Office of the company as well as of the subsidiaries. Pursuant to the above circular, a statement of the summarized financials of all the subsidiaries is attached along with the Consolidated Financial Statements. Pursuant to Accounting Standard (AS) – 21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the company includes the financial information of its subsidiaries.

7. DIRECTORS

Mr. Prakash Mehta, Mr. K.K. Unni and Mr. Amit Kalyani, Directors on Board, retire by rotation and being eligible, offer themselves for re-appointment.

Dr. Axel Kleemann has been appointed as an additional Director of the Company w.e.f. May 6, 2014. The shareholder's approval will be sought in the forthcoming Annual General Meeting.

8. DIRECTOR'S RESPONSIBILITY STATEMENT

In accordance with Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that:

i. In the preparation of the annual accounts, the applicable accounting standards have been followed.

ii. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended March 31, 2014 and of the profit of the company for that year.

iii. Proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

iv. The annual accounts have been prepared on a going concern basis.

9. AUDITOR

You are requested to appoint the auditors for the current year and fix their remuneration.

10. COST AUDIT

The company has re-appointed Prof. V.J. Talati of V.J. Talati & Co., as the Cost Auditor to carry out the audit of Cost Accounts for the financial year 2013-14. The Cost Audit report for the financial year 2012-13 was filed with Ministry of Corporate Affairs, Government of India on September 27, 2013 by the cost auditors.

11. PUBLIC DEPOSITS

The company has not accepted any deposits and as such there are no overdue deposits outstanding as on March 31, 2014.

12. LISTING FEES

The company has paid requisite annual listing fees to Bombay Stock Exchange and National Stock Exchange where its securities are listed.

13. EMPLOYEES

The company considers its human capital as an invaluable asset. The company continued to have cordial relationships with all its employees. Management and employee development programs and exercises were conducted at all sites. Employees had various team building exercises and were sponsored for various external seminars and other developmental programs to enhance their skill sets. The total workforce of the company stood at 1101 as on March 31, 2014.

As required by the provisions of the section 217 (2A) of the Companies Act, 1956, read with companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees form part of the Directors' Report. However, as per the provisions of the Sec. 219 (1) (b) (iv) of the Companies Act, 1956, the report and accounts are being sent to all shareholders of the company excluding the aforesaid information, any shareholders interested in obtaining such particulars may write to the Company Secretary at the corporate office of the company.

14. CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In accordance with the requirements of Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, a statement showing particulars with respect to conservation of energy, technology absorption and foreign earnings and outgo forming part of the Directors' Report, is given in the enclosed annexure which forms part of this report.

15. SAFETY & ENVIRONMENT

The company continued to maintain the highest standards of safety and environment control. The company has become the first Indian life sciences company to receive the Responsible Care certification. It is applicable to all manufacturing and research sites of the company. Continuous training and awareness programs for the employees are undertaken on a frequent basis.

16. CORPORATE GOVERNANCE

A report on the Corporate Governance Code along with a certificate from the Auditors of the company regarding the compliance of the code of Corporate Governance as also the Management Discussion and Analysis Report as stipulated under clause 149 of the Listing Agreements are annexed to this Report.

17. ACKNOWLEDGMENTS

The Board of Directors place on record their appreciation of the contribution and sincere support extended to the company by our bankers, financial institutions and valued customers and suppliers.

The Board also places on record its appreciation for the impeccable service and generous efforts rendered by its employees at all levels, across the board towards the overall growth and success of the company.

For and on behalf of the Board of Directors

Place: Mumbai
Date: May 6, 2014

Jai Hiremath
Chairman & Managing Director

INFORMATION AS PER SECTION 217 (1) (e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2014.

I. CONSERVATION OF ENERGY

Energy conservation is integral part of Hikal's sustainable business growth strategy. Hikal undertakes various measures to implement energy conservation at all sites. The company is also embarking on a set of cleaner production initiatives at its facilities some of which are mentioned below:

(I) Replacement of furnace oil with biomass boilers which will result in large energy savings and reduce the harmful effects on the environment.

(ii) Cooling tower blow down has reduced the usage of raw water in vacuum pumps leading to significant conservation of raw water.

(iii) Vapor Absorption Chiller has replaced the Vapor Compression System to save electricity and improve efficiency.

FORM A

A **Power & Fuel Consumption**

		2013-14	2012-13
1. Electricity			
Purchased			
Unit (KWH in thousands)		61,934	54,891
Total amount (₹ in Mio)		416.42	391.36
Rate / KWH (₹)		6.72	7.13
2. Furnace oil			
Quantity (K. Ltrs.)		9,284	10,999
Total Cost (₹ in Mio)		403.43	426.41
Average rate / Ltrs. (₹)		43.45	38.77
3. Briquette			
Quantity (Kg. Thousands.)		8,651.16	-
Total Cost (₹ in Mio)		47.28	-
Rate / Kg (₹)		5.47	-
4. Others			
LSHS / LDO / GAS / HSD			
Quantity (K. Ltrs.)		1,869	1,549
Total Cost (₹ in Mio)		73.15	50.92
Rate / Ltrs. (₹)		39.15	32.87
B. Consumption per unit of Production			
Product Unit (Intermediate for Crop protection and Pharmaceuticals)			
Electricity	KWH	10.87	12.60
Furnace oil	Ltrs.	1.63	2.53
Briquette	Kgs.	1.52	-
LSHS / LDO /GAS	Ltrs.	0.33	0.36

II. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

a. The demerger of Acoris and Hikal R&D, resulting into a R&D division is fully operational now. The R&D division is a profit center along with the Pharmaceuticals and Crop Protection division. At the same time the division also provides development support to the manufacturing divisions. Laboratory resources are concentrated in Pune with the pilot plant operations in Taloja and Bengaluru catering to both divisions respectively. In the current market situation there is a constant pressure on margins for existing Hikal products in both Pharmaceuticals and Crop Protection. As part of the R&D reorganization, while concentrating the main development facility in Pune, we have strengthened the site based R&D teams that work closely with colleagues in production to make continuous improvements in existing products.

1. Generic API development

As a contract manufacturer of APIs, it is important that our developments are not only non-infringing but also include novel process technology which can be converted into economic advantage. During the year we successfully validated two novel enzymic routes to target APIs that demonstrate both economic and environmental benefits. Three Indian and two PCT international patents have been filed.

1. Contract manufacturing projects for Pharmaceuticals division

   A major focus of our R&D effort is to support contract manufacturing opportunities for originator companies either for new molecules in development or as life cycle extensions of existing products. Further progress has been made with a major European originator company to expand the range of production opportunities for APIs and intermediate for certain mature products. Our contract research is working with companies in North America, Europe, and Japan for novel APIs and intermediates in development that could form the basis of very significant future manufacturing opportunities.

2. Contract manufacturing projects for Crop Protection division

   Several significant contract manufacturing opportunities for originator companies in North America, Europe, and Japan have been evaluated in the current year. These range from technical transfer of existing commercial products to the development of new products in late stage development.

3. Contact development for external customers

   The contract development activity has been re-focused to concentrate on process development only and no longer to provide a service for early stage discovery support. As such, all projects now represent potential future manufacturing opportunities.

b. **Future plans**

Hikal's R&D activities have a clear focus to build a sustainable portfolio of products to create opportunities for the manufacturing facilities across both divisions.

1) During the current year the target will be to file four to five DMFs for products already in the generic market or shortly to lose patent protection

2) We are working with few of the major animal health companies and we currently have a number of intermediates and APIs in late stage development. Validation trials are expected to be completed for two of these products in the coming year

3) Our crop protection pilot plant in Taloja has completed scale up trial for two AIs in the current year and a program for development of a further five new products is ongoing and will be complete in the coming year. Since development timeline are faster in crop protection significant sales opportunities should be realized within the next two years from this activity.

4) We have also started our first projects in the flavors and fragrance sector which can provide manufacturing opportunities for high value products without stringent regulatory requirements which is a pre-requisite for Pharmaceuticals and Crop Protection divisions.

₹ in Millions

	2013-14	2012-13
c. **Expenditure on R & D**		
i) Capital	11.06	18.92
ii) Recurring	299.60	299.55
Total	310.66	318.47
iii) Total R&D expenditure as a percentage of total turnover	3.75%	4.28%

III. FOREIGN EXCHANGE EARNINGS & OUTGO

Total foreign exchange used and earned:

Used : ₹**2,536** Millions (Previous year ₹2,129 Millions)

Earned : ₹**7,057** Millions (Previous year ₹5,568 Millions)

For and on behalf of the Board of Directors

Place: Mumbai
Date : May 6, 2014

Jai Hiremath
Chairman & Managing Director

Management Discussion & Analysis Report

Industry Overview, Opportunity and Outlook

PHARMACEUTICALS

I. Industry overview

The global pharmaceuticals sector has exhibited resilience and innovation despite escalating regulatory scrutiny in emerging as well as developed markets. In financial year 2013-14, the prominent trends included, continued acute pressure on pricing, changing healthcare landscape due to expiring patents, generics competition and increased penetration of specialty drugs[1]. IMS projects that the global pharmaceuticals market will reach USD 1.235 trillion by 2017 and as per the analysis United States will hold premier position with 31% market share by 2013 while India, Brazil and Russia collectively will hold 8% of the market share (Figure 1). Asia and Latin America will witness a compounded annual growth between 1.7-4.7% and 10-13% respectively. North America and Europe will see recovery in the CAGR through 2012-2017 (Table 1). In 2013, pharmerging countries accounted for 50% of the small-molecule generic drug market, and this is expected to increase to 57% by 2017[2].

Figure 1:Global Pharmaceuticals Regional Market Share Forecast 2017[3]

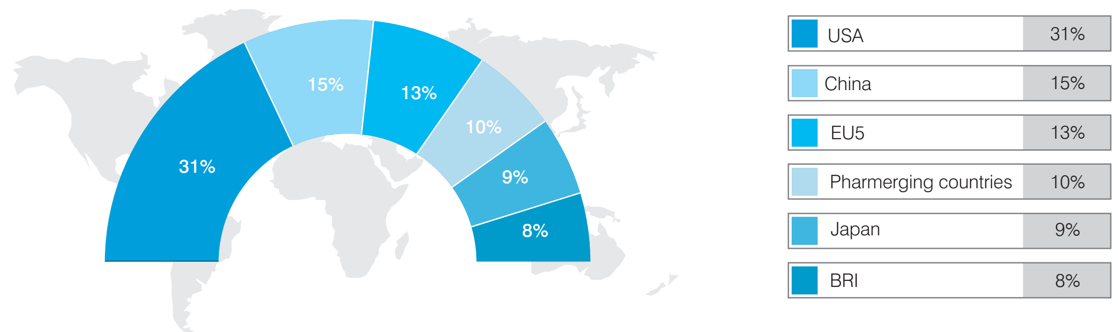


Table 1: Total unaudited and audited global pharmaceutical market by region[4]

Total audited and unaudited global market	2012 Mkt Size **Const. US$	2012 % Growth **Const. US$	2013 Forecast % **Const. US$	2012-2017 CAGR % **Const. US$
Global	**959**	**2.4%**	**3.3%**	**5.3%**
North America	349	-1.0%	-2.7% - 0.3%	0.7 – 3.7%
Europe (EU + non-EU)	224.3	-0.8%	-1.8% - 1.2%	-0.4% - 2.6%
Asia (including Indian sub-continent, Africa & Australia)	168.1	12.8%	11.4 – 14.4%	11.4 - 14.4%
Japan	110.5	0%	2.8 – 5.8%	1.7 – 4.7%
Latin America	68.6	10.9%	9 – 12%	10-13%

It is further expected that there will be an increasing divide between spending in primary care which will be largely generic and specialist care, focusing on newer medicines on the product development and commercialization side. The annual spending growth in the developed markets will bounce back to USD 20-25 billion by 2017 despite slow economic recovery in European Union, America and Japan. The U.S will resume upward trend in spending in 2014 due to expansion of healthcare access and lower levels of patent expiry levels. The growth in pharmerging countries will be unprecedented to USD 30-52 billion in 2017 primarily because of increased access to medicines and better supporting infrastructure and health systems[5].

Overall a positive trend in growth and development of the global pharmaceuticals market will fuel growth prospects for Hikal and enable the company to charter newer upcoming territories.

II. Operational Performance

Pharmaceuticals division grew by 28% in turnover. The growth was primarily driven by an increased off-take in volumes of key contract manufactured APIs and intermediates. Additionally newer molecules launched during the year contributed to the growth.

[1] 2013, Deloitte, "2014Global Life sciences outlook" and 2014, Patrick Van Arnum, "IMS Offers a Subdued Outlook for the Global Pharmaceutical Industry at DCAT Week '14."

[2] 2013, IMS Institute for Healthcare Informatics, "IMS Market Prognosis"

[3] IMS Health care Informatics defines Pharmerging countries as: Algeria, Argentina, Colombia, Egypt, Indonesia, Mexico, Nigeria, Pakistan, Poland, Romania, Saudi Arabia, South Africa, Thailand, Turkey, Ukraine, Venezuela and Vietnam; BRI as Brazil, Russia and India and EU5 includes France, Germany, Italy, Spain and the United Kingdom.

*[4] Note: Forecasts are from IMS Market Prognosis 2013-2017 which provides a view of the audited and unaudited market, using audited sales and adjusting for unaudited sales. The forecast is based on the June 2013 Market Prognosis release. ** Constant $ uses Q4 12 average exchange rates (Q1 13 rates for Egypt, Saudi Arabia, UAE and Venezuela).*

[5] 2013, IMS Institute for Healthcare Informatics, "The Global Use of Medicines: outlook through 2017."

Capitalizing on new and existing opportunities

During the year, several new opportunities for contract manufacturing of commercial intermediates and APIs were identified. These new opportunities are expected to fructify in the coming years as they are in various stages of development and semi-commercialization. Increased business development efforts have been made with new as well as existing customers for new products. A new system has been established to proactively identify new opportunities for life cycle extension for innovator companies. This has enabled the company to offer right value proposition as the products of innovator companies move towards patent expiry.

New innovator and biotech customers for early stage molecules have been added for contract development. Projects with these companies are in various stages of clinical trials where some of the clinical development quantities have been supplied by Hikal. While the process for approval of the molecules is lengthy and uncertain, we continue to diversify our future product pipeline with additional products and clients.

Our long-term contract manufacturing agreement with a European innovator clients to commercially manufacture molecules gained further momentum last year. The molecules have been performing well in the market backed by a strong cost position offered by us. As indicated by our clients, the molecule is expected to grow further. We are also in dialogue with our clients on several other projects which have been evaluated by us for commercial manufacturing.

The specialized product we manufacture for a USA-based food ingredient clients continues to do well. Several approvals are expected in 2014-15 for new clients using the product manufactured at our facilities. A dedicated manufacturing line has been commissioned for this product and volumes are expected to grow in the near future.

Our business in Japan is also gaining traction with several contract manufacturing opportunities in discussion for intermediates and advanced intermediates. Several products that have come through R&D have also progressed to the semi-commercial stage. We expect this commercial manufacturing business to expand over the next few years in Japan as we have an established track record of meeting quality requirements in Japan.

Going strong on APIs

During the year, new APIs have been identified for development. Our R&D has initiated several new projects for internal development and these products will be commercialized as the products go off-patent. We have plans to file 4-6 DMFs per year to build a healthy pipeline of commercial APIs on an annual basis. The products we have selected are a combination of our clients' interest and niche molecules where we have a distinct technology advantage to gain a considerable market share given our strength in challenging chemistries and backward integration.

Several of our generic products used in life cycle extension for innovator and generic clients have been facing cost pressures. However, we have regained our market share as compared to the previous year for our key APIs and pricing pressures in the final market place will have a limited impact on margins going forward. In order to compensate the margin pressure in the near future, we have successfully been able to increase the volumes of our exclusive contract manufacturing clients for their molecules.

Various projects were undertaken in the year for debottlenecking capacity in two of our API blocks in Jigani, Bangalore. The capacity can be further debottlenecked in these blocks when the clients requirements for these products increase. The capacity also had to be expanded for some key starting raw materials being manufactured at Panoli, our advanced intermediate site.

Several cost improvement projects were undertaken at the pharmaceutical manufacturing sites to bring in a favorable value proposition for our clients. These are some of our legacy life cycle extension products which enjoy a large market share, however, are under pricing pressure as clients become more competitive in the marketplace. We have successfully been able to support our clients' requirements through our initiatives to share cost benefits owing to improvements of the processes and process innovation.

As part of our sustainable development initiatives which are ongoing in the company, we are in the process of installing a large bio-mass boiler and setting up a co-generation plant at our Bangalore facility. As power is one of the major costs in this capital intensive business, our effort to use renewable energy as a source for steam and power will substantially reduce the costs and mitigate the risk of interrupted power supplies. This is an important initiative to reduce our carbon footprint which in turn is well received by our clients and a differentiating factor for us as a preferred global supplier.

We are also evaluating expansion plans at our Panoli facility which would de-risk our Bangalore site for the manufacture of final APIs. Our strategy to have a two-site production base would be beneficial to our clients as it would offer them flexibility to cater to increased volumes.

III. Regulatory Focus

The current regulatory environment in India has been in the spotlight especially in the last twelve months. Global regulatory bodies such as the USFDA and the European Medicines Agency have focused their attention on emerging markets; compelling companies to strictly adhere to the prescribed standards as set forth by these agencies. The company strictly adheres to the regulatory guidelines for all its pharmaceutical products. In the current environment, adherence to these regulations is of utmost importance to our clients and is a criteria for picking a preferred supplier to do business with. We believe our track record on compliance and regulatory issues will enable us to increase our business with our existing clients and also bring on board new clients.

This year our facilities in Panoli and Bengaluru were successfully inspected by FAHMP, Belgium for EU GMP & CEP compliance. We were also successfully inspected by EDQM, France as part of the European Union's good manufacturing compliance procedures. We have also received written confirmation for active substances exported to the EU for medicinal products for humans after a successful audit from CDSCO, India.

IV. Our Strategy and Future Outlook

We have redefined our strategy to be a leading provider of contract development and commercial manufacturing services (CDMO) to the global pharmaceutical industry with a focus on drug products.

We have the right ingredients to offer a breadth of services with a focus on drug products and APIs with a wide range of technologies. We are able to offer comprehensive end-to-end solutions to a broad spectrum of companies ranging from large pharmaceutical and biotech companies to specialty pharmaceutical companies, generics and emerging pharmaceutical companies. We are aligning ourselves with our clients' longer-term strategies to offer real competitive advantages on competence, quality and cost.

Our redefined strategy will yield results in the near future as we target new clients as well as new geographies. We are continuously feeding our pipeline with new enquiries and projects to ensure that the revenue and profitability targets are met.

CROP PROTECTION

I. Industry overview, opportunity and outlook

The global crop protection market continued the growth trajectory that started in 2010. The market is estimated to have grown by 9.4% to reach USD 54.2 million during 2013. As you can see from Table 2, the market is trending positively for crop protection products globally. The upward trend is expected to continue in the next few years[6].

Tabel 2: Total Crop protection market growth 2008 - 2013

	2008	2009	2010	2011	2012	2013
World Crop Protection market ($m.)	43,187	40,147	41,291	46,539	49,549	54,208
Nominal change on previous year (%)	+20.3	-7.0	+2.8	+12.7	+6.5	+9.4
Real change on previous year (%)	+10.2	-1.5	+0.2	+7.1	+8.9	+9.9

Some of the key factors that impacted the global crop market performance in 2013 were strong crop prices in the first half of the year, bio-fuel demand reaching a plateau in the United States, strengthening glyphosate prices along with strong farm economies in the Americas, Europe and Asia. On breaking down growth geographically, following were the key drivers for 2013 -

- Latin America – Brazil was driven by rising crop prices and a weaker currency coupled with a continued uptake of genetically modified crops throughout the region.
- Europe – Favorable wheat prices leading to an expansion in planted areas and an improving economic situation.
- Americas – High corn and soybean prices in the first half of the year with a dry and hot summer in the south and the west.
- Asia – Continued sustained demand from some developing economies and an increased uptake in genetically modified crops in China and India.

All the above factors led to an increase in the off-take of products that Hikal manufactures for its global clientele across geographies. Overall, an increase in the crop commodity prices led to a buoyant market. Increased demand for grain and use of crop for bio-fuel led to decreased stocks globally and in turn this has led to a spike in many crop commodities.

Globally, the rising demand for food triggered by rapidly growing and aging population, regulatory pressures and the increasing complexity of agricultural products is driving many firms to outsource production of crop protection ingredients and early-phase products. The Crop Protection Industry has gone through a phase of consolidation in the last 20 years. In the past few years we have seen more investment into new active ingredients across our global customer's portfolios. While our clients focus on developing new generation molecules, they prefer to outsource the complex manufacturing and in several cases the development of the processes to Hikal.

II. Operational Performance

Business was successful in the Crop Protection division in 2013. There was an increase in sales by 23% to ₹3,537 million. Significant growth in sales was primarily due to increased volumes across all regions.

Thiabendazole which is a legacy product for the company grew in terms of volume which added to the revenue growth of the division. Increased sales penetration by our customers led to the increased volumes and revenues in this product. The product is versatile and used in crop protection, to control mold and other diseases in fruits and vegetables caused due to fungi, as an anti-parasitic to control roundworms and in materials protection.

Another product that we currently manufacture exclusively for an innovator clients was steady in terms of volume growth

[6] *2013, Phillips McDougall – AgriService, Industry Overview*

for the year. This product is used on grapes, potatoes, tobacco and vegetables. The wide use of this product would help the molecule to grow over several years.

The new generation on-patent product that we exclusively contract manufacture for a global innovator clients gained considerable volumes in 2013. The product has been receiving additional market approvals after a delay in some Asian markets, giving rise to increased volumes. This fungicide is used on vegetables, potatoes and other specialty crops.

A key advanced intermediate for an on-patent product was fully commercialized in 2013 and volumes are expected to grow in the years to come as registrations come through for countries around the world.

We successfully scaled up and provided commercial quantities of a product for an innovator Japanese client. Pilot Plant quantities were successfully completed for an additional product that is under patent. We are scheduled to manufacture the commercial quantities for the launch in the upcoming financial year.

We have successfully completed the lab trials of an Intermediate for an innovator client's blockbuster product. We are in the final stages to manufacture pilot plant batches which will determine the success of the project for the company. This is a large volume on-patent product which would require dedicated facilities given the size and complexity of the molecule. We also completed a validation for a large US multinational company for an intermediate on the semi-commercial scale. We are positive that the successful completion should lead to additional projects for a new client in the future.

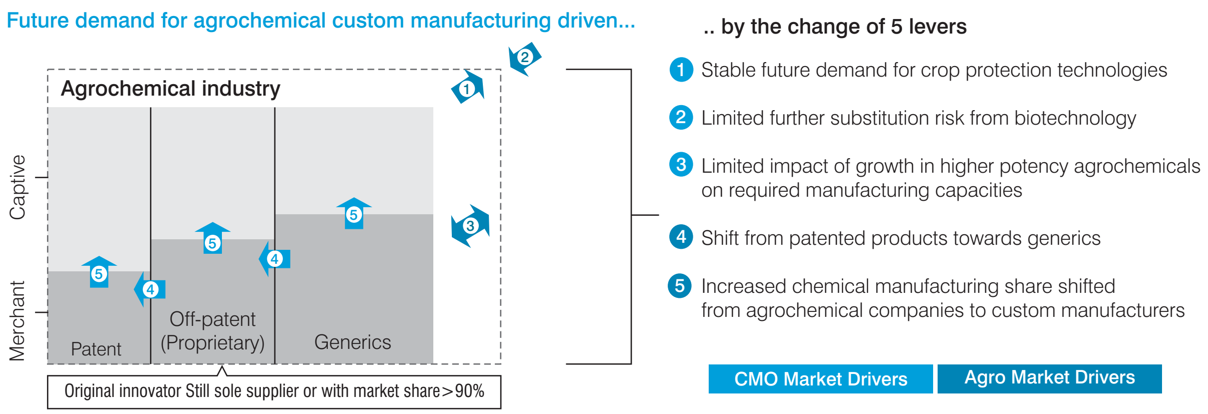
Several projects have been completed on the development and pilot plant level this year. The clients include Japanese, European and mid-size specialty chemical companies. The products range from Advanced Intermediates to final Actives and are Herbicides, Fungicides and Insecticides. While we plant the seeds for future growth on the business development and marketing side, the growth in agriculture is robust over the next few years which will result in an upward momentum for the crop protection division.

Several products are manufactured annually or biennially on a campaign basis. These are legacy products and we are one of the very few competitive suppliers. While these products are lower in terms of volume and revenues, we manufacture them for clients who depend on our high quality and regulatory standards. As part of our services that provide solutions for clients, our clients in turn prefer us when reviewing new projects for outsourcing.

III. Strategy and Future Outlook

We have redefined our strategy for the Crop Protection division as well. Our focus has been on diversifying the products and clients. We have been able to accomplish this task by adding new technologies on the commercial scale to our existing capabilities and focusing on efficient manufacturing. We have streamlined some of our large manufacturing facilities by debottlenecking our plants to increase capacity and throughput while improving existing processes through the support of our R&D.

Figure 2: The future of Custom Manufacturing looks positive as Innovators look to outsource more products on patent. Overall the entire market is poised for growth[7]

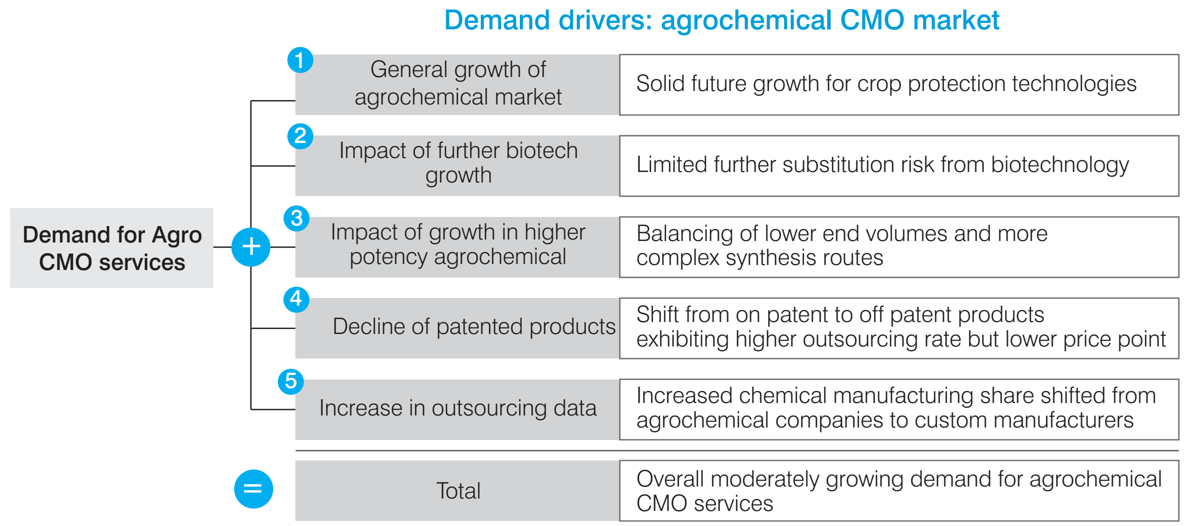


Our strategy is to target existing clients for additional molecules in their portfolio and select few new clients based on chemistries we execute on a commercial scale and technologies we have developed in-house. Our clients have traditionally included the large innovators based in Europe. Over the past three years, our client profile has been extended to include the US and the Japanese market where we have successfully completed several pilot and semi-commercial projects.

[7]*BCG Analysis*

Our Crop Protection revenues are derived from contract and custom manufacturing products for global innovator and mid-size chemical and agrochemical companies in Europe and Asia. Currently, the market for outsourcing crop protection products is estimated to be around USD 2.7 billion. The market for custom and contract manufacturing is expanding at a reasonable pace because of the growth of the industry in general and an increasing trend for key market players to outsource production of active ingredients and early phase products. While there are a fair number of potential suppliers, the opportunity in this space is large for Hikal because of the broad technological expertise and other competitive advantages such as being backward integrated and having an established track record combined with strong regulatory and quality characteristics.

Figure 3: Demand drivers for agrochemical CMO Market[8]



As one can see from Figure 3, there are various demand drivers for the Contract and Custom Manufacturing services in the Crop Protection industry. The future of the Crop Protection market for the next few years is on a positive track. These macro factors combined with the indications from our clients will have a positive impact on the revenues of the company going forward for the division.

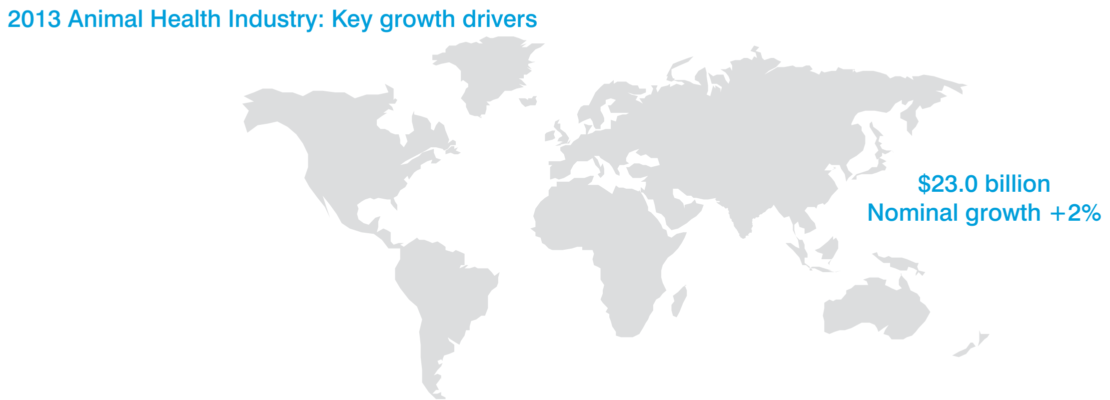
ANIMAL HEALTH

Hikal has been a key supplier of active ingredients to the Animal Health market for several years. Animal Health business is fast gaining momentum as the company focuses on positioning itself as a key player. Over the past two years, we have actively been pursuing opportunities that will lead to a commercial success.

I. Industry Overview

The Animal Health market includes pharmaceuticals, vaccines and medicinal feed additives. Pharmaceuticals contribute significantly to the health and well-being of food-producing and companion animals[9]. The animal medicines and vaccines sector is estimated to represent a global market of USD 23 billion growing at a nominal rate of 2% (Figure 4). Between 2011 and 2016, the animal medicines and vaccines sector is projected to grow at a compounded annual growth rate of 5.7% per year[10].

Figure 4: Global Animal Health Industry: Key growth drivers



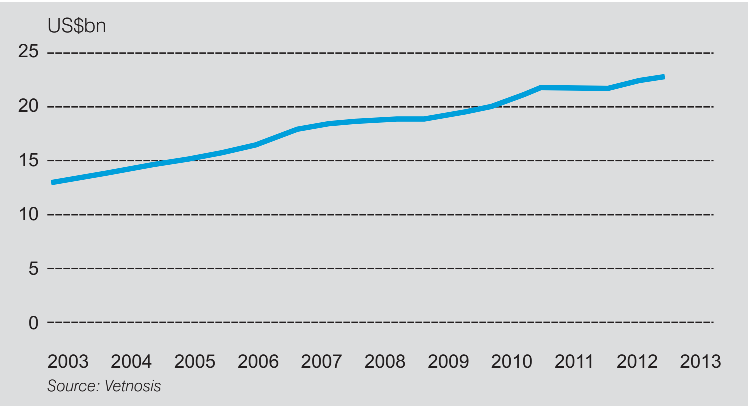
[8]*BCG Analysis*
[9]*Note: Food producing animals are the species that provide animal protein including cattle (both beef and dairy), swine, poultry, sheep and fish, whereas companion animals are the animals that are kept by people for companionship, protection and enjoyment such as dogs, cats, and horses among others.*
[10]*2013, Vetnosis Research*

Economic development and the corresponding increase in the disposable income, particularly in the emerging markets of India, China, Indonesia, Thailand, Malaysia, and Taiwan; increasing pet ownership, rising demand for improved nutrition, mainly animal protein, intensifying consumer focus on food safety and the escalating need for greater livestock production efficiency are among the major factors driving the animal health market. The market is projected to become more specialized due to economic, social and demographic trends.

Figure 5: Growth of the Animal Heath Market[11]

Global Animal Heath Market Evolution

Global Animal Heath Market (ex-manufacturer net sales in nominal US terms)



The global Animal Health market is consolidated with top eight players controlling majority share of the market. Zoetis, Merck, and Merial are the leading players in the Animal Health market. Other key players in the market include Ceva, Eli Lilly (Elanco), Bayer, Boehringer, Vétoquinol, Novartis and Virbac.

II. Operational Performance : Our Animal Health API, which is exclusively contract manufactured for a leading US innovator company has grown in terms of volume. Our clients has focused their efforts on marketing this product more effectively in newer geographies. We believe that the forecast for the product will grow over the next few years and lead to additional opportunities in this space.

On the Research and Development front, we have made significant progress in the Animal Health space. We have completed the kilo lab trials of a product which we expect to validate in the next financial year. An alternative economical route was developed for an additional product for the same US company.

We have completed the pilot trials of another Animal Health product for a leading Japanese company.

We are working on several molecules for one of the largest Animal Health companies globally. Several of these products have gone through R&D where lab work is in process of completion and awaiting scale up to the semi-commercial stages. These products are a mix of molecules coming off- patent and new generation molecules ready for launch in the upcoming years. For some of the new molecules, the future might be uncertain. However, given the mix of products and customers in various geographies, our risk mitigation strategy will yield dividend in the years to come.

Some of our existing commercial crop protection products are used in the Animal Health industry as feed additives or in combination products. We are continuously exploring opportunities to market these products for additional revenues and margins.

III Strategy and Future outlook

Hikal is in a key position to cater to the Animal Health market. A vast majority of Animal Health products are legacy crop protection molecules that are manufactured in a pharmaceutical environment. Given our two divisions, Crop Protection and Pharmaceuticals, and the flexibility of our facilities we are suited to provide value added services to this fast growing niche market. From an investment perspective, our facilities can cater to most of the incremental demand without further significant investment.

Our expertise in chemical development and manufacturing positions us to exploit opportunities in this market. Our flexible manufacturing facilities can cater to small and medium size molecules which make up the bulk of the animal health business. Our strong regulatory and compliance track record makes us a preferred partner to provide solutions for the market.

Our current Animal Health revenues are recorded as part of the division under which the product is manufactured. Our future strategy is to build a scalable independent Animal Health division which can ultimately facilitate its own operations. We believe the future opportunities in this niche segment are well suited for a company with our business model. Our efforts on pushing the Animal Health business are starting to pay off with a promising pipeline for commercial products in the near future.

RESEARCH & DEVELOPMENT

Innovation is key to future success of the companies in the chemical industry. R&D is critical for both new product development as well incremental improvements in processes. Our research and development activities are responsible for the products that we manufacture and sell in the marketplace today. We invest heavily in research and development as we believe it is critical to our long-term competitiveness and is the back bone of our growth. Our crop protection research is focused on herbicides, fungicides and insecticides. Our pharmaceutical research focuses on the central nervous system and related diseases and diabetes and we are selectively pursuing promising leads in other therapeutic areas.

At Hikal, we have made conscious efforts to streamline our R&D efforts to add more value to our core strategy.

I. Operational Performance

Reorganization

We have made some significant changes to the structure of our Research and Development division in 2013. As part of our refocused strategy, we have decided to consolidate our R&D center in one location. We started the process of moving all personnel related to and performing R&D services at our Bangalore facility to our state-of-the-art facility located in the International Biotech Park in Pune. There were several reasons for this move. Over the last few years, our Pune facility took care of development of new molecules for crop protection and contract research business. Our generic pharmaceutical portfolio and process improvement for existing products was carried out in our Bangalore facility. While this had worked in the past, the scale and complexity of inquiries required us to house all our activities in one location for smoother transition to the different locations and the exchange of ideas in one location ensuring smooth communication. The Research & Development resources are now located at Pune and provide following services:

- Crop Protection & Specialty Chemicals
- Animal Health
- Pharmaceuticals (Contract & Custom Manufacturing)
- Generics Development

There will be multiple benefits from this reorganization. Project management will be seamless as it will be handled out of one site. Our R&D resources will be able to communicate more effectively on new technologies, problem solving and handling clients inquiries more effectively. There will also be financial benefits by operating a single site as opposed to replicating similar resources on two different sites.

Operations

Our focus earlier has been on contract research enquiries for the discovery phase and early development phase I and II. In such enquiries, our scientists work to identify safe, effective and economical manufacturing processes.

We now support our clients through Phase III where the molecules have already demonstrated safety and shown initial evidence of efficacy. As a result, these molecules generally have a higher likelihood of success through to the submission phase where the strength and complexity of the data is presented on the novelty of the target or compound and the regulatory agencies evaluate the submission. While there is no guarantee that a potential medicine will receive marketing approval, the chances of success are much greater for commercial manufacture at this stage. The company has several projects in various stages of the lifecycle under evaluation. These projects are client based and hence confidential in nature.

In terms of technology, we have developed sustainable processes for several molecules using enzyme technology. We have validated two 'green' enzymic process technologies for major API products. We expect to complete trials in the coming year using this novel technology to further the chances of successful commercial manufacture.

Our focus has shifted towards deploying R&D resources towards building the internal pipeline of the company. We have developed several processes for innovator molecules for the Crop Protection, Animal Health and Pharmaceutical businesses.

We continue to generate revenues from R&D through our contract research projects. However, these are now limited to projects with commercial viability for manufacturing. We have invested in a new pilot and launch plant for small and medium size products that will be functional this year in Bangalore. This plant would increase the delivery of semi commercial and commercial quantities being delivered out of the R&D in Pune. This plant would also serve as a launch facility for certain products catering to the animal health industry. As a company, we will have a total of three multipurpose pilot plants to support the increased pipeline coming from R&D. This should fast-track the progress of some of the projects that were stalled due to lack of small scale capacity. We filed three patents for novel routes to APIs this year. In addition, we have several significant Phase I and Phase II projects in the development pipeline. There are several animal health projects in the pipeline and we have been selected to manufacture a key starting material for a new animal health API. As part of diversification strategy of products, we have a first manufacturing potential for a project in the flavor and fragrance sector.

II. Strategy and Future Outlook

The core focus of our R&D for the Crop Protection segment is to identify and develop innovative, safe and sustainable processes for products used in agriculture such as insecticides, fungicides, herbicides or seed treatments. In Pharmaceuticals, our long-term competitive success depends on developing innovative, cost-effective processes for human and animal health products that deliver value to customers, along with our ability to continuously improve the productivity of our operations in a highly competitive environment.

Innovating through technology and building a robust pipeline of products will help us manage competition and risk of

[11] *2013, Vetnosis Research*

commercially unsuccessful products. Our innovation strategy is focused on identifying and developing new and promising technologies for potential products using internal resources. We continue to cross leverage chemistries from the Crop Protection, Animal Health and Pharmaceuticals divisions to develop more efficient and sustainable processes for our products. We believe that commercial success of a product manufactured at Hikal will be a combination of various factors, the most important being the initiatives undertaken at the research and development stage. Hence there is a continued focus and support of the company to our scientific activities.

Our initiatives and focus combined with the reorganization of R&D will have a significant positive impact on the future pipeline and growth opportunities for the company. Our primary goal in R&D is to develop innovative new processes that offer significant improvements over existing ones. We have built reasonable scale, resource and expertise along with smaller, more agile and accountable R&D groups that can provide sustainable solutions to our clients. We have come a long way and firmly believe that we will grow our knowledge, expertise and create intellectual property while delivering a reasonable return on our investment in R&D.

RISKS

The management of risk is an important factor contributing to the longer term success of our business. Managing risk at Hikal effectively is the key focus of the board and senior management. Together, we address the inherent macroeconomic and business risks while maintaining the focus of creating shareholder value, protecting the company's assets and keeping the focus on the fundamentals of quality, safety and sustainability.

On an operational level, the day to day management of risk rests within each business. Risks are classified into various categories for better management and control. We then assign a responsibility to each business to manage the risk effectively depending on the magnitude of their consequences and its impact on the organization.

Hikal has an in-depth process of identifying and managing risks in the different business segments and as a company, on the strategic level. Below are some of the major risks identified and some of the measures we take to mitigate them:

Clients and Product Concentration

Our business both in Crop Protection and Pharmaceuticals is based on long-term contracts with clients. A significant portion on this is transacted with few clients across different verticals. A reduction of forecast by our clients might affect the revenues of the division under which it falls. Over the past several years, we have diversified our client base where possible and increased new product penetration across various geographies to mitigate this risk.

Production and Quality Risk

The company is required to meet and maintain the global quality and regulatory standards in manufacturing and development. Any failure to ensure product quality throughout manufacturing processes resulting in non-compliance with good manufacturing practice (GMP) and regulations has a significant impact on our company. We have dedicated corporate quality personnel to ensure quality remains a top priority and that adherence to these standards is non-negotiable at every level of the organization. There is a continuous focus on initiatives to improve the quality standards on an ongoing basis.

Environment, Health and Safety and Sustainability

Hikal's efforts are focused on ethically managing the environment, health and safety and sustainability consistent with company objectives, policies and relevant laws and regulations under which it operates. Our dedicated team at each commercial and development site continuously monitors the parameters to ensure adherence to the highest international regulations.

Intellectual Property

In our business, protecting the Intellectual Property rights of our clients and ours is the fundamental basis on which we operate. As a policy, we do not infringe on any patents and failure to appropriately secure and protect Intellectual Property rights is detrimental to our business. We take adequate measures through technology and training to ensure that these principles are driven home to every employee from the very start of their career at the company.

Regulatory Risk

Hikal ensures that the regulatory and statutory approvals are in place for conducting business on a day to day basis so that operations may not be adversely effected. Any change in the laws or regulations made by the government or the related regulatory authorities can substantially increase the cost of operations and hamper the profitability severely. In the competitive environment in which we operate, changes in regulations may have adverse financial and business impact. We continue to monitor the regulations on an ongoing basis.

Crisis and Continuity Management

Any inability to recover and sustain critical operations following a disruption or to respond to a crisis incident in a timely manner is a key part of our crisis management. Internally, we have teams across the divisions who assess any inadvertent crisis and handle them in an efficient and clear cut manner. We are building our teams so as to ensure there is a flow of information and responsibility when it comes to continuity management.

Supply Chain Continuity

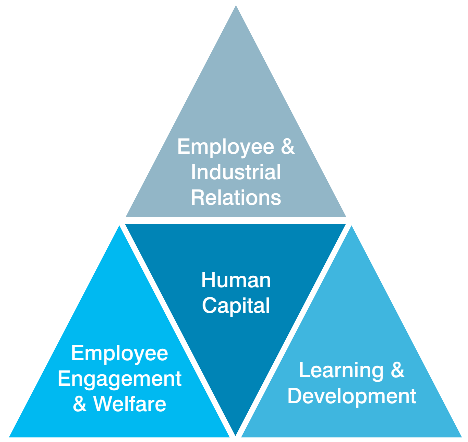
Most of the principal raw materials we use in our manufacturing operations are available from more than one source. In the event, one of these suppliers is unable to provide the materials or product, we generally have sufficient inventory to supply the market until an alternative source of supply can be implemented. However, in the event of an extended failure of a supplier, it is possible that we could experience an interruption in supply until we established new sources or, in some cases, implemented alternative processes. We continuously monitor our supply chain to ensure there is minimum downtime for our production facilities and our clients' needs are met in a continuous and efficient manner.

HUMAN CAPITAL

Hikal's entrepreneurial journey has been largely successful because of its long-term serving employees at plant sites as well as in the corporate office. Over 25 years, Hikal has carved a niche for itself as a preferred employer by garnering trust and loyalty of its employees. Today, Hikal has over 1100 professionals across the country belonging to diverse backgrounds. The human capital team along with the support of the senior management has immensely helped in the long and successful journey and facilitated necessary change and systems implementation.

Our human capital strategy is 3 pronged – Employee and Industrial Relations, Learning and Development and Employee Engagement & Welfare.

Financial year 2013-14 was a stable year with excellent growth in all our business divisions. The promising business environment has fueled hiring and retention programs at Hikal. In order to meet the needs of the growing investment projects, the recruitment for fresh, young professional talent has scaled up.



Growing Recruitment

During the year, company has been making consistent efforts to position itself to reach the milestone of ₹1000 crores in the near future. To facilitate such aggressive growth, we have focused on hiring younger and qualified talent at entry level. We have strengthened our recruitment process by considering talent from reputed institutions like the IIT, ISB, Maharashtra Institute of Technology, Bharati Vidyapeeth across Mumbai, Pune and Bengaluru. This talent pool at the bottom with well designed succession planning has helped to develop future leaders.

Enhancing Professional Competencies

Against the backdrop of sustained corporate policy and strategy, training & development has been made a continuous process for the development of employees. We continue to lay thrust on this activity for the year 2014-15 with increasing number of training hours per employee. Financial year 2013-14, learning & development initiatives in following areas were undertaken -

- Safety and Fire fighting at the induction level at the sites
- Soft skills training including conversational English to prepare the staff for several audits
- Team games to foster team work and behavioral change management
- Participation in unique development opportunities
- Enhancing employees' knowledge of the business and regulatory aspects through quizzes like cGMP quiz
- Classroom training on health awareness and safety

Performance Management Systems

Our endeavor to make the performance appraisal and management system more transparent and fair continued in financial year 2013-14. Further to strengthen the process, scientific methods of measuring performance and KRAs was adopted and for smooth execution and implementation, Performance Appraisal and Review Committee (PARC) was formed. Workshops were conducted for managers to undertake fair and transparent appraisals.

Employee Engagement Activities

Apart from propelling professional creativity and providing a conducive work environment, efforts were taken to provide a work environment that will enhance creativity and collaborate to achieve work-life balance. Various events like sports day, women's day and family day were organized to continue our efforts to create a family-like environment where employees can continually develop.

An initiative called the 'Employee Hour' was established to give employees a platform to have conversations with their respective site heads on various personal as well professional life issues. This has given an impetus to the sense of security amongst employees and contributed to low attrition rates at sites as well as at the corporate office.

Industrial Relations

Our technicians are valuable contributors to the productivity and key to the overall growth and goodwill of the company. We at Hikal understand the importance of our workmen and have attained near-zero attrition rate amongst the technician grade at all our locations.

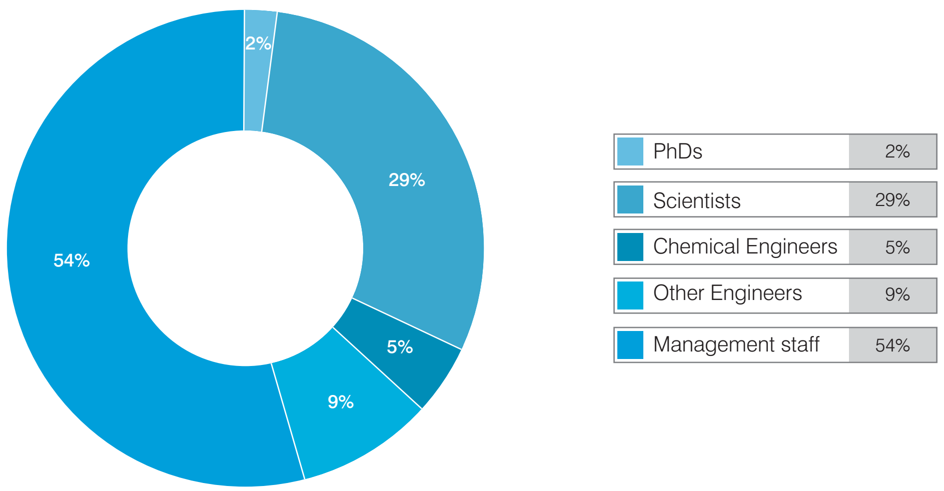
This loyalty is a result of mutual trust and amicable relationships between the management and its workforce. There has been practically no disruption of work or loss of productivity due to minor labour-management disagreements. Increments were given at par with industry standards.

Technicians have appropriate representation on all the employee welfare committees. They are involved in several programs in the EHS and Quality forums. They are encouraged to give their suggestions for cost saving and productivity enhancement initiatives. The industrial relations team at the corporate level as well as at the sites has enhanced discipline and encouraged exchange of ideas. Workmen actively participate in sports and EHS competitions and winners are rewarded appropriately. Workmen are encouraged to acquire higher qualifications and get upgraded to staff category. Several of them have already been upgraded under this arrangement in 2013-14.

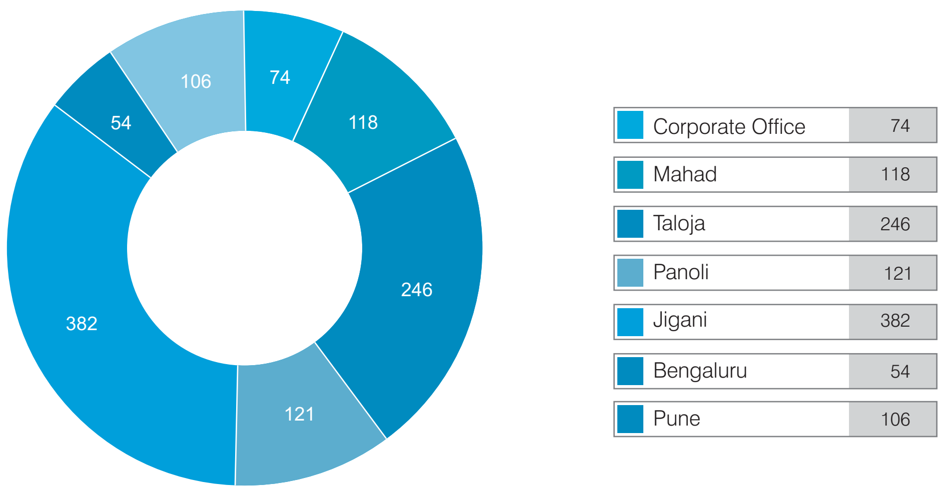
Some of the welfare measures undertaken for workmen in 2013-14 included -

- Soft loans were given for higher education, medical emergencies, marriage, vehicle and housing
- Provision of medical insurance coverage and personal accident policy
- Provision of personal protective equipment, uniform, monsoon protection
- Provision of food subsidies, free transport and allowances like medical and education

Intellectual Capital



Employee Strength



Report on Corporate Governance : 2014

The Company has complied with the provisions of clause No. 49 of the listing agreement with the stock exchanges relating to Corporate Governance. The Company has constituted various committees and discloses various information to the public through its Annual Reports, web-site, press releases, etc.

I. COMPANY'S PHILOSOPHY OF CODE OF GOVERNANCE

Hikal's philosophy of corporate governance envisages the highest level of transparency, accountability and equity in all its dealings with shareholders, employees, Government and lenders. The Company's guiding principles are focused to achieve the highest standards of corporate governance.

II. BOARD OF DIRECTORS

The present strength of the Board of Directors is 11, whose composition is given below:

A Composition and category :

JAI HIREMATH	Chairman & Managing Director
BABA KALYANI	Non-Executive Director
PRAKASH MEHTA	Independent, Non-Executive Director
SHIVKUMAR KHENY	Independent, Non-Executive Director
KANNAN UNNI	Independent, Non-Executive Director
SUGANDHA HIREMATH	Non-Executive Director
PETER POLLAK	Independent, Non-Executive Director
WOLFGANG WELTER	Independent, Non-Executive Director
AXEL KLEEMANN*	Independent, Non-Executive Director
AMIT KALYANI	Non-Executive Director
SAMEER HIREMATH	President and Joint Managing Director

Appointed as an additional director w.e.f. 06-May-2014.

The attendance of each Director at the Board meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/Membership of Committees of each Director in various Companies is as under:

Name of Director	Attendance		Directorships (excluding Directorship in Private Companies)*	Committee Memberships#	Committee Chairmanships
	Board Meeting	Last AGM			
JAI HIREMATH Chairman & Managing Director	4	Yes	2	1	1
BABA KALYANI Director	No	No	12	4	2
PRAKASH MEHTA Director	4	Yes	7	8	-
SHIVKUMAR KHENY Director	4	Yes	7	4	1
KANNAN UNNI Director	3	Yes	4	4	2
SUGANDHA HIREMATH Director	4	Yes	-	2	-
PETER POLLAK Director	No	No	-	-	-
WOLFGANG WELTER Director	3	No	-	-	-
AMIT KALYANI Director	No	No	11	3	-
SAMEER HIREMATH President & Joint Managing Director	4	Yes	1	-	-

**excludes directorship in own Company*
 # includes membership / chairmanship in own Company (for committee membership Audit Committee and Shareholders' Grievance Committee is considered)

B Board Procedure :

Board members are given appropriate documents and information in advance of each Board and Committee meeting. To enable the Board to discharge its responsibilities effectively, the Chairman & Managing Director reviews Company's overall performance.

C Details of Board of Directors Meetings held during the year :

Four (4) Meetings of the Board of Directors were held during the year ended March 31, 2014.

These were held on : 1) May 16, 2013 (2) August 7, 2013 (3) October 28, 2013 (4) February 6, 2014.

D Remuneration Policy :

In framing its remuneration policy, the Remuneration Committee / Board of Directors take into consideration the remuneration practices of companies of a size and standing similar to the Company.

The Executive Directors are paid remuneration as per the Agreements entered between them and the Company. These Agreements are placed for approval before the Remuneration Committee, Board and the shareholders and such authorities as may be necessary. The remuneration structure of the Executive Directors comprises of salary, commission, perquisites and allowances, contributions to provident fund and gratuity. The non-executive Directors do not draw any remuneration from the Company except sitting fees.

Remuneration to Directors for the year ended March 31, 2014.

i) Remuneration to Non-Executive Directors

The Non-executive Directors are paid sitting fees of ₹15,000/- (Rupees Fifteen Thousand) for each meeting of the Board, Audit Committee, Shareholders' Grievance Committee, and Remuneration Committee meetings attended by them:

Director	Sitting Fees (₹)
Baba Kalyani	Nil
Prakash Mehta	1,50,000/-
Shivkumar Kheny	1,20,000/-
Kannan Unni	1,05,000/-
Sugandha Hiremath	1,35,000/-
Peter Pollak	Nil/-
Wolfgang Welter	45,000/-
Amit Kalyani	Nil/-

ii) Remuneration to Executive Directors

₹ in Millions

Name of the Director	Salary & Perquisites	Commission	Total
Jai Hiremath	19.23	10.10	29.33
Sameer Hiremath	11.11	10.10	21.21

Shareholding of Non Executive Directors in the Company:

Name of the Director	Number of shares held
Baba Kalyani	3,000
Prakash Mehta	1,970
Peter Pollak	Nil
Shivkumar Kheny	6,350
Kannan Unni	5,500
Sugandha Hiremath	12,89,000
Amit Kalyani	Nil
Wolfgang Welter	Nil

III. COMMITTEES OF THE BOARD

A. Audit Committee

Composition

The Committee consists of Mr. Kannan Unni, Chairman, Mr. Prakash Mehta, Non-Executive Independent Director, Mr. Shivkumar Kheny, Non-Executive Independent Director and Mrs.Sugandha Hiremath, Non-Executive Director.

The terms of reference of the Audit Committee include :

1. To review the company's systems of internal control and to ensure that adequate system of internal audit exists and is functioning.
2. To ensure compliance of internal control systems and action taken on internal audit reports.
3. To establish accounting policies.
4. To review financial statements and pre publication announcements before submission to the Board.
5. To apprise the Board on the impact of accounting policies, accounting standards and legislation.
6. To review the Company's financial and risk management policies.

The Company Secretary acts as the Secretary to the Committee.

The Statutory Auditors, Internal Auditor and Cost Auditor are invited to attend and participate at the meeting of the Committee.

Meetings and Attendance

In 2013-14, the Audit Committee met 4 times viz; on May 16, 2013, August 7, 2013, October 28, 2013, and February 6, 2014.

The attendance of the Committee meetings is as under:

Name of the Director	No. of meetings attended
Kannan Unni	3
Prakash Mehta	4
Sugandha Hiremath	4
Shivkumar Kheny	4

B. Share Transfer Committee

The Share Transfer Committee consists of Mr. Jai Hiremath, Chairman & Managing Director (Executive), Mrs. Sugandha Hiremath, Director (Non-Executive) and Mr. Sameer Hiremath, President & Joint Managing Director (Executive).

During the year 2013-2014, 6 meetings were held.

C. Shareholders' & Investors' Grievance Committee

The Committee consists of Mr. Kannan Unni - Independent Non-Executive Director, Mr. Prakash Mehta - Independent Non-Executive Director and Mrs. Sugandha Hiremath – Non -Executive Director

The Committee looks into redressing of shareholders/investors' complaints. During the year 7 complaints were received from shareholders / investors and the same were resolved. No complaints were outstanding as on 31st March, 2014.

During the year 2013 –2014, 1 meeting was held.

Compliance Officer

The Board has designated Mr. Sham Wahalekar, Sr.VP (Finance) & Company Secretary as the Compliance Officer.

D. Remuneration Committee

The Committee consists of Mr. B.N. Kalyani Non Executive Director, Mr. Kannan Unni - Independent Non-Executive Director, and Mr. Prakash Mehta - Independent Non-Executive Director. The terms of reference of Remuneration Committee includes remuneration for fixation and revision of remuneration packages of Chairman & Managing Director and President and Joint Managing Director to the Board for approval and review.

One meeting took place during the year 2013 – 14.

IV. GENERAL BODY MEETING

The details of Annual General Meetings held in the last 3 years are as under:

Annual General Meeting	Day	Date	Time	Venue
23rd	Thursday	August 18, 2011	11 :00 AM	Sunflower Suite No. I & II 30th Floor, Center 1 World Trade Center Cuffe Parade Mumbai – 400 005
24th	Thursday	August 23, 2012	11 :00 AM	Centrum Hall 'A', 1st Floor Centre 1, World Trade Center Mumbai – 400 005
25th	Thursday	August 22, 2013	11 :00 AM	Centrum Hall 'A', 1st Floor Centre 1, World Trade Centre MUMBAI – 400 005

Details of special resolutions passed during last 3 years.

1. Resolution under the provisions of Sections 198, 269, 309, 310 and 311 read with the amended provisions of Schedule XIII were passed in respect of reappointment and remuneration of Chairman & Managing Director & President and Joint Managing Director. The Resolution was passed with the requisite majority at the 25th Annual General Meeting of the company held on 22nd August, 2013.

In addition to Annual General Meetings, the Company holds Extra-Ordinary General Meetings of the Shareholders as and when need arises.

V. DISCLOSURES

(I) The Company has entered into related party transactions as set out in the Notes to Accounts, which are not likely to have a conflict with the interest of the Company. The details of all significant transactions with the relevant parties are periodically placed before the audit committee.

(ii) No penalties or strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during the last three years.

(iii) In the preparation of financial statements, the Company has followed the Accounting Standards notified under section (3C) of section 211 of the Companies Act, 1956 to the extent applicable except as stated in the auditors' report.

(iv) The Company has laid down the Risk Management Policy defining risk profiles involving Strategic, Technological, Operational, Financial, Organisational, Legal and Regulatory risks within well defined framework. The Board periodically reviews the business related risks.

(v) The Company has a code of conduct for Board members and senior management of the Company, which is posted on the Company's website. The employees covered by code of conduct, affirm on annual basis the compliance with the said code. The Company does not have a whistle blower policy. No personnel of the Company have been denied access to the grievance redressal mechanism and audit committee of the Board of the Company.

(vi) The company has complied with non-mandatory requirement of Clause 49 pertaining to Corporate Governance, in respect of formation of remuneration Committee.

VI. MEANS OF COMMUNICATION

The quarterly, half yearly and yearly financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board. These are published in leading Financial/Non-financial newspapers viz: in Economic Times and Maharashtra Times.

These results and shareholding pattern of the company at the end of each quarter are simultaneously posted on the web site of the Company at www.hikal.com. The Annual Report has detailed Chapter about Management Discussion and Analysis Report.

In line with the Listing Agreement, the Company has created a separate e-mail address viz. secretarial@hikal.com to receive complaints and grievances of the investors.

VII. GENERAL SHAREHOLDERS INFORMATION

(A) Annual General Meeting

Day & Date	:	Tuesday, August 26, 2014
Time	:	11.00 A.M.
Venue	:	Centrum Hall 'A', 1st Floor Center 1, World Trade Center, Cuffe Parade Mumbai – 400 005

(B) Financial Calendar : April 01 to March 31

(C) Book Closure : August 20, 2014 to August 26, 2014 (both days inclusive)

(D) Listing of Shares & Other Securities

The Shares are listed on the Stock Exchanges at Mumbai, and National Stock Exchange.

The Company has paid the listing fees to these Exchanges.

(E) Stock Code

Trading Symbol at :

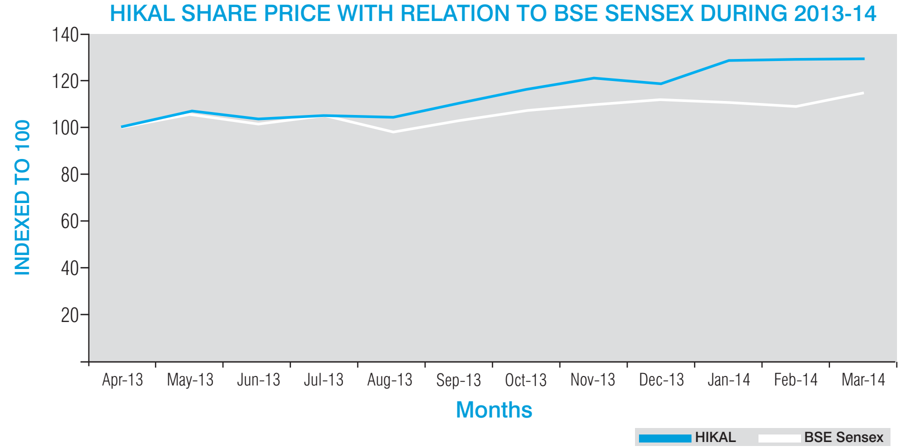
Stock Exchange, Mumbai	524735
National Stock Exchange	HIKAL
Demat ISIN Number in NSDL & CDSL	INE 475 B 01014
CIN No.	L24200MH1988PTC048028

(F) Market Price Data

The details of high/low market price of the shares at the Stock Exchange, Mumbai, are as under:

Year	Month	High(₹)	Low(₹)
2013	April	420	360
	May	445	383
	June	422	385
	July	440	380
	August	424	390
	September	458	402
	October	480	422
	November	485	462
	December	479	446
2014	January	556	446
	February	555	448
	March	543	462

HIKAL SHARE PRICE WITH RELATION TO BSE SENSEX DURING 2013-14



(G) Share Transfer Agents

Universal Capital Securities Pvt. Ltd.
(Formerly known as Mondkar Computers Pvt. Ltd.)
21, Shakil Niwas, Mahakali Caves Road
Opp. Satya Sai Baba Mandir, Andheri (East),
Mumbai – 400 093
Phone : 022- 28207203 /04/05 Fax : 022- 28207207

(H) Share Transfer System

Shares sent for transfer in physical form are registered by our Registrars and Share Transfer Agents within 15 days of receipt of the documents, if the documents are found to be in order. Shares under objection are returned within one week. The Share Transfer Committee meets generally twice in a month to consider the transfer request if there are any.

(I) Distribution of Shareholding (Equity) as on March 31, 2014.

Shareholding Range(s)		No. of Shareholders		Equity Shares held	
From	To	Number	Percentage	Number	Percentage
1	500	5,740	93.12	5,80,303	3.53
501	1000	218	3.54	1,61,748	0.98
1001	2000	82	1.33	1,18,713	0.72
2001	3000	34	0.55	86,792	0.53
3001	4000	15	0.24	54,762	0.33
4001	5000	17	0.28	77,090	0.47
5001	10000	24	0.39	1,85,823	1.13
10001 & above		34	0.55	1,51,74,869	92.31
Total		**6,164**	**100.00**	**1,64,40,100**	**100.00**

(J) Shareholding pattern as on March 31, 2014 is as under :

Category of Shareholders	No. of Equity Shares	Percentage
Promoters	1,13,15,702	68.83
Resident Individuals	12,37,236	7.52
Mutual Funds / UTI	16,61,502	10.11
FIIs	6,14,315	3.74
Foreign National	24,310	0.15
Non Resident Indians	77,340	0.47
Corporate Bodies	1,49,695	0.91
Foreign Corporate Bodies	13,60,000	8.27
Total	**1,64,40,100**	**100.00**

(K) Dematerialisation of Shares

91.00% (14961719 shares) of total equity capital is held in dematerialized form with NSDL and 8.21% (1348506 shares) of total equity capital is held in dematerialized form with CSDL as on March 31, 2014.

(L) Plant Locations

(a) MIDC, Taloja, Dist. Raigad, Maharashtra
(b) MIDC, Mahad, Dist. Raigad, Maharashtra
(c) GIDC, Panoli, Dist. Bharuch, Gujarat
(d) KIADB, Jigani, Bangalore, Karnataka
(e) Bannerghatta, Bangalore, Karnataka
(f) Hinjewadi, Pune, Maharashtra

(M) Investor Correspondence

(i) Universal Capital Securities Pvt. Ltd
(Formerly known as Mondkar Computers Pvt. Ltd.)
21 Shakil Niwas,
Mahakali Caves Road,
Andheri (East), Mumbai – 400 093.
Tel: 022- 28207203/04/05,
Fax: 022-28207207

(ii) **Investors Relation Center**
Mr. Sham Wahalekar – Sr.VP. Finance & Company Secretary
603-A, Great Eastern Chambers, 6th Floor,
Sector 11, CBD Belapur, Navi Mumbai - 400 614.
Tel: 022-27574276,
Fax: 022-27574277
Email: secretarial@hikal.com
website: www.hikal.com

CEO/CFO Certification Issued Pursuant to The Provisions of Clause 49 of the Listing Agreement

The Board of Directors, May 6, 2014
Hikal Ltd.

Sub: **CEO/CFO Certificate**

We have reviewed financial statements, read with the cash flow statements of Hikal Ltd. for the year ended March 31, 2014 and that to the best of our knowledge and belief, we state that:

(a) (I) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
(ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, 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 the internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the auditors and the Audit Committee
(i) significant changes in internal control over financial reporting during the year;
(ii) significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements and
(iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

For Hikal Ltd.

Jai Hiremath
Chairman & Managing Director

Sham Wahalekar
Sr. V.P (Finance) & Company Secretary

DECLARATION

To The Members,

Hikal Ltd.

Sub: Declaration under Clause 49 of the Listing Agreement

I hereby declare that all the Directors and the designated employees in the Senior Management of the Company have affirmed compliance with their Codes for the financial year ended March 31, 2014.

For Hikal Ltd.

Jai Hiremath
Chairman & Managing Director

Mumbai,

May 6, 2014

Auditors' Certificate on Corporate Governance

To the Members of Hikal Limited

We have examined the compliance of conditions of Corporate Governance by **Hikal Limited** ("the Company") for the year ended 31 March 2014, as stipulated in Clause 49 of the Listing Agreement of the Company with the stock exchanges in India.

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

In our opinion, and to the best of our knowledge and according to the information and explanations given to us, we report that the Company is in compliance with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For **B S R & Company**
Chartered Accountants
Firm's Registration No: 128032W

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
6 May 2014

Independent Auditors' Report

To the members of Hikal Limited

Report on the financial statements

We have audited the accompanying financial statements of Hikal Limited ('the Company'), which comprise the balance sheet as at 31 March 2014, and the statement of profit and loss and the cash flow statement for the year ended 31 March 2014, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the 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:

(a) In the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014;

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

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

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
   (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   (c) the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account;
   (d) in our opinion, the balance sheet, statement of profit and loss and cash flow statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act; and
   (e) on the basis of written representations received from the directors of the Company as at 31 March 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For **B S R & Company**
Chartered Accountants
Firm's Registration No: 128032W

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
6 May 2014

Annexure to Independent Auditors' Report - 31 March 2014

(Referred to in our repot of even date)

i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) Fixed assets disposed of during the year were not substantial, and therefore, do not affect the going concern assumption.

ii. (a) The inventory, except goods-in-transit, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.

(b) The procedures for the 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) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between physical stocks and book records were not material and have been dealt with in the books of account.

iii. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the *Act*. Accordingly, the provisions of clauses 4 (iii) (b) to (d) of the Order are not applicable.

(b) The Company has taken loans from six companies covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year was ₹ 65 millions and the year-end balance of such loans was ₹ 36 millions.

(c) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies, firms or other parties listed in the register maintained under Section 301 of the Act are not, prima facie, prejudicial to the interest of the Company.

(d) In the case of loans taken from companies listed in the register maintained under Section 301 of the Act, the Company has been regular in repaying the principal amounts as stipulated and in the payment of interest

iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.

v. (a) In our opinion and according to the information and explanations given to us, the 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 and arrangements referred to in (a) above and exceeding the value of ₹5 lakh with any party during the year 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 Section 58A, Section 58AA or other relevant provisions of the Companies Act, 1956 and the rules framed thereunder/the directives issued by the Reserve Bank of India (as applicable) with regard to deposits accepted from the public. Accordingly, there have been no proceedings before the Company Law Board or National Company Law Tribunal (as applicable) or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.

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

viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records. .

ix. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' State Insurance, Income-tax, Sales-tax / VAT, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income tax, Sales tax / VAT, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2014 for a period of more than six months from the date they became payable.

Annexure to Auditors' Report (Continued)

(b) According to the information and explanations given to us, there are no dues of Sales tax/VAT, Wealth tax, Service tax, Custom duty and Excise duty which have not been deposited with the appropriate authorities on account of any dispute.

According to the information and explanations given to us, the following dues of Income-tax duty have not been deposited by the Company on account of disputes:

Name of the statute	Nature of the dues	Amount (₹)	Period to which the amount relates (assessment year)	Forum where dispute is pending
Income tax Act, 1961	Income-tax	1,966,691	2002-03	Deputy Commissioner of Income-tax
Income tax Act, 1961	Income-tax	3,768,299	2003-04	Deputy Commissioner of Income-tax
Income tax Act, 1961	Income-tax	5,674,485	2004-05	Deputy Commissioner of Income-tax
Income tax Act, 1961	Income-tax	15,292,537	2007-08	Deputy Commissioner of Income-tax
Income tax Act, 1961	Income-tax	3,046,111	2008-09	Deputy Commissioner of Income-tax
Income tax Act, 1961	Income-tax	5,465,280	2010-11	Commissioner of Income-tax (appeals)
Income tax Act, 1961	Income-tax	1,805,620	2011-12	Commissioner of Income-tax (appeals)

x The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.

xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year.

xii. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.

xiv. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

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

xvi. In our opinion and according to the information and explanations given to us, the term loans taken by the Company 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 are of the opinion that the funds raised on short-term basis have not been used for long-term investment.

xviii. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act.

xix. The Company did not have any outstanding debentures during the year.

xx. The Company has not raised any money by public issues.

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 **B S R & Company**
Chartered Accountants
Firm's Registration No: 128032W

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
6 May 2014

Financial Statements

Balance Sheet

As at March 31, 2014

(Currency: Indian rupees in millions)

	Notes	As At March 31, 2014		As At March 31, 2013
EQUITY AND LIABILITIES				
SHAREHOLDERS' FUNDS				
Share capital	3	164.40		164.40
Reserves & surplus	4	4,894.65		4,348.08
			5,059.05	4,512.48
NON-CURRENT LIABILITIES				
Long-term borrowings	5	2,548.22		2,196.27
Deferred tax liabilities	36	324.90		86.25
Long-term provisions	6	109.20		96.62
			2,982.32	2,379.14
CURRENT LIABILITIES				
Short-term borrowings	7	2,155.48		2,602.83
Trade payables	8	1,310.85		1,128.41
Other current liabilities	9	1,001.91		1,236.28
Short-term provisions	10	197.90		60.44
			4,666.14	5,027.96
TOTAL			12,707.51	11,919.58
ASSETS				
NON-CURRENT ASSETS				
FIXED ASSETS				
(i) Tangible assets	11	6,441.41		6,607.57
(ii) Intangible assets	11	-		-
(iii) Capital work-in-progress	11	611.67		485.43
Non-current investments	12	31.27		31.27
Long-term loans and advances	13	677.19		704.16
			7,761.54	7,828.43
CURRENT ASSETS				
Inventories	14	3,112.93		2,570.33
Trade receivables	15	887.37		846.29
Cash and bank balances	16	276.88		154.05
Short-term loans and advances	17	657.39		514.41
Other current assets	18	11.40		6.07
			4,945.97	4,091.15
TOTAL			12,707.51	11.919.58

Summary of Significant Accounting Policies 2

The notes referred to above form an integral past of the financial statements

As per our report of even date attached
For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W

Bhavesh Dhupelia
Partner
Membership No: 042070

Place: Mumbai
Date: May 6, 2014

For and on behalf of the Board of Directors of Hikal Limited
Jai Hiremath
Chairman & Managing Director

Kannan K. Unni
Director

Sham Wahalekar
Company Secretary

Place: Mumbai
Date: May 6, 2014

Statement of Profit and Loss

for the year ended March 31, 2014

(Currency: Indian rupees in millions)

	Notes		Year Ended March 31, 2014	Year Ended March 31, 2013
INCOME				
Revenue from Operations (gross)	19		8,345.80	6,650.84
Less: Excise duty			53.69	46.67
Revenue from Operations (net)			8,292.11	6,604.17
Other Income	20		340.55	63.08
TOTAL REVENUE (I)			8,632.66	6,667.25
EXPENSES				
Cost of materials consumed	21		3,878.10	2,725.98
Changes in inventories of finished goods and work-in-progress	22		(119.84)	115.48
Employee benefits	23		790.19	701.76
Other expenses	24		1,691.61	1,447.98
Finance costs	25		680.04	598.78
Depreciation and amortization expense	11	557.92		498.31
Less: Transfer from revaluation reserve		(7.69)		(7.69)
Net depreciation and amortization expense			550.23	490.62
TOTAL EXPENSES (II)			7,470.33	5,849.64
PROFIT BEFORE EXCEPTIONAL ITEM AND TAX (I-II)			1,162.33	817.61
Exceptional Items	26		179.25	484.33
PROFIT BEFORE TAX			983.08	333.28
Tax Expenses				
- Current tax - MAT			208.15	62.48
- Less: MAT credit entitlement			(104.53)	(62.48)
- Deferred tax			238.65	78.24
Total tax expenses			342.27	78.24
PROFIT AFTER TAX			640.81	255.04
Basic and diluted earnings per share ₹	34		38.98	15.52
Face value per share ₹10/-				
Summary of significant accounting policies	2			

The notes referred to above form an integral past of the financial statements

As per our report of even date attached
For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W

Bhavesh Dhupelia
Partner
Membership No: 042070

Place: Mumbai
Date: May 6, 2014

For and on behalf of the Board of Directors of Hikal Limited
Jai Hiremath
Chairman & Managing Director

Kannan K. Unni
Director

Sham Wahalekar
Company Secretary

Place: Mumbai
Date: May 6, 2014

Notes to the Financial Statements

For the year ended March 31, 2014
(Currency: Indian rupees in millions)

Note 1

BACKGROUND

Hikal Limited ('Hikal' or 'the Company') was incorporated as a public limited Company on July 8, 1988 having its registered office at 717/718, Maker Chamber V, Nariman Point, Mumbai 400 021.

The Company is engaged in the manufacturing of various chemical intermediates, specialty chemicals, active pharma ingredients and contract research activities.

The Company is operating in the crop protection and pharmaceuticals space.

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting, in accordance with the provisions of the Companies Act 1956 (“the Act”) and accounting principles generally accepted in India (“GAAP”) and comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable.

The accounting policies followed in preparation of these financial statements are consistent with those followed in the previous year.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the revised Schedule VI.

b. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements, actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

c. Fixed assets and capital work-in-progress

Fixed assets, both tangible and intangible, are stated at cost of acquisition/construction or at revalued amount less accumulated depreciation and impairment, if any. Cost includes purchase price, taxes, duties, freight and other directly attributable expenses of bringing the assets to its working condition for the intended use. Borrowing costs and exchange gain/loss on long term foreign currency loans attributable to acquisition, construction of qualifying asset (i.e. assets requiring substantial period of time to get ready for intended use) are capitalized. Other pre-operative expenses for major projects are also capitalized, where appropriate.

Capital work-in-progress comprises advances paid to acquire fixed assets and cost of fixed assets that are not yet ready for their intended use at the year end.

d. Depreciation and amortization

Depreciation on tangible fixed assets other than on leasehold land is provided pro rata to the period of use on straight-line method, at rates and in the manner prescribed under Schedule XIV to the Act which, in management's opinion, reflects the estimated useful lives of those fixed assets.

Leasehold land is amortized over the primary period of the lease.

Assets individually costing upto ₹5,000 are fully depreciated in the year of purchase.

Assets acquired on hire purchase/finance lease are generally depreciated over the period of useful life of assets on a straight-line basis unless there is no reasonable certainty that the ownership of the asset would be obtained at the end of the agreement term. Where there is no reasonable certainty that the ownership of the asset would be obtained at the end of the agreement term such assets are depreciated over the shorter of the contract term or the asset's useful life in accordance with the Company's normal depreciation policy.

The additional depreciation charge on account of revaluation of fixed assets is spread over the balance useful life of the revalued assets. The additional charge of depreciation on account of revaluation is withdrawn from revaluation reserve and credited to statement of profit and loss.

The management estimates the useful lives of intangible assets viz. computer software, of 5 years and expects economic benefits from such assets to be consumed evenly over the period of its useful life. Accordingly, intangible assets are amortized over a period of five years on a straight-line basis.

Notes to the Financial Statements

For the year ended March 31, 2014
(Currency: Indian rupees in millions)

Depreciation on foreign exchange differences capitalised pursuant to para 46A of AS 11 'The Effects of Changes in Foreign Exchange Rates' vide notification dated December 29, 2011 by Ministry of Corporate Affairs (MCA), Government of India is provided over the balance useful life of depreciable capital assets.

e. Impairment of assets

In accordance with AS 28 'Impairment of Assets', the carrying amounts of the Company's assets are reviewed at each Balance Sheet date to determine whether there is any impairment. Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment loss is recognized in the statement of profit and loss or against revaluation surplus, where applicable.

f. Investments

Long term investments are carried at cost. Provision for diminution, is made to recognize a decline, other than temporary in the value of long term investments and is determined separately for each individual investment. The fair value of a long term investment is ascertained with reference to its market value, the investee's assets and results and the expected cash flows from the investment.

Current investments are carried at lower of cost and fair value, computed separately in respect of each category of investment.

g. Inventories

Raw material, packing material, stores, spares and consumables are valued at lower of cost and net realizable value. Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost is ascertained on weighted average method and in case of work-in-progress includes appropriate production overheads and in case of finished products includes appropriate production overheads and excise duty, wherever applicable.

Provision is made for the cost of obsolescence and other anticipated losses, whenever considered necessary.

h. Revenue recognition

Revenue from sale of goods is recognized on transfer of all significant risks and rewards of ownership to the buyer, which coincides with dispatch of goods from factory to the customers in case of domestic sales and is stated net of trade discount and exclusive of sales tax but inclusive of excise duty. Export sales are recognized based on date of bill of lading.

Interest income is recognised on time proportion basis.

Income from services is accounted for when the services are rendered.

Excise duty collected on sales is separately reduced from turnover.

i. Foreign currency transactions

- Initial recognition

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

- Conversion

Foreign currency monetary items are reported using the closing rate. 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; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

- Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except for long term foreign currency liabilities and assets and foreign currency loans taken for hedging purposes.

Pursuant to the notification issued by the Ministry of Corporate Affairs dated 31 March, 2009, the Company has exercised the option available under the newly inserted paragraph 46 to the Accounting Standard AS-11 “The Effect of Changes in Foreign Exchange Rates” to adjust the exchange differences arising on long term foreign currency liabilities and assets to the cost of depreciable capital assets in so far as it relates to the acquisition of such assets and in other cases, by transfer to “Foreign currency monetary item translation difference reserve”, to be amortized over the balance period of such long term foreign currency liabilities or March 31, 2020, whichever is earlier.

Notes to the Financial Statements
For the year ended March 31, 2014
(Currency: Indian rupees in millions)

Summary of significant accounting policies (Continued)

j. **Employee benefits**

- Gratuity

The Company provides for gratuity, a defined benefit plan covering eligible employees. Liabilities with regard to the gratuity benefits payable, except for Panoli plant staff, in future are determined by actuarial valuation by an independent actuary at each Balance Sheet date using the Projected Unit Credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as at the Balance Sheet date. When the calculation results in a benefit to the Company, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. Actuarial gains and losses are recognized immediately in the statement of profit and loss. Gratuity for Panoli staff is funded through group gratuity insurance scheme of the Life Insurance Corporation of India ('LIC').

- Superannuation

The Company makes contribution to the Superannuation Scheme, a defined contribution scheme, administered by Life Insurance Corporation of India, based on a specified percentage of eligible employees' salary.

- Leave encashment / compensated absences

The Company provides for the encashment of leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment / availment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

- Provident fund

The Company makes contribution to statutory provident fund in accordance with Employees provident fund and miscellaneous provisions Act, 1952 which is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which services are rendered by the employee.

- Short term employee benefits

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee.

k. **Leases**

Leases under which the company assumes substantially all the risk and rewards of ownership are classified as finance leases. Assets acquired under the finance leases are capitalized at fair value of the leased asset or present value of the minimum lease payments at the inception of lease, whichever is lower and included within fixed assets. Such assets are depreciated as per the depreciation policy for such assets stated in Note (d) above. Liabilities under finance leases less interest not yet charged are included under lease obligations in the financial statements. Finance charges are debited to the statement of profit and loss over the term of the contract so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

l. **Provision for Taxation**

Tax expense comprises current income tax and deferred tax charge or credit. Current tax provision is made annually based on the tax liability computed in accordance with provision of the Income tax Act, 1961.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the statement of profit and loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

Notes to the Financial Statements
For the year ended March 31 2014
(Currency: Indian rupees in millions)

Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets other than on unabsorbed tax depreciation and unabsorbed tax losses are recognized only to the extent that there is a reasonable certainty of their realization. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognized only to the extent that there is virtual certainty of their realization. Deferred tax assets are reviewed as at each Balance Sheet date to reassess realization.

Summary of significant accounting policies (Continued)

m. **Research and Development**

Capital expenditure is shown separately under respective heads of fixed assets. Revenue expenses including depreciation are charged to statement of profit and loss under the respective heads of expenses.

n. **Export incentives**

Export incentives principally comprises of Duty Drawback, Duty Entitlement Pass Book credit and Excise Duty rebate. The benefits under these incentive schemes are available based on the guideline formulated for respective schemes by the government authorities. These incentives are recognized as revenue on accrual basis to the extent it is probable that realization is certain.

o. **Provisions and contingencies**

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

p. **Earnings per share (EPS)**

Basic EPS is 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. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year except where the result would be anti dilutive.

q. **Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with a maturity of three months or less.

r. **Proposed Dividend**

Dividend recommended by the Board of directors is provided for in the accounts, pending approval at the Annual General meeting.

Notes to the Financial Statements

For the year ended March 31, 2014
(Currency: Indian rupees in millions)

	As At March 31, 2014	As At March 31, 2013
Note 3		
SHARE CAPITAL		
Authorised		
25,000,000 Equity Shares of ₹10/- each	250.00	250.00
(2013 : 25,000,000 Equity Shares of ₹10/- each)		
5,000,000 Cumulative Redeemable Preference Shares of ₹100/- each	500.00	500.00
(2013 : 5,000,000 Cumulative Redeemable Preference Shares of ₹100/- each)		
	750.00	750.00
Issued, subscribed and paid up capital		
Equity shares		
16,440,100 Equity Shares of ₹ 10/- each fully paid-up (2013: 16,440,100 equity Shares of ₹10/- each fully paid up)	164.40	164.40
	164.40	164.40

a. **Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

Equity shares

	March 31, 2014		March 31, 2013	
	No. millions	₹ in millions	No. millions	₹ in. millions
At the beginning of the year	16.44	164.40	16.44	164.40
Outstanding at the end of the year	16.44	164.40	16.44	164.40

b. **Terms/rights attached to equity shares**

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

During the year ended March 31, 2014 the amount of per share dividend recognized as distributions to equity shareholders was ₹4.50/- (2013: ₹ 2.50/-).

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

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

	March 31, 2014		March 31, 2013	
	No. millions	% holding in the Class	No. millions	% holding in the Class
Equity shares of ₹10 each fully paid				
Kalyani Investment Company Ltd.	5.16	31.36	5.16	31.36
Shri Badrinath Investment Pvt. Ltd.	2.65	16.15	2.65	16.15
Shri Rameshwara Investment Pvt. Ltd.	1.31	7.96	1.31	7.96
International Finance Corporation	1.36	8.27	1.36	8.27
Sugandha J Hiremath	1.29	7.84	1.29	7.84
Reliance Capital Trustee Co Ltd	1.12	6.82	-	-

Notes to Financial Statements

For the year ended March 31, 2014
(Currency: Indian rupees in Millions)

	As At March 31, 2014	As At March 31, 2013
Note 4		
RESERVES AND SURPLUS		
Capital Reserve	0.44	0.44
Capital redemption reserve	509.82	509.82
Securities premium account		
Balance as per the last financial statements	146.92	431.88
Less : Utilization under demerger scheme	-	284.96
(Refer note 29(b) (il) & (iii))	146.92	146.92
Revaluation reserve on Land		
Balance as per the last financial statements	1,078.66	1,086.35
Less: Amount transferred to the statement of Profit and Loss as reduction from depreciation	7.69	7.69
	1,070.97	1,078.66
State subsidy	5.50	5.50
Contingency reserve	30.00	30.00
General reserve		
Balance as per last financial statements	453.62	423.62
Add: Transfer from surplus in the statement of profit and loss	100.00	30.00
	553.62	453.62
Surplus in the statement of profit and loss		
Balance as per last financial statements	2,123.12	1,946.17
Profit for the year	640.81	255.04
Less: Appropriations		
Interim dividend on equity shares (amount per share ₹2.50 (2013: Rs. Nil))	32.88	-
Proposed Final dividend on equity shares (amount per share ₹2.50 (2013: ₹2.50))	41.10	41.10
Tax on proposed equity dividend	12.57	6.99
Transfer to general reserve	100.00	30.00
Total appropriations	186.55	78.09
Net surplus in the statement of profit and loss	2,577.38	2,123.12
Total reserves and surplus	4,894.65	4,348.08

Notes to Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

	As At March 31, 2014	As At March 31, 2013
Note 5		
LONG-TERM BORROWINGS		
SECURED LOANS		
Term loans		
From banks (Refer note b (i) below)	1,236.27	1,021.60
From financial institutions (Refer note b (ii) below)	1,245.85	1,089.86
Deferred payment liabilities		
Vehicle Loan & Other loans (Refer note b (iii) below)	11.19	4.23
Finance lease obligations		
(Refer note 33(b))	9.75	18.61
	2,503.06	2,134.30
UNSECURED LOANS		
Term loans from banks & others (Refer note b (iv) below)	42.50	58.25
Deferred sales tax liability (Refer note b (v) below)	2.66	3.72
	45.16	61.97
Total	2,548.22	2,196.27

a. Nature of Security :

i) Terms loans from banks and financial institutions are secured by hypothecation of plant & machinery, first charge on the immovable properties and second charge on current assets situated at Taloja, Panoli and Bangalore.

ii) Deferred payment liability relates to certain vehicles and other equipments and is secured by way of first charge on the said assets.

b. Terms of repayment are as under :

i		US $ in Millions	₹ in Millions	Repayment Terms	Interest Rate p.a.
	a	7.67	460.84	Repayable quarterly -11 instalments of US $ 0.70 Mio each starting from 14.04.2014	Libor +300 Bps
	b	-	66.68	Repayable quarterly - 2 instalments of ₹33.33 Mio each starting from 20.05.2015	BBR Plus 300 Bps
	c	-	300.00	Repayable quarterly - 12 instalments of ₹25.00 Mio starting from 15.07.2014	BBR Plus 205 Bps
	d	-	213.21	Repayable monthly - 48 instalments of ₹4.44 Mio starting from 21.04.2013	13.75%
	e	-	600.00	Repayable quarterly - 20 instalments of ₹30.00 Mio starting from 25.06.2014	12.50%
ii	a	10.00	601.10	Repayable half yearly - 10 instalments of US $ 1 Mio each starting from 15.07.2014	Libor +300 Bps
	b	8.00	480.88	Repayable half yearly - 8 instalments of US $ 1 Mio each starting from 15.07.2015	Libor +300 Bps
	c	-	108.33	Repayable quarterly - 2 instalments of ₹54.17 Mio starting from 20.04.2015	12.80%
	d	-	275.00	Repayable quarterly - 11 instalments of ₹25.00 Mio starting from 20.06.2014	LTMLR Plus 275 Bps
iii	a	-	3.13	Repayable monthly EMI of ₹0.155 Mio	9.61%
	b	-	1.16	Repayable monthly EMI of ₹0.025 Mio	10.49%
	c	-	6.13	Repayable monthly EMI of ₹0.075 Mio	9.87%
	d	-	1.66	Repayable monthly EMI of ₹0.039 Mio	10.25%
	e	-	3.05	Repayable monthly EMI of ₹0.069 Mio	10.74%
	f	-	0.96	Repayable quarterly EMI of ₹0.054 Mio ₹0.13 Mio	12.75%
	g	-	20.93	Repayable monthly 18 instalments of ₹1.295 Mio	14.00%
	h	-	1.97	Repayable quarterly 11 instalments of ₹0.191 Mio	14.00%
iv	a	-	150.83	Repayable monthly 21 instalments of ₹7.18 Mio starting from 01.04.2014	14%
v	a	-	3.71	Repayable yearly in 5 equal installment, starting after 10 years from the year of accrual	Nil

Notes to Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

	As At March 31, 2014	As At March 31, 2013
Note 6		
LONG TERM PROVISIONS		
Provision for employee benefits		
Provision for gratuity (refer note 42)	40.89	31.31
Provision for leave encashment	68.31	65.31
	109.20	96.62
Note 7		
SHORT TERM BORROWINGS		
Secured Borrowings		
Loans repayable on demand		
Working capital loan from banks (refer note a (i) below)	1,984.03	2,097.88
	1,984.03	2,097.88
Unsecured Borrowings		
Loans repayable on demand		
Inter corporate deposits		
- From related parties (refer note a (ii) below & note 32)	36.45	59.45
- From others (refer note a (ii) below)	135.00	445.50
	171.45	504.95
	2,155.48	2,602.83

a. Nature of Security and terms of repayment for secured/unsecured borrowings :

i)	Working Capital Loans from banks are secured by hypothecation of present and future stock of raw materials, stock-in-process, finished and semi finished goods, stores, spares and book debts and second charge on properties situated at Taloja, Mahad, Panoli Bangalore and Pune	Working capital loans are repayable on demand and carry interest ranging from 5% to 14.50 % p.a.
ii)	Inter Corporate Deposits	Repayable on demand and carries interest 13.50 % to 16% p.a

	As At March 31, 2014	As At March 31, 2013
Note 8		
TRADE PAYABLES		
Trade payables (Refer note 35 for details of dues to Micro and Small Enterprises)	1,310.85	1,128.41
	1,310.85	1,128.41
Note 9		
OTHER CURRENT LIABILITES		
Current maturities of long-term borrowings	737.24	1,024.52
Current maturities of finance lease obligations	17.46	12.22
Interest accrued but not due on borrowings	17.71	29.65
Other payables		
Payables for capital purchases	35.62	97.62
Advances from customers	137.64	19.88
Statutory dues		
- Tax deducted at Source	8.03	8.16
- Other	0.60	4.09
Employee benefits expenses	47.61	40.14
	1,001.91	1,236.28
Note 10		
SHORT TERM PROVISIONS		
Provision for employee benefits		
Provision for gratuity (Refer Note 42)	6.00	5.09
Provision for leave encashment	22.77	7.26
	28.77	12.35
Other provisions		
Provision for mark to market loss	121.05	-
Proposed equity dividend	41.10	41.10
Provision for tax on proposed equity dividend	6.98	6.99
	169.13	48.09
	197.90	60.44

Notes to Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

Note 11

FIXED ASSETS

[At cost less (depreciation / amortisation) and impairment provision]

Description	Gross block					Depreciation/amortisation				Net block
	As at April 01, 2013	Additions	Deductions/ Adjustments	Adjustments of exchange difference on borrowings	As at March 31, 2014	Upto March 31, 2013	For the year	Deductions/ Adjustments	Upto March 31, 2014	As at March 31, 2014
Tangible assets										
Freehold land	787.38	-	-	-	787.38	-	-	-	-	787.38
Leasehold land	715.81	-	-	-	715.81	46.10	8.76	-	54.86	660.95
Buildings	1,591.78	32.14	-	-	1,623.92	346.55	52.19	-	398.74	1,225.18
Plant and machinery	6,270.45	201.07	-	142.35	6,613.87	2,659.31	471.06	-	3,130.37	3,483.50
Electrical installations	250.71	0.51	-	-	251.22	105.61	9.53	-	115.14	136.08
Office equipment	116.80	0.72	-	-	117.52	85.86	5.50	-	91.36	26.16
Furniture and fixtures	111.66	0.71	-	-	112.37	49.25	6.71	-	55.96	56.41
Vehicles	30.55	17.70	7.02	-	41.23	16.02	2.39	3.58	14.83	26.40
Ships	51.56	-	-	-	51.56	10.43	1.78	-	12.21	39.35
	9,926.70	252.85	7.02	142.35	10,314.88	3,319.13	557.92	3.58	3,873.47	6,441.41
Intangible assets										
Computer software	5.49	-	-	-	5.49	5.49	-	-	5.49	-
	9,932.19	252.85	7.02	142.35	10,320.37	3,324.62	557.92	3.58	3,878.96	6,441.41
Capital work-in-progress (Refer note no. 33 (b))										611.67
Total										7,053.08

Note:

a. In order to reflect the current reinstatement cost/market value, the Company revalued its Leasehold and Freehold Land located at its factory sites as on 31st December, 2008 on the basis of valuation carried out by approved valuers based on reinstatement / market values. The resultant appreciation aggregating to ₹. 1,111.42 millions has been added to the assets and credited to revaluation reserve. The additional depreciation aggregating to ₹ 7.69 millions (2013: ₹ 7.69 million) on account of revaluation has been charged to statement of profit and loss and a similar amount has been withdrawn from the Revaluation Reserve and credited to statement of profit and loss.

b. Other adjustments include adjustments on account of exchange differences.

Note 11

FIXED ASSETS (continued)

[At cost less (depreciation / amortisation) and impairment provision]

Description	Gross block						Depreciation/amortisation					Net block
	As at April 01, 2012	Additions	Additions due to Demerger	Deductions/ Adjustments	Adjustments of exchange difference on borrowings	As at March 31, 2013	Upto March 31, 2012	For the year	Additions due to Demerger	Deductions/ Adjustments	Upto March 31, 2013	As at March 31, 2013
Tangible assets												
Freehold land	787.38	-	-	-	-	787.38	-	-	-	-	-	787.38
Leasehold land	705.90	-	9.91	-	-	715.81	36.60	8.75	0.75	-	46.10	669.71
Buildings	1,258.02	49.29	286.15	1.68	-	1,591.78	266.09	50.32	30.33	0.19	346.55	1245.23
Plant and machinery*	5,289.56	490.31	323.20	4.07	171.45	6,270.45	2,204.22	413.22	43.74	1.87	2,659.31	3,611.14
Electrical installation	204.37	3.94	44.60	2.20	-	250.71	89.91	9.50	6.80	0.60	105.61	145.10
Office equipment	100.28	1.45	15.07	-	-	116.80	74.24	6.13	5.49	-	85.86	30.94
Furniture and fixtures	86.02	2.41	23.23	-	-	111.66	37.95	6.64	4.66	-	49.25	62.41
Vehicles	28.29	-	2.26	-	-	30.55	13.85	1.22	0.95	-	16.02	14.53
Ships	56.00	-	-	4.44	-	51.56	9.00	2.53	-	1.10	10.43	41.13
	8,515.82	547.40	704.42	12.39	171.45	9,926.70	2,731.86	498.31	92.72	3.76	3,319.13	6,607.57
Intangible assets												
Computer software	5.49	-	-	-	-	5.49	5.49	-	-	-	5.49	-
	8,521.31	547.40	704.42	12.39	171.45	9,932.19	2,737.35	498.31	92.72	3.76	3,324.62	6,607.57
Capital work-in-progress (refer note no. 33 (b))												485.43
Total												7,093.00

Note:

a) In order to reflect the current reinstatement cost/market value, the Company revalued its Leasehold and Freehold Land located at its factory sites as on 31st December, 2008 on the basis of valuation carried out by approved valuers based on reinstatement / market values. The resultant appreciation aggregating to ₹ 1,111.42 millions has been added to the assets and credited to revaluation reserve. The additional depreciation aggregating to ₹ 7.69 millions (2012: ₹7.69 million) on account of revaluation has been charged to statement of profit and loss and a similar amount has been withdrawn from the Revaluation Reserve and credited to statement of profit and loss.

b) Other adjustments include adjustments on account of exchange differences.

*Additions includes capitalisation of borrowing cost of ₹ 57.71 millions.

Notes to Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

	As At March 31, 2014	As At March 31, 2013
Note 12		
NON CURRENT INVESTMENTS		
Trade Investments (valued at cost)		
Unquoted Equity Investments		
223,164 (2013: 223,164) Equity Shares of Bharuch Eco Aqua. Infrastructure Ltd. of ₹10/- each, fully paid up.	2.23	2.23
30,000 (2013: 30,000) Equity Shares of Panoli Enviro Technology Ltd. of ₹10/- each, fully paid up.	0.30	0.30
14,494 (2013:14,494) Equity Shares of MMA CETP Co-operative Society Limited of ₹100/- each, fully paid up	1.45	1.45
16% (2013:16%) Equity Shares of Jiangsu Chemstar Chemical Co Limited fully paid up	26.97	26.97
	30.95	30.95
NON CURRENT INVESTMENTS		
Non Trade Investments (valued at cost unless stated otherwise)		
Quoted Equity Investments		
2,000 (2013: 2,000) Equity Shares of Bank of Baroda of ₹10/- each fully paid up.	0.17	0.17
2,900 (2013: 2,900) Equity Shares of Union Bank of India ₹10/- each fully paid up.	0.05	0.05
In subsidiary companies		
15,050,080 (2013:15,050,080) Equity Shares of Acoris Research Limited of ₹10/- each, fully paid up.	0.10	150.50
Less: As per demerger scheme (refer note 29 (b) (ii) &(iii))	-	150.40
	0.10	0.10
	0.32	0.32
	31.27	31.27
Aggregate book value of quoted investments	0.22	0.22
Aggregate market value of quoted investments	1.84	1.96
Aggregate book value of unquoted investments	31.05	31.05
Note 13		
LONG TERM LOANS AND ADVANCES		
Unsecured and considered good unless other wise stated		
Capital advances	111.41	83.13
Security deposits [Refer Note a]	103.14	106.71
	214.55	189.84
Loans and advances to related parties	7.95	58.00
Other loans and advances		
Advance tax	15.44	14.29
MAT credit entitlement	436.78	439.41
Loans to employees	2.47	2.62
	677.19	704,16

a. Security deposits includes deposit given to Directors of ₹50 millions (2013: ₹50 millions)

Notes to Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

		As At March 31, 2014	As At March 31, 2013
Note 14			
INVENTORIES			
(At lower of cost and net realisable value - Also refer note 2 (g))			
Raw materials [includes goods in transit of ₹218.02millions (2013: ₹222.45 millions)]		1,951.07	1,549.49
Packing materials		10.03	10.65
Work-in-progress		529.72	583.55
Finished goods		480.83	307.16
Stores, spares and consumables		141.28	119.48
		3,112.93	2,570.33
Note 15			
TRADE RECEIVABLES			
(Unsecured)			
Considered good			
Outstanding for a period exceeding six months from the date they are due for payment		92.82	86.46
Others		794.55	759.83
	(A)	887.37	846.29
Considered doubtful			
Outstanding for a period exceeding six months from the date they are due for payment		22.36	17.36
Others		-	-
		22.36	17.36
Less : Provision for doubtful recivables		22.36	17.36
	(B)	-	-
	Total (A+B)	887.37	846.29
Note 16			
CASH AND BANK BALANCES			
Cash and cash equivalents			
Cash on hand		1.61	1.26
Balance with banks:			
on current accounts		155.95	84.71
		157.56	85.97
Other bank balances			
Deposits with original maturity for more than 3 months but less than 12 months (refer note a)		119.32	68.08
		119.32	68.08
		276.88	154.05

a. **Margin money deposits given as security**
Margin money deposits with a carrying amount of ₹ 69.32 millions (2013: ₹68.08 millions) are subject to first charge to secure the company's Working capital loans.

Notes to Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

	As At March 31, 2014	As At March 31, 2013
Note 17		
SHORT TERM LOANS AND ADVANCES		
Unsecured and considered good unless other wise stated		
Advances recoverable in cash or in kind or for value to be received		
Considered good	37.04	79.10
Considered doubtful	22.91	17.91
	59.95	97.01
Less: Provision for doubtful advances	22.91	17.91
	37.04	79.10
Other loans and advances		
Balances with customs, excise, etc	196.79	195.65
Prepaid expenses	39.10	24.16
VAT receivable	283.09	214.40
MAT credit entitlement	99.00	-
Loans to employees	2.37	1.10
	657.39	514.41
Note 18		
OTHER CURRENT ASSETS		
Unsecured and considered good unless other wise stated		
Others		
Interest accrued on fixed deposits	11.40	6.07
	11.40	6.07

Notes to Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

	Year Ended March 31, 2014	Year Ended March 31, 2013
Note 19		
REVENUE FROM OPERATIONS		
Sale of products (gross)		
Finished goods	8,328.21	6,626.05
Less: Excise duty	53.69	46.67
Sale of products (Net)	8,274.52	6579.38
Sale of services	4.56	15.40
Other operating revenue		
Scrap sales	13.03	9.39
Revenue from operations	8,292.11	6,604.17
Note 20		
OTHER INCOME		
Interest income on		
Bank deposits	5.15	5.28
Others	4.59	6.03
Dividend on long term investments	0.10	0.06
Insurance claim	-	30.50
Other non-operating income	0.15	0.25
Receipts from revocation of trust	330.56	-
Provision for inventory written back	-	20.96
	340.55	63.08
Note 21		
COST OF MATERIALS CONSUMED		
Raw materials at the beginning of the year	1,549.49	1,044.79
Add : Purchases	4,279.68	3,230.68
	5,829.17	4,275.47
Less : Closing stock	1,951.07	1,549.49
	3,878.10	2,725.98
Note 22		
CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS		
(Increase) in stocks		
Inventories at the end of the year		
Work-in-progress	529.72	583.55
Finished goods	480.83	307.16
Total A	1,010.55	890.71
Inventories at the beginning of the year		
Work-in-progress	583.55	481.86
Finished goods	307.16	293.37
Total B	890.71	775.23.
(Increase) in stocks (B-A)	(119.84)	(115.48)
Note 23		
EMPLOYEE BENEFITS		
Salaries, wages and bonus	668.53	601.49
Contribution to provident and other funds	33.48	30.64
Gratuity expenses	16.29	10.81
Staff welfare expenses	71.89	58.82
	790.19	701.76

Notes to Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

	Year Ended March 31, 2014	Year Ended March 31, 2013
Note 24		
OTHER EXPENSES		
Consumption of stores and spares	113.40	97.98
Processing charges	1.04	4.85
Power & fuel	965.28	887.96
Advertisement	1.34	0.90
Rent	12.17	13.73
Rates and taxes	5.98	6.65
Insurance	16.57	14.49
Repairs and maintenance		
- Plant & machinery	65.84	49.46
- Buildings	18.72	15.69
- Others	33.45	24.87
Printing and stationery	13.10	12.84
Legal and professional charges		
- Legal charges	4.31	6.35
- Professional charges	73.28	44.47
Traveling and conveyance	39.14	38.75
Vehicle expenses	9.83	11.05
Postage, telephone and telegrams	10.32	12.43
Auditors remuneration (Refer note 40)	4.97	4.68
Director's sitting fee	0.56	0.59
Sales and distribution expenses	143.91	93.83
Commission on sales	5.09	3.96
Security service charges	18.00	15.98
Sundry balance written off	56.17	11.85
Service Charge	26.43	25.37
Excise duty on closing stock	2.12	2.54
Loss on sale of assets (net)	1.68	3.22
Foreign exchange loss (net)	0.69	3.93
Provision for doubtful debts	5.00	-
Miscellaneous expenses	43.22	39.56
	1,691.61	1,447.98
Note 25		
FINANCE COSTS		
Interest on fixed period loans	230.45	237.79
Other interest	286.92	240.33
Bank charges	30.61	44.82
Exchange difference to the extent considered as an adjustment to borrowing costs	132.06	75.84
	680.04	598.78
Note 26		
EXCEPTIONAL ITEMS		
Exchange loss	179.25	484.33
	179.25	484.33

	As At March 31, 2014	As At March 31, 2013
Note 27		
Contingent liabilities		
Bills discounted with banks	1,124.23	949.14
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	72.30	92.54

Note 28

The Company at its extra ordinary general meeting held on May 17, 2013 decided to cancel / rescind the ESOP Scheme. Consequently, Rs 330.60 million in the trust was received by the Company and accounted as other income. This will ensure compliance of the SEBI circular no CIR/CFD/DIL/3/2013 dated January 17, 2013.

Note 29

a) In terms of the Scheme of Arrangement ("the Scheme") under Sections 391 to 394 read with Section 78, 100 to 103 of the Companies Act, 1956 sanctioned by Order dated March 30, 2012 of Hon'ble High Court of Judicature at Bombay and filed with the Registrar of Companies, Maharashtra on May 10, 2012, all the assets and liabilities of the research business of Acoris Research Limited ('Transferor Company') has been taken over by the Company with effect from April 1, 2012, being the effective date.

b) In accordance with the said Scheme and as per the Hon'ble High Court's approval the assets and liabilities of Research business of the transferor company have been vested in the Company with effect from April 1, 2012 and have been recorded in accordance with the provisions of the Scheme as follows:

i) The Company has recorded all the assets and liabilities pertaining to the Transferor Company at the respective book values as appearing in the books of Transferor Company as on the appointed date.

ii) The excess of liabilities over assets of the Transferor Company aggregating ₹134.56 millions have been transferred to Securities Premium Account of the Company.

iii) Further, the carrying value of investment in the transferor company aggregating ₹150.40 millions has been adjusted against Securities Premium Account of the Company.

Note 30 — Rupees in Millions

Capitalization of expenditure

During the year, the Company has capitalized the following expenses of revenue nature to the cost of fixed asset/capital work-in-progress (CWIP). Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the Company.

	Year ended March 31, 2014	Year ended March 31, 2013
Salaries, wages and bonus	12.40	12.74
Finance Cost	33.29	61.18
Others	14.13	8.70
Total	59.82	82.62

Note 31

Segment reporting

The Company's financial reporting is organized into two major operating divisions viz. crop protection and pharmaceuticals. These divisions are the basis on which the Company is reporting its primary segment information.

Joint revenues and expenses, if any, are allocated to the business segments on a reasonable basis. All other segment revenues and expenses are directly attributable to the segments.

Segment assets include all operating assets used by a segment comprising trade receivables, inventories, fixed assets and loans and advances. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities of the segment comprising trade payables and other liabilities.

The Company's operating divisions are managed from India. The principal geographical areas in which the Company operates are India, Europe, USA & Canada and South East Asia.

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

Primary Segment information

Particulars	Crop Protection	Pharmaceuticals	Total
Revenue (external revenue)	3,537.80	4,754.31	8,292.11
	2,888.02	*3,716.15*	*6,604.17*
Segment result	595.66	1025.53	1,621.19
	464.34	*1,026.86*	*1,491.20*
Interest expenses			547.97
			522.95
Other unallocable expenditure			(89.11)
(net of unallocable income)			*74.80*
Profit before tax			1,162.33
			893.45
Exchange loss	-	-	179.25
			560.17
Net Profit before tax			983.08
			333.28
Segment assets	3,324.99	8.029.37	11,354.36
	3,278.96	*7,464.07*	*10,743.03*
Unallocated corporate assets			1,353.15
			1,176.55
Total assets			12,707.51
			11,919.58
Segment liabilities	666.30	931.12	1,597.42
	529.69	*793.67*	*1,323.36*
Unallocated corporate liabilities			6,051.04
			6,083.74
Total liabilities			7,648.46
			7,407.10
Capital expenditure for the year	123.90	331.48	455.38
	91.80	*364.70*	*456.50*
Unallocated capital expenditure			66.09
			0.22
Depreciation for the year	134.50	407.79	542.29
	128.39	*354.53*	*482.92*
Unallocated depreciation			7.94
			7.70

Notes to Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

Secondary segment information

Particulars	Sales revenue	Assets employed	Capital expenditure
India	1,235.21	12,707.51	521.47
	1,035.74	*11,919.58*	*456.72*
USA and Canada	1,122.21		
	834.29	-	-
Europe	3,100.13	-	-
	2,062.97	-	-
South East Asia	2,466.50	-	-
	2,539.26	-	-
Others	368.06	-	-
	131.91	-	-
Total	8,292.11	12,707.51	521.47
	6,604.17	*11,919.58*	*456.72*

Note 32

Related Party Disclosures

List of related parties

Parties where control exists :

Subsidiary Companies

Hikal International B.V. ("HIBV")

Acoris Research Limited ("ARL")

Key Management Personnel

Jai Hiremath	Chairman and Managing Director
Sameer Hiremath	President & Joint Managing Director

Relatives of Key Management Personnel

Sugandha Jai Hiremath

Enterprises over which key management personnel and their relatives exercise significant influence

Decent Electronics Private Limited ("DEPL")

Marigold Investments Private Limited ("MIPL")

Iris Investments Private Limited ("IIPL")

Karad Engineering Consultancy Private Limited ("KECPL")

Ekdant Investment Private Limited ("EIPL")

Shri Rameshwara Investment Private Limited ("RIPL")

Shri Badrinath Investment Private Limited ("BIPL")

Rushabh Capital Services Private Limited ("RCSPL")

Notes to Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

Transactions with related parties

Nature of Transaction	Subsidiary companies	Key management personnel	Relative of key management personnel	Enterprises over which key management personnel or their relatives have significant influence
Remuneration				
- Jai Hiremath		19.23		
		17.61		
- Sameer Hiremath		11.11		
		10.36		
Commission Paid				
- Jai Hiremath		10.10		
		-		
- Sameer Hiremath		10.10		
		3.62		
Sitting fees				
- Sugandha Hiremath			0.14	
			0.14	
Interest Paid				
- BIPL				3.42
				4.18
- KECPL				0.59
				0.41
- DEPL				0.79
				0.45
- EIPL				0.25
				0.40
- RIPL				0.86
				1.30
- RCSPL				0.79
				1.67
Dividend paid				
- BIPL				11.95
				6.64
- RIPL				2.95
				3.27
- Sugandha Hiremath			5.80	
			3.22	
- Jai Hiremath		0.80		
		0.44		
- Sameer Hiremath		0.23		
		0.13		
Lease rent paid				
- Sugandha Hiremath			2.40	
			2.40	
- RIPL				0.84
				0.84
- RCSPL				1.08
				1.08

Notes to Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

Nature of Transaction	Subsidiary companies	Key management personnel	Relative of key management personnel	Enterprises over which key management personnel or their relatives have significant influence
Inter corporate deposits received				
- BIPL				-
				12.50
- KECPL				-
				1.60
- DEPL				-
				2.95
- EIPL				-
				0.95
- RIPL				1.80
Inter corporate deposits repaid				
- BIPL				19.30
				-
- RIPL				9.50
				2.50
- EIPL				1.50
				7.00
Loans/Advances granted/taken				
- HIBV	1.45			
	2.11			
Outstanding balance debit/(credit)				
- HIBV	7.95			
	6.50			
- Jai Hiremath		(10.10)		
		-		
- Sameer Hiremath		(10.10)		
		(3.62)		
- BIPL				(15.20)
				(34.50)
- KECPL				(4.10)
				(4.10)
- DEPL				(5.45)
				(5.45)
- EIPL				(1.40)
				(2.90)
- RIPL				(4.80)
				(12.50)
- RCSPL				(5.50)
				(5.50)

Notes to Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

Note 33

Leases	Year Ended March 31, 2014	Year Ended March 31, 2013
a) Operating Leases		
Lease rental charges for the year	2.03	8.44
Future lease rental obligation payable:		
- not later than one year	2.49	2.82
- later than one year but not later than five years	2.47	1.74
- later than five years	-	-

b) Finance Leases

Certain items of plant and machinery (included in capital work in progress pending installation as on balance sheet date) have been obtained on finance lease basis. The legal title of these items vests with their lessors. The lease term of such plant and machinery ranges between 2 – 3 years with equated monthly payments beginning from the month subsequent to the commencement of the lease. The total future lease payment at the balance sheet date, element of interest included in such payments and present value of these lease payments are as follows:

	Minimum Lease payment		Present Value	
Maturity profile of finance lease is as under :	March 31,2014	March 31,2013	March 31,2014	March 31,2013
Payable within 1 year	17.65	15.25	17.46	12.22
Payable between 1-5 years	7.77	20.24	9.75	18.61
Payable later than 5 years	-	-	-	-

Finance lease obligation are secured against the respective assets taken on lease

	Non Current portion		Current portion	
	March 31,2014	March 31,2013	March 31,2014	March 31,2013
a) Total minimum lease payments	7.77	20.24	17.65	15.25
b) Future interest included in (a) above	0.31	1.63	2.23	3.04
c) Present value of future minimum lease payments {a-b}	9.75	18.61	17.46	12.22

The rate of interest implicit in the above is in the range of 10% to 14%

Note 34

Earnings Per Share

Rupees in millions, except per share data

	Year Ended March 31, 2014	Year Ended March 31, 2013
Basic and diluted earnings per share		
Profit after taxation	640.81	255.04
Numerator used for calculating basic earnings per share	640.81	255.04
Calculation of weighted average number of equity shares		
Weighted average number of equity shares outstanding during the year used as denominator for calculating earnings per share (based on date of issue of shares)	16,440,100	16,440,100
Basic and diluted earnings per share (₹)	38.98	15.52
Nominal value per shares (₹)	10.00	10.00

Notes to Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

Note 35

Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006

Particulars	As At March 31, 2014	As At March 31, 2013
Principal amount remaining unpaid to any supplier as at the year end	11.22	10.32
Interest due thereon	-	-
Amount of interest paid by the Company in terms of section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year.	-	-
Amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED.	-	-
Amount of interest accrued and remaining unpaid at the end of the accounting year.	-	-
The amount of further interest remaining due and payable even in the succeding years until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under the MSMED Act, 2006	-	-

Note 36

Deferred Tax

	March 31, 2014	March 31, 2013
Deferred tax assets:		
Amounts that are deducted for tax purpose when paid	64.46	52.90
Others	7.60	5.90
Unabsorbed depreciation / Business losses	-	297.00
Total deferred tax assets	72.06	355.80
Deferred tax liabilities:		
Additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	396.96	442.05
Total deferred tax liabilities	396.96	442.05
Net deferred tax liability	324.90	86.25

Note 37

Disclosure in relation to Derivative Instruments

Category	No. of contracts	Amount in foreign currency (Millions)	Equivalent amount in Rupees (Millions)	Purpose
Currency/ interest swaps	2	USD 7.19	432.16	Hedging of term loan/interest
	3	USD 14.43	784.99	

The Net foreign currency exposures not hedged as at the year end are as under:

	March 31, 2014			March 31, 2013		
	Foreign Currency		₹millions	Foreign Currency		₹millions
	Curr.	Amt.	Amt.	Curr.	Amt.	Amt.
a. Amount receivable in foreign currency on account of following :						
-Export of goods	USD	4.55	273.12	USD	8.89	483.16
	EUR	1.52	125.87	EUR	1.30	88.69
	JPY	6.59	3.99	JPY	1.85	1.07
	GBP	0.23	22.47	GBP	0.02	1.01
b. Amount payable in foreign currency on account of following:						
(i) Import of goods & Services	USD	7.78	467.93	USD	8.78	477.63
	EUR	0.73	60.64	EUR	0.64	44.19
	GBP	0.10	10.12	GBP	-	-
(ii) Loan payables	USD	25.67	1,542.82	USD	25.03	1,361.81
(iii) Working capital loan from bank	USD	16.67	1,001.80	USD	18.91	1,028.55
c. Other Advances	USD	0.24	14.32	USD	0.46	25.02
	EUR	0.03	2.22	EUR	0.05	3.48

Note 38

Amount due from subsidiaries as at March 31, 2014:

- Hikal International B.V ₹7.95 millions (2013: ₹6.50 millions) [Maximum amount outstanding during the year ₹ 7.95 millions (2013: ₹6.50 millions)]

Note 39

Research and Development	Year Ended March 31, 2014	Year Ended March 31, 2013
Research and development expenses (including depreciation) included under the relevant heads in the statement of profit and loss	310.67	318.66

Note 40

Auditor's remuneration

	March 31, 2014	March 31, 2013
- Audit fees	3.00	2.75
- Tax audit fees	-	-
- Limited review of quarterly results	1.50	1.50
- Certification and other matters	0.32	0.30
- Out-of-pocket expenses	0.15	0.13
Total	4.97	4.68

Note 41

Dues relating to Investor Education and Protection Fund

There are no dues, which needs to be credited as at the year end to the Investor Education and Protection Fund

Notes to Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

Note 42

Disclosure relating to Employee Benefits - As per revised AS – 15

		2013-14		2012-13	
A.	**Expenses recognized in the statement of profit & loss for the year ended 31 March**	Funded Gratuity	Non funded Leave Encashment	Funded Gratuity	Non funded Leave Encashment
	1. Interest cost	4.07	5.81	3.51	4.33
	2. Current service cost	5.62	11.21	6.56	12.48
	3. Expected return on planned assets	-	-	(1.23)	-
	4. Net actuarial (gain) / loss on obligations	2.65	(11.49)	(2.98)	(6.05)
	Total expenses recognized in statement of profit and loss	12.34	28.51	5.86	22.86
B.	**Net asset / (liability) recognized in the balance sheet**				
	1. Present value of the obligation as on April 1	59.99	91.08	50.93	72.57
	2. Fair value of planned assets as on March 31	(13.10)	-	(14.53)	-
	Unfunded liability recognized in the balance sheet	46.89	91.08	36.40	72.57
C.	**Change in plan assets**				
	1. Fair value of the plan as on April 1	14.53	-	13.30	-
	2. Actual return of plan assets	Nil	-	1.23	-
	3. Employer's contribution	Nil	-	Nil	-
	4. Benefit paid	1.43	-	Nil	-
	5. Plan assets as at March 31	13.10	-	14.53	-
D.	**Change in present value of obligation**				
	1. Present value of obligation as on April 1	50.93	72.57	41.66	48.78
	2 Liability assumed on demerger of Acoris Research Ltd	Nil	Nil	2.18	5.34
	3. Interest cost	4.07	5.81	3.51	4.33
	4. Current services cost	5.62	11.21	6.56	12.48
	5. Benefits paid	3.28	(9.99)	Nil	(4.40)
	6. Net actuarial (gain) / loss on obligations	2.65	11.49	(2.98)	6.05
	Present value of obligation as per actuarial valuation as at March 31	59.99	91.08	50.93	72.57
E.	**Actuarial assumptions**				
	1. Discount Rate	8% p.a.	8% p.a.	8% p.a.	8% p.a.
	2. Rate of increase in compensation level	5% p.a.	5% p.a.	5% p.a.	5% p.a.
	3. Rate of return on plan assets				
	a. Funded	9.25%p.a.	N.A.	9.14% p.a.	N.A
	b. Un-funded	N.A.	N.A	N.A	N.A
	4. Mortality rate	Indian Assured Lives Mortality(2006-08)ultimate		LIC (1994-96)ultimate	

		2014	2013	2012	2011	2010
F.	**Experience adjustment**	2014	2013	2012	2011	2010
	1. Defined benefit obligation	59.99	50.93	41.66	41.68	23.04
	2. Plan assets (including bank balance)	13.10	14.53	13.30	12.08	7.31
	3. Surplus/(Deficit)	46.89	36.40	28.36	29.60	15.73
	4. Experience adjustments of obligation	2.65	2.98	6.25	14.03	3.88
	5. Experience adjustment on plan assets	NA	0.17	0.14	0.14	0.16

On account of defined contribution plans the Company's contribution to Provident Fund and Superannuation Fund aggregating ₹33.48 millions (2013: ₹ 30.64 millions) has been recognized in the statement of profit and loss under the head emplayee benefits (Refer note 23)

Notes to Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

Assumptions made for the actuarial valuation of gratuity liability

Payment of Gratuity arises on account of future payments which a company is required to make in the event of an employee retiring or dying during the services or leaving due to certain reasons.

Rate of interest

As the payments are to be made in future on the happenings of the contingencies, it is necessary to use an appropriate rate of interest for the purpose of ascertaining the present value of such payments. While considering the various aspects in this behalf, a long-term view is taken and a suitable rate in calculating the valuation function is adopted.

Salary scale

Since the salaries or wages of employees will increase year after year, it is necessary to have rough approximation of the salary an employee will be receiving at the time of payment of gratuity. A suitable growth rate is assumed for this purpose. This is implied in the projected Unit Credit Method.

Mortality

Since the gratuity payments are to be made on the death of an employee while in service or on attainment of retirement age, it is necessary to employ a Mortality Table so that the number of employees who would retire on the attainment age could be estimated. The table used in the calculation of valuation functions is recent Mortality Table.

Note 43

Additional information

a) Raw material consumption	Year ended March 31, 2014 Amount	Year ended March 31, 2013 Amount
Cyclohexane Diacetic Acid	829.61	632.55
SMPGM	595.45	592.32
Iso Propyl Alcohol (IPA)	46.99	58.21
Liquid Bromine	154.52	156.73
Acetone	158.88	131.96
Iso-Butyl Chloro Valeriate	79.84	96.68
Caustic Soda Lye	128.50	116.20
Ethyl 2-Bromobutyrate	282.52	88.12
Ethyl Propionate	85.63	45.85
Others	1,516.16	807.36
	3,878.10	2,725.98

	Year Ended March 31, 2014		Year Ended March 31, 2013	
b) Indigenous and imported consumption	Amount	%	Amount	%
Raw materials				
Indigenous	1656.04	42.70	855.60	31.39
Imported	2,222.06	57.30	1870.38	68.61
	3,878.10	100.00	2,725.98	100.00
Stores and spares				
Indigenous	91.00	80.25	90.52	92.38
Imported	22.40	19.75	7.46	7.62
	113..40	100.00	97.98	100.00

Notes to Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

c) Stocks and Turnover

Class of Goods	Work-in-progress		Finished Goods		Turnover
	Opening stock	Closing stock	Opening stock	Closing stock	
Crop protection products	194.26	221.70	101.42	88.53	3,519.88
	138.72	*194.26*	*175.57*	*101.42*	*2,866.48*
Bulk drugs	389.29	308.02	205.64	392.30	4,733.59
	336.80	*389.29*	*117.70*	*205.64*	*3,632.41*
Others	-	-	0.03	-	87.77
	6.34	-	*0.03*	*0.03*	*136.55*
Goods for resale in crop	-	-	0.07	-	-
protection products	-	-	*0.07*	*0.07*	-
Income from	-	-	-	-	4.56
services rendered	-	-	-	-	*15.40*
Total	583.55	529.72	307.16	480.83	8,345.80
	481.86	*583.55*	*293.37*	*307.16*	*6,650.84*

		Year Ended March 31, 2014	Year Ended March 31, 2013
d)	CIF value of imports		
	Raw materials	2,302.35	1,925.55
	Capital goods	13.71	14.31
	Stores and spares	22.40	7.46
e)	Earnings in foreign exchange		
	FOB value of exports	7,056.90	5,568.43
f)	Expenditure in foreign currency		
	Interest	127.66	119.77
	Professional charges	17.34	13.65
	Commission	4.91	3.23
	Traveling expenses	12.67	10.65
	Others	35.11	33.92
g)	Remittance in foreign currency on account of dividends		
	Period to which it relates	2012-13 & 2013-14	2011-12
	Number of Non Resident Shareholders	1	1
	Number of equity shares held on which dividend is due	24,310	24,310
	Amount remitted	0.11	0.15

The previous year's figures have been reclassified to conform to this year's classification.

As per our report of even date attached

For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W

Bhavesh Dhupelia
Partner
Membership No: 042070

Place: Mumbai
Date: May 6, 2014

For and on behalf of the Board of Directors of Hikal Limited

Jai Hiremath
Chairman & Managing Director

Kannan K. Unni
Director

Sham Wahalekar
Company Secretary

Place: Mumbai
Date: May 6, 2014

Cash Flow Statement

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

		Year Ended March 31, 2014		Year Ended March 31, 2013	
A)	CASH FLOW FROM OPERATING ACTIVITIES				
	Net profit before tax		983.08		333.28
	Adjusted for –				
	Depreciation/amortisation	550.23		490.62	
	Amortisation of miscellaneous expenses	0.21		0.43	
	Revocation of trust/interest income	(330.56)		(11.56)	-
	MTM loss on swap deal	120.10		-	-
	Dividend income	0.10		(0.06)	
	Interest expense	547.97		522.95	
	Sundry balances written off	56.17		71.95	
	Provision for doubtful advances	5.00		-	
	Provision for doubtful debts written back	5.00		-	
	Provision for inventory w/back	-		20.96	
	(Profit) /loss on sale of fixed assets (net)	1.68		3.22	
			955.70		1,056.59
	Operating profit before working capital changes		1,938.78		1,389.87
	Adjustment for increase/decrease in:				
	(Increase) /decrease in trade and other receivables	(295.19)		56.81	
	(Increase) /decrease in inventories	(542.60)		(642.60)	
	Increase /(decrease) in trade payables, provisions and other liabilities	489.29		(137.02)	
			(348.50)		(722.81)
	Cash generated from operating activities		1,590.28		667.06
	Income tax paid		(201.15)		(53.88)
	NET CASH FROM OPERATING ACTIVITIES		1,389.13		613.18
B)	CASH FLOW FROM INVESTING ACTIVITIES				
	Purchase of fixed assets (Includes increase in capital work in progress)	(514.19)		(269.17)	
	Sale of fixed assets	1.76		0.12	
	Dividend received	0.10		0.06	
	Increase in investments in fixed deposits (margin money account)	(51.24)		(22.61)	
	Loans given to subsidiaries	(1.45)		(2.11)	
	Revocation of trust/interest income	330.56		11.56	
	NET CASH USED IN INVESTING ACTIVITIES		(234.46)		(282.15)

Cash Flow Statement

For the year ended March 31, 2014
(Currency: Indian rupees in millions)

		Year Ended March 31, 2014	Year Ended March 31, 2013
C)	CASH FLOW FROM FINANCING ACTIVITIES		
	Proceeds from borrowings	1,363.29	1,284.07
	Repayment of borrowings	(1,795.34)	(866.43)
	Principal payment under finance leases	(4.57)	0.15
	Interest paid	(559.90)	(570.79)
	Dividend paid	(86.56)	(114.64)
	NET CASH USED IN FINANCING ACTIVITIES	(1,083.08)	(267.94)
	NET INCREASE IN CASH AND CASH EQUIVALENTS	(71.59)	(63.09)
	Cash and cash equivalents as at March 31,2013 (Opening Balance)	85.97	19.86
	Cash received on demerger	-	3.02
	Cash and cash equivalents as at March 31,2014 (Closing Balance)	157.56	85.97

NOTES TO THE CASH FLOW STATEMENT

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' set out in Accounting Standard 3, 'Cash Flow Statements', issued by the Central Government in consultation with the National Advisory Committee on Accounting Standards.
2. Cash and cash equivalents represent :

	2014	2013
Cash	1.61	1.26
With Banks - Current accounts	155.95	84.71
Total cash and cash equivalents	157.56	85.97

As per our report of even date attached
For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W

Bhavesh Dhupelia
Partner
Membership No: 042070

Place: Mumbai
Date: May 6, 2014

For and on behalf of the Board of Directors of Hikal Limited
Jai Hiremath
Chairman & Managing Director

Kannan K. Unni
Director

Sham Wahalekar
Company Secretary

Place: Mumbai
Date: May 6, 2014

Notes to the financial statements

For the year ended March 31, 2014
(Currency: Indian rupees in millions)

Statement pursuant to general approval u/sec. 212(8) of the Companies Act,1956

	Particulars	Hikal International BV	Acoris Research Limited
a)	Share Capital	5.94	150.50
b)	Reserves	(16.87)	(150.39)
c)	Total Assets	0.04	0.12
d)	Total Liabilities	(0.04)	0.12
e)	Details of Investment	-	-
f)	Turnover	-	-
g)	Profit/(loss) before Taxation	(1.70)	(0.13)
h)	Provision for taxation	-	-
i)	Profit/(loss) after Taxation	(1.70)	(0.13)
j)	Proposed dividend	-	-

Independent Auditors' Report

To the Board of Directors of Hikal Limited

Report on the consolidated financial statements

We have examined the attached consolidated Balance Sheet of Hikal Limited ('the Company' or 'the Parent Company') and its subsidiaries (collectively referred to as the 'Hikal Group'), as at 31 March 2014 and the related Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year ended 31 March 2014 and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Hikal Group's 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 the accounting principles generally accepted in India. This 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.

The consolidated financial statements have been prepared by the Hikal Group's management in accordance with the requirements of Accounting Standards (AS) 21, consolidated financial statements, specified in the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of the Company and its subsidiaries.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

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

(a) in the case of the consolidated balance sheet, of the state of affairs of the Hikal Group as at 31 March 2014;

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

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

Other matter

We have audited the financial statements of the parent company, Hikal Limited, whose financial statements reflect total assets of ₹1,2707.51 million (2013: ₹11,919.58 million) as at 31 March 2014, total revenues of ₹ 8,292.11 million (2013: ₹6,604.17 million) and net cash inflows aggregating ₹ 85.97 million (2013: net cash outflows ₹63.09) million) for the year ended 31 March 2014. Our opinion, in so far as it relates to the amounts included in respect thereof, is based on our Independent Auditors' Report.

We did not audit the financial statements of two subsidiaries whose financial statements reflect total assets of ₹ 0.08 million as at 31 March 2014, total revenues of ₹ Nil and net cash outflows aggregating ₹ 0.40 million for the year ended on that date. These financial statements have been audited by another firm of Chartered accountants whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the auditor.

For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
6 May 2014

Consolidated Balance Sheet

As at March 31, 2014
(Currency: Indian rupees in millions)

	Notes	As At March 31, 2014		As At March 31, 2013
EQUITY AND LIABILITIES				
SHAREHOLDERS' FUNDS				
Share capital	3	164.40		164.40
Reserves & surplus	4	4,882.68		4,338.30
			5,047.08	4,502.70
NON-CURRENT LIABILITIES				
Long-term borrowings	5	2,548.22		2,196.27
Deferred tax liabilities	34	324.90		86.25
Long-term provisions	6	109.20		96.62
			2,982.32	2,379.14
CURRENT LIABILITIES				
Short-term borrowings	7	2,155.48		2,602.83
Trade payables	8	1,311.92		1,129.42
Other current liabilities	9	1,001.92		1,236.28
Short- term provisions	10	197.90		60.44
			4,667.22	5,028.97
TOTAL			12,696.62	11,910.81
ASSETS				
NON-CURRENT ASSETS				
FIXED ASSETS				
(i) Tangible assets	11	6,438.50		6,604.79
(ii) Intangible assets	11	-		-
(Iii) Capital work-in-progress	11	611.67		485.43
Non-current investments	12	31.17		31.17
Long-term loans and advances	13	669.34		697.77
			7,750.68	7,819.16
CURRENT ASSETS				
Inventories	14	3,112.93		2,570.33
Trade receivables	15	887.37		846.29
Cash and bank balances	16	276.84		154.42
Short-term loans and advances	17	657.40		514.54
Other current assets	18	11.40		6.07
			4,945.94	4,091.65
TOTAL			12,696.62	11,910.81
Summary of significant accounting policies	2			

The notes referred to above form an integral part of the consolidated financial statements

As per our report of even date attached
For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W

Bhavesh Dhupelia
Partner
Membership No: 042070

Place: Mumbai
Date: May 6, 2014

For and on behalf of the Board of Directors of Hikal Limited
Jai Hiremath
Chairman & Managing Director

Kannan K. Unni
Director

Sham Wahalekar
Company Secretary

Place: Mumbai
Date: May 6, 2014

Statement of Consolidated Profit and Loss

For the year ended March 31, 2014
(Currency: Indian rupees in millions)

	Notes		Year Ended March 31, 2014	Year Ended March 31, 2013
INCOME				
Revenue from Operations (gross)	19		8,345.80	6,650.84
Less: Excise duty			53.69	46.67
Revenue from Operations (net)			8,292.11	6,604.17
Other income	20		340.55	63.08
TOTAL REVENUE(I)			8,632.66	6,667.25
EXPENSES				
Cost of materials consumed	21		3,878.10	2,725.98
Changes in inventories of finished goods and work-in-progress	22		(119.84)	(115.48)
Employee benefits	23		790.19	701.76
Other expenses	24		1,693.21	1,450.29
Finance costs	25		680.13	598.94
Depreciation/amortisation expenses	11	558.05		498.43
Less: Transfer from Revaluation Reserve		(7.69)	550.36	(7.69)
TOTAL EXPENSES (II)			7,472.15	5,852.23
PROFIT BEFORE EXCEPTIONAL ITEM AND TAX (I-II)			1,160.51	815.02
Exceptional items	26		179.25	484.33
PROFIT BEFORE TAX			981.26	330.69
Tax expenses				
- Current tax- MAT			208.15	62.48
- Less: MAT credit entitlement			(104.53)	(62.48)
- Deferred tax			238.65	78.24
Total tax expenses			342.27	78.24
PROFIT AFTER TAX			638.99	252.45
Basic and diluted earnings per share ₹	34		38.87	15.36
Face value per share ₹10/-				
Summary of significant accounting policies	2			

The notes referred to above form an integral part of the consolidated financial statements

As per our report of even date attached
For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W

Bhavesh Dhupelia
Partner
Membership No: 042070

Place: Mumbai
Date: May 6, 2014

For and on behalf of the Board of Directors of Hikal Limited
Jai Hiremath
Chairman & Managing Director

Kannan K. Unni
Director

Sham Wahalekar
Company Secretary

Place: Mumbai
Date: May 6, 2014

Notes to Consolidated Financial Statements

For the year ended March 31, 2014
(Currency: Indian rupees in millions)

Note 1

BACKGROUND

Hikal Limited ('Hikal' or 'the Company') was incorporated as a public limited company on July 8, 1988 having its registered office at 717/718, Maker Chamber V, Nariman Point, Mumbai -400 021.

The Company is engaged in the manufacturing of various chemical intermediates, specialty chemicals, Active pharma ingredients and Contract Research activities. The Company is operating in the crop protection and pharmaceuticals space.

The Company has following subsidiaries:

a) **Acoris Research Limited :** A 100% subsidiary of the Company

b) **Hikal International BV :** A 100% subsidiary of the Company engaged in trading activities and is based in Netherlands.

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of consolidated financial statements

The financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting, In accordance with the provisions of the Companies Act 1956 ("the Act") and accounting principles generally accepted in India ("GAAP") and comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable.

The accounting policies followed in preparation of these financial statements are consistent with those followed in the previous year.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the revised Schedule VI.

The consolidated financial statements relate to Hikal Limited ('the Company'), its subsidiaries and share of profits / losses in associates (collectively referred to as 'the Group'). The consolidated financial statements have been prepared in accordance with the principles and procedures required for the preparation and presentation of financial statements as laid down under the accounting standards. The financial statements of the Company and its subsidiaries 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 transactions and resulting unrealized gain/losses. The financial statements of the associates are considered following equity method.

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.

Where the cost of the investment is higher than the share of equity in the subsidiary at the time of acquisition, the resulting difference is treated as goodwill. Minority interests have been excluded. Minority interest represents that part of the net profit or loss and net assets of subsidiaries that is not, directly or indirectly, owned or controlled.

The revenue and expense transactions during the year reflected in statement of profit and loss have been translated into Indian Rupees at the average exchange rate for the year under consideration. Assets and liabilities in the balance sheet have been translated into Indian Rupees at the closing exchange rate at the year end. The resultant translation exchange gain/loss is disclosed as foreign currency translation reserve.

b. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements, actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

c. Fixed assets and capital work-in progress

Fixed assets, both tangible and intangible, are stated at cost of acquisition/construction or at revalued amount less accumulated depreciation and impairment, if any. Cost includes purchase price, taxes, duties, freight and other directly attributable expenses of bringing the assets to its working condition for the intended use. Borrowing costs and exchange gain/loss on long term foreign currency loans attributable to acquisition, construction of qualifying asset (i.e. assets requiring substantial period of time to get ready for intended use) are capitalized. Other pre-operative expenses for major projects are also capitalized, where appropriate.

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

Summary of significant accounting policies (Continued)

Capital work-in-progress comprises advances paid to acquire fixed assets and cost of fixed assets that are not yet ready for their intended use at the year end.

d. Depreciation and amortization

Depreciation on tangible fixed assets other than on leasehold land is provided pro rata to the period of use on straight-line method, at rates and in the manner prescribed under Schedule XIV to the Act which, in management's opinion, reflects the estimated useful lives of those fixed assets.

Leasehold land is amortized over the primary period of the lease.

Assets individually costing upto ₹ 5,000 are fully depreciated in the year of purchase.

Assets acquired on hire purchase/finance lease are generally depreciated over the period of useful life of assets on a straight-line basis unless there is no reasonable certainty that the ownership of the asset would be obtained at the end of the agreement term. Where there is no reasonable certainty that the ownership of the asset would be obtained at the end of the agreement term such assets are depreciated over the shorter of the contract term or the asset's useful life in accordance with the Company's normal depreciation policy.

The additional depreciation charge on account of revaluation of fixed assets is spread over the balance useful life of the revalued assets. The additional charge of depreciation on account of revaluation is withdrawn from revaluation reserve and credited to statement of profit and loss.

The management estimates the useful lives of intangible assets viz. computer software, of 5 years and expects economic benefits from such assets to be consumed evenly over the period of its useful life. Accordingly, intangible assets are amortized over a period of five years on a straight-line basis.

Depreciation foreign exchange differences capitalized pursuant to para 46A of AS 11 'The Effects of changes in Foreign Exchange Rates' vide notification dated December 29, 2011 by Ministry of Corporate Affairs (MCA), Government of India is provided over the balance useful life of depreciable capital assets.

e. Impairment of assets

In accordance with AS 28 'Impairment of Assets', the carrying amounts of the Company's assets are reviewed at each Balance Sheet date to determine whether there is any impairment. Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment loss is recognized in the statement of profit and loss or against revaluation surplus, where applicable.

f. Investments

Long term investments are carried at cost. Provision for diminution, is made to recognize a decline, other than temporary in the value of long term investments and is determined separately for each individual investment. The fair value of a long term investment is ascertained with reference to its market value, the investee's assets and results and the expected cash flows from the investment.

Current investments are carried at lower of cost and fair value, computed separately in respect of each category of investment

g. Inventories

Raw material, packing material, stores, spares and consumables are valued at lower of cost and net realizable value. Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost is ascertained on weighted average method and in case of work-in-process includes appropriate production overheads and in case of finished products includes appropriate production overheads and excise duty, wherever applicable.

Provision is made for the cost of obsolescence and other anticipated losses, whenever considered necessary.

h. Revenue recognition

Revenue from sale of goods is recognized on transfer of all significant risks and rewards of ownership to the buyer, which coincides with dispatch of goods from factory to the customers in case of domestic sales and is stated net of trade discount and exclusive of sales tax but inclusive of excise duty. Export sales are recognized based on date of bill of lading.

Interest income is recognised on time proportion basis

Income from services is accounted for when the services are rendered.

Excise duty collected on sales is separately reduced from turnover.

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

I. Foreign currency transactions

- Initial recognition

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

-Conversion

Foreign currency monetary items are reported using the closing rate. 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; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

-Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except for long term foreign currency liabilities and assets and foreign currency loans taken for hedging purposes.

Pursuant to the notification issued by the Ministry of Corporate Affairs dated March 31, 2009, the Company has exercised the option available under the newly inserted paragraph 46 to the Accounting Standard AS-11 "The Effect of Changes in Foreign Exchange Rates" to adjust the exchange differences arising on long term foreign currency liabilities and assets to the cost of depreciable capital assets in so far it relates to the acquisition of such assets and in other cases, by transfer to "foreign currency monetary item translation difference reserve", to be amortized over the balance period of such long term foreign currency liabilities or March 31, 2020 whichever is earlier.

j. Employee benefits

- Gratuity

The Company provides for gratuity, a defined benefit plan covering eligible employees. Liabilities with regard to the gratuity benefits payable (except for Panoli plant staff) in future are determined by actuarial valuation by an independent actuary at each Balance Sheet date using the Projected Unit Credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as at the Balance Sheet date. When the calculation results in a benefit to the Company, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. Actuarial gains and losses are recognized immediately in the statement of profit and loss . Gratuity for Panoli staff is funded through group gratuity insurance scheme of the Life Insurance Corporation of India ('LIC').

- Superannuation

The Company makes contribution to the Superannuation Scheme, a defined contribution scheme, administered by Life Insurance Corporation of India, based on a specified percentage of eligible employees' salary.

- Leave encashment / Compensated absences

The Company provides for the encashment of leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment / availment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

- Provident fund

The Company makes contribution to statutory provident fund in accordance with Employees provident fund and miscellaneous provisions Act, 1952 which is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which services are rendered by the employee.

- Short term employee benefits

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee.

k. Leases

Leases under which the company assumes substantially all the risk and rewards of ownership are classified as finance leases .Assets acquired under the finance leases are capitalized at fair value of the leased asset or present value of the minimum lease payments at the inception of lease, whichever is lower and included within fixed assets. Such assets are depreciated as per the depreciation policy for such assets stated in Note (d) above.

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

Summary of significant accounting policies (Continued)

Liabilities under finance leases less interest not yet charged are included under lease obligations in the financial statements. Finance charges are debited to the statement of profit and loss over the term of the contract so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

l. Provision for Taxation

Tax expense comprises current income tax and deferred tax charge or credit. Current tax provision is made annually based on the tax liability computed in accordance with provision of the Income tax Act, 1961.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the statement of profit and loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets other than on unabsorbed tax depreciation and unabsorbed tax losses are recognized only to the extent that there is a reasonable certainty of their realization. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognized only to the extent that there is virtual certainty of their realization. Deferred tax assets are reviewed as at each Balance Sheet date to reassess realization.

m. Research and Development

Capital expenditure is shown separately under respective heads of fixed assets. Revenue expenses including depreciation are charged to statement of profit and loss under the respective heads of expenses.

n. Export incentives

Export incentives principally comprises of Duty Drawback, Duty Entitlement Pass Book credit and Excise Duty rebate. The benefits under these incentive schemes are available based on the guideline formulated for respective schemes by the government authorities. These incentives are recognized as revenue on accrual basis to the extent it is probable that realization is certain.

o. Provisions and contingencies

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

p. Share Issue Expenses

Preliminary/public issue expenses are written off equally over a period of five years. Expenses incurred on subsequent preferential issue of shares are adjusted against securities premium.

q. Earnings per share (EPS)

Basic EPS is 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. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year except where the result would be anti dilutive.

r. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with a maturity of three months or less.

s. Proposed Dividend

Dividend recommended by the Board of directors is provided for in the accounts, pending approval at the Annual General meeting.

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

	As At March 31, 2014	As At March 31, 2013
Note 3		
SHARE CAPITAL		
Authorised		
25,000,000 Equity Shares of ₹ 10/- each (2013 : 25,000,000 equity shares of ₹10/- each)	250.00	250.00
5,000,000 Cumulative Redeemable Preference Shares of ₹100/- each (2013 : 5,000,000 Cumulative Redeemable Preference Shares of ₹100/- each)	500.00	500.00
	750.00	750.00
Issued, subscribed and paid-up capital		
Equity shares		
16,440,100 Equity Shares of ₹10/- each fully paid-up (2013:16,440,100 equity Shares of ₹ 10/- each fully paid up)	164.40	164.40
	164.40	164.40

a. **Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

Equity shares

	March 31, 2014		March 31, 2013	
	No. millions	₹ in millions	No. millions	₹ in. millions
At the beginning of the year	16.44	164.40	16.44	164.40
Outstanding at the end of the year	16.44	164.40	16.44	164.40

b. **Terms/rights attached to equity shares**

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

During the year ended 31 March 2014, the amount of per share dividend recognized as distributions to equity shareholders was ₹ 4.50 /- (2013: ₹ 2.50/-).

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

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

	March 31, 2014		March 31, 2013	
	No. millions	% holding in the Class	No. millions	% holding in the Class
Equity shares of ₹10/- each fully paid				
Kalyani Investment Company Ltd.	5.16	31.36	5.16	31.36
Shri Badrinath Investment Pvt. Ltd.	2.65	16.15	2.65	16.15
Shri Rameshwara Investment Pvt. Ltd.	1.31	7.96	1.31	7.96
International Finance Corporation	1.36	8.27	1.36	8.27
Sugandha J Hiremath	1.29	7.84	1.29	7.84
Reliance Capital Trustee Co Ltd	1.12	6.82	-	-

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

	As At March 31, 2014	As At March 31, 2013
Note 4		
RESERVE AND SURPLUS		
Capital Reserve	0.44	0.44
Capital redemption reserve	509.82	509.82
Securities premium account		
Balance as per the last financial statements	1,131.99	1,131.99
Revaluation reserve on Land		
Balance as per the last financial statements	1,078.66	1,086.35
Less: Amount transferred to the statement of Profit and Loss as reduction from depreciation	7.69	7.69
	1070.97	1078.66
State subsidy	5.50	5.50
Contingency reserve	30.00	30.00
General reserve		
Balance as per last financial statements	458.48	428.48
Add: Transfer from surplus in the statement of profit and loss	100.00	30.00
	558.48	458.48
Foreign currency translation reserve	(30.65)	(30.28)
Surplus in the statement of profit and loss		
Balance as per last financial statements	1153.69	979.33
Profit for the year	638.99	252.45
Less: Appropriations		
Interim dividend on equity shares (amount per share ₹ 2 (2013: ₹. Nil))	32.88	-
Proposed Final dividend on equity shares (amount per share ₹2.50 (2013: ₹2.50/-)	41.10	41.10
Tax on proposed equity dividend	12.57	6.99
Transfer to general reserve	100.00	30.00
Total appropriations	186.55	78.09
Net surplus in the statement of profit and loss	1,606.13	1,153.69
Total reserves and surplus	4,882.68	4,338.30

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

	As At March 31, 2014	As At March 31, 2013
Note 5		
LONG-TERM BORROWINGS		
Secured Loans		
Term loans		
From banks (Refer note b (i) below	1,236.27	1,021.60
From financial institutions (Refer note b (ii) below	1,245.85	1,089.86
Deferred payment liabilities		
Vehicle Loan & other loans (Refer note b (iii) below	11.19	4.23
Finance lease obligations (Refer note 33(b))	9.75	18.61
	2,503.06	2,134.30
Unsecured Loans		
Term loans from banks & others (refer note b (iv) below)	42.50	58.25
Deferred sales tax liability (refer note b (v) below)	2.66	3.72
	45.16	61.97
	2,548.22	2,196.272

a. Nature of Security :

i) Terms loans from banks and financial institutions are secured by hypothecation of plant & machinery, first charge on the immovable properties and second charge on current assets situated at Taloja, Panoli, Bangalore and Pune

ii) Deferred payment liability relates to certain vechicles and other equipment and is secured by way of first change on the said assets.

b. Terms of repayment are as under :

i		US $ in Millions	₹ in Millions	Repayment Terms	Interest Rate p.a.
	a	7.67	460.84	Repayable quarterly -11 instalments of US $ 0.70 Mio each starting from 14.04.2014	Libor +300 Bps
	b	-	66.68	Repayable quarterly - 2 instalments of ₹33.33 Mio starting from 20.05.2015	BBR Plus 300 Bps
	c	-	300.00	Repayable quarterly - 12 instalments of ₹25.00 Mio starting from 15.07.2014	BBR Plus 205 Bps
	d	-	213.21	Repayable monthly - 48 instalments of ₹4.44. Mio starting from 21.04.2013	13.75%
	e	-	600.00	Repayable quarterly - 20 instalments of ₹30.00 Mio starting from 25.06.2014	12.50%
ii	a	10.00	601.10	Repayable half yearly - 10 instalments of US $ 1 Mio each starting from 15.07.2014	Libor +300 Bps
	b	8.00	480.88	Repayable half yearly - 8 instalments of US $ 1 Mio each starting from 15.07.2015	Libor +320 Bps
	c	-	108.33	Repayable quarterly - 2 instalments of ₹54.17 Mio starting from 20.04.2015	12.80%
	d	-	275.00	Repayable quarterly - 11 instalments of ₹25.00 Mio starting from 20.06.2014	LTMLR Plus 275 Bps
iii	a	-	3.13	Repayable monthly EMI of ₹0.155 Mio	9.61%
	b	-	1.16	Repayable monthly EMI of ₹0.025 Mio	10.49%
	c	-	6.13	Repayable monthly EMI of ₹0.075 Mio	9.87%
	d	-	1.66	Repayable monthly EMI of ₹0.039 Mio	10.25%
	e	-	3.05	Repayable monthly EMI of ₹0.069 Mio	10.74%
	f	-	0.96	Repayable monthly EMI of ₹0.054 Mio, ₹0.13Mio	12.75%
	g	-	20.93	Repayable monthly 18 instalments of ₹1.295 Mio	14.00%
			1.97	Repayable quarterly11 instalments of ₹0.191 Mio	14.00%
iv	a	-	150.83	Repayable monthly 21 instalments of ₹7.18 Mio starting from 01.04.2014	14.00%
v	a	-	3.71	Repayable yearly in 5 equal installments, starting after 10 years from the year of accrual	Nil

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

	As At March 31, 2014	As At March 31, 2013
Note 6		
LONG TERM PROVISIONS		
Provision for employee benefits		
Provision for gratuity	40.89	31.31
Provision for leave encashment	68.31	65.31
	109.20	96.62
Note 7		
SHORT TERM BORROWINGS		
Secured Borrowings		
Loans repayable on demand		
Working capital loan from banks (refer note a (i) below)	1,984.03	2,097.88
	1,984.03	2,097.88
Unsecured Borrowings		
Loans repayable on demand		
Inter Corporate Deposits		
- From related parties (refer note a (ii)below and note 32)	30.95	59.45
- From others (refer note a (ii) below)	140.50	445.50
	171.45	504.95
	2,155.48	2,602.83

a. **Nature of Security and terms of repayment for secured/unsecured borrowings :**

i.	Working Capital Loans from banks are secured by hypothecation of present and future stock of raw materials, stock-in-process, finished and semi finished goods, stores, spares and book debts and second charge on properties situated at Taloja, Mahad, Panoli and Bangalore)	Working capital loans are repayable on demand and carry interest ranging from 5% to 14.50 % p.a.
ii.	Inter Corporate Deposits	Repayable on demand and carries interest 12.5% to 18% p.a

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

	As At March 31, 2014	As At March 31, 2013
Note 8		
TRADE PAYABLES		
Trade payables	1,311.92	1,129.42
	1,311.92	1,129.42
Note 9		
Other current liabilities		
Current maturities of long-term borrowings	737.24	1,024.52
Current maturities of finance lease obligations	17.46	12.22
Interest accrued but not due on borrowings	17.71	29.65
Other payables		
Payables for capital purchases	35.62	97.62
Advances from customers	137.64	19.88
Statutory dues		
- Tax deducted at source	8.03	8.16
- Others	0.60	4.09
Employee benefits expenses	47.62	40.14
	1,001.92	1,236.28
Note 10		
SHORT TERM PROVISIONS		
Provision for employee benefits		
Provision for gratuity	6.00	5.09
Provision for leave encashment	22.77	7.26
	28.77	12.35
Other provisions		
Provision for mark to market loss	121.05	-
Proposed equity dividend	41.10	41.10
Provision for tax on proposed equity dividend	6.98	6.99
	169.13	48.09
	197.90	60.44

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

Note 11

FIXED ASSETS

[At cost less (depreciation / amortisation) and impairment provision]

Description	Gross block					Depreciation/amortisation				Net block
	As at April 01, 2013	Additions	Deductions/ Adjustments	Adjustments of exchange difference on borrowings	As at March 31, 2014	Upto March 31, 2013	For the year	Deductions/ Adjustments	Upto March 31, 2014	As at March 31, 2014
Tangible assets										
Freehold land	787.38	-	-	-	787.38	-	-	-	-	787.38
Leasehold land	715.81	-	-	-	715.81	46.10	8.76	-	54.86	660.95
Buildings	1,591.78	32.14	-	-	1,623.92	346.54	52.19	-	398.73	1,225.19
Plant and machinery	6,267.23	201.07	-	142.35	6,610.65	2,659.30	471.06	-	3,130.36	3,480.29
Electrical installations	250.70	0.51	-	-	251.21	105.61	9.53	-	115.14	136.07
Office equipment	117.50	0.72	-	-	118.22	86.40	5.63	-	92.03	26.19
Furniture and fixtures	111.66	0.71	-	-	112.37	49.25	6.71	-	55.96	56.41
Vehicles	30.55	17.70	7.02	-	41.23	15.75	2.39	3.58	14.56	26.67
Ships	51.56	-	-	-	51.56	10.43	1.78	-	12.21	39.35
	9,929.65	252.85	7.02	142.35	10,312.35	3319.38	558.05	3.58	3,873.85	6,438.50
Intangible assets										
Computer software	5.48	-	-	-	5.48	5.48	-	-	5.48	-
	9,929.65	252.85	7.02	142.35	10,317.83	3,324.86	558.05	3.58	3,879.33	6,438.50
Capital work-in-progress (Refer note c below)										611.67
Total										7,050.17

Note:

a) In order to reflect the current reinstatement cost/market value, the Company revalued its Leasehold and Freehold Land located at its factory sites as on 31st December, 2008 on the basis of valuation carried out by approved valuers based on reinstatement / market values. The resultant appreciation aggregating to ₹ 1,111.42 millions has been added to the assets and credited to revaluation reserve. The additional depreciation aggregating to ₹ 7.69 millions (2013: ₹ 7.69 millions) on account of revaluation has been charged to statement of profit and loss and a similar amount has been withdrawn from the Revaluation Reserve and credited to statement of profit and loss.

b) Other adjustments include adjustments on account of borrowing cost and exchange differences.

c) Includes exchange difference of ₹9.92 Millions.

Note 11

FIXED ASSETS (continued)

[At cost less (depreciation / amortisation) and impairment provision]

Description	Gross block					Depreciation/amortisation				Net block
	As at April 01, 2012	Additions	Deductions/ Adjustments	Adjustments of exchange difference on borrowings	As at March 31, 2013	Upto March 31, 2012	For the year	Deductions/ Adjustments	Upto March 31, 2013	As at March 31, 2013
Tangible assets										
Freehold land	787.38	-	-	-	787.38	-	-	-	-	787.38
Leasehold land	715.81	-	-	-	715.81	37.35	8.75	-	46.10	669.71
Buildings	1,544.17	49.29	1.68	-	1,591.78	296.41	50.32	0.19	346.54	1245.24
Plant and machinery*	5,609.54	490.29	4.07	171.45	6,267.23	2,247.95	413.22	1.87	2,659.30	3,607.93
Electrical installation	248.96	3.94	2.20	-	250.70	96.71	9.50	0.60	105.61	145.09
Office equipment	116.05	1.45	-	-	117.50	80.15	6.25	-	86.40	31.10
Furniture and fixtures	109.25	2.41	-	-	111.66	42.61	6.64	-	49.25	62.41
Vehicles	30.55	-	-	-	30.55	14.53	1.22	-	15.75	14.80
Ships	56.00	-	4.44	-	51.56	9.00	2.53	1.10	10.43	41.13
	9,217.71	547.40	12.39	171.45	9,924.17	2,824.71	498.43	3.76	3,319.38	6,604.79
Intangible assets										
Computer software	5.48	-	-	-	5.48	5.48	-	-	5.48	-
	9,223.19	547.40	12.39	171.45	9,929.65	2,830.19	498.43	3.76	3,324.86	6,604.79
Capital work-in-progress (Refer note c below)										485.43
Total										7,090.22

Note:

a) In order to reflect the current reinstatement cost/market value, the Company revalued its Leasehold and Freehold Land located at its factory sites as on 31st December, 2008 on the basis of valuation carried out by approved valuers based on reinstatement / market values. The resultant appreciation aggregating to ₹ 1,111.42 millions has been added to the assets and credited to revaluation reserve. The additional depreciation aggregating to ₹. 7.69 millions (2012: ₹7.69 millions) on account of revaluation has been charged to statement of profit and loss and a similar amount has been withdrawn from the Revaluation Reserve and credited to statement of profit and loss.

b) Other adjustments include adjustments on account of borrowing costs and exchange differences.

c) Includes exchange difference of ₹70.72 Millions.

*Additions includes capitalisation of borrowing cost of ₹ 57.71 millions.

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

	As At March 31, 2014	As At March 31, 2013
Note 12		
NON CURRENT INVESTMENTS		
Trade Investments (valued at cost)		
Unquoted Equity Investments		
223,164 (2013: 223,164) Equity Shares of Bharuch Eco Aqua. Infrastructure Ltd. of ₹10/- each, fully paid up.	2.23	2.23
30,000 (2013: 30,000) Equity Shares of Panoli Enviro Technology Ltd. of ₹10/- each, fully paid up.	0.30	0.30
14,494 (2013: 14,494) Equity Shares of MMA CETP Co-operative Society Limited of ₹100/- each, fully paid up	1.45	1.45
16% (2013: 16%) Equity Shares of Jiangsu Chemstar Chemical Co Limited fully paid up	26.97	26.97
	30.95	30.95
Non Trade Investments (valued at cost unless stated otherwise)		
Quoted Equity Investments		
2,000 (2013: 2,000) Equity Shares of Bank of Baroda of ₹10/- each fully paid up.	0.17	0.17
2,900 (2013: 2,900) Equity Shares of Union Bank of India ₹10/- each fully paid up.	0.05	0.05
	0.22	0.22
	31.17	31.17
Aggregate book value of quoted investments	0.22	0.22
Aggregate market value of quoted investments	1.84	2.26
Aggregate book value of unquoted investments	30.95	30.95
Note 13		
LONG TERM LOANS AND ADVANCES		
Unsecured and considered good unless other wise stated		
Capital advances	111.41	83.13
Security deposits [Refer Note a]	103.14	106.71
	214.55	189.84
Loans and advances to related parties	-	51.50
Other loans and advances		
Advance tax	15.44	14.29
MAT credit entitlement	436.78	439.41
Loans to employees	2.57	2.73
	669.34	697.77

a. Security deposits includes deposit given to Directors of ₹50 millions (2013: ₹50 millions)

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

	As At March 31, 2014	As At March 31, 2013
Note 14		
INVENTORIES		
(At lower of cost and net realisable value - Also refer note 2 (g))		
Raw materials [includes goods in transit of ₹218.02 millions] (2013: ₹222.45 millions)	1,951.07	1,549.49
Packing materials	10.03	10.65
Work-in-progress	529.72	583.55
Finished goods	480.83	307.16
Stores, spares and consumables	141.28	119.48
	3,112.93	2,570.33
Note 15		
TRADE RECEIVABLES		
(Unsecured)		
Considered good		
Outstanding for a period exceeding six months from the date they are due for payment	92.82	86.46
Others	794.55	759.83
(A)	887.37	846.29
Considered doubtful		
Outstanding for a period exceeding six months from the date they are due for payment	22.36	17.36
Others	-	-
	22.36	17.36
Less : Provision for doubtful receivables	22.36	17.36
(B)	-	-
Total (A + B)	887.37	846.29
Note 16		
CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash on hand	1.61	1.26
Balances with banks:		
- On current accounts	155.91	85.08
	157.52	86.34
Other bank balances		
Deposits with original maturity for more than 3 months but less than 12 months (refer note a)	119.32	68.08
	119.32	68.08
	276.84	154.42

a. **Margin money deposits given as security**

Margin money deposits with a carrying amount of ₹ 69.32 millions (2013: ₹ 68.08 millions) are subject to first charge to secure the company's working capital loans.

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

	As At March 31, 2014	As At March 31, 2013
Note 17		
SHORT TERM LOANS AND ADVANCES		
Unsecured and considered good unless other wise stated		
Advances recoverable in cash or in kind or for value to be received		
Considered good	37.04	79.10
Considered doubtful	22.91	17.91
	59.95	97.01
Less: Provision for doubtful advances	22.91	17.91
	37.04	79.10
Other loans and advances		
Balances with customs, excise, etc	196.79	195.65
Prepaid expenses	39.10	24.16
VAT receivable	283.09	214.40
MAT credit entitlement	99.00	-
Loans to employees	2.38	1.23
	657.40	514.54
Note 18		
OTHER CURRENT ASSETS		
Unsecured and considered good unless other wise stated		
Others		
Interest accrued on fixed deposits	11.40	6.07
	11.40	6.07

Notes to Consolidated Financial Statements

For the year ended March 31, 2014
(Currency: Indian rupees in millions)

	Year Ended March 31, 2014	Year Ended March 31, 2013
Note 19		
REVENUE FROM OPERATIONS		
Sale of products		
Finished goods	8,328.21	6,626.05
Less: Excise duty	53.69	46.67
Sale of Product (Net)	8,274.52	6579.38
Sale of Services	4.56	15.40
Other operating revenue		
Scrap sales	13.03	9.39
Revenue from operations (Net)	8,292.11	6,604.17
Note 20		
OTHER INCOME		
Interest income on		
Bank deposits	5.15	5.28
Others	4.59	6.08
Dividend on long term investments	0.10	0.06
Insurance claim	-	30.50
Other non-operating income	0.15	0.25
Revocation of Trust	330.56	-
Provision for inventory written back	-	20.96
	340.55	63.08
Note 21		
COST OF MATERIALS CONSUMED		
Raw materials at the beginning of the year	1,541.74	1,037.04
Add : Purchases	4,287.43	3,238.43
	5,829.17	4,275.47
Less : Closing stock	1,951.07	1,549.49
	3,878.10	2,725.98
Note 22		
CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS		
(Increase) in stocks		
Inventories at the end of the year		
Work-in-progress	529.72	583.55
Finished goods	480.83	307.16
Total A	1,010.55	890.71
Inventories at the beginning of the year		
Work-in-progress	583.55	481.86
Finished goods	307.16	293.37
Total B	890.71	775.23
(Increase) in stocks (B-A)	(119.84)	(115.48)
Note 23		
EMPLOYEE BENEFITS		
Salaries, wages and bonus	668.53	601.49
Contribution to provident and other funds	33.48	30.64
Gratuity expenses	16.29	10.81
Staff welfare expenses	71.89	58.82
	790.19	701.76

Notes to Consolidated Financial Statements

For the year ended March 31, 2014
(Currency: Indian rupees in millions)

	Year Ended March 31, 2014	Year Ended March 31, 2013
Note 24		
OTHER EXPENSES		
Consumption of stores and spares	113.40	97.98
Processing charges	1.04	4.85
Power & fuel	965.28	887.96
Advertisement	1.34	0.90
Rent	12.17	13.73
Rates and taxes	5.98	6.65
Insurance	16.57	14.49
Repairs and maintenance		
- Plant & machinery	65.84	49.46
- Buildings	18.72	15.69
- Others	33.45	24.87
Printing and stationery	13.10	12.84
Legal and professional charges		
- Legal charges	4.31	6.35
- Professional charges	74.88	46.77
Travelling and conveyance	39.14	38.75
Vehicle expenses	9.83	11.05
Postage, telephone and telegrams	10.32	12.43
Auditors remuneration	4.97	4.68
Director's sitting fee	0.56	0.59
Sales and distribution expenses	143.91	93.83
Commission on sales	5.09	3.96
Security service charges	18.00	15.98
Sundry balance written off	56.17	11.85
Service charges	26.43	25.37
Excise duty on closing stock	2.12	2.54
Loss on sale of assets (net)	1.68	3.22
Foreign exchange loss	0.69	3.93
Provision for doubtful debts	5.00	-
Miscellaneous expenses	43.22	39.57
	1,693.21	1,450.29
Note 25		
Finance costs		
Interest on fixed period loans	230.45	237.79
Other interest	286.92	240.33
Bank charges	30.70	44.98
Exchange difference to the extent considered as an adjustment to borrowing costs	132.06	75.84
	680.13	598.94
Note 26		
Exceptional itmes		
Exchange loss	179.25	484.33
	179.25	484.33

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

Note 27

	As At March 31, 2014	As At March 31, 2013
Contingent liabilities		
Bills discounted with banks	1,124.23	949.14
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	72.30	92.54

Note 28

The Company at its extra ordinary general meeting held on May 17,2013 decided to cancel / rescind the ESOP Scheme. Consequently, ₹330.60 million in the trust was received by the Company and accounted as other income. This will ensure compliance of the SEBI circular no CIR/CFD/DIL/3/2013 dated January 17, 2013.

Note 29

a) In terms of the Scheme of Arrangement ("the Scheme") under Sections 391 to 394 read with Section 78, 100 to 103 of the Companies Act, 1956 sanctioned by Order dated March 30, 2012 of Hon'ble High Court of Judicature at Bombay and filed with the Registrar of Companies, Maharashtra on May 10, 2012, all the assets and liabilities of the research business of Acoris Research Limited ('Transferor Company') has been taken over by the Company with effect from April 1, 2012, being the effective date.

b) In accordance with the said Scheme and as per the Hon'ble High Court's approval the assets and liabilities of Research business of the transferor company have been vested in the Company with effect from April 1, 2012 and have been recorded in accordance with the provisions of the Scheme as follows:

i) The Company has recorded all the assets and liabilities pertaining to the Transferor Company at the respective book values as appearing in the books of Transferor Company as on the appointed date.

ii) The excess of liabilities over assets of the Transferor Company aggregating ₹134.56 millions have been transferred to Securities Premium Account of the Company.

iii) Further, the carrying value of investment in the transferor company aggregating ₹150.40 millions has been adjusted against Securities Premium Account of the Company.

Note 30

Capitalization of expenditure

During the year, the company has capitalized the following expenses of revenue nature to the cost of fixed asset/capital work-in-progress (CWIP). Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the company.

	Year Ended March 31, 2014	Year Ended March 31, 2013
Salaries, wages and bonus	12.40	12.74
Finance Cost	33.29	61.18
Others	14.13	8.70
Total	59.82	82.62

Note 31

Segment reporting

The Company's financial reporting is organized into two major operating divisions' viz. crop protection and pharmaceuticals. These divisions are the basis on which the Company is reporting its primary segment information. Joint revenues and expenses, if any, are allocated to the business segments on a reasonable basis. All other segment revenues and expenses are directly attributable to the segments.

Segment assets include all operating assets used by a segment comprising trade receivables, inventories, fixed assets and loans and advances. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities of the segment comprising trade payables and other liabilities.

The Company's operating divisions are managed from India. The principal geographical areas in which the Company operates are India, Europe, USA & Canada and South East Asia.

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

Primary segment information

Particulars	Crop Protection	Pharmaceuticals		Total
		Indian operation	Overseas operation	
Revenue (external revenue)	3537.80	4,754.31	-	8292.11
	2,888.02	*3,716.15*	-	*6,604.17*
Segment result	595.66	1025.43	(1.70)	1,619.39
	464.34	*1,026.76*	*(2.50)*	*1,488.60*
Interest expenses				547.97
				522.95
Other unallocable expenditure				(89.09)
(net of unallocable income)				*150.63*
Profit before tax, exceptional expenditure				1,160.51
				815.02
Exchange Loss				179.25
				484.33
Net Profit before tax				981.26
				330.69
Segment assets	3,324.99	8,029.37	0.04	11,354.32
	3,278.96	*7,454.91*	*0.40*	*10,734.27*
Unallocated corporate assets				1,342.30
				1,176.54
Total assets				12,696.62
				11,910.81
Segment liabilities	666.30	931.12	0.04	1,597.38
	529.69	*794.28*	*0.40*	*1,324.37*
Unallocated corporate liabilities				6,052.16
				6,083.74
Total liabilities				7,649.54
				7,408.11
Capital expenditure for the year	123.90	331.48	-	455.38
	91.80	*364.70*	-	*456.50*
Unallocated capital expenditure				66.09
				0.22
Depreciation for the year	134.50	407.79	-	542.29
	128.39	*354.63*	-	*483.02*
Unallocated depreciation				7.94
				7.72

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

Secondary segment information

	Sales revenue	Assets employed	Capital expenditure
India	1,235.21	12,696.66	521.47
	1,035.74	*11,910.41*	*456.72*
USA and Canada	1,122.21	-	-
	834.29	-	-
Europe	3,100.13	(0.04)	-
	2,062.97	*0.40*	-
South East Asia	2,466.50	-	-
	2539.26	-	-
Others	368.06	-	-
	131.91	-	-
Total	8,292.11	12,696.62	521.47
	6,604.17	*11,910.81*	*456.72*

Note 32

Related Parties Disclosures

List of related parties

Parties where control exists

Subsidiary Companies

Hikal International B.V. ("HIBV")

Acoris Research Limited ("ARL")

Key Management Personnel

Jai Hiremath	Chairman and Managing Director
Sameer Hiremath	President & Joint Managing Director

Relatives of Key Management Personnel

Sugandha Jai Hiremath

Enterprises over which key management personnel and their relatives exercise significant influence

Decent Electronics Private Limited ("DEPL")

Marigold Investments Private Limited ("MIPL")

Iris Investments Private Limited ("IIPL")

Karad Engineering Consultancy Private Limited ("KECPL")

Ekdant Investments Private Limited ("EIPL")

Shri Rameshwara Investment Private Limited ("RIPL")

Shri Badrinath Investment Private Limited ("BIPL")

Rushabh Capital Services Private Limited ("RCSPL")

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

Transactions with related parties

Nature of transaction	Key management personnel	Relative of key management personnel	Enterprises over which key management personnel or their relatives have significant influence
Remuneration			
- Jai Hiremath	19.23		
	17.96		
- Sameer Hiremath	11.11		
	10.36		
Commission Paid			
- Jai Hiremath	10.10		
	-		
- Sameer Hiremath	10.10		
	3.62		
Sitting fees			
- Sugandha Hiremath		0.14	
		0.14	
Interest Paid			
- BIPL			3.42
			4.18
- KECPL			0.59
			0.41
- DEPL			0.79
			0.45
- EIPL			0.25
			0.40
- RIPL			0.86
			1.33
- RCSPL			0.79
			1.67
Management and administration fees			
- TMF Netherlands BV	1.46		
	2.15		
Dividend paid			
BIPL			11.95
			6.64
- RIPL			2.95
			3.27
- Sugandha Hiremath		5.80	
		3.22	
- Jai Hiremath	0.80		
	0.44		
- Sameer Hiremath	0.23		
	0.13		
Lease rent paid			
- Sugandha Hiremath		2.40	
		2.40	
- RIPL			0.84
			0.84
- RCSPL			1.08
			1.08
Inter corporate deposits received			
- BIPL			-
			12.50
- KECPL			-
			1.60
- DEPL			-
			2.95
- EIPL			-
			0.95
- RIPL			1.80
			-

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

Transactions with related parties

Nature of transaction	Key management personnel	Relative of key management personnel	Enterprises over which key management personnel or their relatives have significant influence
Inter corporate deposits repaid			
- BIPL			19.30
			-
- RIPL			9.50
			2.50
- EIPL			1.50
			7.00
Outstanding balance debit/(credit)			
- Jai Hiremath	(10.10)		
	-		
- Sameer Hiremath	(10.10)		
	(3.62)		
- BIPL			(15.20)
			(34.50)
- KECPL			(4.10)
			(4.10)
- DEPL			(5.45)
			(5.45)
- EIPL			(1.40)
			(2.90)
- RIPL			(4.80)
			(12.50)
- RCSPL			(5.50)
			(5.50)

Notes 33

		Year Ended March 31, 2014	Year Ended March 31, 2013
a)	**Operating Leases**		
	Lease rental charges for the year	2.03	8.44
	Future lease rental obligation payable:		
	- not later than one year	2.49	2.82
	- later than one year but not later than five years	1.47	1.74
	- later than five years	-	-

b) **Finance Leases**

Certain items of plant and machinery (included in capital work in progress pending installation as on balance sheet date) have been obtained on finance lease basis. The legal title of these items vests with their lessors. The lease term of such plant and machinery ranges between 2–3 years with equated monthly payments beginning from the month subsequent to the commencement of the lease. The total future lease payment at the balance sheet date, element of interest included in such payments and present value of these lease payments are as follows:

	Minimum Lease payment		Present Value	
Maturity profile of finance lease is as under :	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Payable within 1 year	17.65	15.25	17.46	12.22
Payable between 1-5 years	7.77	20.24	9.75	18.61
Payable later than 5 years	-	-	-	-

Finance lease obligation are secured against the respective assets taken on lease

	Non Current portion		Current portion	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
a) Total minimum lease payments	7.77	20.24	17.65	15.25
b) Future interest included in (a) above	0.31	1.63	2.23	3.04
c) Present value of future minimum lease payments {a-b}	9.75	18.61	17.46	12.22

The rate of interest implicit in the above is in the range of 10% to 14%

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

Note 34

Earnings per share

	Year Ended March 31, 2014	Year Ended March 31, 2013
	Rupees in millions, except per share data	
Basic diluted earnings per share		
Profit after taxation	638.99	252.45
Numerator used for calculating basic and diluted earnings per share	638.99	252.45
Calculation of weighted average number of equity shares		
Weighted average number of equity shares outstanding during the year used as denominator for calculating basic earnings per share (based on date of issue of shares)	16,440,100	16,440,100
Basic and diluted earnings per share (₹)	38.87	15.36
Nominal value per shares (₹)	10.00	10.00

Note 35

Deferred tax

	As At March 31, 2014	As At March 31, 2013
Deferred tax assets:		
Amounts that are deducted for tax purpose when paid	64.46	52.90
Others	7.60	5.90
Unabsorbed depreciation	-	297.00
Total deferred tax assets	72.06	355.80
Deferred tax liabilities:		
Additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	396.96	442.05
Total deferred tax liabilities	396.96	442.05
Net deferred tax liabilities	324.90	86.25

Note 36

Disclosure in relation to Derivative Instruments

Category	No. of contracts	Amount in foreign currency (Millions)	Equivalent amount in Rupees (Millions)	Purpose
Currency / Interest swap	2	USD 7.19	432.16	Hedging of term loan/ interest
	3	USD 14.43	784.99	

The previous year's figures have been classified to confirm to this year's classification

As per our report of even date attached

For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W

Bhavesh Dhupelia
Partner
Membership No: 042070

Place: Mumbai
Date: May 6, 2014

For and on behalf of the Board of Directors of Hikal Limited

Jai Hiremath
Chairman & Managing Director

Kannan K. Unni
Director

Sham Wahalekar
Company Secretary

Place: Mumbai
Date: May 6, 2014

Consolidated Cash Flow Statement

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

	Particulars	Year ended March 31, 2014		Year Ended March 31, 2013	
A	CASH FLOW FROM OPERATING ACTIVITIES:				
	Net profit before taxation		981.26		330.69
	Adjusted for -				
	Depreciation/amortisation	550.36		490.74	
	Amortisation of miscellaneous expenditure	0.21		0.43	
	Revocation of trust/interest income	(330.56)		(11.56)	
	MTM loss on swap deal	120.10		-	
	Dividend income	(0.10)		(0.06)	
	Interest expense	548.06		523.10	
	Sundry balances written off	56.17		71.95	
	Provision for doubtful advances	5.00		-	
	Provision for doubtful debts	5.00		-	
	Provision for inventry written back	-		(20.96)	
	(Profit)/loss on sale of fixed assets(net)	1.68		3.22	
	Foreign currency translation reserve-for the year	(0.21)		(2.95)	
			955.71		1,053.91
	Operating profit before working capital changes		1,936.97		1,384.60
	Adjustment for increase/decrease in:				
	(Increase)/decrease in trade and other receivables	(295.19)		58.98	
	(Increase)/decrease in inventories	(542.60)		(642.60)	
	Increase/(decrease) in trade payables, Provisions and other liabilities	(489.34)		(136.61)	
			(348.45)		(720.23)
	Cash generated from operating activities		1,588.52		664.37
	Income tax paid		(201.15)		(53.88)
	NET CASH FLOW FROM OPERATING ACTIVITIES		1,387.37		610.49
B.	CASH FLOW FROM INVESTING ACTIVITIES:				
	Purchase of fixed assets (includes increase in capital work in progress)	(514.19)		(269.18)	
	Proceeds from sale of fixed assets	1.76		0.12	
	Dividend received	0.10		0.06	
	Increase in investments in fixed deposits (margin money account)	(51.24)		(22.61)	
	Revocation of trust/interest income	330.56		11.41	
	NET CASH USED IN INVESTING ACTIVITIES		(233.01)		(280.20)

Consolidated Cash Flow Statement

For the year ended March 31, 2014

(Currency: Indian rupees in millions)

		Year Ended March 31, 2014		Year Ended March 31, 2013	
C.	CASH FLOW FROM FINANCING ACTIVITIES:				
	Proceeds from borrowings	1,363.29		1.281.97	
	Repayment of borrowings	(1,795.34)		(866.43)	
	Principal payment under finance lease	(4.57)		(0.15)	
	Dividend paid (including dividend tax)	(86.57)		(114.64)	
	Interest paid	(559.99)		(570.87)	
	NET CASH USED IN FINANCING ACTIVITIES		(1,083.18)		(270.12)
	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(71.18)		(60.17)
	Cash and cash equivalents as at March 31, 2013 (Opening Balance)		86.34		26.17
	Cash and cash equivalents as at March 31, 2014 (Closing Balance)		157.52		86.34

Notes to the Cash Flow Statement

1 The above Cash Flow Statement has been prepared under the 'Indirect Method' set out in Accounting Standard 3, 'Cash Flow Statements', issued by the Central Government in consultation with the National Advisory Committee on Accounting Standards.

2 Cash and cash equivalents represent :

	2014	2013
Cash	1.61	1.26
With Banks		
- Current accounts	155.91	85.08
Total cash and cash equivalents	157.52	86.34

As per our report of even date attached

For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W

Bhavesh Dhupelia
Partner
Membership No: 042070

Place: Mumbai
Date: May 6, 2014

For and on behalf of the Board of Directors of Hikal Limited

Jai Hiremath
Chairman & Managing Director

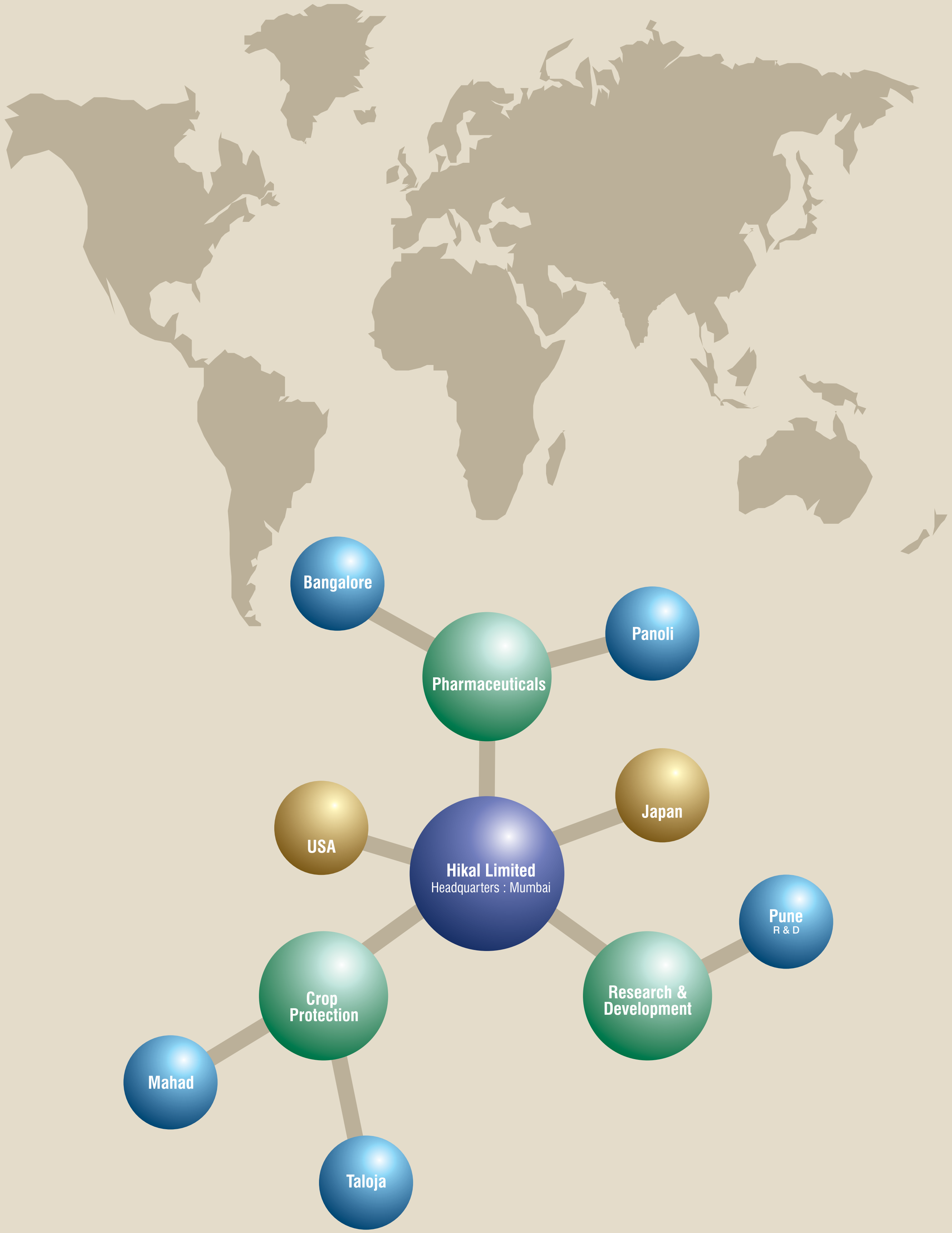
Kannan K. Unni
Director

Sham Wahalekar
Company Secretary

Place: Mumbai
Date: May 6, 2014

NOTES

Corporate Information



Board of Directors

Jai Hiremath - Chairman & Managing Director
Sameer Hiremath - President & Joint Managing Director
Baba Kalyani
Kannan Unni
Dr. Peter Pollak
Dr. Axel Kleemann
Dr. Wolfgang Welter
Prakash Mehta
Shivkumar Kheny
Sugandha Hiremath
Amit Kalyani

Audit Committee

Kannan Unni
Prakash Mehta
Sugandha Hiremath
Shivkumar Kheny

Company Secretary

Sham Wahalekar

Auditors

B S R & Company
Chartered Accountants

Bankers & Financial Institutions

Axis Bank Ltd.
Bank of Baroda
Central Bank of India
Citibank N.A.
DBS Bank Ltd
Export Import Bank of India
HDFC Bank Ltd
International Finance Corporation
ICICI Bank Limited
IDBI Bank Ltd
Kotak Mahindra Bank Ltd.
State Bank of India
Standard Chartered Bank
Union Bank of India
Yes Bank Ltd.
Aditya Birla Finance Ltd.

Legal Advisor

Malvi Ranchoddas & Co.

Registered Office / Corporate Office

717/718, Maker Chambers V
Nariman Point
Mumbai 400 021

Administrative Office

Great Eastern Chambers, 6th Floor
Sector 11, C. B. D. Belapur
Navi Mumbai 400 614.

Works

Mahad, Maharashtra
Taloja, Maharashtra
Panoli, Gujarat
Pharmaceutical Unit - I & II Jigani, Karnataka
R&D Unit at Bannerghatta, Bengaluru, Karnataka
R&D Unit at Hinjewadi, Pune, Maharashtra

Registrars & Transfer Agents

Universal Capital Securities Pvt. Ltd.
(Formerly known as Mondkar Computers Pvt. Ltd.)
21, Shakil Niwas
Mahakali Caves Road
Andheri (E), Mumbai 400 093.
Tel : 91-22-28257641, 2820 7203/04/05
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HiKAL 25 just the right chemistry

Design: **Viru.H.** Print: Pragati.

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JUST THE RIGHT CHEMISTRY

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