



Annexure - A

Significant Accounting Policies

1. **Basis for Preparation of Financial Statements :**

The financial statements of the company have been prepared in accordance with generally accepted accounting Principles in India (Indian GAAP) to comply with accounting standards notified under section 211 (3C) of the companies act, 1956 (which continues to be applicable in respect of section 133 of new companies act, 2013 in term of general circular 15/2013 dated September, 13, 2013 of the ministry of corporate affairs) and the relevant provisions of companies Act 1956 and 2013 Act, as applicable. The financial statements have been prepared under the historical cost convention, on an accrual basis of accounting.

2. **Periodicity :**

In Order to make the financial year uniform, as defined in section 2(41) of the Companies Act 2013, the financial statements of the company have been prepared from **July'2015 to March'2016 (9 Months)**

2. **Revenue Recognition :**

Sales of products are recognized when risk and rewards of ownership of the products are passed on to the customers, which is generally on dispatch of goods. Exports sales are recognized on the basis of Shipping/Airway Bills. Sales stated are excluding sales tax and net of returns.

3. **Use of Estimates :**

The presentation of financial statement in conformity with the generally accepted principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities as on the date of financial statements and the reported amount of revenues and expenses during the period. Difference between the actual result and estimates are recognized in the period in which the results are known/materialized.

4. **Fixed Assets :**

- a) Tangible Fixed Assets are stated at their historical cost, adjusted by revaluation of certain land & building less provision for impairment losses, if any, depreciation, amortization and adjustments on account of foreign exchange fluctuations in respect of changes in rupee liability of foreign currency loans used for acquisition of fixed assets.
- b) Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. The cost of intangible asset comprises its purchase price including import duties and other taxes, other attributable direct expenses making the asset ready for its intended use.
- c) Borrowing cost eligible for Capitalization, incurred in respect of acquisition/construction of a qualifying assets, till the asset is substantially ready for use, are capitalized as part of the cost of that assets.
- d) Pre operative, Trial run and incidental expenses relating to the projects are carried forward to be capitalized and apportioned to various assets on commissioning of the Project.

5. **Depreciation :**

Depreciation on tangible assets is provided on the straight-line method over the useful lives of assets estimated by the Management. Depreciation for assets purchased/sold during a period is proportionately charged. Intangible assets are amortized over their respective individual estimated useful lives on a straight line basis, commencing from the date the asset is available to the Company for its use. The Management estimates the useful lives for the other fixed assets as follows:

Buildings	22-25 years	Electrical Fittings	10 years
Plant & Machinery	20 years	Computer Equipment	6 years
Office Equipment	5 years	Furniture & Fixtures	10 years
Lab Equipment	10 years	Vehicles	8 years



6. **Inventories:**

Items of inventories are valued on the basis given below:

Raw Materials and Packing Materials: at Cost net of CENVAT/VAT computed on first-in –first out method. Bulk Drugs produced for captive consumption are valued at cost.

Work in process and Finished Goods: at Cost including material cost net of CENVAT/VAT, labour cost and all overheads other than selling and distribution overheads for work-in- process and the same or realizable value, whichever is lower in case of finish goods except physician samples which are valued at cost as computed above. Part of the Finished Goods returned by the Customers have been written off due to Quality Issues.

Stores and Spares: Stores and spares parts are valued at purchase cost.

7. **Foreign currency transaction :**

Foreign currency assets and liabilities are translated at exchange rate prevailing on the last working day of accounting year. Gain or loss on the restatement of foreign currency transaction or on cancellation of forward contract, if any, is reflected in the Profit and Loss account except gain or loss relating to acquisition of fixed assets which is adjusted to the carrying cost of fixed assets.

Transaction in Foreign Currency is recorded in the Books of Account in Indian Rupee at the rate of exchange prevailing on the date of transaction.

8. **Investments :**

Long Term Investments are Valued at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary, in the opinion of the Management. During the year the company has written off investments made in their subsidiary company as the subsidiary has closed the business and its operations.

9. **Miscellaneous Expenditure :**

Preliminary Expenses & Public Issue Expenses are completely amortized in Profit & Loss Account.

10. **Borrowing Cost :**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying assets is one that necessarily takes substantial period of times to get ready for it's intend use. All other borrowing costs are charged to revenue.

11. **Earning per Share :**

The Company reports basic and diluted earning per share in accordance with Accounting Standard 20 on Earnings per Share. Basic earning per share is computed by dividing the net profit or Loss for the period by the weighted average number of Equity shares outstanding during the period. Diluted earnings per share is computed by dividing the netprofit or loss for the period by the weighted average number of Equity shares during the period as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

12. **Taxation :**

Current Tax: Current Tax is calculated as per the provisions of the Income Tax Act, 1961

Deferred Tax: Deferred tax is recognized on timing differences being the differences between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent period. Deferred tax assets are subject to the consideration of prudence are recognized and carried forward only to the extent that there is reasonably certainly that sufficient taxable income will be available against which such deferred tax assets can be realized. The tax effect is calculated on the accumulated timing difference at the yearend based on the tax rates and law enacted or substantially enacted on balance sheet date.



13. **Provisions and Contingent Liabilities :**

Provisions are recognized for present obligations, of uncertain timing or amount, arising as a result of past event where reliable estimate can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations. Where it is not probable that an outflow of resources embodying economic benefit will be required or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of resources embodying economic benefit is remote.

Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events, are so also disclosed as contingent liabilities unless the probability of outflow of resources embodying economic benefit is remote.

14. **Employee Benefits :**

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, short term compensated absences, etc. and the expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related service.

i. **Long Term Employee Benefits**

- Retirement Benefits in the form of provident fund is a defined contribution scheme and contributions are charged to the Profit and Loss account for the year/period when the contributions are due.
- Gratuity being a defined benefit obligation is invested with Gratuity Fund.
- Leave Encashment is recognized on the basis of payment basis at the end of the year.

ii. **Employees Stock Option Scheme**

The company has granted options to selected Employees including Directors under Sharon ESOS 2010. These options have been granted at Market Prevailing Rate at the time of Grant.

15. **CENVAT and Service Tax Credit :**

CENVAT and Service Tax credit utilized during the year is accounted in excise duty and unutilized CENVAT/Service Tax balance at the year end is considered as advance excise duty.

NOTES TO ACCOUNTS :

1. The company had issued 165 Nos. of Zero Coupon Foreign Currency Convertible Bonds of US\$ 1,00,000 each aggregating to US\$ 16.5 Million on 27, November 2007. These Bonds are convertible Bonds at the option of bond holders into equity shares of Rs. 10/- each fully paid at the conversion price of Rs. 315/- per share initially but now conversion price has been reset to Rs. 228.04/- per share, subject to the terms of issue, with a fixed exchange rate of Rs. 39.15 equal to US\$ 1.00 within 5 years and 7 days from the date of issue. These Bonds are called "A Series" Bonds
The bondholders have agreed to extend the bonds for the further period of 5 years. Bondholders have agreed to extend the period between one year to five years and interest to be paid between LIBOR + 3.50% - 5% per annum, as per the ECB guidelines. The bondholders have given their consent as stated above and the company authorize dealer has submitted the documents to Reserve Bank of India (RBI), for issuing "B Series Bonds"
2. The company has issued 1,61,11,000 Convertible warrants of Rs.2/- each at a premium of Rs.48/- each during the preceding previous year in two stages i.e. 67,15,400 convertible warrants issued on 30/03/2015 and 66,51,300 convertible warrants issued on 10/06/2015. Out of warrants issued at second stage, 27,44,300 convertible warrants of Rs.2/- each is still pending for allotment. However the same is not converted into shares due to technical reasons at NSDL.
3. In the absence of information as regards to the status/classification of the relevant enterprises into Micro, Small and Medium Enterprises, information as required under Notification No. G.S.R. 719(E) dated 16.11.2007 issued by the Department of the Company Affairs in respect of the total amount payable and amount of interest thereon paid during the year and payable at the end of the year to the Sundry Creditors could not be disclosed.



4. Contingent Liabilities not provided for : (₹ in Lacs)

Particulars	2015-2016	2014-2015
a) Letter of Credit against goods	-	-
b) Bank Guarantee for MPCB	1.25	1.00

5. The Previous Year figures have been regroup/rearranged, wherever necessary to make them comparable with the current years' figures.

6. Sundry Debtors, Sundry Creditors, Loans & advances are subject to confirmation and reconciliation.

7. In the opinion of the Board the current assets, loans and advances are approximately of the value stated if realized in ordinary course of business. The provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.

8. **Installed Capacity & Its Utilisation :**

Class of Goods	Installed Capacity	Utilisation
Active Pharma Ingredients and Intermediates	31,000 Liters of Reactors Capacity	90% (Approx)
Formulation	5400 mn Tablets & Capsules per annum	34% (Approx.)

The licensed & installed capacities are as certified by the Management and have not been verified by the Auditors as this is a technical matter.

9. **Directors Remuneration paid :**

Name of the Directors	Salary(Rs.)	Perquisite(Rs.)	Total(Rs.)
Ms. Savita Satish Gowda Managing Director	24,75,000/- (33,00,000/-)	NIL (NIL)	24,75,000/- (33,00,000/)
Mr. Lalit Misra Executive Director & CFO	24,75,000/- (33,00,000/)	NIL (NIL)	24,75,000/- (33,00,000/)
Mr. Vijay Kirpalani Whole Time Director	Nil (10,08,000/-)	NIL (NIL)	Nil (10,08,000/-)

Figure in bracket () pertains to previous year.

10. The Company has a Single Segment namely Pharmaceuticals/Chemicals. Therefore the company does not fall under different business segments as defined by AS- 17 "Segmental Reporting" issued by ICAI.

11. **Related party disclosure :**

As per Accounting Standards (AS-18) on related party disclosures issued by the Institute of Chartered Accountants of India, detailed disclosure is as follows :

i) **Details of Related Parties :**

1) Key Management Personnel

Ms. Savita Satish Gowda (Managing Director)

Mr. Lalit Misra (Executive Director & CFO)

Mr. Mohan P. Kala (Director) - (Resigned during the year)



- 2) Related Parties of Key Management Personnel **Mrs. Asha M. Kala**
- 3) Companies over which Key Management Personnel and their relatives have interest **M/s. Ramco Properties Pvt. Ltd.**
M/s. Revon Finance & Investments Pvt. Ltd.
M/s. Bagulwani General Trading Pvt. Ltd.
M/s. Venus Global Management & Consultancy Services Pvt. Ltd.
- 4) Subsidiary Company **M/s. Yusur International FZE, UAE - (Closed during the year)**

12. Earnings Per Share

(₹ in Lacs)

Particulars	2015-2016	2014-2015
Profit/(Loss) Attributable to Equity Shareholders	(299,20.39)	(22,586.41)
Weighted average no. of Equity Share	11,89,35,700	11,89,35,700
Diluted average no. of Equity Share	11,89,35,700	11,89,35,700
Nominal value of Equity Share Rs.	2/-	2/-
Earning Per Share (EPS) - Basic (Rs.)	(25.16)	(18.99)
Earning Per Share (EPS) - Diluted (Rs.)	(19.38)	(14.63)

13. Deferred Tax Liability :

Deferred Tax Liability relating to earlier years is ₹ 1196,72,226/- and liability for current year is ₹ 847,62,251/-.

14. Foreign Exchange Transactions

(₹ in Lacs)

Particulars	2015-2016	2014-2015
A. CIF value of goods imported	717.80	843.61
B. Value of Goods Exported (FOB and service charges)	7950.04	9,802.56
C. Marketing, Reimbursement, Travelling & Other Expenses	224.77	344.39

15. Auditors Rremuneration:

(₹ in Lacs)

Particulars	2015-2016	2014-2015
Audit Fee	4.00	3.50
Tax Audit Fees	1.50	1.00
Other Matters	4.15	3.65
Total	9.65	8.65

As per attached Report of even date

For **Shyam C. Agrawal & Co.**

Chartered Accountants

Firms Registration No. 110243W

Sd/-

Shyam C. Agrawal

(Proprietor)

Membership No. 031774

Place: Navi Mumbai

Date: 29.05.2016

For and on behalf of the board

Sd/-

Savita Satish Gowda (Managing Director)

Sd/-

Lalit Misra (Executive Director & CFO)

Sd/-

Viral Vora (Company Secretary)