Notes to the Financial Statements for the year ended 31 March 2018

1. Corporate Information

Sterling Biotech Limited ('The Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956 applicable in India. The Equity shares of the Company are listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) in India. The registered office of the Company is located at 43, Atlanta Building, Nariman Point, Mumbai - 400 021, Maharashtra, India.

The Company is engaged in the manufacturing of Pharma Grade Gelatine & Di-Calcium Phosphate and other Pharma products. The Company has presence in both domestic and international markets.

The Company was admitted to corporate insolvency resolution process ("CIRP") vide order of the National Company Law Tribunal ("NCLT"), Mumbai Bench, dated June 11, 2018 ("Insolvency Commencement Date") under the provisions of the Insolvency and Bankruptcy Code, 2016 ("Code"). [NCLT order dated June 26,2018 and taken over by RP on June 27, 2018].

In accordance with the applicable provisions of the Insolvency and Bankruptcy Code 2016 ("IBC/Code
Mr. Sundaresh Bhat having Registration No.IBBI/IPA-001/IPP00077/2017-2018/10162 was appointed as the Interim Resolution Professional ("IRP") to manage the affairs of the Company. Subsequently, Mr. Sundaresh Bhat was confirmed as the Resolution Professional ("RP") by the committee of creditors ("CoC"). On appointment of the IRP/RP, the powers of the Board of Directors of the Company were suspended.

2. Significant Accounting Policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015.

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value:
- Land and buildings classified as property, plant and equipment,
- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).

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 Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current - non current classification of assets and liabilities.

2.2 Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the amount of revenues and expenses during the reporting period end. Difference between the actual results and estimates are recognised in the period in which results are known/materialised.

2.3 Property, Plant and Equipment

All the property, plant and equipment are stated at acquisition cost, net of accumulated depreciation and net of impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Freehold land is not depreciated.

Subsequent expenditures related to an item of property, plant and equipment are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Items of property, plant and equipment that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements. Any expected loss is recognised immediately in the Statement of Profit and Loss.

Loss arising from the retirement of, and gains or losses arising from disposal of property, plant and equipment which are carried at cost are recognised in the Statement of Profit and Loss.

2.4 Depreciation / Amortisation

Depreciation is provided on pro-rata basis on the Straight Line Method (SLM) over the estimated useful lives of property, plant and equipment's considering the nature, estimated usage, operating conditions, past history of replacement, anticipated technology changes, etc. Considering these factors, the Company has decided to retain the useful life adopted for various categories of property, plant and equipment's, which are different from those prescribed in Schedule II of the Companies Act, 2013. Depreciation is not charged on capital work-in-progress until construction and installation are complete and is ready to be put to use.

2.5 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in Statement of Profit and Loss in the period in which they are incurred.

2.6 Impairment of non-financial assets

Assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or group of assets, is considered as a cash generating unit. If any such indication exits, an estimate of the recoverable amount of the asset/ cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit'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. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost (WAC) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.8 Revenue Recognition

Sale of goods: Sales are recognised when the substantial risks and rewards of ownership in the goods are transferred to the buyer as per the terms of the contract and are recognised net of trade discounts, rebates and sales tax/ VAT /GST.

2.9 Other Income

Interest: Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Export Benefits: The Company accounts for export benefit entitlements under the Duty Entitlement Pass Book Scheme of Government of India, on accrual basis.

2.10 Foreign Currency Translations

Foreign currency transactions during the year are recorded at the exchange rate prevailing on the date of the transactions. Exchange difference on settlement of transactions of fixed assets is capitalized with acquisition cost of fixed assets. The balance exchange fluctuation is charged to revenue. Current Assets and Liabilities are translated at year-end exchange rates.

2.11 Retirement Benefits

Retirement benefits payable to employees is charged to revenue on accrual basis. Employer's contribution to Provident Fund is accounted for on accrual basis.

2.12 Employee Benefits

a. Short Term Employee benefits

All Short term employee benefit plans such as salaries, wages, bonus, special awards and medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognised on an undisclosed basis and charged to the Statement of Profit & Loss.

b. Defined Contribution Plan

The company has a statutory scheme of Provident Fund with the Regional Provident Fund Commissioner and contribution of the company is charged to the Statement of Profit & Loss on accrual basis.

c. Defined Benefit Plan

The Company's liability towards gratuity to its employees is covered by a group gratuity policy with LIC of India. The contribution paid / payable to LIC of India is debited to the statement of Profit & Loss on accrual basis. Liability towards gratuity is provided on the basis of an actuarial valuation using the Projected Unit Credit method and debited to the Statement of Profit & Loss on accrual basis. Thus charge to the Statement of Profit & Loss includes premium paid to LIC, current service cost, interest cost, expected return on plan assets and gain/loss in actuarial valuation during the year, net of fund value of plan asset as on the balance sheet date. Liability towards leave salary is provided on actuarial basis.

2.13 Current and deferred tax

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Deferred tax for timing differences between the book profits and tax profits is accounted for using the tax rates and laws that have been enacted or substantively enacted as of the Balance Sheet date. Deferred tax assets arising from the timing differences are recognised to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised for tax loss and depreciation carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is virtually certain and is supported by convincing evidence that sufficient future taxable profits can be realised.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

2.14 Research and Development expenditure

Revenue expenditure is charged to the statement of Profit and Loss in the period in which it is incurred and is reflected under the appropriate heads of account. Capital expenditure is debited to Fixed Assets and depreciated at applicable rates.

2.15 Provisions and Contingent Liabilities

Provisions: Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure require to settle present obligation at the Balance Sheet date and are not discounted to its present value.

Contingent Liabilities: Contingent liabilities are disclosed when there is possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

2.16 Cash and Cash Equivalents

In the cash flow statement cash and cash equivalent include cash in hand, demand deposits with banks and other short term highly liquid investments.

2.17 Earning Per Share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which would have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period unless they have been issued at a later date.

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2.18 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial Assets

a) Initial Recognition and Measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

b) Subsequent Measurement

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset

d) Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure. The Company follows 'Simplified approach' for recognition of impairment loss allowance on trade receivables.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. net cash shortfalls), discounted at the original EIR.

Equity instruments measured at FVTOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.

(ii) Financial Liabilities

a) Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

b) Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans & Borrowings - After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in Profit and loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss. This category generally applies to borrowings.

c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

d) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.19 Fair Value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

3. Property, Plant and Equipment

Particulars	Land &	Leasehold Land	Buildings	Plant & machinery	Office	Vehicles	Total
							Rs. Lacs
As at 31 March 2017	3,414.90	6,377.90	35,427.37	2,79,425.59	1,932.80	2,174.74	3,28,753.30
Additions	-	-	19.54	661.69	29.35	47.84	758.42
Disposals	-	-	-	-	-	1.37	1.37
As at 31 March 2018	3,414.90	6,377.90	35,446.91	2,80,087.28	1,962.15	2,221.21	3,29,510.35
Depreciation							
As at 31 March 2017	-	185.11	3,838.44	49,993.23	1,271.89	835.47	56,124.14
For the year	-	67.31	1,707.03	22,310.72	178.27	311.44	24,574.77
Disposals	-	-	-	-	-	0.71	0.71
As at 31 March 2018	-	252.42	5,545.47	72,303.95	1,450.16	1,146.20	80,698.20
Net Book Value							
As at 31 March 2018	3,414.90	6,125.48	29,901.44	2,07,783.33	511.99	1,075.01	2,48,812.15
As at 31 March 2018	3,414.90	6,125.48	29,901.44	2,07,783.33	511.99	1,075.01	2,48,812.15

Net Book Value	As at 31 March 2018 Rs. Lacs	31 March 2017 Rs. Lacs
Property, Plant and Equipment	2,48,812.15	2,72,629.18
Capital Work in Progress	2,50,320.44	2,44,230.25

The company CWIP of Rs.250,320.44 lacs as at 31-03-2018 comprises of expenditure incurred on setting of new manufacturing facility at Bharuch district and amount incurred over several year is largely comprises of capital expenditure, borrowing cost, Foreign exchange variance of foreign currency loans, pre-operative expenses and other related expenses.

4. Non-current Investments

	As at 31 March 2018 Rs. Lacs	31 March 2017 Rs. Lacs
Investments at FVTOCI		
Investments in Mutual Funds	188.54	168.99
Investments in Shares (Quoted)	53.46	56.76
Investments in Shares (Un-quoted)	1,58,402.00	1,57,980.81
National Savings Certificate	0.56	0.56
Total	1,58,644.56	1,58,207.12

Schedule of Investment

4.1 Particulars

	31 March 2018 Rs. Lacs	31 March 2017 Rs. Lacs
Investment In Mutual Funds		
Jm Basic Fund-Growth Plan	27.76	24.97
Jm Core 11 Fund-Series I	83.96	73.53
Jm Multi Strategy Fund-Growth Plan	52.17	47.99
L&T India Large Cap Fund-Growth	24.65	22.50
Total	188.54	168.98
		-
Investment in Equity Shares - Quoted		-
		-
Reliance Power Limited	3.15	4.19
Transwarranty Finance Limited	50.31	52.57
Total	53.47	56.76
Investments in Shares (Un-quoted)		
Share-Atlantic Bluewater Services	8.65	8.62
Share-British Oil & Gas Exploration Ltd.	9.42	9.90
Share - Sterling Oil Resources Limited	1,392.53	1,392.22
Share - Sterling Port Limited	1,39,133.24	1,39,101.53
Share - Sterling SEZ & Infrastructure Private Ltd	15,572.05	15,186.02
SEEPCO BVI	1,136.11	1,132.52
Shimnit Utsch India P.Ltd.	1,150.00	1,150.00
	1,58,402.00	1,57,980.82

The Mutual funds and Quoted Equity Shares are traded in active markets and fair value are based on quoted market prices at the 31 March 2018.

The Unquoted Equity Shares are investments made in Companies which are recognised as related parties, except Shimnit Utsch India P.Ltd.. The said investments are not traded in an active market.

5. Deferred Tax Asset (net)

	As at 31 March 2018 Rs. Lacs	31 March 2017 Rs. Lacs
Deferred Tax Asset/(Liability)	1,12,458.99	69,185.99
Deferred Tax Liability recognised in FVTOCI	(31,173.44)	(31,227.72)
Total	81,285.55	37,958.27

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6. **Other Non-current assets**

	As at 31 March 2018 Rs. Lacs	As at 31 March 2017 Rs. Lacs
Opening Balance	14,142.80	16,238.03
Add : Capitalised during the period		-
Less : Amortised/Written off during the period	14,142.80	2,095.23
Deposits	585.60	580.80
Closing Balance	**585.60**	**14,723.60**

Initially, during the year 2013, the Company has decided to develop an improved process of manufacturing of Gelatin with higher yield and effective colors and viscosity, which is typically high for high Bloom gelatins, to retain higher profits and sales realisation from it. The international standards are also becoming stringent and more demanding in terms of parameters. The Company is always improving its product and it's a continuous effort. Considering the same, the Company has identified the new process for proper Ph, Moisture control, lesser ASh, Control Sulpher dioxide content (SO2), acceptable microbiological properties and accordingly charged the bone and the same was lying in the process with various utilities application as Work In Process stage for development to improvise yield and technical properties. While gelatin is very stable in its gel form, various factors such as pH, temperature or bacterial environment may cause an hydrolysis of the protein chain yielding not only a decreased viscosity but also a decrease in Bloom. However, the company continued to invest the funds in inventory of Bone, Lime, HCL and utilities in work in process stage as the improvement seen at work in process stage was highly encouraging and the technical team of the Company was convinced that the development is in right direction.

During the year 2014, due to the stringent pollution control norms for ETP plant, the Company was forced to keep material for longer period of even more than 210 days. Resultant in the process, instead of development of better ossien, all gelatin licked up during liming process. Ossien was lying without any other process and liming reaction was continued. Accordingly, Company was forced to take decision to dispose off the material without further extraction of Gelatin to avoid contamination.

The Company had been earlier amortizing the carrying value over a period of 10 years. However, in the current year, the Company has written off the balance outstanding under exceptional items.

7. **Inventories**

	As at 31 March 2018 Rs. Lacs	As at 31 March 2017 Rs. Lacs
Raw Materials	1,096.19	1,057.38
Stock in Process	2,674.87	67,266.73
Stores & Spares parts	858.17	698.13
Finished Goods	1,463.73	1,307.92
Total	**6,092.96**	**70,330.16**

8. **Trade Receivables**
(Unsecured, Considered Good)

	As at 31 March 2018 Rs. Lacs	As at 31 March 2017 Rs. Lacs
Outstanding for a period exceeding six months from the date they are due for payment	18.68	5.46
Other receivables	5,115.40	4,327.36
Total	**5,134.09**	**4,332.82**

9. **Cash and Bank Balances**

	As at 31 March 2018 Rs. Lacs	As at 31 March 2017 Rs. Lacs
Cash and cash equivalents		
Cash on hand	40.31	27.44
Balances with banks		
In Current Account	871.09	1,235.83
Total	**911.40**	**1,263.26**

10 **Bank Balances other than above**

	As at 31 March 2018 Rs. Lacs	As at 31 March 2017 Rs. Lacs
Fixed Deposits (Margin Money under lien to bank and Debt service reserve account)	417.07	429.54
	417.07	**429.54**

11. **Other current assets**

	As at 31 March 2018 Rs. Lacs	As at 31 March 2017 Rs. Lacs
Balance with Excise & Other Government Authorities	1,943.50	1,128.75
Advance recoverable in cash or kind or for value to be received	33,567.31	30,276.25
Total	**35,510.81**	**31,405.00**

Advance recoverable in cash or kind includes amount of Rs. 28,636.40 lacss as at 31-03-2018, these are the opening balances carried forward from prior years. Company is attempting to get the details of these loans and advances and only upon compilation of information one can make the assessment of recoverability/non- recoverability of these amounts.

12. Equity Share Capital

	No. in Lacs	Rs. Lacs
Authorised Share Capital		
50,00,00,000 Equity shares of Rs.1/- each		
At 31 March 2017	5,000.00	5,000.00
Increase/(decrease) during the year	-	-
At 31 March 2018	5,000.00	5,000.00
Issued and Subscribed		
27,58,94,388 Equity share of Rs.1/- each		
At 31 March 2017	2,758.94	2,758.94
Increase/(decrease) during the year	-	-
At 31 March 2018	2,758.94	2,758.94
Paid-up (fully paid)		
27,21,70,388 Equity shares of Rs.1/- each		
At 31 March 2017	2,721.70	2,721.70
Increase/(decrease) during the year	-	-
At 31 March 2018	2,721.70	2,721.70

Rights, preferences and restrictions attached to Equity Shares

The Company has only one class of equity shares having a par value of Rs.1/- per share. Each shareholder of equity share is entitled for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

	As at 31 March 2018		As at 31 March 2017	
	No. in Lacs	% holding	No. in Lacs	% holding
Equity shares of Rs.1/- each fully paid				
Albula Investment Fund Limited	159.63	5.87%	159.63	5.87%
Lotus Global Investments Ltd-Adr/Gdr	139.48	5.12%	139.48	5.12%

13. Other Equity

	As at 31 March 2018 Rs. Lacs	31 March 2017 Rs. Lacs
Share Premium Account	1,00,133.08	1,00,133.08
Debenture Redemption Reserve	4,982.14	4,982.14
Retained Earnings	(80,251.61)	19,772.21
Total	24,863.61	1,24,887.44

Refer statement of change in other equity for movement in components of other equity.

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14. Borrowings

	As at 31 March 2018 Rs. Lacs	As at 31 March 2017 Rs. Lacs
Non-Current borrowings		
Secured		
(Secured by way of first charge on Fixed Assets of the company, on pari passu basis)		
Term Loans from Banks		77,513.15
External Commercial Borrowings		
Unsecured		
Foreign Currency Convertible Bonds Zero Coupon Convertible Bonds due 2019 (Aggregating to USD 201,082,000 (31 March 2018: USD 201,082,000)	-	1,30,378.75
8% Redeemable Cumulative Non-Participating Non-Convertible Preference Shares carrying no voting rights of Rs.10/- each	1,97,873.50	1,91,258.50
Preference Share application money pending allotment	-	1.50
Total	1,97,873.50	3,99,151.90

1. The summery of FCCBs due 2019 are as under:

i) The FCCBs carry a 0% coupon with a yield of 5.43% per annum (calculated on semi-annual basis).

ii) The FCCBs will mature on March 25, 2019.

iii) The FCCBs are convertible into equity shares of the Company. The outstanding FCCBs are USD 201,082,000.

iv) The FCCBs are convertible at any time after May 05, 2014 at a conversion price of Rs. 60.00 per share with fixed rate of exchange on conversion of Rs. 48/- per USD.

v) The FCCBs are admitted for trading on the Euro MTF market of Luxembourg Stock Exchange.

2. The Company has only one class of Unlisted 8% Redeemable Cumulative Non-Participating Non-Convertible Preference Shares redeemable at the end of 15 years from the date of allotment, carrying no voting rights, of face value of 10/- each issued at par on private placement basis to Promoter Group & Associates whether or not they are member(s) of the Company.

Accumulated dividend on proportionate basis of issued Preference Shares as on balance sheet date amounts to Rs.51761.45 Lacs is not provided for.

	As at 31 March 2018 Rs. Lacs	As at 31 March 2017 Rs. Lacs
Current borrowings		
Working Capital Borrowings from Banks (Secured by way of first charge on Current Assets and second charge on fixed assets of the company, on pari passu basis)	60,759.34	50,408.44
Interest accrued and due on working capital borrowings	32,500.09	22,697.81
Short Term Loans from Banks	27,827.31	22,714.06
Total	1,21,086.74	95,820.30

1. Interest rates on Working capital Borrowings from Banks vary in the range of 13.65% p.a. to 19.00% p.a. (linked with BPLR/MCLR). The said loans are repayable on demand and also secured by way of first charge on current assets of the company and second charge on the fixed assets of the Company, on pari passu basis. Part of the said loans are additionally secured by way of a personal guarantees of the two Promoter Directors of the Company.

2. Interest rate applicable on the Short Term Loans from Banks during the year were in the range of 13.25% to 15% p.a.

	As at 31 March 2018 Rs. Lacs	As at 31 March 2017 Rs. Lacs
Other Financial Liabilities		
Current maturities of long term borrowings [Including interest accrued and due]		
Foreign Currency Convertible Bonds	1,30,792	-
Zero Coupon Convertible Bonds due 2019		
(Aggregating to USD 201,082,000 (31 March 2018: USD 201,082,000)		
Term Loans from Banks	1,22,036.00	39,079.49
Redeemable Non-Convertible Debentures	73,329.65	63,902.59
External Commercial Borrowings		
a) ECB 2009 aggregating USD 45,374,591 (March 31, 2018: USD 45,374,591)	29,513.49	27,685.95
b) ECB 2010 aggregating USD 114,749,455 (March 31, 2018: USD 114,749,455)	74,637.75	69,260.53
Derivative Loss payable	7,146.99	7,802.61
Total	4,37,455.87	2,07,731.17

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1. Interest rates on Rupee term loans from banks vary in the range of 11.4% p.a. to 16.35% p.a. (linked with BPLR/MCLR). These loans are secured by first pari passu charge on Fixed Assets of the Company. Part of the said loans are also secured by way of second charge on the current assets of the Company, both present and future, on pari passu basis and/or the personal guarantees of the Promoter Directors of the Company.

2. Interest rate on Redeemable Non-Convertible Debentures is 12% with additional 2% p.a for defaulting period. The said debentures were redeemable in 20 quarterly installments starting from November 05, 2010 and last installment due on August 05, 2015. The said debentures are Secured by first charge on pari passu basis on entire immovable and movable properties of the Company offering minimum Fixed Asset Coverage Ratio of 1.25 times during the tenure of debentures.

3. Interest rates on External Commercial Borrowings 2009 is 6 months LIBOR +375 bps. They are secured by first pari passu charge on all immoveable and moveable Fixed Assets of the Company second charge on the current assets of the Company, both present and future, on pari passu basis. The same are repayble in 9 half yearly installment after moratorium of 30 months from date of disbursement.

4. Interest rates on External Commercial Borrowings 2010 is 6 months LIBOR +475 bps. They are secured by first pari passu charge on all immoveable and moveable Fixed Assets of the Company second charge on the current assets of the Company, both present and future, on pari passu basis. The same are repayble in 12 half yearly installment after moratorium of 23 months from date of disbursement.

5. The company has executed Rupee Term Loan Agreement on January 09, 2015 with certain lenders including ECB lenders under obligor co-obligor structure for facilities granted to domestic group companies of Sandesara Group to which Company belongs. Accordingly, the securities and future cash flows are charged in favour of the lenders participating in Obligor co-obligor structure and the interest rate for facilities extended by these lenders is at 12% p.a.

6. The Company defaulted in repayment of loans and borrowings to the banks and financial institutions during the year and the Company has also defaulted in repayment of dues to debenture-holders during the year. Pursuant to the continuing defaults of the Company, a corporate insolvency resolution process ("CIRP") under the Insolvency and Bankruptcy Code, 2016 was initiated against the Company vide an order of the Mumbai Bench of the National Company Law Tribunal ("NCLT") dated 11th June, 2018. Owing to the initiation of CIRP, the borrowings are considered currently payable and therefore, classified under other financial liabilities as 'current maturities of long term borrowings'.

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15.	Trade payables and Other Current Liabilities	As at 31 March 2018 Rs. Lacs	As at 31 March 2017 Rs. Lacs
	Trade payables	2,070.34	3,789.80
	Other current liabilities	1,642.87	1,406.89
	Total	**3,713.21**	**5,196.69**

16.	Contingent Liabilities (to the extent not provided for)	As at 31 March 2018 Rs. Lacs	As at 31 March 2017 Rs. Lacs
	Estimated amount of contracts remaining to be executed on capital account	122.35	108.47
	Claims against the Company not acknowledged as debts		
	(i) Excise Duty & Service Tax	4,192.54	4,090.39
	(ii) Sales Tax	296.71	296.71
	(iii) Income Tax	33,883.34	6,078.40

17.	Revenue	Year ended 31 March 2018 Rs. Lacs	Year ended 31 March 2017 Rs. Lacs
	Sale of Finished goods	35,233.32	40,018.95
	Revenue from operations	**35,233.32**	**40,018.95**

17.1	Other Income	Year ended 31 March 2018 Rs. Lacs	Year ended 31 March 2017 Rs. Lacs
	Sales Miscellenous	86.98	60.86
	Export Incentive and Duty Draw back	260.97	173.46
	Interest Earned	102.46	77.09
	Other Income	99.65	86.29
		550.06	**397.70**

18	Cost of material consumed	Year ended 31 March 2018 Rs. Lacs	Year ended 31 March 2017 Rs. Lacs
	Opening Stock	1,755.51	1,692.90
	Add: Purchases	23,973.68	25,923.21
		25,729.19	27,616.11
	Less: Closing Stock	1,941.80	1,755.51
	Total	**23,787.39**	**25,860.60**

19	Changes in inventory of finished goods and work-in-progress	Year ended 31 March 2018 Rs. Lacs	Year ended 31 March 2017 Rs. Lacs
	Inventory at the end of the period		
	Finished goods	1,463.73	1,307.92
	Work-in-progress	2,674.87	67,266.73
		4,138.60	68,574.65
	Inventory at the beginning of the period		
	Finished goods	1,307.92	1,090.89
	Work-in-progress	67,266.73	68,969.24
		68,574.65	70,060.13
	Less- Prior Period Expenses	63,072.57	
		5,502.08	70,060.13
	(Increase)/decrease in inventory	**1,363.48**	**1,485.48**

20	Employee benefits expense	Year ended 31 March 2018 Rs. Lacs	Year ended 31 March 2017 Rs. Lacs
	Salaries, Wages & Bonus	5,292.40	4,899.32
	Contribution to Provident Fund & Other funds	427.39	257.19
	Staff Welfare expenses	121.39	284.18
	Total	**5,841.18**	**5,440.69**

	Managerial Remuneration (included above)	Year ended 31 March 2018 Rs. Lacs	Year ended 31 March 2017 Rs. Lacs
	Salary (including Bonus)	8.00	24.00

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21	Finance Cost	Year ended 31 March 2018 Rs. Lacs	Year ended 31 March 2017 Rs. Lacs
	Interest expense on debts and borrowings	43,936.68	36,719.57
	Bank Charges and Commission	8.54	18.88
	Other Finance Cost	21.15	240.75
	Other Interest	0.78	0.57
	Total	43,967.15	36,979.77

22	Depreciation and amortisation	Year ended 31 March 2018 Rs. Lacs	Year ended 31 March 2017 Rs. Lacs
	Depreciation on fixed assets	24,574.79	24,259.55
	Amortisation of Non-current Assets	-	2,095.23
	Total	24,574.79	26,354.78

23	Other expenses	Year ended 31 March 2018 Rs. Lacs	Year ended 31 March 2017 Rs. Lacs
	Repair & Maintenance: Buildings	60.01	7.74
	Repair & Maintenance: Plant & Machinery	775.40	662.47
	Travelling & Conveyance	352.06	418.30
	Telephone & Telex	50.93	65.31
	Printing & Stationery	18.39	27.51
	Postage, Telegram & Courier	16.26	15.77
	Office Expenses	1,071.77	1,189.63
	Audit Fees	8.75	8.63
	Selling & Distribution Expenses	477.98	403.08
	Total	2,831.56	2,798.43
	Auditors Remuneration		
	Audit Fees	7.00	4.00
	Tax Audit Fees	1.75	1.50
	Taxation and other matters	-	2.00
	GST/Service Tax	-	1.13
	Total	8.75	8.63

24	Earnings per share (EPS)	Year ended 31 March 2018 Rs. Lacs	Year ended 31 March 2017 Rs. Lacs
a.	Total Loss for the period	(1,00,538.52)	(41,245.50)
b.	Nominal value of each Equity share (Rs.)	1.00	1.00
c.	Weighted average No. of Equity Shares for Basic EPS	2,721.70	2,721.70
d.	Basic Earnings per Share (Rs.) (a/c)	(36.94)	(15.15)
e.	Weighted average No. of Equity Shares for Diluted EPS	4,330.36	4,330.36
f.	Diluted Earnings per Share (Rs.) (a/e)	(23.22)	(9.52)

25	Foreign Currency Earnings and Expenditure	Year ended 31 March 2018 Rs. Lacs	Year ended 31 March 2017 Rs. Lacs
a.	FOB value of Exports	7,854.36	4,507.02
b.	CIF Value of Imports	205.48	142.08
c.	Other Expenditure	57.14	1,569.82

26 Segmental Reporting

The company's operations fall under single segment and there are no reportable segments in accordance with Ind AS 108 on 'Operating Segments'.

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27 Financial Instruments

27.1 Capital Management

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

27.2 Categorization of Financial Instruments

	Particulars	As at 31 March 2018 Rs. Lacs	As at 31 March 2017 Rs. Lacs
(i)	**Financial Assets**		
(a)	Investments at FVTOCI (note 4)	1,58,644.56	1,58,207.12
(b)	Measured at Amortised Cost		
	Trade receivables (note 8)	5,134.09	4,332.82
	Cash and cash equivalents (note 9)	911.40	1,692.81
	Other current assets (note 10)	35,510.81	31,985.80
		41,556.30	38,011.43
(ii)	**Financial Liabilities**		
	Measured at Amortised Cost		
	Borrowings (Non-current) (note 13)	1,97,873.50	3,99,151.90
	Borrowings (Current) (note 13)	1,21,086.74	95,820.30
	Other Financial Liabilities (note 13)	4,37,455.87	2,07,731.17
	Trade Payables (note 14)	2,070.33	3,789.80
	Other Current Liabilities (note 14)	1,520.90	1,406.89
		7,60,007.34	7,07,900.07

27.3 Financial Risk Management Objectives

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's primary focus is to foresee the unpredictability of the financial markets and seek to minimize the potential adverse effects on its financial performance.

(i) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such commodity price risk. Financial instruments affected by market risk includes trade receivables, deposits and current investments.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company have long term debt obligation hence highly affected by interest rates fluctuations. The mark to market valuation of its portfolio is impact by fluctuation of the interest rates.

(iii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in exchange rates. The Company has an international business and some part of its sales are in foreign currencies which exposes to changes in foreign exchange rates. Fluctuating rupee can impact the realisation of its receivables. The maximum export sales are done on advance payment basis and outstanding export receivable are not insignificant. However, the foreign currency loans will have a significant impact on the Company's foreign currency risk.

(iv) Commodity Price Risk

The Company is affected by the price volatility of its key raw materials. Its operating activities requires a continuous supply of key material for manufacturing of Gelatine and pharma products. The Company's procurement department continuously monitor the fluctuation in price and take necessary action to minimise its price risk exposure.

(v) Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its treasury operation. The Company majorly sells its goods on advance payment basis and hence not subject to credit risk for its receivables.

(vi) Liquidity Risk

As of March 31, 2018, the Company has working capital of Rs. 108,121.70 lacs (current assets of Rs.108,121.70 lacs including cash and cash equivalents of Rs.1,328.47 lacs). The Company has outstanding bank borrowings of Rs. 354,420.97 lacs as working capital borrowings, short term loans and current maturities of long term loans. Accordingly, the high liquidity risk is perceived.

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27.4 Fair Value Measurement

The management assessed that fair value of loans, cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

i) The fair value of unquoted instruments are evaluated by the Company based on parameters such as interest rates and its investments ratting.

ii) The fair values of the quoted instruments are based on price quotations at the reporting date.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

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28 Related Party Disclosure

A. Names of Related Parties and relationship

i) Details of Key Management Personnel

Mr. Nitin J. Sandesara	Managing Director
Mr. Chetan J. Sandesara	Joint Managing Director

ii) Enterprises in which significant influence is exercised by Key Management Personnel

Sterling SEZ and Infrastructure Limited
Sterling Oil Resources Limited
Sterling Port Limited
Sterling International Enterprises Limited
PMT Machines Limited
Atlantic Bluewater Services Pvt. Ltd.
British Oil & Gas Exploration Ltd.
Sterling Exploration & Energy Production Co. Ltd.
Sterling Oil Exploration & Energy Production Co. Ltd.

B. **The aggregate amount of transaction with the related parties is as below**

	Particulars	Nature of transaction	Year ended 31 March 2018 Rs. Lacs	Year ended 31 March 2017 Rs. Lacs
1	Mr. Chetan J. Sandesara	Remuneration	8.00	24.00
2	Sterling SEZ and Infrastructure Limited	Lease rent and maintenance charges	170.69	170.69
		Loans & Advances	-	-
		Maximum amount outstanding	0.60	0.78
3	Sterling Port Limited	Loans & Advances	40.00	0.51
		Maximum amount outstanding	40.55	(367.70)
4	Sterling Oil Resources Limited	Loans & Advances	-	-
		Maximum amount outstanding	-	(1,217.00)
5	PMT Machines Limited	Loans & Advances	105.00	-
		Maximum amount outstanding	105.00	(465.00)
6	Sterling SEZ and Infrastructure Limited	Investment	4,875.00	4,875.00
7	Sterling Oil Resources Limited		500.00	500.00
8	Sterling Port Limited		9,900.00	9,900.00
9	Atlantic Bluewater Services Pvt. Ltd.		4.97	4.97
10	British Oil & Gas Exploration Pvt. Ltd.		5.46	5.46
11	Sterling Exploration & Energy Production Co. Ltd.		6.97	6.97
12	Sterling SEZ and Infrastructure Limited	Preference Share Capital (incl. Appln Money)	26,126.50	22,928.50
13	Sterling Port Limited		1,38,240.00	1,38,240.00
14	PMT Machines Limited		33,507.00	30,090.00

15 The company has executed ANZ SBLC Facility Agreement on September 30, 2015 with certain lenders as co-obligor under the ANZ SBLC Facility of USD 560 Mn. granted to Sterling Global Oil Resources Private Limited, Mauritius to avail ANZ FC facility of USD 544 Mn. by Sterling Exploration and Energy Production Company Limited, BVI. Accordingly, all tangible and intangible movable and immovable assets of the Company, both present and future, are charged in favour of the lenders participating in ANZ SBLC Facility, on pari-passu basis with existing charge holders.

29 **Exceptional Items**

Particulars	March 31, 2018	March 31, 2017
Foreign exchange fluctuation loss of prior period*	26.53	-
Inventory	63,060.00	-
Misc Expenditure	14,142.80	-
	77,229.33	-

*Exceptional items include Foreign Exchange fluctuation loss on Valuation of Investments at Fair market Value amounting to Rs. 26.53 lacs pertains to year ended March-2017 on Investments held in Foreign Companies which have now been transferred from other comprehensive income

30 **Dues to micro and small enterprises**

Based on the information received by the Company from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (The Act) there are no amounts due to such vendors during the year and as at the year end. Therefore, disclosure required under the Act have not been given.

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STERLING

31 **Material Changes affecting the Financial Position of the Company:**

Search and seizure operation of the Company was conducted by the officials of the Directorate of Enforcement at its offices in Vadodara and Mumbai on 05th August, 2017. During the operation many books and documents of company was seized by the officials.

The company is currently under "Corporate Insolvency Resolution Process" as per the provisions of Insolvency and Bankruptcy Code, 2016 by the order of NCLT dated 11th June, 2018. This has resulted in suspension of powers of the Board of Directors of the company and therefore no Board is available and hence the authority now rests with Mr. Sundaresh Bhatt (having Insolvency Professional Registration No. IBBI/IPA-001/IP-P00077/2017-2018/10162) as the Resolution Professional (RP) of Sterling Biotech Limited. Also, Investigation is going on in the company by Enforcement Directorate (ED), Central Bureau of Investigation (CBI) and Serious Fraud Investigaion Office (SFIO).). On 29th May 2018 the Enforcement Directorate has attached the properties of the company.

First Information Report under Sec 154 Cr.P.C suspecting criminal conspiracy and abuse of official position during the period 2005 - 2011 has been filed against IT officers and Management of the company.

Further, Enforcement Directorate have made an allegation against directors for criminal conspiracy with dishonest intention to cheat Andhra Bank and other public sector Banks in relation to Prevention of Money Laundering Act, 2002. This matter is sub-judice and the impact, if any of the outcome is unascertainable at this stage.

On 28 June 2018, the Tamilnadu Pollution Control Board has issued closure direction of the Ooty unit of the company with the stipulation to install and implement Zero Liquid Discharge (ZLD) system in the Unit. This requirement is for the reason that the Ooty being eco sensitive area and the permission to discharge treated liquid/ water was in the nearby dam, which has been discontinued. The Committee of Creditors (COC) constituted under the Corporate Insolvency Resolution Process (CIRP) has at its meeting held on 4 September 2018 decided to implement the ZLD. The company has also approached Court and NGT to process the work in progress. NGT has directed to TNPCB to review and decide on the same. The matter is pending with the TNPCB now and the company is optimistic that some favorable decision will be taken by TNPCB in respect of WIP.

32 The Company has incurred net loss during the current year and in the previous year and the Company's current liabilities have exceeded its current assets as at the balance sheet date.

However, the petition was admitted by the Hon'ble National Company Law Tribunal, Mumbai Bench pursuant to an order dated 11th June, 2018 and corporate insolvency resolution process was initiated against the Company under Section 7 of the Insolvency and Bankruptcy Code, 2016. Subsequestly, the Resolution Professional took over the management of the affairs of the Company.

The new management is working towards a workable resolution plan to resolve financial position with the lenders within the prescribed time limit and to continue its business as a going concern.

Following are some of the highlights of the improvements which further substantiate the going concern assumption:

i) The company has managed to cut down the purchase expenses by negotiating with the vendors.

ii) Masar Division has achieved the highest sales in August'18 and September'18 comparing past twelve months.

iii) Due to increase in production, sales and receivable, Masar & Karakhadi plants are able to manage their working capital requirements from their internal accruals and the cash accrual of company have gone up.

iv) The company has successfully retained and catered the gelatin requirement of Ooty division from Karakhadi division, of the customers who were affected due to closure of production facility at Ooty. Company is catering to the needs of 50 to 60 % of the Ooty customer's requirement from Karakhadi.

v) Committee of creditors (CoC) of the company have passed resolution dated 8th September, 2018 approving the implementation of Zero Liquid Discharge for Ooty Plant from internal accruals of the corporate debtor / company.

Thus, on the basis of the grounds mentioned above, the financial statements have been prepared on the going concern assumption.

33 Key Roles and Responsibilities & Data Sources during the FY 17-18:

Area of Work	HO	Karkhadi	Masar	Ooty
Overall Accounts and Finance & decisions	Promoters and Directors till August 2017			
Finance & treasury - V.P. Finance	Sanjay Surana			
Accounts & Consolidation	Manish Shah #			
	Girish Jethmalani	Riya Chaudhari	Rakesh Modi	D. Chandrasekaran
Plant Heads	N.A.	Pawan Bhatnagar	Satish Shah	C. Manokaran

#Mr. Manish is a consultant-commercial functions from the past 15 years and is working for sterling Biotech limited and its group companies exclusively.

Mr. R.B.Dixit is an Independent Director and has refused to sign for the current financial year. No promoter directors are present in India.

34 It is pertinent to note that the Resolution Professional made all practical and reasonable efforts from time to time to facilitate information/data from the officials of the Company in relation to the preparation of the financial statements of the company and also the information required by the auditors for the purpose of carrying out the audit of the financial statements of the Company. It is to be noted that the financial statements for the FY 2017-18 as well as the information provided to the auditors for the purpose of audit of the same, pertain to the period prior to the appointment of the Resolution Professional and therefore, while facilitating the collection and dissemination of the said information, the Resolution Professional has relied upon and assumed the accuracy/ veracity of data/information provided by the officials of the Company, suspended directors, and long term consultants and the records of the Company made available to the Resolution Professional , which the Resolution Professional has assumed are in confirmity with the applicable law and present a true and fair view of the position of the Company as of the dates and for the period indicated therein. The RP has not personally verified the information provided by the officials of the Company and has placed confidence in the data/ information provided to him. The financial statements have been signed by the Resolution Professional as no promoter director is present in India and the independent director / directors have refused to sign. Accordingly, the Resolution Professional should be absolved from the accuracy, veracity and sufficiency or completeness of such information. Readers and users of these statements are advised to do their due diligence before arriving at any conclusions. The Resolution Professional has signed the Financial Statements to facilitate the CIRP process and to facilitate the statutory requirements without any liability of the same.

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35 **Previous period figures**

Previous period figures have been regrouped / reclassified wherever necessary to correspond with the current period classification / disclosure.

These are the notes referred to in our report of even date.

As per our report of even date attached
For JHS & Associates LLP
Chartered Accountants
F.R.No. 133289W/W100099

Jignesh Thaker
Partner
Membership No. :107231

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Insolvency Resolution Professional

Sundaresh Bhat
Resolution Professional of Sterling Biotech Limited
Signed without any liability for administrative purpose only, as review period is prior to appointment of insolvency professional/ commencement of corporate insolvency resolution process, read with Note No. 33 & 34

Mr. Sundaresh Bhat
Reg. No. IBBI/IPA-001/
IP-P00077/2017-18/10162

Place: Mumbai
Date: 15/12/2018