HIKAL

Chemistry for growth

Hikal was founded on the promise of growth. Our people chart our growth story. We respect the environment while we make progress through chemistry.

Annual Report 2016

Chemistry for growth

Chairman's Message

Dear Shareholders,

The financial year 2015-16 ended on a satisfactory note. We registered revenue growth of 6% to ₹ 9,256 million from ₹ 8,718 million in the previous year, and a 2% increase in our profits compared to the previous year. This growth was achieved in a very challenging year.

The Board of Directors recommends a dividend of 50% for the year.

The first half was slow because of the postponement of supplies by our major clients, but the second-half results made up for the shortfall. Our Pharmaceutical division grew by 6% from ₹ 5,372 million to ₹ 5,692 million and our Crop Protection division grew by 7% from ₹ 3,343 million to ₹ 3,561 million. Though there has been an erosion in prices of some of our major products, we have been able to maintain our EBITDA margin at 20% by operational excellence and other cost-cutting initiatives. Our debt / equity ratio improved to 0.89 compared to 1.02 last year.

In the current financial year 2016-17, we are making significant investments to enhance our capabilities. We are focusing on:

- Upgrading our quality systems and infrastructure to comply with latest US FDA and other regulatory requirements
- Expanding our environmental control systems
- Capacity expansion across all our sites for existing products to meet growing demand from our expanding client base
- New projects for multinational companies, with whom we have signed long-term contracts
- Research and development – Besides undertaking custom / contract manufacturing for major clients, we are also introducing new products for direct market access
- We are also looking at allied businesses in the animal health and biocides sectors
- We are continuing to widen our client and product base in both the Pharmaceutical and Crop Protection divisions, and have appointed experienced marketing personnel to cater to diversified global markets
- To deliver on these initiatives, we have employed more staff in our R&D, Marketing and Human Resources departments.

Jai Hiremath - Chairman and Managing Director

We are changing our business model and organization to achieve these goals. Based on the new strategy and significant capital expenditure, we expect healthy growth in the coming years.

Some of our senior management professionals who retired during the year were replaced by highly qualified personnel.

We have appointed a seasoned scientist to head our R&D division. He will look at new technologies and develop products for our own sales. Last year, we filed four drug master files (DMFs), which is a big improvement compared to previous years. We expect to do better in the coming year, since we now have a robust pipeline.

Several new clients are approaching us based on our past record of delivery and compliance, business ethics and technical capabilities.

We give utmost importance to regulatory compliance and quality to meet US FDA, EU and other regulatory authority requirements. We are also investing in training to improve our work culture.

We take our corporate social responsibility (CSR) seriously and have undertaken several projects across all our sites. We are already seeing the benefits of 'Srijan,' our CSR initiative.

Looking ahead, Hikal is creating a solid foundation in infrastructure, R&D and human resources. We are confident of achieving sustainable growth with the new team and strategy we have put in place.

To manage the expected growth, we have received financing on favourable terms with extended repayment periods at a lower cost. This will be of immense help to us, as we are a capital-intensive company, with long gestation periods due to regulatory approvals.

I would like to express my gratitude and appreciation to our employees, clients, bankers, shareholders and other partners for their support.

We look forward to a successful 2016-17.

With regards,

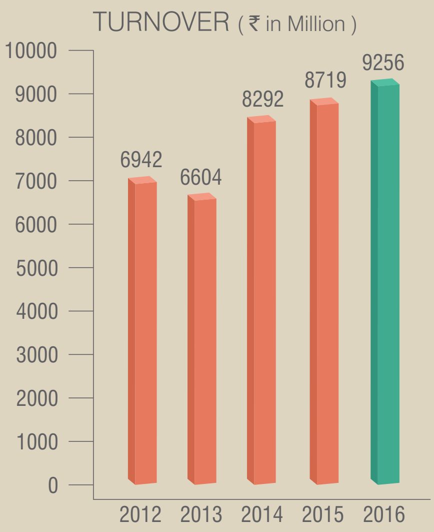
Jai Hiremath
Chairman and Managing Director

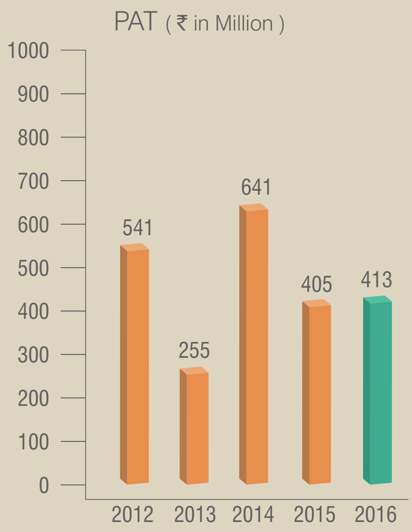
Hikal is exploring allied businesses in the animal health sector.

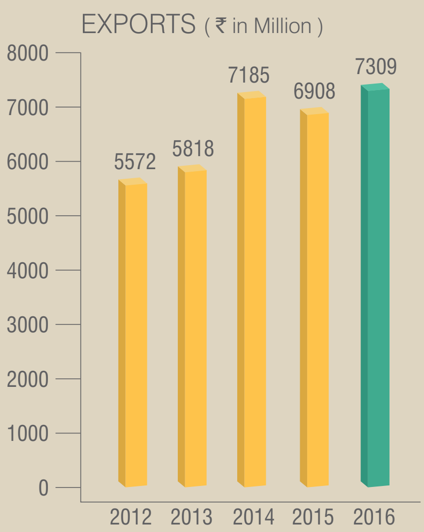
Performance at a Glance

Sameer Hiremath President and Joint Managing Director

Financial Highlights		₹ in Million		Growth
		March 31, 2016	March 31, 2015	%
Turnover		9,256	8,719	6.16
Operating profit(PBIDT)		1,828	1,841	(0.71)
Finance costs		622	600	-
Gross profit		1,206	1,241	(2.82)
Depreciation and amortisation expenses		673	642	-
Profit after tax		413	405	1.98
Paid-up equity share capital		164	164	-
Earnings per share on face value of Rs. 2/- (EPS)	₹.	5.03	4.93	-
Cash earnings per share on face value of Rs. 2/- (EPS)	₹.	13.22	12.74	-
Dividend per share	₹	1.00	1.00	-
Payout (including tax)		99	99	-


TURNOVER (₹ in Million)
10000
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
6942
6604
8292
8719
9256
2012
2013
2014
2015
2016


PAT (₹ in Million)
1000
900
800
700
600
500
400
300
200
100
0
541
255
641
405
413
2012
2013
2014
2015
2016


EXPORTS (₹ in Million)
8000
7000
6000
5000
4000
3000
2000
1000
0
5572
5818
7185
6908
7309
2012
2013
2014
2015
2016


DIVIDEND (₹ in Million)
180
160
140
120
100
80
60
40
20
0
115
48
87
99
99
2012
2013
2014
2015
2016

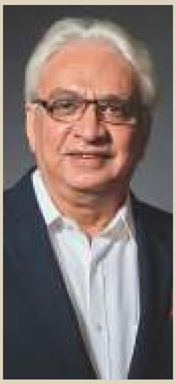
Board of Directors

Jai Hiremath is the Founder and Chairman of Hikal with over thirty five years of experience in the fine chemical and pharmaceutical industry. He is instrumental in building the foundation of Hikal establishing it as one of the leading contract development and manufacturing companies globally. He is a Chartered Accountant from England and Wales and is also a Harvard University, USA alumnus since 2004. His contribution to industry has been recognized on several global forums. He has been awarded Chemtech Business Leader of the Year Award (Chemicals) in 2005. Mr. Hiremath is the past President of the Indian Chemical Council (ICC) and the former Chairman of the Chemical Committee of the Federation of Indian Chamber of Commerce and Industry (FICCI). Mr. Hiremath is a board member of Novartis (India) Ltd and National Safety Council (NSC) of India. He recently retired as a board member of Drug, Chemical and Associated Technology Association (DCAT) headquartered in New Jersey, U.S.A.

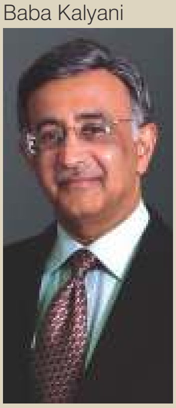
Baba Kalyani is the Chairman and Managing Director of Bharat Forge Limited, the flagship company of the US$ 2.5 billion Kalyani Group. Mr. Kalyani is a Mechanical Engineer from the Birla Institute of Technology & Science, Pilani, Rajasthan. He has done his M.S. from the Massachusetts Institute of Technology, USA. He has been awarded the Padma Bhushan by the Government of India and the Chevalier de l'Ordre National de la Legion d'Honneur (Knight of the National Order) by the French government for his contribution to enhance relations between India and France. Mr. Kalyani is also a member of the Indo-German Chamber of Commerce, Chairman of Indo-Japan Chamber of Commerce and a member of the Advisory Committee of Robert Bosch GmbH, Germany.

Sameer Hiremath is the President & Joint Managing Director of Hikal Ltd. where he oversees the day-to-day operations of the company. His depth of experience spans eighteen years in technical plant operations, business development and corporate strategy. He has held several key positions at Hikal, including Executive Director. He holds a degree in Chemical Engineering from Pune University and an MBA and M.S. degree in Information Technology from Boston University, USA.

Jai Hiremath



Baba Kalyani



Sameer Hiremath

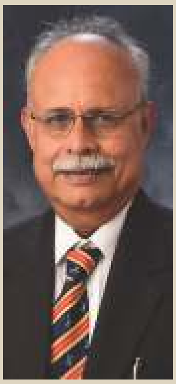
Kannan Unni is one of the pioneers in the field of crop protection with fifty years of experience in the crop protection and animal health industry. Mr. Unni worked in multiple capacities in Hoechst, AgrEvo, Aventis Crop Science and Bayer Crop Science Group. He was the Chairman and Managing Director of Bilag Industries, a 100% Bayer Crop Science-owned company. Mr. Unni has a mix of technical and commercial experience in the agricultural and animal health businesses having worked in a variety of roles in his career. He graduated in agriculture and holds a Diploma in Marketing from Mumbai University.

Prakash Mehta is the managing partner of M/s. Malvi Ranchoddas & Co., Advocates & Solicitors, one of the leading law firms in Mumbai. He brings extensive experience in corporate and commercial legal matters. Mr. Mehta is on the board of several listed and unlisted companies in India. He is a member of the Managing Committee of The Bombay Incorporated Law Society. He holds a degree in law from the Mumbai University.

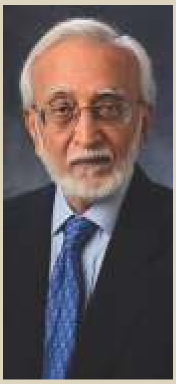
Shivkumar Kheny is a seasoned entrepreneur who has extensive experience spanning several industries. His business interests include real estate, steel and infrastructure development.
Mr. Kheny is on the board of several reputable companies, some of which are listed on the Bombay Stock Exchange

Sugandha Hiremath has more than 35 years of experience in the financial industry. She is an active participant of the Audit Committee at Hikal and also serves as an independent director on the board of several companies.

Kannan Unni

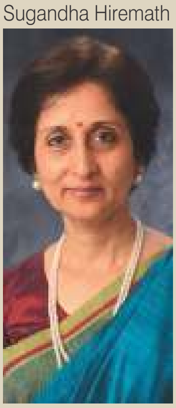


Prakash Mehta



Shivkumar Kheny

Sugandha Hiremath



Board of Directors

Dr. Wolfgang Welter has over thirty seven years of experience in the crop protection and fine chemical industries. Prior to retirement, Dr. Welter was a board member responsible for industrial operations and QHSE at Bayer Crop Science AG for six years. He has in-depth experience in manufacturing operations at Aventis Crop Science in France.

Dr. Axel Kleemann has in-depth knowledge and experience in research and development, production, engineering and drug safety. He was the Director of Corporate Organic Research of DEGUSSA AG (now Evonik AG) from over ten years. He was appointed a member of the management board of ASTA Medica AG with responsibility for research and development, production, engineering and drug safety till 2000. Apart from being a board member in various organizations and scientific societies in Germany, Dr. Kleemann is Chairman of the Board of Directors of Protagen AG since 2001 and a member of advisory boards of several biotech and fine chemicals companies. He is the co-author of the standard reference book, Pharmaceutical Substances (5th edition and online version), as well as a member of the editorial board of Ullmann's Encyclopedia of Industrial Chemistry. He holds a Ph.D. in Chemistry from the Johann Wolfgang Goethe University, Frankfurt am Main, where he is honorary Professor of Chemistry.

Amit Kalyani is a member of the management board and Executive Director of Bharat Forge Limited (BFL), flagship company of the US$ 2.5 billion Kalyani Group, a global technology-driven leader in metal forming having serving several sectors including automobile, power, oil & gas, rail & marine, aerospace, construction & mining. He is a key member of the company's strategic planning and global business development initiatives. Amit holds a Bachelor's Degree in Mechanical Engineering from Bucknell University, Pennsylvania, USA. He is also an OPM graduate of Havard Business School.

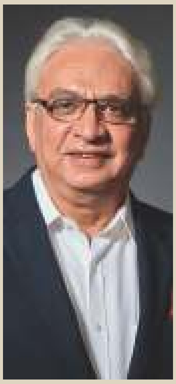
Dr. Welter Dr. Kleemann Amit Kalyani

Management Committee

Jai Hiremath is the Founder and Chairman of Hikal with over thirty five years of experience in the fine chemical and pharmaceutical industry. He is instrumental in building the foundation of Hikal establishing it as one of the leading contract development and manufacturing companies globally. He is a Chartered Accountant from England and Wales and is also a Harvard University, USA alumnus since 2004. His contribution to industry has been recognized on several global forums. He has been awarded Chemtech Business Leader of the Year Award (Chemicals) in 2005. Mr. Hiremath is the past President of the Indian Chemical Council (ICC) and the former Chairman of the Chemical Committee of the Federation of Indian Chamber of Commerce and Industry (FICCI). Mr. Hiremath is a board member of Novartis (India) Ltd and National Safety Council (NSC) of India. He recently retired as a board member of Drug, Chemical and Associated Technology Association (DCAT) headquartered in New Jersey, U.S.A.

Sameer Hiremath is the President & Joint Managing Director of Hikal Ltd. where he oversees the day-to-day operations of the company. His depth of experience spans eighteen years in technical plant operations, business development and corporate strategy. He has held several key positions at Hikal, including Executive Director. He holds a degree in Chemical Engineering from Pune University and an MBA and M.S. degree in Information Technology from Boston University, USA.

Jai Hiremath



Sameer Hiremath

Sham V Wahalekar (Sr. Vice President – Finance & Company Secretary) has over thirty eight years of experience in finance and secretarial functions at Hikal. He holds a degree in Law and M.Com (Hons.) and is a member of the Institute of Company Secretaries of India. He has extensive working knowledge of financial management and corporate law. He is responsible for finance, legal compliance and the corporate secretarial function at Hikal.

Manoj Mehrotra (President – Pharmaceuticals Business) has thirty years of experience in the fine chemicals and pharmaceuticals industry. Manoj has completed his B.Tech (Hons) in Chemical Engineering from IIT Kharagpur and an MBA from XLRI, Jamshedpur. In his last assignment at Dr. Reddy's, Manoj was the global head of the Custom Pharmaceutical Services (CPS) business. Earlier, he has worked in companies such as Thermax and SRF Limited. In SRF, his last role was strategizing and growing the fluoro-speciality business. He is responsible for strategy, sales and operations of the Pharmaceuticals division.

Kumar Inamdar (President – Crop Protection Business) has over 26 years of experience in sales, marketing, procurement, general administration in chemicals, agrochemicals and the medical device industry. Kumar has completed his B.E. in Chemical Engineering from Gujarat University and an MBA from Pune University. He has worked at several companies including Tata Limited, Lupin and Bilag Industries. At Bilag, he started as a purchase manager responsible for procurement and advanced to the role of General Manager for commercial activities with the responsibility of sales and marketing. Kumar was the Managing Director of Bilag from 2007 to 2012. He is responsible for the strategy, sales and operations of the Crop Protection division and also overseas the procurement function for the company.

Sham Wahalekar   Manoj Mehrotra   Kumar Inamdar

Management Committee

Dr. Sudhir Nambiar (President – Research & Technology) has over 25 years of experience in the area of process research, development of APIs, lifecycle management of molecules, process safety, regulatory and technology across several industries. Sudhir is a Ph.D. in Synthetic Organic Chemistry from University of Louisville, Kentucky and did his Post Doctorate from University of Montreal. He has completed the Senior Leadership program from Harvard Business School.

In his last assignment at Dr. Reddy's, Sudhir was the Sr. VP & Global Head of API – R&D. Prior to Dr. Reddy's, Sudhir was the Managing Director of Astra Zeneca India Pvt. Ltd. where he was responsible for the day-to-day operations of the company as well as being accountable for research, business services, governance and administration. Sudhir is responsible for the Research and Technology initiatives at Hikal with a focus on driving innovation through chemistry.

Anish Swadi (Head - Strategy and Business Development) oversees the Corporate Strategy initiatives at Hikal. He is also responsible for Investor Relations and IT operations. He serves on the board of Rx-360, an international pharmaceutical supply chain consortium. Previously, he worked as an international Financial Portfolio Manager with Merrill Lynch in the US. He holds a Bachelor's degree in International Business and Finance from Ithaca College, New York, USA.

Kumaar Priyaranjan (Head - Human Resources) has over 25 years of experience as a Human Resource professional. He has worked at Indian Hotels Ltd., Transport Corporation of India Ltd, the RPG Group and Dr. Reddy's Laboratories Ltd. He holds a Bachelor's of Science degree from Patna University. Kumaar received his Post Graduate Diploma in Personnel Management and I.R. from S.P. College of Communication and Management, University of Delhi and completed the Strategic Human Resource Management program from Ross School of Management, University of Michigan, USA. He brings a wealth of experience having worked in senior positions across several industries in India and overseas assignments. He is also an executive coach certified by Gallup, USA. Kumaar is responsible for human capital at Hikal.

Dr. Nambiar

Anish Swadi

Kumaar Priyaranjan


SAFETY

Scientific Advisory Board

Dr. Axel Kleeman has in-depth knowledge and experience in research and development, production, engineering and drug safety. He was the Director of Corporate Organic Research of DEGUSSA AG (now Evonik AG) from over ten years. He was appointed a member of the management board of ASTA Medica AG with responsibility for research and development, production, engineering and drug safety till 2000. Apart from being a board member in various organizations and scientific societies in Germany, Dr. Kleemann is Chairman of the Board of Directors of Protagen AG since 2001 and a member of advisory boards of several biotech and fine chemicals companies. He is the co-author of the standard reference book, Pharmaceutical Substances (5th edition and online version), as well as a member of the editorial board of Ullmann's Encyclopedia of Industrial Chemistry. Dr. Kleemann has authored several publications, including Pharmaceutical Substances, a comprehensive reference guide to every significant pharmaceutical compound that contains syntheses, patents and applications of all FDA-approved active pharmaceutical ingredients. He holds a Ph.D. in Chemistry from the Johann Wolfgang Goethe University, Frankfurt am Main, where he is honorary Professor of Chemistry.

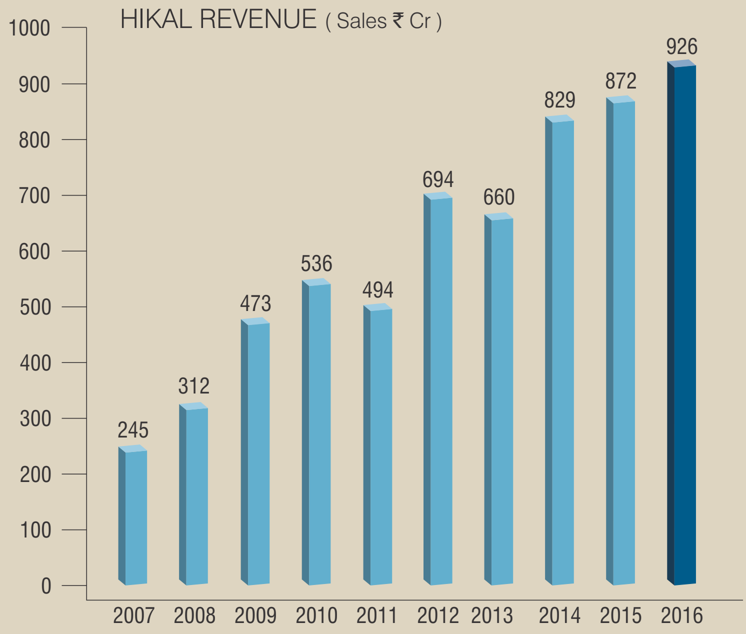
Dr. Goverdhan Mehta is a globally recognized distinguished organic chemist. He is currently a National Research Professor, Eli Lilly Chair, School of Chemistry at the University of Hyderabad. He holds a Ph.D. in organic chemistry from Pune University and has conducted his postdoctoral research at the Michigan State and the Ohio State universities in USA. He has been a CSIR Bhatnagar Fellow as well as the Director of the Indian Institute of Science, Bangalore and Vice Chancellor of University of Hyderabad. He has mentored over a hundred doctoral and post-doctoral students and published nearly 500 research papers. He has over 50 prestigious awards and honors to his credit, nationally and internationally. He has been conferred D.Sc. from over a dozen universities in India and overseas. He was awarded the civilian honor, Padma Shri in 2000 by the President of India and Chevalier de la Legion d'Honneur in 2004 by the President of France.
Dr. Mehta, was conferred the 'Order of Merit-Commander's Cross' ('Bundesverdienstkreuz') by the President of the Federal Republic of Germany on February 21, 2016.

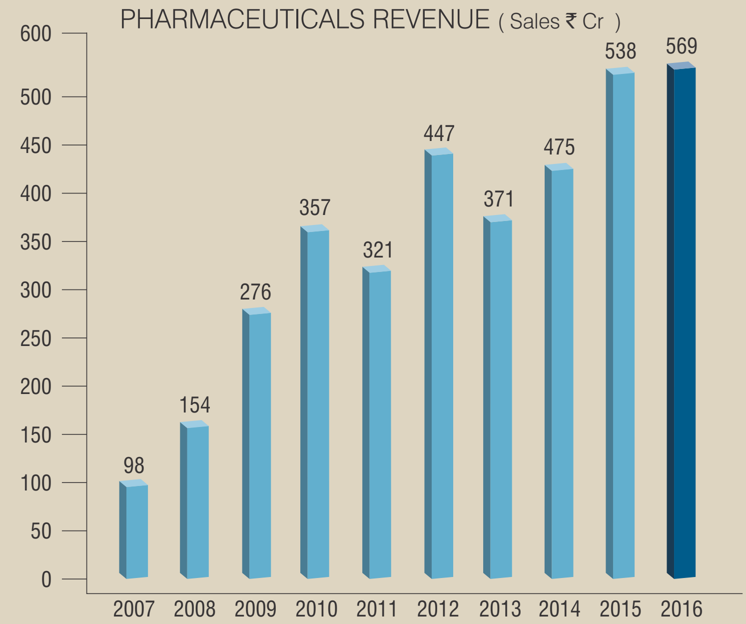
He is a Fellow of the Royal Society and several Academies and Societies around the world. He is a former President of the Indian National Science Academy and the International Council for Science (ICSU) and a member of the Scientific Advisory Committee to the Prime Minister of India.

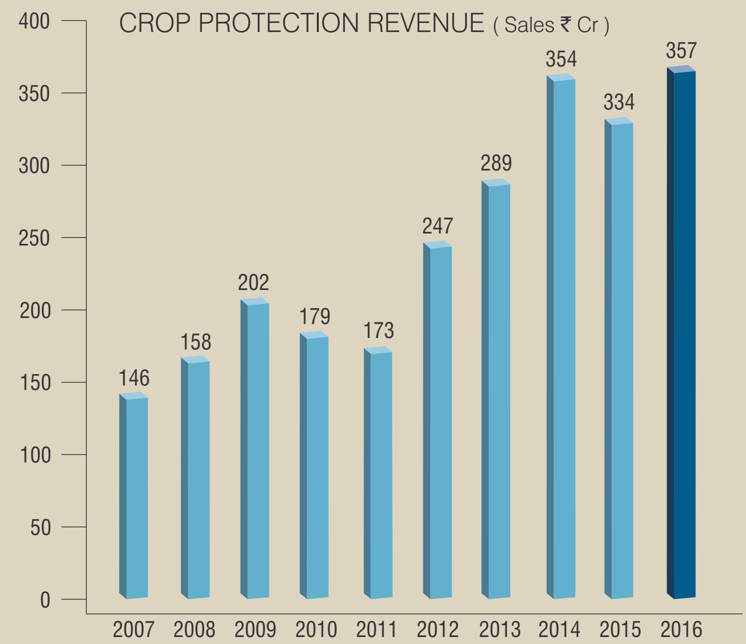
Dr. K. Nagarajan has over 50 years of experience as a chemistry professional. He has held various positions as Head, Medicinal Chemistry, Ciba Research Center, Director, R&D of Searle India, among others. He is the recipient of the Bhatnagar Prize in Chemistry and Lifetime Research Award from the Chemical Research Society of India. He spearheads the scientific research initiatives at Hikal. In addition, he is associated with several 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 obtained his B.Sc (Hons.) in Chemistry from Loyola College, Chennai and Ph.D. from University of Madras. He is a postdoctoral Fellow from Wayne State University, California Institute of Technology, Pasadena and Zurich University, Switzerland.

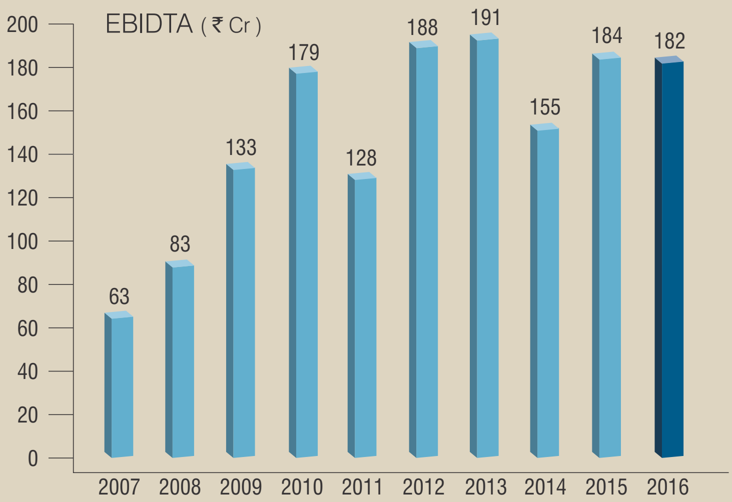
Scientific advisory board (L to R) Sameer Hiremath, Dr. Goverdhan Mehta, Jai Hiremath, Dr. Axel Kleeman and Dr. K. Nagarajan

Sustainable Growth








EBIDTA (₹ Cr)
200
180
160
140
120
100
80
60
40
20
0
63
83
133
179
128
188
191
155
184
182
2007
2008
2009
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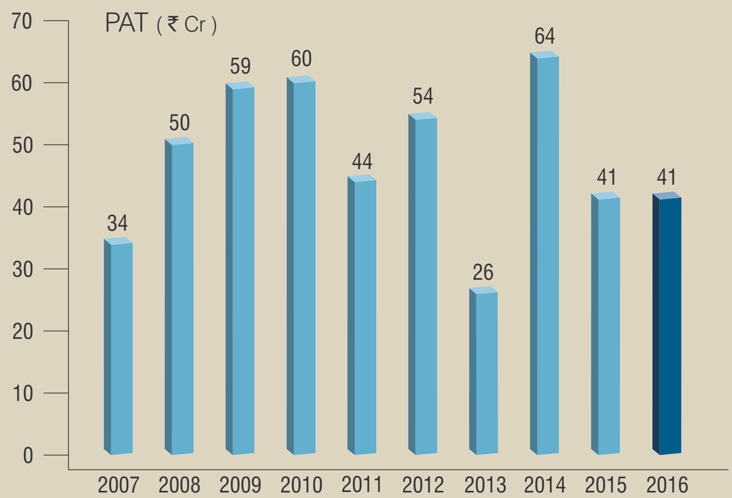
2015
2016


PAT (₹ Cr)
70
60
50
40
30
20
10
0
34
50
59
60
44
54
26
64
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41
2007
2008
2009
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2012
2013
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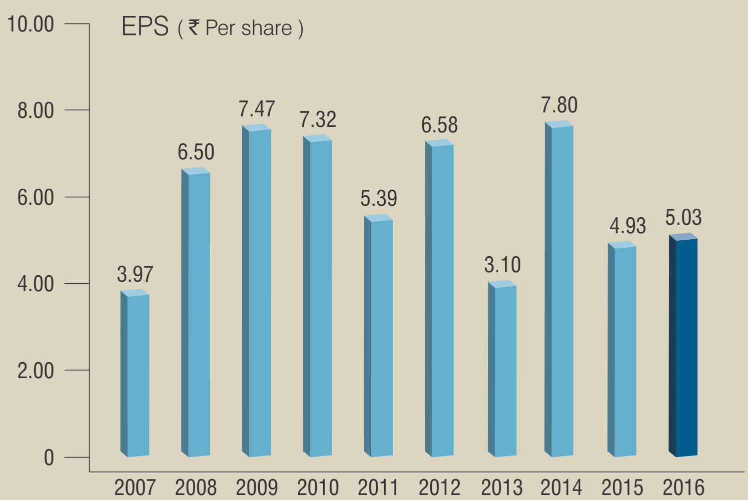
2016


EPS (₹ Per share)
10.00
8.00
6.00
4.00
2.00
0
3.97
6.50
7.47
7.32
5.39
6.58
3.10
7.80
4.93
5.03
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016

Pharmaceuticals

Industry Overview

2015-16 was another challenging year for the global pharmaceutical industry marked by economic uncertainty, pricing pressure, data integrity, import alerts and warning letters. Although the United States economy improved, multinational corporations (MNCs) continued to deal with economic issues such as sanctions, falling oil prices globally; a stagnating economy in Japan; significant growth slowdown, rising debt levels, currency devaluation in China; and recession and inflation in some Latin American countries.

Financial year 2015-16 saw a dip of 2.7% in the global pharmaceutical industry which stood at US$ 1.2 trillion, reflecting the current weakness of the Euro and other currencies against the US dollar as well as lower spending across the globe. Pricing pressures in the US and unstable economic conditions in Brazil, Russia and China, which collectively drive 50% of global pharma revenue, have led to a slowdown in the pharma segment along with tightening government healthcare budgets or reductions in out-of-pocket expenditures in these countries and others. Fortunately, the main factors driving healthcare demand among them - aging populations, rise of chronic diseases, and the advent of innovative and frequently expensive treatments (e.g. for cancer and Hepatitis C) should lead to increased pharma spending in 2016 and beyond. Industry experts project a growth rate of 4.3% till 2019 and global pharma sales should reach US$ 1.4 trillion.[1]

Topline Growth Forecast at 4-7% CAGR to 2019: US$ 1.3 Trillion in 2019

Pharmerging growth declines to single digits[1]

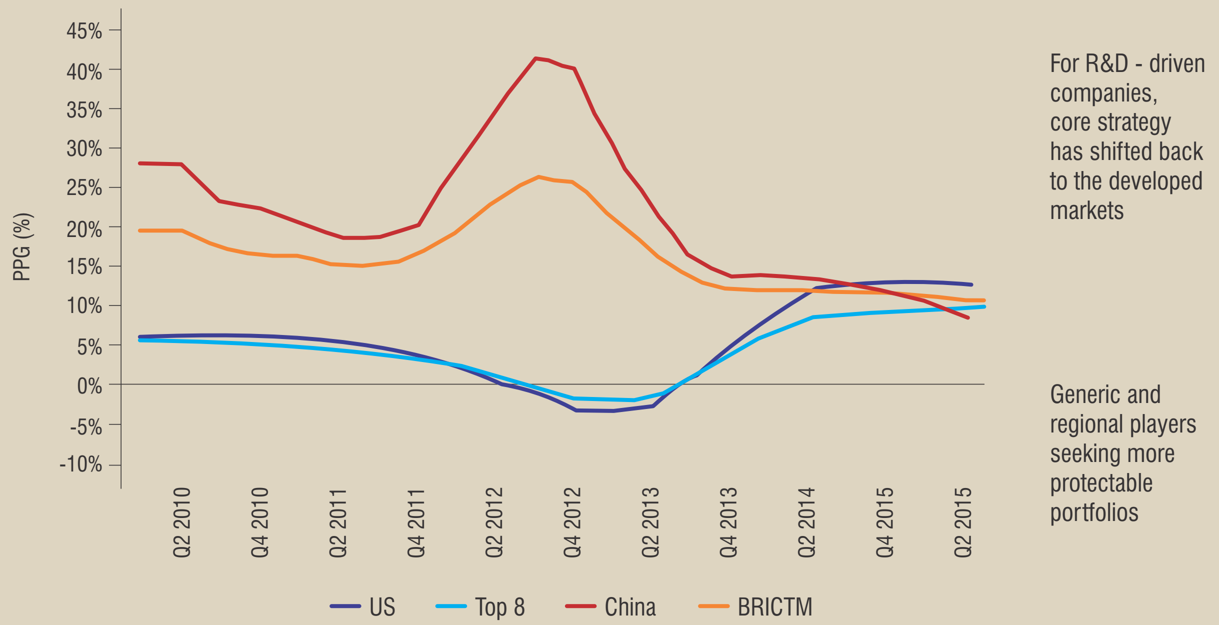
Developed markets CAGR 2015-2019	
US	6%-9%
Japan	0%-3%
Germany	2%-5%
UK	4%-7%
France	-2%-1%
Italy	3%-6%
Canada	3%-6%
Spain	2%-5%
Developed	**4%-7%**

Pharmerging markets CAGR 2015-2019	
China	6%-9%
Brazil	1%-4%
India	11%-14%
Russia	(-3)%-0%
Mexico	3%-6%
Turkey	4%-7%
Pharmerging	**5%-8%**

- At par with region CAGR
- Lower than region CAGR
- Higher than region CAGR

1. IMS Market Prognosis Sept 2015

US Market Becoming More Resurgent Compared to Other Global Markets[2]



Key Highlights for 2015-16

- Global prescription sales stood at US$ 750 billion, up from US$ 740 billion in 2014. However, the global prescription drug market is expected to fare better in 2016 than the previous year with a pick-up in growth and is expected to reach US$ 770 billion. The US remains the largest market with prescription sales of US$ 287 billion followed by the EU and Japan[2]
- Global generic sales stood at US$ 215 billion for the year[2]
- Oncology remained a key therapeutic area in terms of sales and research, touching US$ 100 billion, followed by the antidiabetic segment[2]
- Although biotech drugs have steadily carved a niche for themselves in the pharma market, traditional chemical-based drugs continue to dominate life sciences sector sales (contributing about 80% of sales)[3]
- 45 new molecular / biological entities approved by the US FDA in the year 2015, one of the largest approvals in recent years[4]
- It remained a year marked with record mergers, led by the US$ 160-billion deal between Viagra maker, Pfizer Inc, and Botox manufacturer Allergan, which eventually did not go through[5]
- Major drug makers in India received warning letters and / or import alerts, including Dr Reddy's Laboratories, IPCA Laboratories, Sun Pharma, Emcure and Mylan[6]

2. IMS MIDAS MAT Q2

1. Deloitte - 2016 Global Life Sciences Outlook - Moving Forward With Cautious Optimism
2. Scrip Top 100 - 2016 Edition
3. Evaluate Pharma Preview - 2016- 2020
4. www.usfda.com is a dead link
5. Pharmaceuticals Trending - a report by Datamonitor Healthcare
6. Indian Pharmaceutical Sector - FDA Emerging A Key challenge - ICRA Report 2016

- The Indian pharmaceutical market's sales touched US$ 28 billion for the year with generic sales contributing to 70% of the value followed by over-the-counter sales contributing to 20%[6]
- 17 warning letters issued to Indian facilities for 2015 as compared to seven in the year 2014[6]

Key Trends

The pharmaceutical industry's successful strategy of placing big bets on a few molecules, promoting them heavily and turning them into blockbusters worked well for many years. But its R&D productivity, which had plummeted, has changed. This has resulted in major trends shaping the pharma industry. The pharma and biotech industry now looks as if it is in better shape, the patent cliff is firmly in the rear view mirror, and while it might be too early to call on sustained R&D productivity, things are at least moving in the right direction. These trends will compound the challenges pharma already faces, but they will also provide opportunities[1].

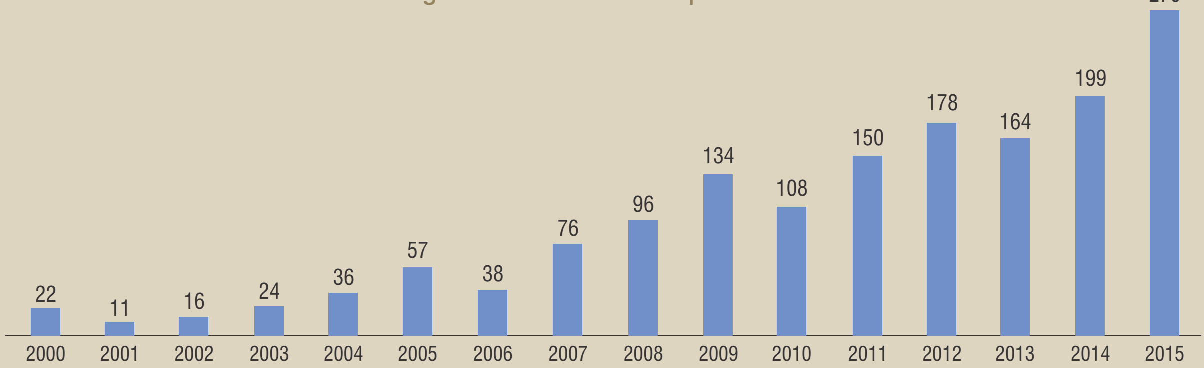
- Pharma companies are adapting to current market dynamics and positioning themselves for growth through portfolio transformation, targeted deal-making, cost-cutting measures and sharpened focus on high-performing therapeutic areas (TA) and geographic markets
- Instances of chronic disease are increasing, placing even more pressure on already stretched healthcare budgets
- Healthcare policy-makers and payers are increasingly mandating what doctors can prescribe
- A growing number of healthcare payers are measuring the pharma company's economic performance of different medicines. A widespread use of electronic medical records will give them the data they need to insist on outcomes-based pricing
- Demand for medicines is growing more rapidly in emerging economies than industrialized economies
- Governments are beginning to focus on prevention rather than treatment, although they have not yet invested in preemptive measures
- Regulators are becoming more cautious about approving truly innovative medicines
- With healthcare and drug costs ever rising, systems are forced to look to technological innovation as a means of tightening purse strings. Apps and wearables that allow patients to monitor their health and symptoms outside the clinical environment will be important in freeing up hospital beds and making healthcare professionals available
- Biosimilars are likely to continue improving their market share owing to lower prices (10% - 30% discount) than original reference drugs

Regulatory Concerns - Greater Scrutiny by US FDA Emerging as Key Challenge for Pharmaceutical Sector[6]

The issuance of warning letters (WL) and import alerts (IA) for India-based manufacturing facilities has increased significantly over the past couple of years following the US FDA's focus on compliance of Current Good Manufacturing Practice (cGMP) guidelines of pharmaceutical companies. With a slew of warning letters being issued to some of the leading pharmaceutical companies in the recent past, such regulatory actions are steadily emerging as a key risk for the sector as they can delay product approvals and launches in the US.

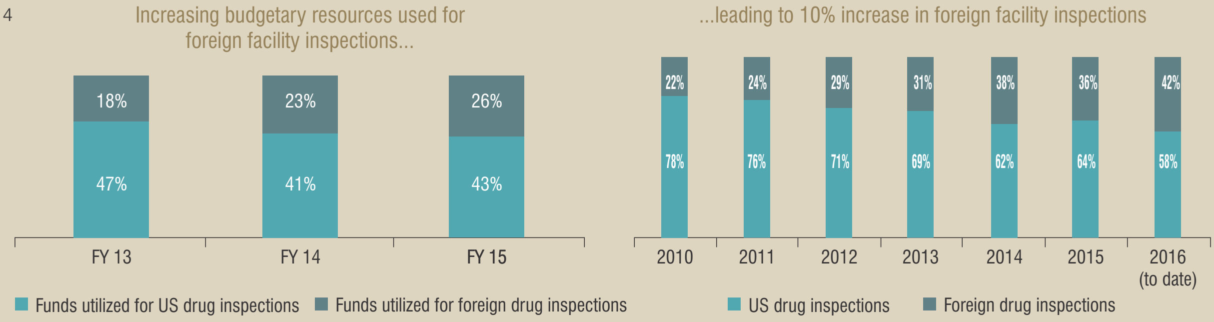
6. Indian Pharmaceutical Sector - FDA Emerging A Key challenge - ICRA Report 2016

3 Rising number of US FDA inspections at Indian facilities



In an environment where companies are going through pricing pressure owing to increased competition, these developments are likely to add significant margin pressures and restricted access to the most profitable markets globally such as the US and the European Union. While the extent of deviation to cGMP guidelines varies across companies, some of the common reasons that have actually prompted the US FDA to take regulatory action include:

4



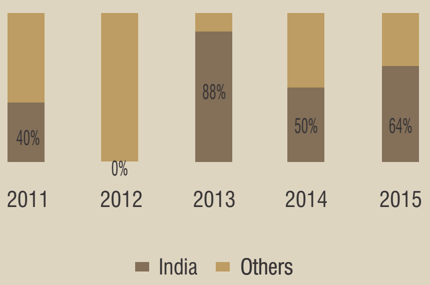
- Inadequate systems and controls to prevent alteration in laboratory test results and associated documentation
- Slippages with respect to adherence to cGMP guidelines during R&D, validation and manufacturing stages
- Absence of robust manpower training programs and management systems
- Cultural adherence to quality systems

As a result of the US FDA's stringent follow-up on manufacturing standards, pharmaceutical companies are now mandated to review their R&D and manufacturing procedures, implement comprehensive action plans and even conduct risk assessment of products that are already in the market. Based on the severity of the deviations, the FDA

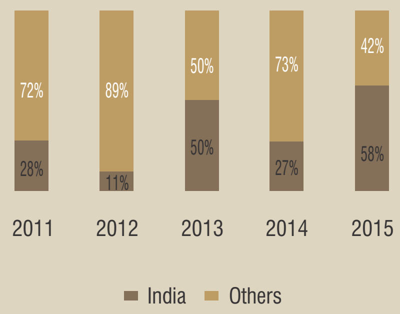
3. Edelweiss 2016 Pharmaceutical Market Report
4. Edelweiss 2016 Pharmaceutical Market Report

has also directed some companies to get third-party evaluations of their remediation processes. In addition, companies have also been undertaking site transfers (especially for major launches) and pursuing filings from dual locations for future Abbreviated New Drug Applications (ANDAs). We believe that these measures are likely to entail significant resources and will impact earnings of a few companies in the near term. We also believe that our company with a good regulatory track record should benefit in this current environment.

Indian facilities account for most of the WLs with data integrity



Increasing contribution of warning letters issued to Indian facilities [5]



Hikal has taken several proactive measures at both its manufacturing facilities to improve GMP compliance. We have appointed a US-based consulting company to audit us frequently so that we are well prepared to meet US FDA and other regulatory inspections.

Future Outlook

- Although economic woes are stunting pharma sales growth in certain regions, long-term prospects outweigh near-term challenges. During 2016-2019, both global health spending and pharma sales are expected to see positive growth, driven by population aging and expansion and the rollout of improved health insurance and services, particularly in developing markets.[5]
- Biotech drugs have steadily carved a niche for themselves in the pharma market. However, they can be prohibitively expensive for many countries' healthcare systems and are generating some challenges in terms of approvals.
- The expanding development of biosimilars, though, is expected to alleviate some of the cost burden.
- Life sciences companies will approach 2016 with cautious optimism. Opportunities are plentiful but economic, political, technological and social challenges remain. Four major trends that are expected to hold the sector's attention are navigating market dynamics, countering pricing and cost pressures, promoting innovation, and adapting to the compliance challenges of an evolving regulatory and risk environment.

5. Edelweiss 2016 Pharmaceutical Market Report

Operational Performance

Hikal's pharmaceuticals division grew by 6% to ₹ 5,692 million compared to ₹ 5,375 million in the previous year. The growth was driven by an increased offtake in volume of contract-manufactured active ingredients as well as higher volumes in our generic portfolio. Although pricing pressure and a volatile currency affected our sales during the financial year, Hikal increased its sales with new client agreements and a wider geographical footprint. Market penetration of our key active pharmaceutical ingredients (APIs) improved and sales of legacy APIs were revived with better capacity utilization.

Contract Development and Manufacturing Business

Market Data:[7]

The contract development and manufacturing market size has increased at an average of 16.3% annually between 2000 and 2014. For the year 2015, contract manufacturing sales revenue worldwide stood at US$ 54 billion while contract research stood at US$ 22.7 billion.[7]

The contract development and manufacturing organization (CDMO) business has five major drivers:

1. Patent expiration of blockbuster drugs
2. Declining R&D returns
3. Risk sharing and reduction of fixed costs
4. Access to advanced capabilities and technologies
5. Fully integrated service model (early R&D through to commercialization)

Hikal CDMO Business Overview

Hikal continued its efforts to grow existing partnerships and build strategic new ones with various customers based on our commitment to quality and reliability, which we have consistently demonstrated over the years. Comprehensive value-added technical expertise, flexibility and supply chain security have been our key strengths and we continue to focus on growing these aspects of our business. Our flexibility and agility were enhanced as we brought together advanced scientific and technical capabilities along with responsiveness and innovation to cater to the unique needs of our strategic pharmaceutical partners in the process development of their product portfolios.

The CDMO business registered robust growth of 24% year-on-year supported by increased volumes of existing products as well as new development projects from key innovator clients. Hikal's impeccable regulatory track record has helped us attract new clients and retain our existing ones as clients become more selective in choosing partners for long-term business. As part of our company's strategy to penetrate new markets, Hikal increased its global footprint by appointing dedicated marketing personnel for different regions to give the company a more focused approach and serve our clients better. We have also created a new pre-sales team which identifies early stage and new opportunities with our existing and potential client base. We have identified several lucrative

7. A report on CDMO market dynamics by MP Corporate Finance, April 2016

opportunities for custom development and manufacturing of intermediates and APIs which we will incorporate into our pipeline. These initiatives are in various stages of development and semi-commercialization.

We actively pursued opportunities for clinical molecules in Phase II and III as well as lifecycle extension projects for innovator companies. Our capabilities and infrastructure combined with our regulatory track record have enabled us to provide a compelling value proposition to our clients as products reach patent expiration.

Several mid-size pharma and biotech clients for early stage molecules have been added for custom development projects. Projects are in various stages of clinical trials where some clinical development quantities have been supplied by Hikal. While the process of a new molecule approval is time-consuming and unpredictable, we continue to diversify with more products in the pipeline for new clients.

Our long-term contract manufacturing agreement with a European innovator client to exclusively manufacture molecules commercially gained momentum last year. The molecules are performing well in the market and volumes have increased substantially. These products are expected to grow in the future according to positive indications received from our client.

The specialized product that we manufacture for a US specialty food ingredient client is performing well in the market. Several approvals are expected in 2016-17 for new clients using the product manufactured at our facilities.

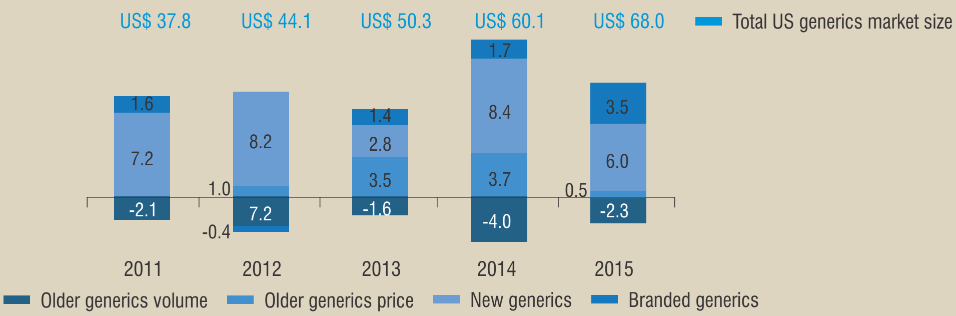
In addition to our kilo lab facility at Pune and Bangalore, Hikal has commissioned a new development and launch plant for our new products in the R&D pipeline. The Good Manufacturing Practice (GMP) plant was operational in September 2014 and we have been able to seed new opportunities and new projects. Our future plans include expanding and converting the plant into a full scale API manufacturing facility for niche high value, smaller volume products.

Hikal Generic API business

During the year, our generic API business was down by 14% on a year-on-year basis. This was primarily due to pricing pressure on some of our key products and also low demand of some of our products due to an inventory build-up at our clients' end. Despite lower prices, our volume growth was approximately 5% as compared to last year. While pricing pressure is expected to continue, we plan to mitigate risks with cost rationalization in the areas of raw materials, lower inventories, streamlining the supply chain, improving processes and reducing utility costs.

Generics Pricing In Free Fall

Contribution to Generic Spending Growth US$ bn 6



6. Edelweiss 2016 Pharmaceutical Market Report; IMS

Hikal has devised a strategy to become a formidable generic API supplier. We identify products early in the pipeline for clients, use technology and innovative chemistry for a cost advantage in molecules that go off patent in the next three to five years, and also develop non-infringing processes for key products in the long-term.

Consolidation Pressure for API Manufacturers Across Value Chain

API manufacturers

Large, integrated players

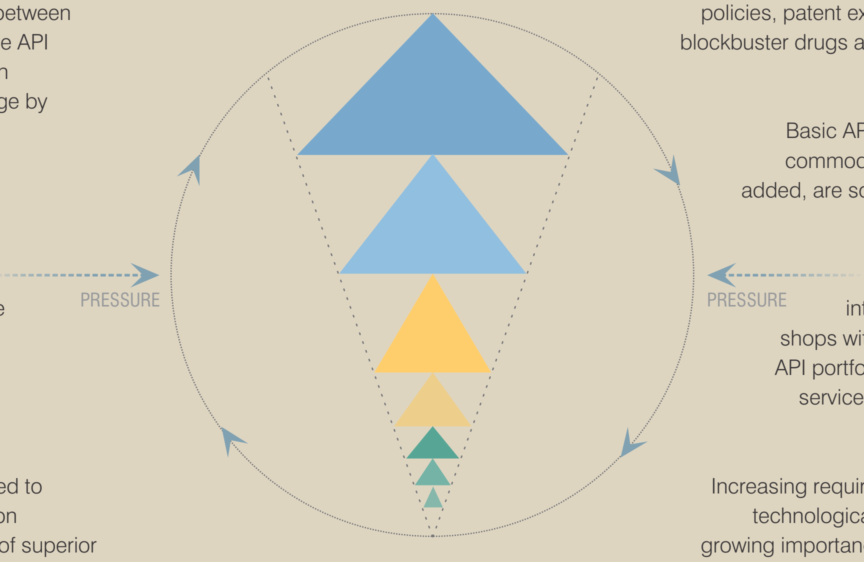
Investment capability, technological sophistication, extended geographic reach, operation excellence, broad and integrated products & service offering

Competitors from low cost countries

Intensifying competition from low cost countries, particularly China and India, where between 2008 and 2012, the API industry has grown annually on average by 13.2% and 11.9% respectively.

Increasing supply from China and India exacerbates overcapacity issue especially for providers of 'commodity' APIs.

European API manufacturers need to increase production efficiency and proof superior quality and technological capabilities and reliability.



Pharmaceutical players

Pharmaceutical players pass on price pressure resulting from cost containment policies, patent expirations of many blockbuster drugs and declining R&D return.

Basic APIs, considered as commodity with little value added, are sourced in low cost countries.

Preference for integrated one-stop shops with comprehensive API portfolio and integrated service offering (contract manufacturing)

Increasing requirements related to technological capabilities and growing importance of niche areas.

Small and medium sized companies

Local focus, limited product & service portfolio

[7]

The Pharmaceutical division filed four drug master files (DMFs) for this fiscal year which included both already generic and 'to be generic' products. Our three-pronged strategy for API development (already generic, to be generic and future generic) approach will help generate revenues for the short-term as well as build a pipeline from a long-term perspective. Hikal continues to work on implementing new technologies and developing innovative processes that will differentiate us from other API suppliers. For one of our products, Pregabalin, a DMF was filed in 2014, although the global product launch is expected in December 2018; revenues are gaining momentum with an early launch in the European Union and other semi-regulated markets where the product is off-patent in some markets.

7. MP Corporate Finance June 2016 Report

Hikal will file DMFs having identified eight to 10 new products for generic development. We will file five to six DMFs to develop a healthy pipeline of commercial APIs every year. The products selected will be a combination of client requirements and niche molecules where we have a definitive technology capability to gain market share backed by our expertise in advanced chemistry and backward integration.

Hikal has invested significantly in the generic API business both in terms of personnel and manufacturing capabilities. We have strengthened our R&D infrastructure by hiring experienced scientists and chemists at our Pune facility and commissioning four new chemical synthesis labs to accelerate our pipeline development work. Hikal has also invested in niche technologies such as steroid chemistry and peptides of which several products are under development. These products are a combination of our client interest and proprietary products, which we will be free to sell across our client base. We will scale up these products and commercialize them in the near future.

Several projects were completed for debottlenecking capacity in two of our API blocks at Jigani, Bangalore. The capacity can be further debottlenecked when our client's requirements increase.

The capacity was expanded for key starting raw materials being manufactured at Panoli, our advanced intermediate plant.

Several cost rationalization initiatives were undertaken at our pharmaceutical manufacturing plants. We have undertaken process innovation for our legacy lifecycle extension products that are facing pricing pressure while we continue to consolidate our market share.

As part of our sustainability initiatives, we commissioned a large biomass boiler and co-generation plant at our Bangalore facility. We are increasingly using renewable energy to substantially reduce overheads and mitigate the risk of interrupted power supplies. We are also evaluating several options of investing in rainwater harvesting which will preserve our natural resources and also derisk our business.

We are evaluating the expansion of our Panoli facility for API manufacturing. It will help derisk our Bangalore plant for manufacturing final APIs. Our strategy of a two-site production base will enable us to cater to increased volumes and offer a wider range of products. Given our current product portfolio and new pipeline under development, we will need to add manufacturing capacity to cater to these new molecules. Our Panoli site would be an ideal location to do so.

Animal Healthcare

The global animal healthcare market reached an important sales value milestone of US$ 31 billion in 2015 and is expected to reach US$ 45 billion by 2020, with a CAGR of 7.0% during 2016-2020. The global animal healthcare market is mainly driven by the increasing trend of pet adoption. Changing lifestyles in developing countries, such as India and China, has increased the adoption of pet animals, which in turn is supporting the growth of the animal healthcare market. Pet ownership is a major status symbol in developing countries. Cats and dogs are adopted for psychological and therapeutic benefits. India's animal healthcare market is expected to witness the fastest growth,

with a CAGR of 10.1% during 2016-2020. The booming trade in meat products and increasing meat consumption has led to an upsurge in the population of production animals in the region. There has been a considerable growth in zoonotic diseases, due to the upsurge in the animal population, which has supported the growth of the animal healthcare market in the region.

The proliferation of new diseases offers untapped opportunities for the animal healthcare market. To find solutions for prevailing and new diseases, companies in the animal healthcare market are increasing their research and development activities. As prevention drugs are not available in the market, recently diagnosed diseases are a threat to owners of animal farms.[8]

Hikal has invested in its Animal Health business in the current fiscal year and plans to do so in the coming years as well. As part of our future strategy, we also plan to treat this business as a separate unit as it requires a focused effort. We started with only four clients in this segment, and have been able to increase the client base to nearly 10, and will continue to add clients with our development pipeline in the coming years.

From a custom development business, we also plan to develop and have our own portfolio of animal health APIs. As a strategy, we have looked at molecules used in common for both human health and animal health to develop our portfolio. We have several products under development to cater to this niche segment. Some of them will require filing of a DMF, offering us a niche opportunity in both segments.

This year, we have increased the volumes of a contract manufactured product by over 30% as demand from our client has gone up. We are also in the process of filing two veterinary DMFs for specific customer projects. One of the intermediates developed by our R&D is also likely to be commercialized in a year which will boost our animal health business revenues and profitability. We are confident about the growth and strategy of this business and continue to invest in resources for this business.

Hikal's Future Strategy and Outlook:

The low-hanging fruit for drug blockbusters is long gone, R&D costs are on the rise and pharma's largest companies are increasingly keen to share the risk and pool their resources in their efforts to find new sources of revenue. Increasing price pressure and regulatory hurdles are further dampening the sentiment for outsourcing. Hikal still believes that, given its core competencies of a impeccable regulatory track record, advanced chemistry capabilities and customer reach, it has the advantage to overcome these challenges and see sustainable growth in the coming years. The company has already laid down its detailed operational strategy to take the organization to the next level.

Key Areas for Future Investments:

- Hikal will continue to invest in increasing manufacturing capacity to improve its market share for our legacy products as well as cater to requirements of new APIs under development
- Safety and regulatory compliance will remain a top priority for the next financial year and we plan to invest further to keep up with the latest global standards

- Hikal will continue to invest in human resources as skilled manpower still remains a key factor in our growth
- On the environmental front, Hikal plans to continue its efforts on using the latest technologies to reduce its carbon footprint and develop environmentally-friendly processes
- Operational excellence along with a rollout of our new project management system will increase our deliverables and success ratios
- Continued focus on the animal health business and creating our own portfolio of products
- We have established a target to file six DMFs in 2016-17
- In terms of added value and new businesses, we are in the process of evaluating formulation development of our product portfolio as a long-term strategy
- Niche technologies including steroids, oncology and peptides are being evaluated to differentiate Hikal from other suppliers
- Newer technologies on the process side such as flow reactors, enzymatic processes to improve productivity will be evaluated to improve costs and create a value proposition for our global client base

Crop Protection

Sales in the global crop protection industry decreased by 9.6% to US$ 51 billion in 2015.[1] The decline in the crop protection sector is directly linked to support for agriculture, crop commodities and farm income. The key factors included a strong US dollar, lower prices of agricultural commodities, high inventory levels at the distributor level in many countries, weakening glyphosate herbicide prices and variable weather patterns, including a weak monsoon, as a result of the El Niño phenomenon. When currency and inflationary effects are removed, real growth in the crop protection business dipped by just 0.3%. In constant dollar terms, sales were down by 0.8%[2].

Market Performance 2015	2014 Sales (US$ mn)	2014 Sales (US$ mn)	% change 2015 / 2014
Crop protection chemicals	56,655	51,210	-9.6
Non-crop agrochemicals	6,557	6,322	-3.6
Total agrochemicals	63,212	57,532	-9.0
GM seed	21,054	19,7898	-6.0

1. Phillips McDougall Industry Overview 2015
2. Phillips McDougall Industry Overview 2015

In 2015, crop protection sales declined in almost all regions, with the deepest falls occurring in Europe and Latin America. However, the latter saw growth in inflation-adjusted national currency terms.

Despite a fall of over 10% in crop protection sales, Latin America remained the major market with sales of US$ 14.5 billion. The 2014-15 season was affected by a further shift from maize to soybean planting. Weather conditions turned very dry in 2015, although El Niño rains delayed 2015-16 planting in Argentina and Brazil. Both countries suffered from economic pressures and the high cost of borrowing, while distributor inventory was also an issue in Brazil.

Regional Market Performance 2015

Region	2014 (US$ mn)	2014 (US$ mn)	Growth 2015 / 2014 (%)
NAFTA	9,810	9,358	-4.6
Latin America	16,147	14,052	-13.0
Europe	13,885	11,604	-16.4
Asia	14,644	14,040	-4.1
Rest	2,169	2,158	-0.5
World	**56,655**	**51,210**	**-9.6** [3]

The steepest decline came in Europe, with sales down by almost 16% to US$ 11.7 billion. The market generally benefited from a mild winter and an early spring. Trading conditions in Ukraine improved; however, economic weakness affected the Russian market.

The North American Free Trade Agreement (NAFTA) region market experienced a 4.4% fall in sales to US$ 9.3 billion. The US market was again affected by a delayed start to the spring, although not as late as in 2014, impacting the pre-emergence herbicide market. Canada suffered from high crop stocks and low prices as well as a cool, dry summer. Mexico benefited from better rainfall than in 2014.

Sales in Asia dipped by 3.7% to US$ 14.1 billion. Sales in many Asian markets were generally positive in national currency terms. Another weak monsoon held up growth, while weather conditions in parts of Australia improved. Rice prices generally improved as destocking by Thailand appears to be complete. Nevertheless, market recovery did not meet expectations due to adverse weather.

Sales in the rest of the world inched 0.2% higher in nominal terms to US$ 2.2 billion.[4]

3. Phillips McDougall Industry Overview 2015
4. AGROW

Globally, the market experienced unpredictable weather along with political uncertainty which created pessimism for the performance of the crop protection market. Crop prices were weak following good harvests in 2014. However, volume growth opportunities were limited as weather conditions across the world were not conducive.

Sales of global multinational crop protection companies declined across the board for the financial year 2015-16. DuPont was down 18.4%, Dow was down 13.3%, Bayer Crop Science declined 9.5% followed by BASF with a decline of 10.7% and Syngenta with an 11.7% decline as compared with the previous year. Overall, revenues of the top 10 companies in the crop protection sector declined over 12% on average for the past year in US$ terms.

Key factors affecting the global crop protection market performance in 2015[5]:

- Weak crop prices after a good 2014 forecast
- Continued rice destocking by Thailand
- Excess glyphosate capacity resulting in lower prices
- Variable and unpredictable weather
- Weak Russian economy
- Brazilian market affected by political uncertainty and dry weather
- Delay to US corn and soybean planting and dryness in the south and the west of the US

These factors combined led to a much weaker 2015-16 for the global crop protection industry.

Crop Protection

Hikal's Crop Protection division had a good year despite global headwinds. Our revenues increased through new products and additional volumes in the second half from our global clients. We ended the year with revenues of ₹ 3,561 million versus ₹ 3,342 million, 7% higher as compared with the previous year.

Despite a subdued year for most of our clients, we have managed to increase our revenues and profitability in the Crop Protection division. Some of our clients who slashed their inventories in the first half of the year recovered through the second half, which increased our sales revenues.

Sales of Thiabendazole were steady in terms of volume and contributed towards revenues for the division. The product is extremely versatile and used in both crop protection to control mold and other fungal diseases in fruits and vegetables as well as an antiparasitic to control roundworms. It is also used in the materials protection industry to prevent fungal growth. We expect sales of Thiabendazole to grow in the near future.

Sales of a fungicide that we manufacture exclusively for an innovator client were down due to inventory cuts and excessive product in the pipeline. It is used to protect grapes, potatoes, tobacco and vegetables. We expect volumes to pick up and grow further in the future.

5. Phillips McDougall Industry Overview 2015

We have successfully commercialized a niche insecticide for a leading Japanese innovator company. It is used to protect dogs from fleas and ticks. It is also classified for use as a veterinary product. Another such niche product classified as a plant regulator for a leading Japanese company has also been commercialized, with deliveries already being made to our client. We do not expect the volumes of these products to grow significantly. However, they have higher profit margins and are in line with the company's strategy to derisk its portfolio with multiple products and clients. Both these products have been incubated in R&D and have successfully scaled up and delivered as commercial products.

A new fungicide exclusively developed for a mid-size innovator company in Japan started commercial supplies this year. We successfully completed pilot plant trials last year and commercial quantities for the product were delivered according to specifications of our innovator client. This fungicide is used for peaches, plums, apricots and other fruits and vegetables. We expect this product to grow substantially over the next few years.

Sales of the on-patent fungicide that we exclusively manufacture under contract for a global innovator client declined in volume terms. While the product is doing well in the market, destocking of inventory and slower growth has affected revenues of this product. We do not expect it to be a long-term phenomenon and believe that volumes will pick up next year.

Process development on two different on-patent herbicides were completed successfully in the past year along with pilot plant trials. Quantities have been supplied to our client for field trials and we expect to supply commercial quantities for both products in the following year. The first product is used as a pre-plant treatment in cotton and the latter to control broadleaf weeds in water seeded rice.

Commercial quantities of a small volume niche fungicide were successfully delivered to our Japanese innovator client. This special product is a new compound with new modes of action to protect against fungal diseases, especially in the rice crop. We expect volumes for this product to be stable over the next few years as this is a selective compound.

The successful validation trials and pilot plant batches of a product for an innovator client's product was completed in the last financial year. We are in the process of upgrading and building new facilities for our client to cater to the commercial demand for this product. It is a large volume on-patent product which will require dedicated facilities to address the size and complexity of the molecule. We expect to manufacture commercial quantities of this product towards the end of the next financial year and volumes to grow as the product registrations come through in several countries. The successful development, streamlining and commercialization of this product for our exclusive client should lead to additional opportunities in the near future.

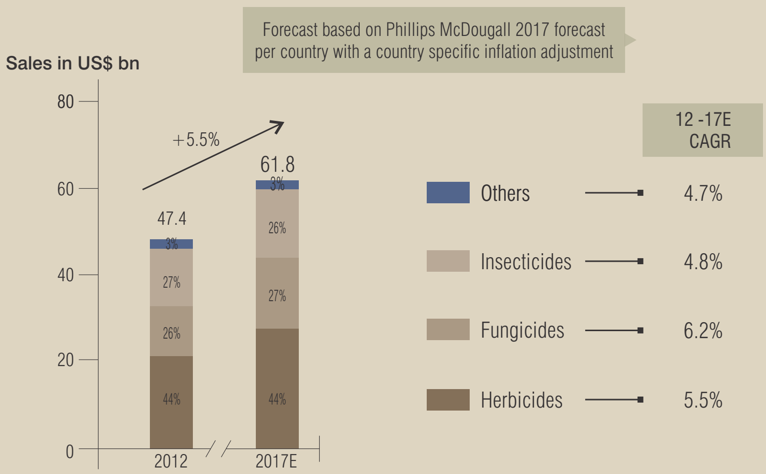
Another focus of the company is to diversify into new business areas. We have made an active foray into the biocides business to supply commercial products to selective industries. A product that we manufacture is a broad-spectrum residual herbicide and algaecide used in agriculture for pre-emergent and post-emergent control of broadleaf and grass weeds. It is also used to control weeds and algae in and around water bodies and is a component of marine antifouling paints. We have successfully marketed and sold this versatile product to several industries in the specialty chemical and industrial sector. Volumes for this product are expected to grow year-on-year as we focus our efforts on creating additional value by targeting niche markets and industries.

Our Crop Protection division's business focus has been on contract development and manufacturing for global multinational companies. However, we have actively diversified the product and customer mix. In addition to targeting existing clients for additional molecules in their portfolio, we are focusing on commercializing new molecules to provide them to several clients in existing and new markets. Our clients have traditionally been large innovators in Western countries. Our plan to derisk our client and product profile by introducing new molecules in markets where we have a limited reach - such as emerging markets - is beginning to gain traction. Next year, we plan to launch two proprietary products for sale in the global crop protection industry. These are niche products already on the market; however, the company will utilize technology and existing assets to create additional product value so that it can gain better market penetration and sales traction.

Our key focus areas are herbicides, fungicides and insecticides. These are the three main drivers of the crop protection market globally. Our strategy is to target each segment through our dual-pronged model:

- Contract development and manufacturing
- Proprietary products

Future Development of AgChem Market[6]



This model will help us reduce overall dependence on a small amount of clients and products. We have already implemented this model and it is starting to gain traction through higher revenues and profitability.

Overall demand for our new products remains buoyant and as part of our interim strategy, we have started to manufacture and capitalize on opportunities to sell products where we have a technology and / or scale advantage. We are also looking at how we can add value to our existing product base by making it easier for our clients to

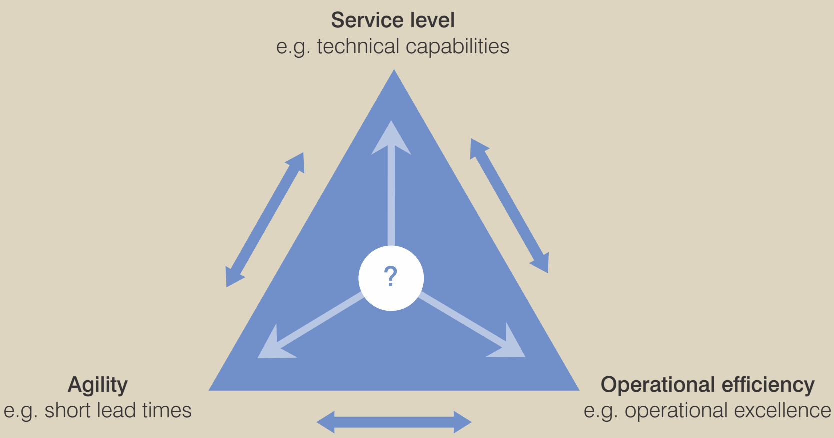
6. Phillips McDougall Industry Overview 2015

register products in global markets. Part of this initiative includes creating data for the registration of our proprietary product portfolio in several countries. We expect that this initiative will open new markets and add value to existing products that were not being sold due to regulatory requirements.

We have several new projects in the late-development phase and at the semi-commercial pilot plant level. Our clients for most of our projects include Japanese, European and mid-size specialty chemical companies. The products under development range from advanced intermediates to final actives including herbicides, fungicides and insecticides, specialty chemicals and small niche products. We have already seen the pipeline moving forward into commercialization this year and we expect the pipeline of projects to yield additional revenues and profitability in the years to come.

A continuous focus area for the company is our operational excellence initiatives where we are working on waste reduction, energy conservation and better utilization of raw materials and capacity. Our biomass boilers along with several energy conservation measures have yielded a positive effect on profitability and are reducing our energy consumption. We continue to assess several new initiatives such as water and power conservation for which we will continue investments.

Hikal Core Focus



In order to cater to our growing product portfolio and increasing number of clients, we have undertaken large debottlenecking and infrastructure investment at our crop protection manufacturing sites. We are focusing on adding balancing equipment at our current plants to increase the flexibility of manufacturing additional products within the same infrastructure which will increase output in products, and ultimately revenues. We are also making significant investments in Mahad, our oldest site. We are building a multipurpose facility from the ground up to manufacture some of our new commercial products currently in late stages of development and commercialization. We are also investing heavily in the infrastructure at the site to cater to new products that will be launched.

In the past, Hikal has invested significantly in environment, health, safety and quality. Being a Responsible Care-certified company, Hikal continues to maintain the highest environmental standards while improving our safety record. Our focus on stringent quality management operations has resulted in zero customer complaints on quality during the year.

Future Outlook

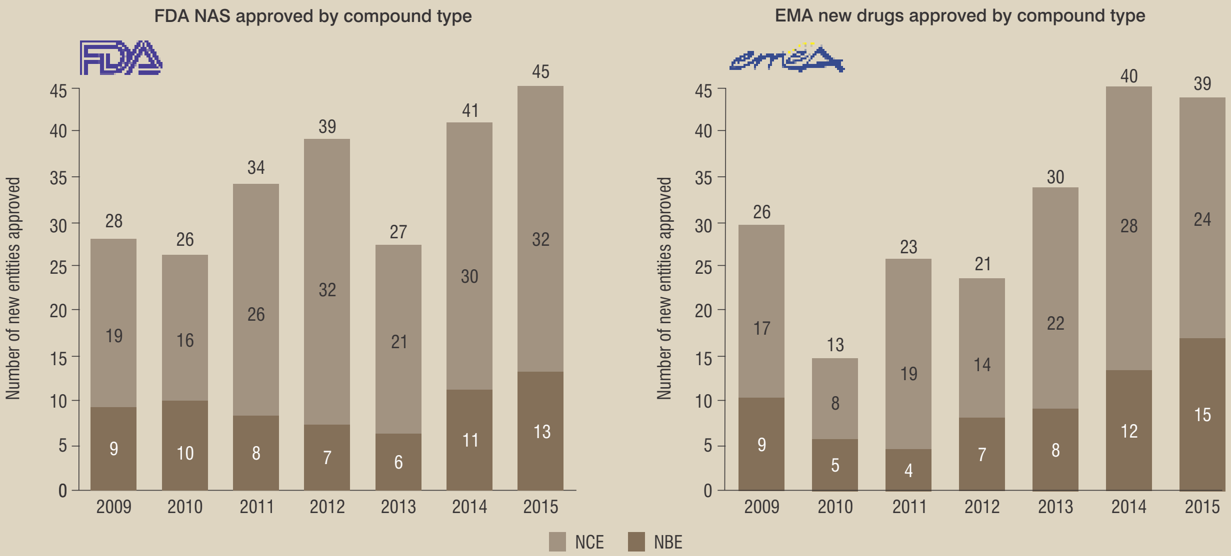
There is optimism for a positive market environment in 2016. The forecast is for improved wheat, maize and rice prices next year, due to a lack of improved production levels and reduced inventories. However, some of the problems encountered in 2015 may persist in 2016, including high distributor inventory levels and poor weather conditions.[7] Volume growth for products exists in 2016-17 particularly in Australia and South Asia, both of which were affected by adverse weather in 2014. The outlook for the US and Europe is also marginally better with stocks in the pipeline coming down to reasonable levels. The outlook for Latin America as a region is uncertain due to the political turmoil coupled with the depreciation in the currency.

Our Crop Protection division registered an overall increase in revenues for the financial year despite a volume and value decline in the global marketplace. Furthermore, we are positive about the future business outlook for the agrochemical industry and our business. The global phenomenon of a growing population results in higher demand for food. Demand is cyclical in this business with a few years of high growth followed by several years of lower growth. This year, we successfully commercialized several products which were in late stage and semi-commercial development. These products will add to our future revenue growth and profitability. We have added new clients and our new development product pipeline, both client-specific and proprietary, is on track and scheduled to be commercialized by our R&D division. These efforts, along with our new and enhanced team in the crop protection business, will bring positive results.

Research & Development

Improving innovation performance is the key driver of research and development in any organization. We believe that R&D performance results from the interaction of many different decisions and choices, including the size, location and interaction within our R&D facilities, the selection of technologies developed and used at our R&D, the selection of personnel, the allocation of resources and the design of processes for managing our internal and customer projects. Hikal is assessing different factors for improving R&D performance which will drive our future business growth and profitability.

Number of FDA & EMA Approvals Growing [1]



Strategy

Hikal's realigned strategy between the contract development, manufacturing business, and internal product development for the Crop Protection and Pharmaceutical divisions has started to yield positive results. Our focus on developing innovative, cost-effective, safe and sustainable processes for launching products has successfully yielded several opportunities on the commercial front. Several of our development products have been transferred out of our labs and into pilot plants for the manufacture of semi-commercial and validation quantities for our clients. These will result in commercial opportunities in the near future.

1. IMS Health, Centre for Innovation in Regulatory Science, FDA and EMA Website

Research & Development – Operational Performance
R&D Operations

It is our second full year after the consolidation of our R&D activities at our facility in the International Biotech Park, Pune. The consolidation of our scientific personnel and operations at a single location has resulted in creating synergies and operational efficiencies for both our divisions. Our development pipeline and proprietary portfolio are more robust and our streamlined operations have resulted in increased cost savings and productivity output.

Our R&D center at Pune focuses on:

- Crop protection, speciality chemicals and biocides
- Animal health
- Pharmaceuticals (contract and custom manufacturing)
- Generics development

The shift of focus from pure contract development to generating our own product portfolio for our Crop Protection and Pharmaceutical divisions is progressing in the right direction. We are building a pipeline of early development Phase II and Phase III projects where our scientists identify safe, effective and economical manufacturing processes using advanced technology as a differentiator. We have several projects under evaluation in various stages of the lifecycle in the pharmaceutical division.

TOP 8 vs. BRICTM: number of NCE LAUNCHES [2]

Top 8 mature	NCEs Launched 2005-2009	NCEs Launched 2010-2014
US	**93**	**121**
GERMANY	88	92
UK	82	83
JAPAN	41	67
ITALY	59	62
CANADA	48	60
SPAIN	70	59
FRANCE	57	58

BRICTM	NCEs Launched 2005-2009	NCEs Launched 2010-2014
RUSSIA	35	33
BRAZIL	36	28
CHINA	11	13
INDIA	28	12
TURKEY	23	15
MEXICO	35	44

Increase in NCE launches in market

Decrease in NCE launches in market

2. IMS Health MIDAS 2014

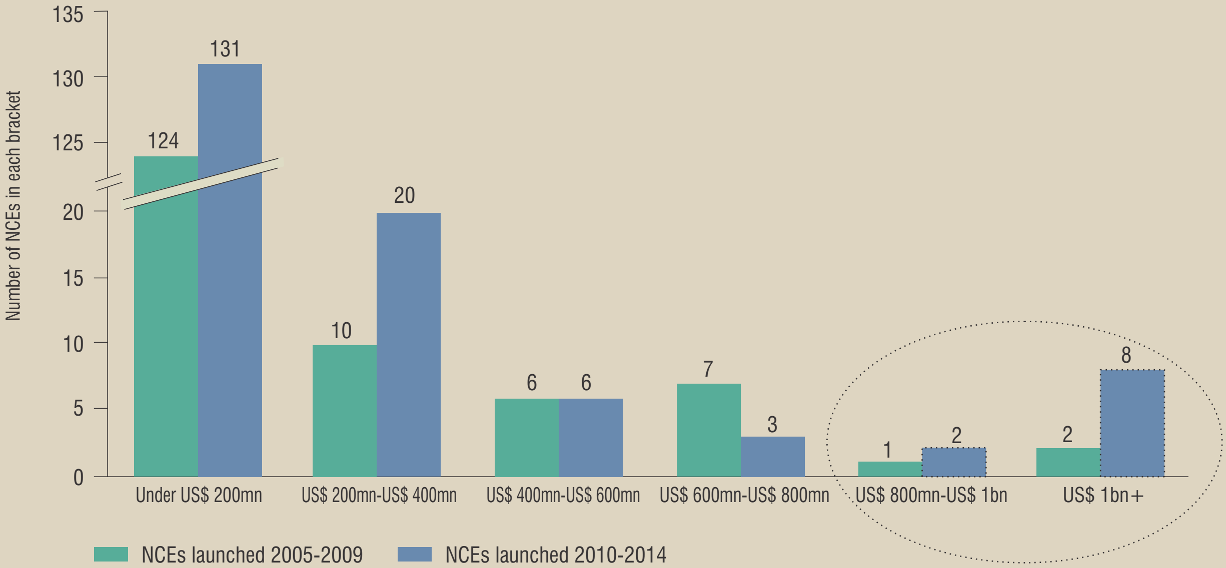
This year, we filed four DMFs as part of our proprietary portfolio in the pharmaceutical division. The DMFs are for Pregabalin which is used for neuropathic pain, Valacyclovir which is an antiviral drug which slows the growth and spread of herpes, Quetiapine which is an antipsychotic and Venlafaxine which is an antidepressant. All these products are blockbusters currently on the market, some of which are under patent protection and some of which are already commercial. Our R&D facility has also successfully scaled up these products in commercial quantities which have already gone to our potential clients as part of our strategy to seed them early on. Our R&D team has also developed a new API using an enzymatic process which is both cost-effective and environmentally-friendly. We expect to have a significant cost benefit with this innovative commercial process which will help us gain more market share with our clients.

We successfully scaled up two intermediates for an API and delivered it to our client for our custom development and manufacturing business. Small quantities of a niche high-value API were also delivered to a client in the emerging markets. Over 100 kg of a key intermediate that goes into the manufacture of prostaglandins was delivered to a Japanese client within specification and with the desired quality parameters.

As part of our initiative to improve the cost of goods, an important technology development enabled us to successfully establish a proof of concept for continuous manufacturing of one of our leading APIs. The next step would be to validate the proof of concept at the commercial manufacturing stage after which we could move towards implementation in a large scale. This technological initiative could bring tremendous value to our manufacturing processes, resulting in increased efficiencies and lower costs. In our CDMO business, we successfully completed the piloting and manufacturing of an intermediate for a Japanese innovator company currently in Phase III trials. If this product receives commercial approval, Hikal has a good chance of exclusively manufacturing the molecule for the client.

NCE launch performance 2005-2009 vs. 2010-2014 [3]

Performance based on sales in 2009 and 2014 respectively, adjusted for inflation



3. IMS Health MIDAS 2014

There are several early stage projects in our crop protection pipeline. A majority of these projects are from innovator clients in Japan and Europe. These molecules are on patent and in some of these situations, we often do not know the target indication or the candidate molecule. During the year, we completed the piloting and validation of two on-patent herbicides for Japanese clients and an intermediate herbicide for an on-patent European innovator company. We expect these products to go into commercial production in 2016-17. Three additional products, two fungicides for different Japanese companies and another fungicide for an innovator were commercialized successfully and their processes optimized for cost. R&D successfully established the recovery and recycle of solvents and catalysts on a commercial scale for these products, thereby improving the cost and value proposition to our clients. A niche acaricide's process was successfully custom-developed and delivered to the client for registration. Once the registration is complete, we expect commercial supplies of the product to start.


Hybrid Lab

As part of the company's strategy to develop its own proprietary portfolio, R&D led the initiative. Processes for several proprietary molecules and a fungicide were developed in-house and will be ready for commercial sale in 2016-17. This will enable the company to diversify its customer and product mix. R&D has developed commercially viable processes which will utilize the current manufacturing infrastructure, enabling us to utilize our assets while increasing revenues and adding to profitability.

We are steadily developing our animal health portfolio. The business development of this portfolio was well supported by our R&D with the synthesis of developmental quantities of three different steroidal APIs. We have progressed well in this field and look towards expanding our portfolio in this niche segment. Scale-up and validation of an animal health medication to kill external parasites for pets was completed for an exclusive client. We expect this small volume product to go commercial in 2016-17.

Contract development projects generate incremental revenues for R&D. We limit these projects to select clients and molecules with commercial manufacturing viability. Last year, we started commercial operations at a new development and launch plant for small and medium-sized products in Bangalore. In the past year, the plant commercialized several new products which were under the development phase. We have seen an increase in the delivery of semi-commercial and commercial quantities being developed at the R&D facility in Pune. We plan to launch several of our animal health products from this facility next year.

Our diversified initiatives combined with the R&D consolidation will spur future growth. Our primary R&D goal is to develop innovative new processes that offer significant benefits to our clients. We have built reasonable scale and expertise along with agile R&D groups that can deliver complete sustainable solutions.

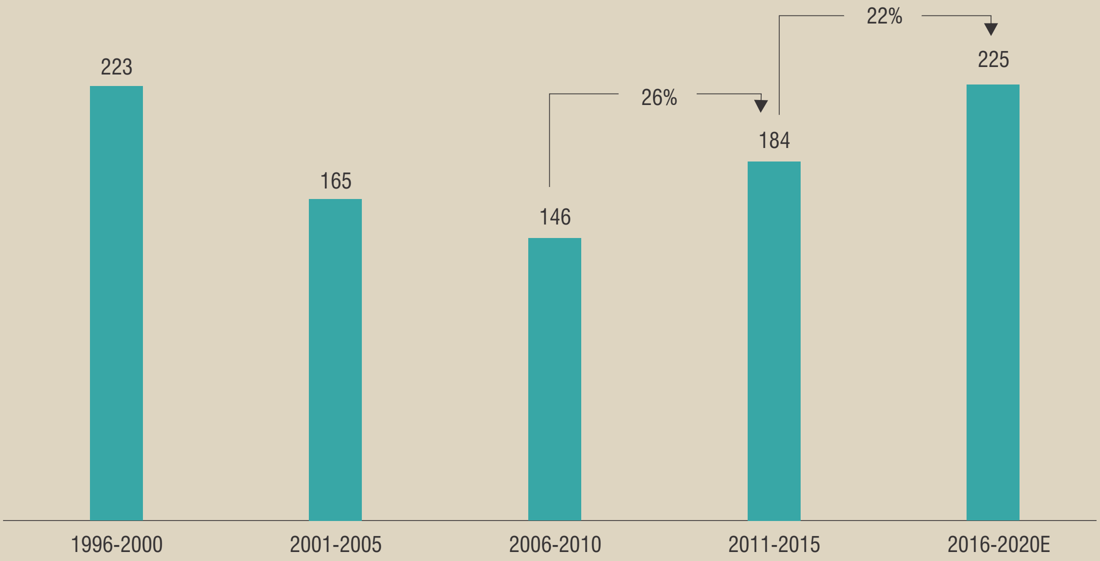
Strategy and Future Outlook

Our R&D division focuses on the development of cost-effective and sustainable processes for new products as well as optimization of technology for existing products. We have successfully filed and launched several products this year and plan to increase the rate of new product development and commercial launches next year.

2016 – 2020 Will Set a Record for Launches if Current Pipeline is Approved, Signaling a Growing Opportunity for Hikal:

22% increase from the previous 5 years

Number of New Active Substances (NAS) launches 1996-2020 [4]



This year, we have invested in setting up new labs and hiring additional scientists for the development of our product portfolio. As part of the company's drive to innovate in R&D, we have undertaken a significant cultural change in creating partnerships and accountability across our ecosystem. We have enabled access to knowledge and innovation through our Scientific Advisory Board which has several globally renowned scientists.

Hikal R&D is focused on solving problems. We have designed a framework around which people and activities are aligned with resource deployment, decision making and information sharing. As we grow in size and complexity, we encourage our people to systematically apply multiple lenses to problem solving and prioritizing to deliver the best results to our clients. We believe innovation will drive R&D productivity, and ultimately innovation is a talent business. We have hired and continue to attract the best in the business.

We have successfully commercialized several molecules across both the divisions which should result in long-term manufacturing opportunities. As part of our strategy, we continue to pursue contract development projects and proprietary molecules developed internally for our respective divisions. We believe these opportunities will lead to significant growth in the future.

4. IMS Health, IMS Institute for Healthcare, October 2015

Risks

The management of risk is an important factor contributing to the long-term success of our business. We are constantly developing a better understanding of possible risks along the supply chain. We undertake a continuous dialogue with our stakeholders to evaluate and address the changing scenarios which affect our company. We optimize our risk management by identifying the related risks early and preventing them as far as possible. Our focus remains on creating shareholder value, protecting the company's assets while adhering to the principles of quality, safety and sustainability.

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

Below are some of the major risks identified and some of the measures we take to mitigate them:

Regulatory Risk:

In today's environment, regulatory risk is a major concern for the company. Issues arising from audits by the US FDA and other global and domestic authorities can have a detrimental impact on revenues and profitability. We ensure that the regulatory and statutory approvals are in place for conducting business on a day-to-day basis so that our operations are not adversely affected. 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 profitability severely. In the competitive environment in which we operate, changes in regulations may have an adverse financial and business impact. We continue to monitor the regulations and ensure that we are compliant at all levels on an ongoing basis.

Client and Product Concentration:

Our business in crop protection and pharmaceuticals is based on long-term contracts with clients. A significant portion of this is transacted with a few clients across different verticals. A reduction of forecast by our clients has in the past affected the revenues of the divisions, and this continues to hold true. Over the past several years, we have diversified our client base wherever possible and increased new product penetration across various geographies to mitigate this risk. We continue to develop our own proprietary products to further diversify our business.

Production and Quality Risk:

The company is required to meet and maintain the highest 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 Practices (GMP) and regulations has a significant impact on our company. We have dedicated corporate quality personnel to ensure that 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, 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 continually monitors the parameters to ensure adherence to the most stringent international regulations.

Intellectual Property:

Protecting the intellectual property rights of our clients as well as our own 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.

Crisis and Continuity Management:

Any inability to recover and sustain critical operations following a disruption or to respond to a crisis in a timely manner is a key part of our crisis management. Internally, we have teams across divisions who assess any unexpected crisis and are trained to handle them in an efficient and clear-cut manner. We are building our teams to ensure there is 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. If 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 by a supplier, it is possible that we could experience an interruption in supply until we establish new sources or, in some cases, implement alternative processes. We continuously monitor our supply chain to ensure there is minimal downtime for our production facilities and our clients' needs are met seamlessly and efficiently.

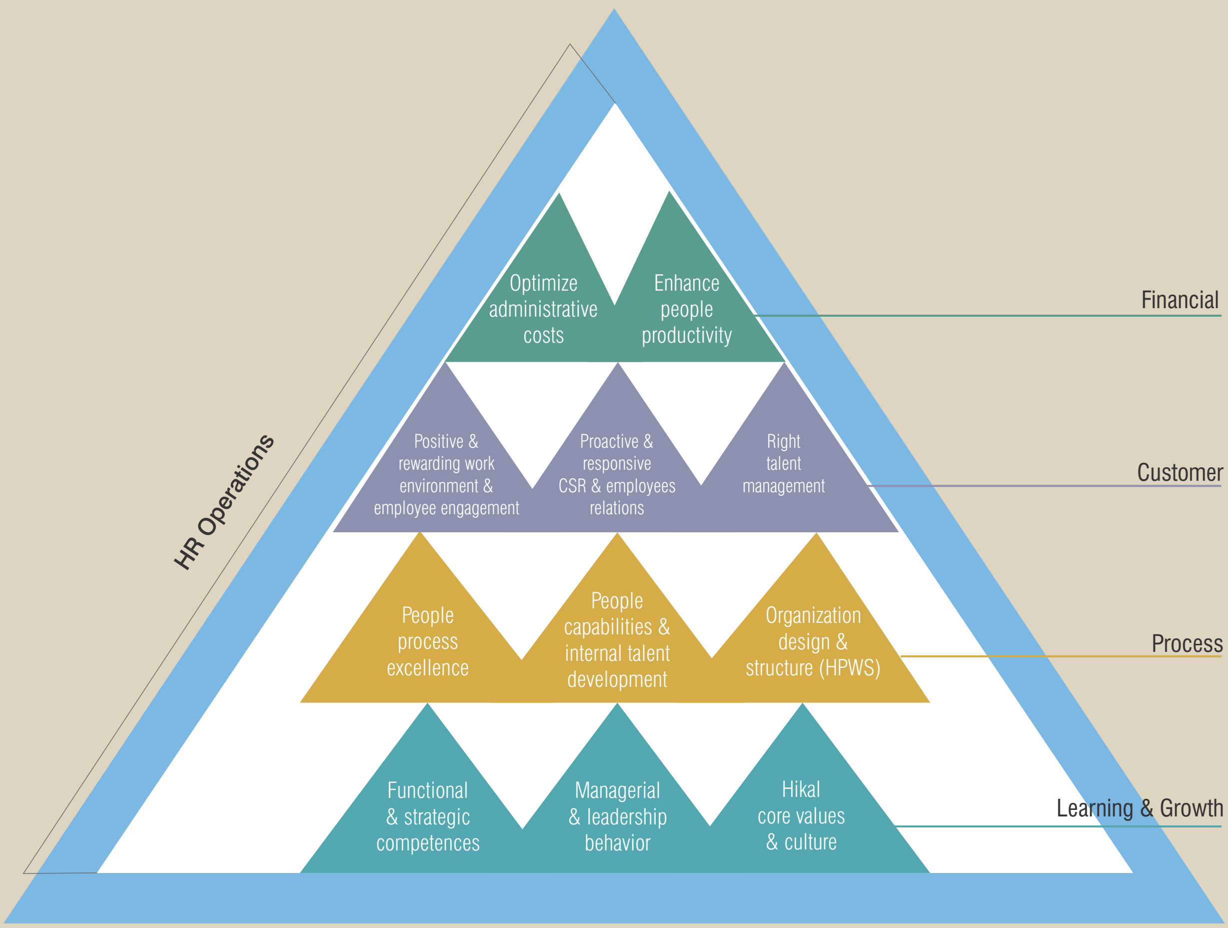
Human Capital

From both an economic and strategic perspective, we view human capital as the most important asset in our organization. As a company, we must ensure that we are in the best possible position to understand the client and market-driven factors that affect our businesses; effectively influence and contribute to the strategic decision-making process. Our people need to adapt quickly to fluid situations, facilitate positive change in the organization and manage and positively influence ethical culture and behaviour. The key to this is understanding the value of people. Hikal as a company is adopting ways to utilize human capital measurement systems to optimize the value of people in the organization and environment in which we operate.

We redefined our HR strategy to ensure our business target and goals are achieved. We have branded and launched our new HR strategy as 'Shaswat' which means 'universal truth' in Sanskrit. We organized a rollout to the senior leaders in the company which had participation from the Management Committee members, business heads, site heads, operations heads, core business execution team, along with corporate functions like Purchase, Projects, Information Technology and Finance along with the complete HR team. The launch of 'Shaswat' was inaugurated by the Chairman, Mr. Jai Hiremath, who took the team through the Hikal journey, the key differential factors in the areas of people focus and relationships.

A 'future vision' workshop was conducted and led by our HR Head. The HR vision articulated: A valued strategic partner by creating inspiring & exciting high performance work culture.

A brief overview of our HR strategy which is aligned to the growth strategy of both our divisions:



Maximize Long-term Stakeholders' Value

During the last year, we implemented a new Human Resource Management System, EmPower, that assists our employees in managing performance and complete employee services. This year, the system is completely online and functioning as designed. This system facilitates different aspects of employee's work-life cycle such as Leave Management, Employee Self Service, Time Management, Performance Management, Payroll, Recruitment, Training & Development and Travel Management. Significantly, the system is employee-driven and also allows them to view their progress against the key result areas set forth at the beginning of each year.

Hikal strengthened the talent pool across levels through lateral hires as well as from premier institutes like Indian Institute of Technology – Mumbai & Kharagpur, Institute of Chemical Technology, Maharashtra Institute of Technology, National Institute of Information Technology, Narsee Monjee Institute of Management Studies, to name a few. Under the employer branding program at college campuses, the Company partnered with IIT, Mumbai for their signature event, 'AZeotropy,' a two day event organized by the Chemical Branch and at MIT - Pune for their event 'Petrovision' conducted by the Chemical & Petro-Chemical Branch. We believe that the introduction of this new mix of experience and youthful energy will encourage creativity and innovation at the workplace.

Enhancing Professional Competencies

Training and development is a continuous process to enhance the skill set of our employees. We spend considerable time & efforts in technical, managerial and leadership development programs across our plants to enhance the competency levels of employees. We continuously train our people in best practices ensuring that compliance and safety are being adhered to at all times across all sites.

During the year, several key development programs were organized:

I. Focused programs to increase the behavioural and technical competence of our employees

ii. Technical training programs conducted include:

1. Safety training
2. Training on foreign exchange risk management
3. Training on chemical burns management - Stopping incidents from becoming accident
4. Pharma process safety management workshop
5. Training on unleashing people's potential for global competitiveness
6. Internal auditor training

Performance Management Systems

Hikal developed and launched a performance appraisal system to recognize and reward high performing employees after a review process by the performance appraisal review committee. Succession planning is a prerequisite for business continuity. It is undertaken through a detailed and systematic review of employees so that high performing employees are rewarded appropriately and grow with the organization. This ensures continuity of operations through talent retention.

This year, we refined our corporate measures. Company goals are clearly defined and rolled out to every employee so that they are aligned with the goals of the organization. Individuals' KRAs are fully aligned with company goals. We have also revised our policy on variable pay with a clear linkage to company performance as well as individual achievement linked to the business unit. These measures will encourage our team to drive performance and profitability.

'Daksh' – A new major company initiative

'Daksh', an organizational competency building program at Hikal was launched in October 2015. Daksh is an integrated and comprehensive Project Management initiative. Daksh is planned to map the complete organizational processes from the concept stage to the commercialization stage. Daksh is derived from the 5 pillars which are a true reflection of its focus and features.

1. D – Direction: Working towards the common direction
2. A – Attitude: Having the right attitude
3. K – Knowledge Management: Capturing, distributing, effectively using and recording knowledge
4. S – Sustainability: Working towards a sustainable growth
5. H – Horizon : Expanding self-horizon and pushing self beyond boundaries to achieve excellence

This program brings to the employees the complete concept of Project Management along with its application in Hikal. There will be tremendous tangible benefits to the company after the implementation of this in-depth program. The highlight will be aligning Project Management as a way of life and culture in each employees, focus area.

Key benefits of Daksh:

1. Economic: Financial improvement and ensuring better use of funds
2. Efficiency: Doing more with same resources and same with optimized (lesser) resources
3. Effectiveness: Doing things right the first time

The key results and benefits from this initiative will be optimizing our client's experience, enabling business change, showing value for money, managing risk in line with business needs, ensuring continuous improvement, delivering confidence, reliability, career development, supporting cross functional working, thereby ultimately delivering what our business needs.

Parigyaan

We have introduced 'Parigyaan' (meaning 'recognition'). This is our new Rewards & Recognition policy at Hikal which aims to create a culture of recognizing accomplishments, extraordinary efforts and achievements of all Hikalites.

i. Parigyaan is designed to:
   1. Recognize and promote positive behaviour towards achievement of business objectives
   2. Increase employee productivity with adherence to compliance & quality systems
   3. Develop a culture of innovation using the philosophy of 'Why Not?'

ii. Features of Parigyaan:
   1. Judicious mix of individual and team-based rewards, at the organizational level and manufacturing sites.
   2. Employees shall get the opportunity to get recognized by senior management at all levels.
   3. Motivation for employees with promising reward redemption options.

iii. Parigyaan offers a variety of rewards and awards for the employees which ranges from instant recognition, 'Spot Award' to award based on transformational ideas covered under 'Spark Award,' 'Employee of the month and the year' which recognizes the outstanding achievement of the employee, and 'Long Term Service award' which is designed to recognize the employees for their tenure with the organization.

   The award for best manufacturing site keeps the spirit of healthy competition alive in the organization. The umbrella also covers Chairman's Excellence award both in the category of a team and the individual employee.

Other Human Resource Initiatives

I. CEO Connect
   1. CEO Connect Forum (CCF) is an initiative wherein the CEO meets employees across locations to understand their comfort at work, solicit views, suggestions and comments to improve the work atmosphere and performance level. This has been instituted at all our sites and is held at frequent intervals. The feedback is then shared with the responsible function heads to initiate the appropriate actions.

II. Town Hall Meeting and Site Management Committee meeting
   1. Town hall meetings are introduced with a clear focus of providing a formal communication forum to employees at all our sites as a touch point for employee engagement.
   2. Town Hall Meeting is a common forum for all employees at the site to communicate formally with the Site Management Committee members and express their views, suggestions or offer constructive comments in order to strengthen the functioning of the site.
   3. This forum is also used for communicating information about the functioning at the site level and matters of common interest as well as company related information.

Frequency: The town hall meeting followed by the Site Management Committee meeting is conducted monthly.

III. Hikal Women's Forum

Women's Day was celebrated with zeal and enthusiasm across Hikal locations on March 8, 2016. This day marked the launch of the Hikal Women's Forum by our President & JMD, Sameer Hiremath and Head Human Resources, Kumaar Priyaranjan by addressing employees. They highlighted the need of having gender diversity at the workplace, how the industry is moving forward towards developing the same and the steps Hikal shall be taking towards women empowerment and development.

The forum is formed with an objective of supporting professional growth and leadership skills in women, building a network to facilitate engagement between women in diverse roles in the organization, providing a forum for members to seek advice on a variety of issues, including personal and professional areas. The idea is to ensure higher engagement levels of women employees, creating awareness on the Sexual Harassment Policy and its implementation across the company and spreading the importance of gender diversity among all employees in Hikal.

Industrial Relations

A large majority of our plant workers and staff have completed 10 years of service. It bears testimony to the dedication, trust and confidence of these workers in the organization.

The vital contribution of our workers has been recognized. They are encouraged to upgrade their skills through various development programs. Many workers are pursuing higher education so that it offers new opportunities and shapes their future career path.

Several technicians are represented on employee welfare committees. They also participate in environment, health, safety, quality programs and suggestion schemes.

Welfare Measures

Hikal has initiated several welfare measures for employees:

- Medical insurance coverage and personal accident policy
- Food subsidy, free transport and allowances for medicines and education
- Soft loans on relaxed terms for children's education, medical emergencies and housing

Corporate Social Responsibility

The Hikal CSR Policy has been reviewed and a comprehensive 3 year plan has been developed and rolled out. We have branded the CSR activities at Hikal under the name 'Srijan' which means 'creation.' It is the embodiment of an action or process of bringing something into existence.

सृजन

The objective of Srijan is to integrate a community's economic, environmental and social aspirations with the company's business goals and

objectives for sustainable growth and development in order to ensure social development.

The roots that empower Srijan are:

- Anahat (Environment and ecology protection)
- Medha (Educational and skill development)
    - Medha is further divided into further 3 sub categories:
        - Prarambh (initiation of primary & secondary education)
        - Unatti (employability through vocational training and education)
        - Buniyaad (Augment infrastructure needs in society)
- Rachana (Preserving art and heritage)
- Kaushalya (Healthcare and hygiene)
- Sampark (contribute to the positive development of society and have a continual connect with people)

Some of the major activities conducted under Srijan are:

- As a part of Anahat:
    - The Community Utility Facility (Community Park) at Mahad
    - The tree plantation activity was undertaken in the village near Panoli
- As a part of Medha:
    - Under Prarambh: Support was extended to 3 government schools at Nosenuru, Devasandra, Konnasandra near Jigani, towards providing teachers to these schools
    - Under Unatti, Mehli Mehta Music Foundation was supported for teaching music to underprivileged children
    - Under Buniyaad, Hikal in association with International Association for Human Values (IAHV), an international NGO, adopted 3 Zila Parishad Schools at Kambale, Birwadi and Sutarkone in Mahad. Infrastructure, e-Learning systems, drinking water facility and sanitation facility are being developed
- As a part of Rachana: Hikal assisted the development of Chatrapati Shivaji Maharaj Vastu Sangrahalaya
- As a part of Kaushalya:
    - Support extended to Sanjeevani Trust, for emergency cardiac van in Mahad which will help extend the special medical care for the cardiac patients in the area
    - Contribution was made towards the Chennai Relief Fund. Employees contributed one day's salary towards the relief fund accompanied by a contribution from the company. The relief activity was channelized

through IAHV. The NGO ensured that the funds reached the needy and the relief activities were carried out effectively

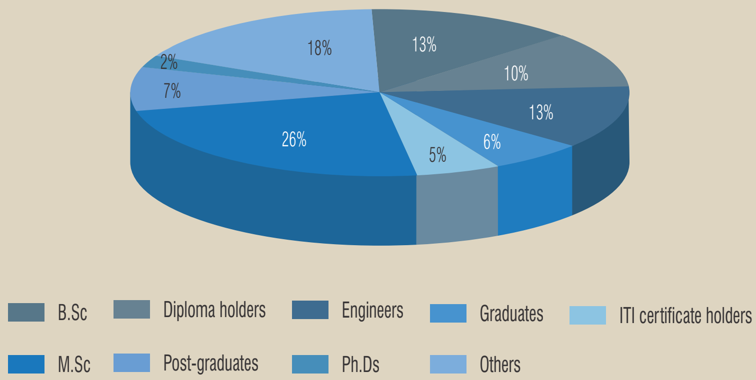
- Extended financial aid and vital support was provided to Nepal's Earthquake Relief Fund. This activity consisted of distribution of medicines and blankets to households in Badhikhel in Lalitpur. These houses were totally destroyed during the massive earthquake in April 2015 and Hikal's efforts went towards building these communities again
- The activity of the development of a Reverse Osmosis plant towards the supply of clean drinking water to villagers near Jigani in Bangalore has started
- Free medical & blood donation camps were conducted at our Pune & Taloja sites

- As a part of Sampark: employees from Panoli conducted classes and lectures to educate the students of the Nanaborasara Primary School. At Pune, our employees celebrated Christmas with the children at Nachike Balasharam. Children received gifts, goodies and chocolates during the celebration.

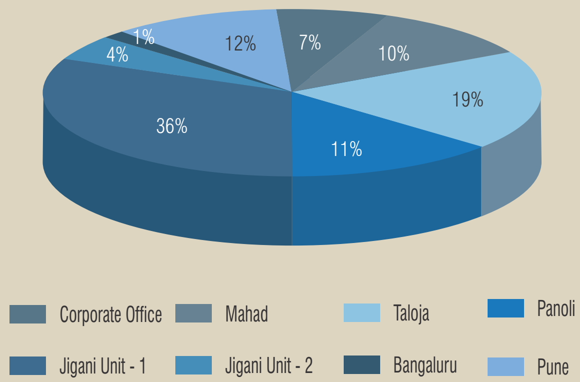
The value of human resources is in guiding and enabling managers and employees. We are creating a balance between performance and reward recognition. We believe that when this balance is achieved, we as a company will get the best performance from our employees. This year, Hikal has rolled out several new initiatives which will strengthen the capabilities of our employees. We are engaging our team members on a different level which is beginning to show positive results. Our approach is to not replace our current team with new people or technologies, but to teach them new skills. We understand this is a multi-year journey and feel that is the right approach to building our sustainable business.

Total Number of Employees: 1,275

Intellectual Capital



Employee Strength



Hikal's advanced R&D laboratories are equipped with modern analytical instruments that meet the stringent specifications of multinational customers.

Financials

To

The Members,

The Directors are pleased to present the 28th Annual Report with the Audited Accounts for the financial year ended 31 March 2016.

₹ in Million

1. FINANCIAL RESULTS

	2015-16	2014-15
Turnover	9,257	8,719
Profit before interest and depreciation	1.828	1,841
Interest	622	600
Profit before depreciation	1,206	1,241
Depreciation	673	642
Profit before taxation	533	599
Provision for taxation		
- Current tax	118	218
- Less MAT tax credit	(13)	-
- Deferred tax liability/(assets)	15	(24)
Profit after tax	413	405
Reserves and surplus	5,485	5,170
Dividend on equity share	82	82
Tax on dividend	17	17
Transfer to general reserve	50	50

2. COMPANY'S PERFORMANCE

Hikal's total revenue grew by 6% to ₹ 9,257 million over the last year. The growth was evenly contributed by both the divisions with Pharmaceuticals growing by 6% and Crop Protection by 7% as compared to the last year. The growth in both the divisions was driven by higher off take of our products as well as new introductions to our product portfolio. We expect the growth to continue in the coming year as well.

On a full year basis, we have seen the performance has improved in the second half of the year, the cycle which we believe will continue in the current year as well. With an objective of diversifying our product offerings to our customers, we are focusing on increasing the contribution from our proprietary products in our Crop Protection division along with developing new customers in both the divisions. Our EBITDA was down by approximately 1% to ₹ 1,828 million mainly affected by lower prices on account of increased volumes to our customers. On the EBITDA margin front, we still maintain a health margin of 20%. During the year our employee cost has increased compared to last year mainly due the new recruitments that we have done over the last 18 months to beef up the business development and operating team for both the divisions apart from the strengthening the R&D team. The new recruitments are across Senior and Middle management levels in both the divisions.

We continue our cost rationalization initiatives introduced in last year which will help us to maintain our current margins with a scope of improving it in coming years. For our working capital management we have instituted strict norms over the last year which has shown results in the form of lower Net Operating Working Capital days compared to previous year.

Depreciation for the year was increased marginally to ₹ 673 million from ₹ 642 million last year. During the year, gross fixed assets increased by ₹ 511 million due to an increase in capital assets (buildings, plants and equipment) in the Crop Protection and Pharmaceuticals division as well as routine maintenance capex. Investments in our Pharmaceutical division were mainly to increase the capacity and to set up a new development and launch plant at Jigani, Bangalore. The investments towards Crop Protection divisions were mainly towards the capacity and site expansions. Apart from these initiatives we continue to invest in debottlenecking initiatives across our sites to improve performance and increase manufacturing capacity on an ongoing basis.

Our financing cost has increased marginally to ₹ 622 million vs. ₹ 600 million last year mainly due to increase in exchange losses on long term working capital loans. However, our total outstanding debt has reduced. Our total debt outstanding as on 31 March 2016 was 5,049 million vs. ₹ 5,462 million on 31 March 2015. Our debt / equity ratio has improved to 0.89 vs. 1.02 last year. During the year we have worked on our debt consolidation program wherein we have consolidated our debt with fewer banks which helped us to lower our blended rate of interest. The consolidation exercise was completed in the latter part of the year so there was no material impact on our finance cost. We expect the benefit of lower rate to accrue in the coming years. Apart from lower rate of interest, the other benefit of the debt consolidation exercise is to eliminate the cash flow volatility of the Company.

The tax expense decreased from ₹194 million to ₹120 million.

Our operational net profit after tax on a YoY basis has increased by 2% to ₹ 413 million.

As part of our sustainability strategy we will be introducing several new products every year. We will have product pipeline which will help us introduce two new products in the near term (1-2 years), two products in medium term (3-5 years) and two products in long term (5 years). The pipeline will be replenished every year with new products coming on stream and non-performing and lower margin products replaced on a continuous ongoing basis. This strategy will help us to increase our product offerings and reduce our dependence on several legacy products thereby de-risking the business. In crop protection, our target is to develop our own proprietary products which will help us to lower our dependency on some of our key contract manufactured molecules the demand for which sometimes is very volatile and cyclical.

With a marginal improvement in current environment, we were able to increase our revenues and maintain a healthy EBITDA margin of 20% along with lowering our working capital and the debt consolidation exercise which helped us strengthen our Balance Sheet. With new products coming out of our current product pipeline year we are well poised to reap the benefits of our capital investments.

Our long term business strategy is being executed as per our plan. We strengthened our business development teams for crop protection as well as the pharmaceutical divisions. Our primary objective is to develop a robust and diversified product pipeline mix of commercialized products. We recruited talent for across the Company which will ensure us meeting our future goals of profitable sustainable growth. Our development product portfolio across both divisions is being commercialized which will enable a larger throughput of products which contribute to the revenue stream.

The Board of Directors has recommended a dividend of 50% which is the same as last year.

3. EXPORTS

Exports for the year is ₹ 7,317 millions (79%of total sales) as compared to ₹ 6,890 millions (79% of total sales) in the previous year. We have diversified our customer base which includes more local customers who in turn re-export our manufactured products.

4. 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.

5. DIVIDEND

The Board had recommended an interim dividend of 25% (previous year: 25%) and a final dividend of 50% including the interim dividend for the year (previous year: 50%). During the year, your Company has transferred ₹ 50 million to General Reserve.

6. SHARE CAPITAL

The paid up Equity Share Capital as at 31 March 2016 stood at ₹ 164.4 Million. During the year under review, the Company has not issued shares with differential voting rights nor has granted any stock options or sweat equity. As on 31 March 2016, none of the Directors of the Company hold instruments convertible into equity shares of the Company.

7. EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in form MGT-9, as required under Section 92 of the Companies Act, 2013, is included in this Report as "Annexure - A" and forms an integral part of this Report.

8. SUBSIDIARY ACCOUNTS

In terms of the approval granted by the Government of India, Ministry of Company Affairs under Section 129(3) of the Companies Act, 2013, copies of the Balance Sheet, Profit and Loss Account, Directors' Report and the Report of the Auditors of the subsidiary companies viz., Hikal International B.V. and Acoris Research Limited have not been attached with 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 approval, 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.

9. **DIRECTORS**

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015.

In accordance with the provisions of Section 152 of the Companies Act, 2013 and the Company's Articles of Association, Mr. Baba Kalyani, Director retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Details of number of Board meetings held during 2015-16 forms part of Corporate Governance Report.

10. **BOARD EVALUATION**

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations 2015, a structured questionnaire was prepared after taking into consideration the various aspects of the Board's functioning like composition of the Board and its Committees, culture, execution and performance of specific duties, obligations and governance.

The performance evaluation of the Independent Directors was completed. The performance evaluation of the Chairman and the Non-Independent Directors was carried out by the Independent Directors. The Board of Directors expressed their satisfaction with the evaluation process.

11. **WHISTLE BLOWER POLICY**

The Company has a whistle blower policy to report genuine concerns or grievances. The Whistle Blower policy has been posted on the website of the Company (www.hikal.com).

12. **REMUNERATION AND NOMINATION POLICY**

The Board of Directors has framed a policy which lays down a framework in relation to remuneration of Directors, Key Managerial Personnel and Senior Management of the Company. This policy also lays down criteria for selection and appointment of Board Members. The details of this policy is explained in the Corporate Governance Report and is also put up on the website of the Company (www.hikal.com).

13. **RELATED PARTY TRANSACTIONS**

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

All Related Party Transactions are placed before the Audit Committee as also the Board for approval.

The policy on Related Party Transactions as approved by the Board is uploaded on the Company's website *http://www.hikal.com/investors/pdf/Related%20Party%20Policy.pdf* None of the Directors has any pecuniary relationships or transactions vis-a-vis the Company.

14. **SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS**

There are no significant and material orders passed by the Regulators/Courts that would impact the going concern status of the Company and its future operations.

15. **RISK MANAGEMENT**

Company has a robust business risk management framework in place to identify and evaluate all business risks. The company recognizes that risk management is a crucial aspect of the management of the Company and is aware that identification & management of risk effectively is instrumental to achieving its corporate objectives.

The Company has identified the business risks and the business heads who are termed as risk owners assess, monitor and manage these risks on an ongoing basis. The risk owners assess the identified risks and continuously identify any new risks that can affect the business. Different risks such as technological, operational, maintenance of quality, reputational, competition, environmental, foreign exchange, financial, human resource, legal compliances among others are assessed on continuous basis. The Risk Management Committee and Audit Committee review and submit to the Board of Directors their finding in the form of risk register at regular intervals. At the Board meetings, the members have a detailed discussion to assess each risk and the measures that are in place to lower them to acceptable limits.

The strategies are reviewed, discussed and allocation of appropriate resources is done as and when necessary. The risk management programme, internal control systems and processes are monitored and updated on an ongoing basis. A built up mechanism has been established to identify, measure, control, monitor and report the risks. Business heads are responsible for rolling out the risk assessment and management plan within entire organisation.

16. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company and its subsidiaries. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of the internal control systems and suggests improvements to strengthen the same. The Company has a robust Management Information System, which is an integral part of the control mechanism.

17. KEY MANAGERIAL PERSONNEL

The Company has appointed the following persons as Key Managerial Personnel.

Mr. Jai Hiremath, Chairman & Managing Director

Mr. Sameer Hiremath, President & Joint Managing Director (Whole Time Director)

Mr. Sham Wahalekar, Chief Financial Officer & Company Secretary

18. PARTICULARS OF LOANS, GUARANTEES & INVESTMENTS BY THE COMPANY

The details under section 186 of the Companies Act, 2013 are given in the notes to the financial statements.

19. DIRECTOR'S RESPONSIBILITY STATEMENT

Your Directors state that:

(i) In the preparation of the annual accounts, the applicable accounting standards read with requirements set out under Schedule III to the Companies Act, 2013 (the Act), have been followed and there are no material departures from the same;

(ii) The Directors have selected such accounting policies and applied them consistently and made judgements 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 31 March 2016 and of the profit of the Company for that year;

(iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act 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;

(v) The Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and

(vi) The Directors have devised a proper system to ensure compliance with the provision of all applicable laws and that such systems are adequate and are operating effectively.

20. AUDITOR

M/s. B S R & Co. LLP, Chartered Accountants have been appointed for a term of five years commencing 2014-15 to 2018-19. Members are requested to ratify their appointment for the year 2016-17.

The Auditor's report to the members on the accounts of the Company for the year ended 31 March 2016 does not contain any qualifications, adverse or disclaimer remarks.

21. COST AUDITOR

The Company has re-appointed Prof. V. J. Talati of M/s.V. J.Talati & Co., as the Cost Auditor to carry out the audit of Cost Accounts for the financial year 2016-17. The Cost Audit report for the financial year 2014-15 was filed with Ministry of Corporate Affairs, Government of India on 28 September 2015.

22. SECRETARIAL AUDITOR

The Board has appointed M/s. Ashish Bhatt & Associates, Practicing Company Secretaries, to conduct Secretarial Audit for the financial year 2015-16.

The Secretarial Audit Report for the financial year ended 31 March 2016 is annexed herewith as "Annexure - B" to this Report. The Secretarial Audit Report does not contain any qualifications, reservations or adverse remarks.

23. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Corporate Social Responsibility Committee (CSR Committee) has formulated and recommended to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, which has been approved by the Board. The CSR Policy may be accessed on the Company's website at the below link:

http://www.hikal.com/investors/corporate_governance/pdf/Corporate_Social_Responsibility_Policy.pdf

Policy Statement:

As a socially responsible corporate member of the world community, with long enduring relationships we believe that the future of our business is best served by respecting the interests of the society at large. Through our efforts we shall strive to improve the living standards of the surrounding community. Our CSR activities shall aim to bring a difference in the lives of the needy, under privileged persons of the society including children, women and senior citizens and the environment.

The key philosophy of all CSR initiatives of the Company is guided by three core commitments of Scale, Impact and Sustainability. The Company has identified six focus areas of engagement which are as under:

- Health: Affordable solutions for healthcare through improved access, awareness and sanitation
- Education: Access to quality education, training, skill enhancement, enhancement of vocation skills
- Environment: Environmental sustainability, ecological balance, conservation of natural resources
- Protection of National Heritage, Art and Culture: Protection and promotion of traditional art, culture and heritage
- Overall development activities in surrounding areas of Hikal's manufacturing sites for the benefit of the society
- Contribution to Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio economic development or welfare

Implementation of the CSR Program

1. Project activities identified under CSR are to be implemented either by personnel of the Company or through registered trust or a registered society.
2. The time duration of each project / program shall depend on its nature and intended impact.

The Company would also undertake other need based initiatives in compliance with Schedule VII to the Act. During the year, the Company has spent 9 Million on CSR activities. Pursuant to the provisions of the Companies Act 2013, the Company should have spent 12.77 Million (being 2% of the average net profits of last three financial years), during the financial year 2015-16.

Your Company has taken progressive steps to formulate a policy, identified specific activities and is confident of spending the stipulated amount on selected programs in near future along with the shortfall in CSR expenditure for this financial year.

The Annual Report on CSR activities is annexed herewith marked as "Annexure - C".

24. SAFETY & ENVIRONMENT

The Company continued to maintain the highest standards of environment, health and safety. 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.

25. PUBLIC DEPOSITS

The Company has not accepted any deposits and as such there are no overdue deposits outstanding as on 31 March 2016.

26. 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 1275 as on 31 March 2016.

As required by the provisions of the Section 197 (12) of the Companies Act, 2013, read with Rule 5 (1) of the Companies (Appointment and Remuneration of Management Personnel) Rules, 2014, as amended, from time to time, is enclosed herewith as "Annexure - D"

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this report. Further, the report and the financial statements are being sent to the members excluding the aforesaid statement. In terms of Section 136 of the Companies Act, 2013, the said statement is open for inspection by the member at the registered office of the Company during the business hours on working days of the Company up to the date of ensuing Annual General Meeting. Any member interested in obtaining such particulars may write to the Company Secretary at the registered office of the Company.

27. **CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING SAND OUTGO**

In accordance with the requirements of Section 134 (3) (m) of the Companies Act, 2013, read with Rule 8 (3) of the Companies (Accounts) Rules, 2014, 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 - E" which forms part of this report.

28. **CORPORATE GOVERNNANCE**

A report on the Corporate Governance 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 the provisions of Regulation 34 of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 are annexed to this Report.

29. **ACKNOWLEDGEMENTS**

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.

30. **CAUTIONARY STATEMENT**

Statements in the Board's Report and the Management Discussion & Analysis describing the Company's objectives, expectations or forecasts may be forward-looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic demand and supply conditions affecting selling prices of finished goods, input availability and prices, changes in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.

For and on behalf of the Board of Directors

Jai Hiremath
Chairman & Managing Director
DIN:00062203

Date : 6 May 2016
Place : Mumbai

ANNEXURE A

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

As on Financial Year ended on 31 March 2016

(Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management & Administration) Rules, 2014)

I. REGISTRATION & OTHER DETAILS

1.	CIN	L24200MH1988PTC048028
2.	Registration Date	8 July 1988
3.	Name of the Company	HIKAL LIMITED
4.	Category/Sub-category of the Company	Public Company / Limited by Shares.
5.	Address of the Registered Office & contact details	717/718, Maker Chambers V, Nariman Point, Mumbai 400 021 – Tel: 91 22 6630 1801 / 2283 4587 Fax: 91 22 2283 3913 Website: www.hikal.com
6.	Whether listed Company	Yes
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any	Universal Capital Securities Pvt. Ltd. 21, Shakil Niwas, Opp. Satya Sai Baba Mandir, Mahakali Caves Road, Andheri (East), Mumbai - 400093 Tel: 91 22 2820 7203 / 04/05 Fax: 91 22 2820 7207 Website: www.unisec.in, E-mail: info@unisec.in

II. PRINCIPAL BUSINESS ACTIVITES OF THE COMPANY

(All the business activities contributing 10% or more of the total turnover of the Company shall be stated)

Sr. No.	Name and Description of main products / services	NIC Code of the products/services	% of total turnover of the Company
1	Pharmaceuticals	210.2100.21001	61.49
2	Agrochemicals	202.2021.20211	38.51
	Total		**100.00**

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary Associate	% of shares held	Applicable Section
1	Hikal International BV Laan van Kronenburg 8 1183 AS Amstelveen, P. O. Box 7827, 1008 AA, Amsterdam, The Netherlands	NA	Subsidiary	100%	Section 2(87)
2	Acoris Research Ltd. 603A Great Eastern Chambers Sector 11, Navi Mumbai 400614	U72100MH2000 PLC127909	Subsidiary	100%	Section 2(87)

IV. SHARE HOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY)

i) Category - wise Share Holding

Category code	Category of Shareholder	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(A)	**Promoters**									
1	**Indian**									
	(a) Individuals/ Hindu Undivided Family	7,863,400	-	7,863,400	9.57	7,863,400	-	7,863,400	9.57	-
	(b) Central Govt(s)	-	-	-	-	-	-	-	-	-
	(c) State Govt(s)	-	-	-	-	-	-	-	-	-
	(d) Bodies Corporate	48,115,110	-	48,115,110	58.53	48,115,110	-	48,115,110	58.53	-
	(e) Banks / FI	-	-	-	-	-	-	-	-	-
	(f) Any other - Trust	550,000	-	550,000	0.67	550,000	-	550,000	0.67	-
	Sub Total(A)(1)	**56,528,510**	**-**	**56,528,510**	**68.77**	**56,528,510**	**-**	**56,528,510**	**68.77**	**-**
2	**Foreign**									
	a NRIs - Individuals	-	-	-	-	-	-	-	-	-
	b Other Individuals	-	-	-	-	-	-	-	-	-
	c Bodies Corporate	-	-	-	-	-	-	-	-	-
	d Banks / FI	-	-	-	-	-	-	-	-	-
	e Any Others(Specify)	-	-	-	-	-	-	-	-	-
	Sub Total(A)(2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	**56,528,510**	**-**	**56,528,510**	**68.77**	**56,528,510**	**-**	**56,528,510**	**68.77**	**-**
(B)	**Public shareholding**									
1	**Institutions**									
	(a) Mutual Funds / UTI	7,931,465	-	7,931,465	9.65	7,034,597	-	7,034,597	8.56	(1.09)
	(b) Financial institutions / Banks	19,500	-	19,500	0.02	131,098	-	131,098	0.16	0.14
	(c) Central Govt(s)	-	-	-	-	-	-	-	-	-
	(d) State Govt(s)	-	-	-	-	-	-	-	-	-
	(e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
	(f) Foreign institutional Investors	3,877,340	-	3,877,340	4.72	3,236,275	-	3,236,275	3.94	(0.78)
	(g) Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-
	(h) Qualified Foreign Investors	-	-	-	-	-	-	-	-	-
	(i) Insurance Companies	-	100,500	100,500	0.12	-	100,500	100,500	0.12	-
	(j) Other (specify)	-	-	-	-	-	-	-	-	-
	Sub-Total (B)(1)	**11,828,305**	**100,500**	**11,928,805**	**14.51**	**10,401,970**	**100,500**	**10,502,470**	**12.78**	**(1.74)**
B 2	Non-institutions									
(a)	**Bodies Corporate**	703,427	24,250	727,677	0.89	951,010	24.250	975.260	1.19	0.30
	(i) Indian									
	(ii) Overseas	-	-	-	-	-	-	-	-	-
(b)	Individuals	-	-	-	-	-	-	-	-	-
	(i) Individual shareholders holding nominal share capital up to ₹1 lakh	4,504,788	512,590	5,017,378	6.10	5,482,546	486,560	5,969,106	7.26	1.16
	(ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	725,430	-	725,430	0.88	652,182	-	652,182	0.79	(0.09)
(c)	Others (specify)									
	(i) Clearing Members	63,315	-	63,315	0.08	348,069	-	348,069	0.42	0.34
	(ii) Trusts	-	-	-	-	-	-	-	-	-
	(iii) NRI / OCBs	287,835	-	287,835	0.35	303,353	-	303,353	0.37	0.02
	(iv) Foreign Nationals	121,550	-	121,550	0.15	121,550	-	121,550	0.15	0.00
	(v) Foreign Corporate Body	68,00,000	-	68,00,000	8.27	68,00,000	-	68,00,000	8.27	0.00
	Sub-Total (B)(2)	**13,206,345**	**536,840**	**13,743,185**	**16.72**	**14,658,710**	**510,810**	**15,169,520**	**18.45**	**1.73**
(B)	**Total Public Shareholding (B)=(B)(1)+(B)(2)**	**25,034,650**	**637,340**	**25,671,990**	**31.23**	**25,060,680**	**611,310**	**25,671,990**	**31.23**	**-**
	TOTAL (A)+(B)	**81,563,160**	**637,340**	**82,200,500**	**100.00**	**81,589,190**	**611,310**	**82,200,500**	**100.00**	**-**
(C)	**Shares held by Custodians for GDRs & ADRs**	-	-	-	-	-	-	-	-	-
	GRAND TOTAL (A)+(B)+(C)	**81,563,160**	**637,340**	**82,200,500**	**100.00**	**81,589,190**	**611,310**	**82,200,500**	**100.00**	**-**

(ii) Shareholding of promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% of change in shareholding during the year
		No. of shares	% of total shares of the Company	% of shares pledged /encumbered to total shares	No. of shares	% of total shares of the Company	% of shares pledged /encumbered to total shares	
1	Anish Dilip Swadi	5,000	0.01	-	5,000	0.01	-	-
2	Jai V Hiremath	893,750	1.09	-	893,750	1.09	-	-
3	Pallavi J Hiremath	254,000	0.31	-	254,000	0.31	-	-
4	Pooja Hiremath	5,000	0.01	-	5,000	0.01	-	-
5	Sameer Hiremath	260,650	0.32	-	260,650	0.32	-	-
6	Sugandha Jai Hiremath	6,445,000	7.84	-	6,445,000	7.84	-	-
7	BF Investment Limited	2,182,250	2.65	-	2,182,250	2.65	-	-
8	Decent Electronics Pvt Ltd	33,000	0.04	-	33,000	0.04	-	-
9	Ekdant Investment Pvt Ltd	262,535	0.32	-	262,535	0.32	-	-
10	Kalyani Investment Company Limited	25,778,250	31.36	-	25,778,250	31.36	-	-
11	Karad Engineering Consultancy Pvt Ltd	42,500	0.05	-	42,500	0.05	-	-
12	Shri Badrinath Investment Pvt Ltd	13,276,575	16.15	-	13,276,575	16.15	-	-
13	Shri Rameshwara Investment Pvt Ltd	6,540,000	7.96	-	6,540,000	7.96	-	-
14	Sumer Trust	50,000	0.06	-	50,000	0.06	-	-
15	Rhea Trust	50,000	0.06	-	50,000	0.06	-	-
16	Nihal Trust	50,000	0.06	-	50,000	0.06	-	-
17	Anika Trust	50,000	0.06	-	50,000	0.06	-	-
18	Pooja Trust	50,000	0.06	-	50,000	0.06	-	-
19	Anish Trust	50,000	0.06	-	50,000	0.06	-	-
20	Pallavi Trust	125,000	0.15	-	125,000	0.15	-	-
21	Sameer Trust	125,000	0.15	-	125,000	0.15	-	-
	TOTAL	**56,528,510**	**68.77**	**-**	**56,528,510**	**68.77**	**-**	**-**

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

		Shareholding at the beginning of the year		Date wise Increase / Decrease in Share holding during the year			Cumulative Shareholding during the year	
Sl. No.	Name of the Promoter	No. of shares	% of total shares of the Company	Date	Resons	No. of shares	No. of shares	% of total shares of the Company
1.	Anish Dilip Swadi	5,000	0.01	1 April 2015	-	-	5,000	0.01
				31 March 2016	-	-	5,000	0.01
2.	Jai V Hiremath	893,750	1.09	1 April 2015	-	-	893,750	1.09
				31 March 2016	-	-	893,750	1.09
3.	Pallavi J Hiremath	254,000	0.31	1 April 2015	-	-	254,000	0.31
				31 March 2016	-	-	254,000	0.31
4.	Pooja Hiremath	5,000	0.01	1 April 2015	-	-	5,000	0.01
				31 March 2016	-	-	5,000	0.01
5.	Sameer Hiremath	260,650	0.32	1 April 2015	-	-	260,650	0.32
				31 March 2016	-	-	260,650	0.32
6.	Sugandha Jai Hiremath	6,445,000	7.84	1 April 2015	-	-	6,445,000	7.84
				31 March 2016	-	-	6,445,000	7.84
7.	BF Investment Limited	2,182,250	2.65	1 April 2015	-	-	2,182,250	2.65
				31 March 2016	-	-	2,182,250	2.65
8.	Decent Electronics Pvt Ltd	33,000	0.04	1 April 2015	-	-	33,000	0.04
				31 March 2016	-	-	33,000	0.04
9.	Ekdant Investment Pvt Ltd	262,535	0.32	1 April 2015	-	-	262,535	0.32
				31 March 2016	-	-	262,535	0.32
10.	Kalyani Investment Company Limited	25,778,250	31.36	1 April 2015	-	-	25,778,250	31.36
				31 March 2016	-	-	25,778,250	31.36
11.	Karad Engineering Consultancy Pvt Ltd	42,500	0.05	1 April 2015	-	-	42,500	0.05
				31 March 2016	-	-	42,500	0.05
12.	Shri Badrinath Investment Pvt Ltd	13,276,575	16.15	1 April 2015	-	-	13,276,575	16.15
				31 March 2016	-	-	13,276,575	16.15
13.	Shri Rameshwara Investment Pvt Ltd	6,540,000	7.96	1 April 2015	-	-	6,540,000	7.96
				31 March 2016	-	-	6,540,000	7.96
14.	Sumer Trust	50,000	0.06	1 April 2015	-	-	50,000	0.06
				31 March 2016	-	-	50,000	0.06
15.	Rhea Trust	50,000	0.06	1 April 2015	-	-	50,000	0.06
				31 March 2016	-	-	50,000	0.06
16.	Nihal Trust	50,000	0.06	1 April 2015	-	-	50,000	0.06
				31 March 2016	-	-	50,000	0.06
17.	Anika Trust	50,000	0.06	1 April 2015	-	-	50,000	0.06
				31 March 2016	-	-	50,000	0.06
18.	Pooja Trust	50,000	0.06	1 April 2015	-	-	50,000	0.06
				31 March 2016	-	-	50,000	0.06
19.	Anish Trust	50,000	0.06	1 April 2015	-	-	50,000	0.06
				31 March 2016	-	-	50,000	0.06
20.	Pallavi Trust	125,000	0.15	1 April 2015	-	-	125,000	0.15
				31 March 2016	-	-	125,000	0.15
21.	Sameer Trust	125,000	0.15	1 April 2015	-	-	125,000	0.15
				31 March 2016	-	-	125,000	0.15

(iv) Shareholding Pattern of top ten Shareholders
(other than Directors, Promoters and Holders of GDRs and ADRs)

		Shareholding at the beginning of the year		Date wise Increase / Decrease in Share holding during the year			Cumulative Shareholding during the year	
Sl. No.	Name of the shareholder	No. of shares	% of total shares of the Company	Date	Resons	No. of shares	No. of shares	% of total shares of the Company
1	INTERNATIONAL FINANCE CORPORATION	6,800,000	8.27	1 April 2015	-	-	6,800,000	8.27
				31 March 2016	-	-	6,800,000	8.27
					-			
2	RELIANCE CAPITAL TRUSTEE COMPANY LIMITED A/C RELIANCE GROWTH FUND	6,575,250	8.00	1 April 2015	-	-	6,575,250	8.00
				24 April 2015	Purchase	15,000	6,590,250	8.02
				1 May 2015	Purchase	5,000	6,595,250	8.02
				7 August 2015	Sale	(3,730)	6,591,520	8.02
				14 August 2015	Sale	(1,740)	6,589,780	8.02
				28 August 2015	Purchase	4,250	6,594,030	8.02
				30 September 2015	Purchase	5,000	6,599,030	8.03
				9 October 2015	Purchase	10,000	6,609,030	8.04
				23 October 2015	Sale	(152,750)	6,456,280	7.85
				30 October 2015	Sale	(42,000)	6,414,280	7.80
				6 November 2015	Purchase	50,000	6,464,280	7.86
				13 November 2015	Purchase	8,800	6,473,080	7.87
				4 December 2015	Sale	(54,000)	6,419,080	7.81
				11 December 2015	Sale	(270,250)	6,148,830	7.48
				18 December 2015	Sale	(166,200)	5,982,630	7.28
				25 December 2015	Sale	(496,935)	5,485,695	6.67
				31 December 2015	Sale	(39,900)	5,445,795	6.63
				15 January 2016	Purchase	25,000	5,470,795	6.66
				22 January 2016	Purchase	131,600	5,602,395	6.82
				5 February 2016	Purchase	20,000	5,622,395	6.84
				12 February 2016	Purchase	53,500	5,675,895	6.90
				19 February 2016	Purchase	119,072	5,794,967	7.05
				26 February 2016	Purchase	18,828	5,813,795	7.07
				4 March 2016	Purchase	10,000	5,823,795	7.08
				11 March 2016	Purchase	17,000	5,840,795	7.11
				18 March 2016	Purchase	11,500	5,852,295	7.12
				31 March 2016	Purchase	35,000	5,887,295	7.16
3	DANSKE INVEST MANAGEMENT COMPANY S.A. A/C DANSKE INVEST SICAV-SIF- EMERGING AND FRONTIER MARKETS SMID	2,149,435	2.61	1 April 2015	-	-	2,149,435	2.61
				19 June 2015	Purchase	1,565	2,151,000	2.62
				10 July 2015	Sale	(2,207)	2,148,793	2.61
				31 July 2015	Sale	(25,700)	2,123,093	2.58
				7 August 2015	Sale	(19,000)	2,104,093	2.56
				28 August 2015	Sale	(437)	2,103,656	2.56
				4 September 2015	Sale	(12,000)	2,091,656	2.54
				11 September 2015	Sale	(37,550)	2,054,106	2.50
				18 September 2015	Sale	(64,550)	1,989,556	2.42
				30 September 2015	Sale	(45,000)	1,944,556	2.37
				9 October 2015	Sale	(25,000)	1,919,556	2.34
				23 October 2015	Sale	(80,500)	1,839,056	2.24
				30 October 2015	Sale	(18,800)	1,820,256	2.21
				20 November 2015	Sale	(14,000)	1,806,256	2.20
				27 November 2015	Sale	(110,963)	1,695,293	2.06
				4 December 2015	Sale	(25,000)	1,670,293	2.03
				11 December 2015	Sale	(75,000)	1,595,293	1.94
				18 December 2015	Sale	(50,300)	1,544,993	1.88
				25 December 2015	Sale	(30,961)	1,514,032	1.84
				31 December 2015	Sale	(65,523)	1,448,509	1.76
				8 January 2016	Sale	(44,000)	1,404,509	1.71
				25 March 2016	Sale	(25,000)	1,379,509	1.68
				31 March 2016	-	-	1,379,509	1.68

(iv) Shareholding Pattern of top ten Shareholders
(other than Directors, Promoters and Holders of GDRs and ADRs)

		Shareholding at the beginning of the year		Date wise Increase / Decrease in Share holding during the year			Cumulative Shareholding during the year	
Sl. No.	Name of the shareholder	No. of shares	% of total shares of the Company	Date	Resons	No. of shares	No. of shares	% of total shares of the Company
4.	Government Pension Fund Global	1,575,000	1.92	1 April 2015	-	-	1,575,000	1.92
				9 October 2015	Sale	(10,000)	1,565,000	1.90
				23 October 2015	Sale	(60,000)	1,505,000	1.83
				4 December 2015	Sale	(31,251)	1,473,749	1.79
				11 December 2015	Sale	(106,749)	1,367,000	1.66
				8 January 2016	Sale	(17,000)	1,350,000	1.64
				31 March 2016	-	-	1,350,000	1.64
5.	CANARA ROBECO MUTUAL FUND A/C CANARA ROBECO EMERGING EQUITIES	-	-	1 April 2015	-	-	-	-
				11 December 2015	Purchase	391,402	391,402	0.48
				18 December 2015	Purchase	94,239	485,641	0.59
				25 December 2015	Purchase	100,000	585,641	0.71
				8 January 2016	Purchase	36,197	621,838	0.76
				15 January 2016	Purchase	9,156	630,994	0.77
				25 March 2016	Purchase	32,337	663,331	0.81
				31 March 2016	-	-	663,331	0.81
6.	CANARA ROBECO MUTUAL FUND A/C CANARA ROBECO EQUITY TAX SAVER	-	-	1 April 2015	-	-	-	-
				25 December 2015	Purchase	350,000	350,000	0.43
				31 December 2015	Purchase	25,433	375,433	0.46
				15 January 2016	Purchase	20,838	396,271	0.48
				31 March 2016	-	-	396,271	0.48
7.	GAURISHANKAR NEELKANTH KALYANI	283,500	0.34	1 April 2015	-	-	283,500	0.34
				31 March 2016	-	-	283,500	0.34
8.	DANSKE INVEST SICAV - EMERGING AND FRONTIER MARKETS	-	-	1 April 2015	-	-	-	-
				18 September 2015	Purchase	102,100	102,100	0.12
				30 September 2015	Purchase	10,000	112,100	0.14
				9 October 2015	Purchase	50,000	162,100	0.20
				30 October 2015	Purchase	18,800	180,900	0.22
				27 November 2015	Purchase	19,100	200,000	0.24
				4 December 2015	Purchase	14,000	214,000	0.26
				11 December 2015	Sale	(15,000)	199,000	0.24
				31 March 2016	-	-	199,000	0.24
9.	SRL IMPEX PVT. LTD.	175,000	0.21	1 April 2015	-	-	175,000	0.21
				31 March 2016	-	-	175,000	0.21
10.	KALYANI CONSULTANTS PVT.LTD.	150,000	0.18	1 April 2015	-	-	150,000	0.18
				31 March 2016	-	-	150,000	0.18

(v) Shareholding of Directors and Key Managerial Personnel

Sl. No.	Name of the shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1.	Baba Kalyani	15,000	0.02	15,000	0.02
2.	Shivkumar Kheny	30,750	0.04	30,750	0.04
3.	Kannan Unni	10,000	0.01	10,000	0.01
4.	Prakash Mehta	9,850	0.01	9,850	0.01
5.	Amit Kalyani	Nil	-	Nil	-
6.	Sameer Hiremath	260,650	0.32	260,650	0.32
7.	Sugandha Hiremath	6,445,000	7.84	6,445,000	7.84
8.	Jai Hiremath	893,750	1.09	893,750	1.09
9.	Dr. Wolfgang Welter	Nil	-	Nil	-
10.	Dr. Axel Kleemann	Nil	-	Nil	-
11.	Sham Wahalekar	9,000	0.01	9,000	0.01

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

₹ in Million

	Secured Loans excluding Deposits	Unsecured Loans	Total Indebtedness
Indebtedness at the beginning of the financial year			
i. Principal Amount	5,256.40	215.00	5,471.40
ii. Interest due but not paid	-	-	-
iii. Interest accrued but not due	14.68	-	14.68
Total (i+ii+iii)	5,271.08	215.00	5,486.08
Change in Indebtedness during the financial year (net Change)	(196.18)	(215)	(411.18)
Indebtedness at the end of the Financial year			
i. Principal Amount	5,049.47	-	5,049.47
ii. Interest due but not paid	-	-	-
iii. Interest accrued but not due	25.43	-	25.43
Total (i+ii+iii)	**5,074.90**	**-**	**5,074.90**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

₹ in Million

Sr. No.	Particulars of Remuneration	Name of MD / WTD / Manager		Total Amount
		Jai Hiremath Chairman & Managing Director	Sameer Hiremath President & Joint Managing Director	
1	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	21.51	13.51	35.02
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	5.68	1.38	7.06
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	5.50	5.50	11.00
	- as % of Profit	1%	1%	2%
	- others, specify	-	-	-
5	Others, please specify	-	-	-
	Total (A)	32.69	20.39	53.08
	Ceiling as per the Act (@ 10% of profit calculated under Section198 of the Companies Act, 2013)			57.51

B. Remuneration to other directors: ₹ in Million

Sr. No.	Particulars of Remuneration	Name of Directors								Total Amount
		Baba Kalyani NED	Amit Kalyani NED	Sugandha Hiremath NED	K K Unni NED	Prakash Mehta NED	S M Kheny NED	Wolfgang Welter NED	Axel Kleemann NED	
1	Independent Directors									
	(a) Fee for attending board / Committee meetings	-	-	-	0.45	0.60	0.45	0.20	0.20	1.90
	(b) Commission	-	-	-	-	-	-	-	-	-
	(c) Others, please specify	-	-	-	-	-	-	-	-	-
	Total (1)	-	-	-	0.45	0.60	0.45	0.20	0.20	1.90
2	Other Non-Executive Directors									
	(a) Fee for attending board / Committee meetings	0.10	0.10	0.45	-	-	-	-	-	0.65
3	(b) Commission	-	-	-	-	-	-	-	-	-
4	(c) Others, please specify	-	-	-	-	-	-	-	-	-
	Total (2)	0.10	0.10	0.45	-	-	-	-	-	0.65
TOTAL (B) = (1 + 2)		**0.10**	**0.10**	**0.45**	**0.45**	**0.60**	**0.45**	**0.20**	**0.20**	**2.55**
Total Managerial Remuneration		-	-	-	-	-	-	-	-	2.55
Ceiling as per the Act		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5.75**
(@1% of Profit Calculated under Section 198 of the Companies Act, 2013)										

NED = Non-Executive Director and NEID – Non-Executive Independent Director

₹ in Million

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sr. No.	Particulars of Remuneration	Name of the KMP Sham Wahalekar, Company Secretary & CFO
1	Gross Salary	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	9.10
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	-
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	-
2	Stock Option	-
3	Sweat Equity	-
4	Commission	-
	- as % of Profit	-
	- others, specify	-
5	Others, please specify	-
	Total	**9.10**

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty			NIL		
Punishment					
Compounding					
B. DIRECTORS					
Penalty			NIL		
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty			NIL		
Punishment					
Compounding					

ANNEXURE - B

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED ON 31 MARCH 2016

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Hikal Limited
717/718 Maker Chambers V,
Nariman Point, Mumbai- 400021
Maharashtra

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Hikal Limited (hereinafter called the Company). The Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31 March 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March 2016 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the Rules made there under;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;

(iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (Not applicable to the Company during audit period);

(d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Not applicable to the Company during audit period);

(e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008(Not applicable to the Company during audit period);

(f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act, 2013 and dealing with client;

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during audit period); and

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not applicable to the Company during audit period);

(vi) We have relied on the representation made by the Company and its Officers for systems and mechanism formed by the Company for compliances under other applicable Acts, Laws and Regulations to the Company. The list of major head/groups of Acts, Laws and Regulations as applicable to the Company is given in Annexure I.

(i) have also examined compliance with the applicable clauses of the following:

(ii) Secretarial Standards issued by The Institute of Company Secretaries of India.

(ii) The Listing Agreements entered into by the Company with the Stock Exchange(s);

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings and agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period the Company has not passed any special resolutions which are having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

For Ashish Bhatt & Associates

Ashish Bhatt
Practicing Company Secretary
FCS No: 4650
C.P. No. 2956

Place: Thane
Date: 6 May 2016

Annexure I

List of applicable laws to the Company

Under the Major Group and Head

1. Drugs & Cosmatics Act, 1940,
2. Drugs (Prices Control) Order 2013.
3. Factories Act, 1948;
4. Industries (Development & Regulation) Act, 1951
5. Labour Laws and other incidental laws related to labour and employees appointed by the Company either on its payroll or on contractual basis as related to wages, gratuity, provident fund, ESIC, compensation etc.;
6. Acts prescribed under prevention and control of pollution;
7. Acts prescribed under Environmental protection;
8. Acts as prescribed under Direct Tax and Indirect Tax
9. Land Revenue laws of respective States;
10. Labour Welfare Act of respective States;
11. Trade Marks Act 1999.
12. The Legal Metrology Act, 2009

For Ashish Bhatt & Associates

Ashish Bhatt
Practicing Company Secretary
FCS No: 4650
C.P. No. 2956

Place: Thane
Date : 6 May 2016

ANNEXURE - C

THE ANNUAL REPORT ON CSR ACTIVITIES

1. A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes:

   As mentioned at Sr. No.23 of the Directors' Report.

2. The composition of the CSR Committee:

   Mr. Jai Hiremath - Chairman & Managing Director, Mr. Sameer Hiremath - President & Joint Managing Director, Mr. Prakash Mehta - Independent Non-Executive Director. Mr. Jai Hiremath is the Chairman of the Company's CSR Committee.

3. Average net profit of the Company for last three financial years:

   ₹ 638.50 Million

4. Prescribed CSR Expenditure (two percent of the amount as in item 3 above):

   ₹ 12.77 Million

5. Details of CSR spent during the financial year:

   a) Total amount to be spent for the financial year: ₹ 12.77 Million

   b) Amount un-spent, if any: ₹ 3.77 Million

   c) Manner in which the amount spent during financial year, is detailed below

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sr. No.	CSR Project or Activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the state and district where projects or programs were undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs (1) Direct Expenditure on projects or programs (2) Overheads	Cumulative Expenditure upto the reporting period	Amount spent: Direct or through implementing agency
1.	Promoting vocational skill	Education	Mumbai	4.50 Million	1.50 Million	1.50 Million	Indirect
2.	Development of Vastu Sangrahalaya	Protection of National Heritage	Mumbai	6.00 Million	3.00 Million	3.00 Million	Direct
3.	Education	Education	Mahad	3.13 Million	3.13 Million	3.13 Million	Indirect
4.	Disaster relief efforts	National relief fund	Chennai, Nepal	0.51 Million	0.51 Million	0.51 Million	Indirect
5.	Development of RO Plant	Health care, nutrition, sanitation and safe drinking water	Bangalore	0.90 Million	0.86 Million	0.86 Million	Direct
	TOTAL			15.04 Million	9.00 Million	9.00 Million	

6. In case the Company has failed to spend the two per cent of the average net profit of the last 3 financial years or any part thereof, reasons for not spending the amount in its Board Report: mentioned in the Point / Para No. 23 of the Directors' Report relating to CSR Activity.

7. A responsibility statement of the Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the Company:

   The implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the Company.

Jai Hiremath

Chairman & Managing Director and

Chairman of CSR Committee

DIN: 00062203

Mumbai

6 May 2016

ANNEXURE - D

A) Remuneration to Directors and Key Managerial Personnel

I. The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during FY2015-16, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for FY2015-16 and the comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company are as under:

Sr. No.	Name of Director / KMP and designation	Remuneration ₹ in Million	% increase in remuneration FY 2015-16	Ratio of remuneration of each Director to Median remuneration of Employees	Comparison of the remuneration of KMP against Company's performance
1	Jai Hiremath Chairman & Managing Director	32.69	7.04	77.53 : 1	Profit after tax for FY 2015-16 was ₹ 413 Million as against profit of ₹ 405 Million for FY 2014-15
2	Sameer Hiremath President & Joint Managing Director	20.39	4.35	48.34 : 1	
3	Sugandha Hiremath Non-Executive Director	0.45	NA	1.07 : 1	
4	Baba Kalyani Non-Executive Director	0.10	NA	0.24 : 1	
5	Amit Kalyani Non-Executive Director	0.10	NA	0.24 : 1	
6	Kannan Unni Independent Director	0.45	NA	1.07 : 1	
7	Prakash Mehta Independent Director	0.60	NA	1.42 : 1	
8	Shivkumar Kheny Independent Director	0.45	NA	1.07 : 1	
9	Wolfgang Welter Independent Director	0.20	NA	0.47 : 1	
10	Axel Kleemann Independent Director	0.20	NA	0.47 : 1	
11	Sham Wahalekar CFO & Company Secretary	9.10	7.06	21.58 : 1	Profit after tax for FY 2015-16 was ₹ 413 Million as against profit of ₹ 405 Million for FY 2014-15

ii. The median remuneration of employees of the Company during FY2015-16 was ₹ 4,21,600/-;

iii. In the financial year, there was an increase of 5.75% in the median remuneration of employees;

iv. There were 1275 permanent employees on the rolls of the Company as on 31 March 2016;

v. Relationship between average increase in remuneration and Company's performance.

The increase in median remuneration of employees was 5.75%. As regards Company's performance, its Profit after Tax for the financial year 2015-16 was ₹ 413 Million as against Profit of ₹ 405 Million for the financial year 2014-15.

Remuneration to Employees is as per the HR Policy of the Company in force from time to time and in compliance with applicable regulatory requirements. Total remuneration comprises fixed pay, perquisites, retirement benefits and variable pay.

Variable Pay, which is the variable component of remuneration and comprises a portion of total remuneration and is, amongst other factors, linked to Company's performance.

vi. a) Variations in the market capitalisation of the Company

The market capitalisation as on 31 March 2016 was ₹ 9,634 Million (₹ 11,409 Million as on 31 March 2015).

b) Price Earnings Ratio of the Company was 23.35 as at 31 March 2016 and was 28.15 as at 31 March 2015

vii. Percentage increase over/ decrease in the market quotations of the shares of the Company as compared to the price at which the last public offer was made.

The last offer of shares to the public was made in October 1994, which was the Initial Public Offer (IPO) of equity shares of ₹ 10 each at a price of ₹ 50 per share. Company issued bonus shares in 2000 and 2003 in the ratio of 1:1 and 1:2 respectively. Further, each equity share of ₹ 10 each was sub-divided into 5 equity shares of Face Value of ₹ 2 each in 2015. As against this, the average closing price of the Company's equity shares on the Stock Exchange for FY2015-16 was ₹ 117.20. Therefore, the percentage increase works out to 2244%

viii. Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. FY2015-16 was 5.75%. As regards Managerial Remuneration, details of remuneration paid to Whole-Time Directors are given in a tabular format earlier in this Report. Percentage increase of Managerial Remuneration in the last financial year i.e. FY2015-16 was 5.97%.

ix. Key parameters for the variable component of remuneration availed by Directors

The variable component of remuneration for Executive Directors are determined on the basis of several criteria including their individual performance as measured by achievement of their respective Key Result Areas (KRAs), strategic initiatives taken and being implemented, their respective roles in the organization, fulfillment of their responsibilities and performance of the Company. This is in accordance with the Company's Remuneration Policy.

x. The ratio of the remuneration of the highest paid Director to that of the employees who are not Directors but receive remuneration in excess of the highest paid director during the year: Not Applicable

xi. It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.

B) None of the Whole-Time Directors received any commission nor any remuneration from any of the Company's subsidiaries.

ANNEXURE - E

INFORMATION AS PER SECTION 134 (3) (m) READ WITH RULE 8 (3) OF THE COMPANIES (ACCOUNTS) RULES, 2014 FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH, 2016.

I. CONSERVATION OF ENERGY

Energy conservation is integral to Hikal’s operating philosophy. We aggressively implement and monitor conservation initiatives at all our sites to reduce our carbon footprint as well as reduce fuel & power costs. Here are some of the energy conservation activities we have undertaken at some of our key sites:

a) Steps taken for conservation of energy:

- Reduction of power consumption by installation of a New VAM Chiller in place of 2 old reciprocating type chillers
- Replacement of CFL street lamps with LED lamps
- Reuse of condensate by CPU unit
- Provision for more effective insulation against conventional insulation for hot oil lines to avoid heat loss in distribution
- Wash water recycling for water conservation
- Use of spent MEOH from one of the processes to replace brine media
- Harmonics Control, Power Factor improvement & Maximum Demand Control to improve power quality and to reduce equipment failures

b) Steps taken by the Company for utilising alternate sources of energy:

- Co-generation facility for jointly producing electricity and usable heat
- Purchase of power generated by using wind energy

c) Capital investment on energy conservation equipment:

- In house heat recovery system installed to reduce steam consumption
- Reduction of steam consumption by upgradation of MEE
- Replacement of gear box, fan blade, drive shaft by carbon fibre shaft, Upgradation of motors to improve Cooling tower performance
- Installation of buffer air receiver to reduce loading on compressor.
- Installation of condensate collection system for steam tracing piping for recycling of condensate hot water
- Installation of dry vacuum pumps to reduce water consumption

II. TECHNOLOGY ABSORPTION:

A) Efforts made towards technology absorption:

Generic API development

As part of our product portfolio expansion strategy, we need to continuously develop and launch products with novel processes which could greener alternative along with cost advantages. This year we filed four new DMF's as part of our pharmaceutical portfolio. We plan to file an additional six new DMF's in the coming year.

Contract Manufacturing projects for Pharmaceutical division

A key target 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 APIs in the Human as well as the Animal health sectors. We are currently working with companies in North America, Europe and Japan for projects in phase II and phase III clinical trials. We are working on developing innovative processes for several early stage development molecules. We use technology and chemistry to develop cost effective processes for these molecules.

Contract Manufacturing projects for the Crop Protection division

Several contract manufacturing opportunities for originator companies in Europe and Japan have progressed through to commercialization this year. These range from technical transfer of existing commercial products to the development of new products in late stage development. We anticipate that Hikal will be the launch partner for the manufacture of several of these novel products in the coming years.

Contract Development for external customers

This area has been strategized to support external customers in Pharma, Animal Health and Crop Protection to work on the process development of 'difficult-to-synthesize' regulatory starting materials and intermediates that are in the advanced stages of development. Once laboratory process technologies have been established, further development and scale up is undertaken in Hikal's state of the art kilo labs and pilot plants. While Intellectual Property in contract development is retained by the customer, this does not reduce the potential of such projects to become exclusive long term manufacturing opportunities for our Pharma and Crop protection manufacturing divisions. Several new molecules at various stages of development have been worked on in R&D. We expect to take these molecules through the various stages of the life cycle ending in commercialization.

B) Benefits derived like product improvement, cost reduction, product development or import substitution:

The company has benefitted tremendously through innovation at R&D. Several improvements have been made to existing processes of commercial products reducing the use of solvents, energy thereby saving on cost. These processes are far more efficient than what the company was utilizing earlier. These initiatives save on cost increase capacity utilization and are beneficial to the environment in which we operate. In order to de-risk imports of raw materials, we have also developed local sources to manufacture several early stage raw materials in line with our "Make in India" initiative. We have established proof of concept for two continuous manufacturing processes for existing products which will have a positive impact on cost and capacity utilization once implemented.

(C) Details regarding imported technology (imported during last three years reckoned from the beginning of the financial year):

We have not imported or licensed in any technology over the last three years.

₹ in Million

(D) Expenditure on R & D	**2015-16**	2014-15
i) Capital	**40.73**	7.86
ii) Recurring	**306.58**	336.78
Total	**347.31**	344.64
iii) Total R&D expenditure as a percentage of total turnover	3.75%	3.95%

III. FOREIGN EXCHANGE EARNINGS & OUTGO

Total foreign exchange used and earned:

Used : ₹ **2,734** Million (Previous year ₹ 2,689 Million)

Earned : ₹ **7,317** Million (Previous year ₹ 6,890 Million)

For and on behalf of the Board of Directors

Jai Hiremath
Chairman & Managing Director
DIN:00062203

Date: 6 May 2016
Place: Mumbai

Report on Corporate Governance : 2016

The Company has complied with the provisions of Regulation 34 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 relating to the 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. OUR CORPORATE GOVERNANCE PHILOSOPHY

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. Our corporate governance report for fiscal 2016 forms part of this Annual Report.

II. BOARD OF DIRECTORS

The present strength of the Board of Directors is 10, whose composition is given below:

A Composition and category :

JAI HIREMATH Chairman & Managing Director DIN:00062203	Executive Director
SAMEER HIREMATH President & Joint Managing Director DIN:00062129	Executive Directorr
SUGANDHA HIREMATH DIN:00062031	Non-Executive Director
BABA KALYANI DIN:00089380	Non-Executive Director
AMIT KALYANI DIN:00089430	Non-Executive Director
KANNAN UNNI DIN:00227858	Independent, Non-Executive Director
PRAKASH MEHTA DIN:00001366	Independent, Non-Executive Director
SHIVKUMAR KHENY DIN:01487360	Independent, Non-Executive Director
WOLFGANG WELTER DIN:00580197	Independent, Non-Executive Director
AXEL KLEEMANN DIN:02977521	Independent, Non-Executive Director

Mrs. Sugandha Hiremath is Wife of Mr. Jai Hiremath, Mother of Mr. Sameer Hiremath and sister of Mr. Baba Kalyani.
Mr. Amit Kalyani is son of Mr. Baba Kalyani

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	4	Yes	2	1	1
SAMEER HIREMATH	4	Yes	1	-	-
SUGANDHA HIREMATH	4	Yes	-	2	-
BABA KALYANI	2	No	8	4	1
AMIT KALYANI	2	No	8	3	-
KANNAN UNNI	3	Yes	3	3	3
PRAKASH MEHTA	4	No	7	9	3
SHIVKUMAR KHENY	4	No	8	5	1
WOLFGANG WELTER	3	No	-	-	-
AXEL KLEEMANN	3	No	-	-	-

* 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 **Succession Plan :**

The Nomination and Remuneration Committee works with the Board on the leadership succession plan and prepares contingency plans for succession in case of any exigencies.

D **Details of Board of Directors Meetings held during the year :**

The Board met 4 (four) times during the financial year, details of which are as follows:

These were held on : 1) 6 May 2015 (2) 29 July 2015 (3) 28 October 2015 (4) 3 February 2016 The maximum interval between any two meetings did not exceed 120 days, as prescribed in the Companies Act, 2013.

E **Nomination and Remuneration Policy :**

In framing its remuneration policy, the Nomination and 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 Nomination and 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. Commission varies with profit whereas other component is fixed. The Non-Executive Directors do not draw any remuneration from the Company except sitting fees.

Remuneration to Directors for the year ended 31 March 2016.

i) Remuneration to Non-Executive Directors

The Non-Executive Directors are paid sitting fees of ₹50,000/- (Rupees Fifty Thousand only) for each meeting of the Board and Committees thereof except share transfer Committee attended by them:

Director	Sitting Fees (₹)
Baba Kalyani	100,000/-
Prakash Mehta	600,000/-
Shivkumar Kheny	450,000/-
Kannan Unni	450,000/-
Sugandha Hiremath	450,000/-
Axel Kleemann	200,000/-
Wolfgang Welter	200,000/-
Amit Kalyani	100,000/-

ii) Remuneration to Executive Directors

₹ in Million

Name of the Director	Salary & Perquisites	Commission	Total
Jai Hiremath	27.19	5.50	32.69
Sameer Hiremath	14.89	5.50	20.39

Shareholding of Non Executive Directors in the Company:

Name of the Director	Number of shares held
Baba Kalyani	15,000
Prakash Mehta	9,850
Shivkumar Kheny	30,750
Kannan Unni	10,000
Sugandha Hiremath	6,445,000
Axel Kleemann	Nil
Wolfgang Welter	Nil
Amit Kalyani	Nil

The details of programmes for familiarisation of independent directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters are uploaded on the Company's website at the link http://www.hikal.com/investors/corporate_governance.htm/Familiarisation-Programme-for-Independent-Director

III. COMMITTEES OF THE BOARD

Currently, the Board has six committees, Audit Committee, Share Transfer Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee and Risk Management Committee.

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 Audit Committee invites such executives, as it considers appropriate, representatives of the Statutory Auditors and representatives of the Internal Auditors to be present at its meetings. The Company Secretary acts as the Secretary to the Audit Committee.

Meetings and Attendance

The Audit Committee met 4(four) times during the year, the details of which are as under:

1) 5 May 2015 (2) 29 July 2015 (3) 28 October 2015 (4) 3 February 2016.

The attendance of the Committee meetings is as under:

Name of the Director	Number of meetings attended
Kannan Unni	3
Prakash Mehta	4
Shivkumar Kheny	4
Sugandha Hiremath	4

B. Share Transfer Committee

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

The Share Transfer Committee met 4 (four) times during the financial year, the details of which are as under:

1) 27 April 2015 (2) 6 July 2015 (3) 28 July 2015 (4) 18 November 2015.

Name of the Director	Number of meetings attended
Sugandha Hiremath	4
Jai Hiremath	4
Sameer Hiremath	4

C. Stakeholders Relationship 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. Mr. Kannan Unni is the Chairman of the Stakeholder Relationship Committee.

The Committee looks into redressing of shareholders/investors' complaints. One complaint was outstanding as on 1 April 2015. During the year 3 complaints were received from shareholders / investors and the same were resolved along with complaint outstanding as on 1 April 2015. Thus, no complaints were outstanding as on 31 March 2016.

During the year 2015-16, 1 meeting was held on 3 February 2016.

The attendance of the Committee meeting is as under:

Name of the Director	Number of meetings attended
Kannan Unni	1
Prakash Mehta	1
Sugandha Hiremath	1

Compliance Officer

The Board has designated Mr. Sham Wahalekar, Sr. V. P. Finance & Company Secretary as the Compliance Officer.

D. Nomination and Remuneration Committee

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

During the year 2015–16, 1 meeting was held on 3 February 2016.

The attendance of the Committee meeting is as under:

Name of the Director	Number of meetings attended
Kannan Unni	1
Baba Kalyani	0
Prakash Mehta	1

E. Corporate Social Responsibility Committee

The Committee consists of Mr. Jai Hiremath - Chairman & Managing Director, Mr. Sameer Hiremath - President & Joint Managing Director and Mr. Prakash Mehta - Independent Non-Executive Director. Mr. Jai Hiremath is the Chairman of the Corporate Social Responsibility Committee. The said CSR Committee will consider, review, and amend the CSR policy/initiatives. The Committee is responsible for preparation of detailed plan on CSR activities including expenditure, type of activities & recommend the same to the Board of Directors and monitoring the mechanism for CSR activities.

During the year 2015–16, 1 meeting was held on 3 Febraury 2016.

The attendance of the Committee meetings is as under:

Name of the Director	Number of meetings attended
Jai Hiremath	1
Sameer Hiremath	1
Prakash Mehta	1

F. Risk Management Committee

The Committee consists of Mr. Jai Hiremath - Chairman & Managing Director, Mr. Sameer Hiremath - President & Joint Managing Director, Mr. Kannan Unni - Independent Non-Executive Director and Mr. Prakash Mehta - Independent Non-Executive Director. Mr. Jai Hiremath is the Chairman of the Risk Management Committee. The terms of reference of Risk Management Committee includes periodically reviewing the risk management and minimization procedure vis a vis the Company. No meeting took place during the year 2015–16. However, the risk management & minimization procedures are periodically reviewed at the Audit Committee and Board Meeting.

IV. GENERAL BODY MEETING

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

Financial Year	Location	Day, Date & Time	Special Resolutions Passed
2012-2013	Centrum Hall 'A', 1 Floor, Centre 1, World Trade Centre, Mumbai – 400 005.	Thursday, 22 August 2013 11.00 AM	Resolution under the provisions of Sections 198, 269, 309, 310 and 311 read with the amended provisions of Schedule XIII of the Companies Act, 1956 were passed in respect of reappointment and remuneration 1) Chairman & Managing Director 2) President & Joint Managing Director. The Resolution was passed with the requisite majority at the 25th Annual General Meeting of the Company held on 22 August 2013.
2013-2014	Centrum Hall 'A', 1 Floor, Centre 1, World Trade Centre, Mumbai – 400 005.	Tuesday, 26 August 2014 11.00 AM	Resolution under the provisions of Section 180 (1)(a) & 180 (1)(c) and any other applicable provisions of the Companies Act, 2013 and Rules made thereunder (including any statutory modification(s) or re-enactment there of for the time being in force) in respect of authorisation given in favour of Board of Directors for borrowing/creation of mortgages/ charges/ hypothecation in favour of lenders upto an amount not exceeding ₹ 7,500 Million.
2014-2015	Centrum Hall 'A', 1 Floor, Centre 1, World Trade Centre, Mumbai – 400 005.	Wednesday, 12 August 2015 11.00 AM	Resolution under Section 14 of the Companies Act, 2013 passed to alter Articles of Association by insertion of new Article No. 183 in respect of appointment of an individual as Chairman & Managing Director at the same time.

Special Resolutions passed during the year by way of postal ballot pursuant to the provisions of Section 110 of Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014:

1. Company sought consent from the Shareholders by way of Special Resolution through postal ballot/e-voting for appointment of Mr. Anish Swadi, as Head Business Development & Strategy at a remuneration as mentioned in the notice, pursuant to the provisions of Section 188 and other applicable provisions, if any, of the Companies Act, 2013.

   Mr. Ashish C. Bhatt of M/s. Ashish Bhatt and Associates, Company Secretaries, Thane, was appointed as the Scrutinizer for conducting the postal ballot / e-voting process.

   After due scrutiny of all the postal ballot forms / e-voting received upto the close of the working hours on 25 June 2014 (being the last date fixed for receipt of duly filled postal ballot forms) the Scrutinizer submitted his final report on Friday, 27 June 2014. The date of declaration of the results of postal ballot / e-voting i.e. 27 June 2014 has been taken as the date of passing of the Resolution.

   Mr. Prakash Mehta, Director announced the following results of the Postal Ballot/ e-voting.

A	Number of Valid Postal Ballots forms received	52
B	Votes in favour of the Resolution	11,644,498
C	Votes against the Resolution	39,477
D	Number of invalid Postal Ballot Forms received	0

   The votes cast assenting to the Special Resolution were 99.66 % of the total votes polled and consequently the Resolution as mentioned in the Notice of Postal Ballot dated 6 May 2014 was passed by the shareholders by overwhelming majority.

2. The Company issued postal ballot notice dated 17 December 2014, to obtain the consent from the Shareholders by way of Special Resolutions through postal ballot/e-voting for :

   Resolution (1) : Sub-division of the existing equity share of face value of INR 10/- (Rupees Ten only) each of the Company into 5 (five) equity shares of face value of INR 2/- (Rupees Two only) each,

   Resolution (2) : Amendment of Clause V of the Memorandum of Association and

   Resolution (3) : Amendment of Article 3 of the Articles of Associations of the Company, under the provisions of Section 61(1) (d), 13 and 14 respectively and other applicable provisions, if any, of the Companies Act, 2013.

   Mr. Ashish C. Bhatt of M/s. Ashish Bhatt and Associates, Company Secretaries, Thane, was appointed as the Scrutinizer for conducting the postal ballot / e-voting process.

   After due scrutiny of all the postal ballot forms / e-voting received upto the close of the working hours on 11 February 2015 (being the last date fixed for receipt of duly filled postal ballot forms) the Scrutinizer submitted his final report on Monday, 16 February 2015. The date of declaration of the results of postal ballot / e-voting i.e. 16 February 2015 has been taken as the date of passing of the Resolution.

   Mr. Jai Hiremath, Chairman and Managing Director announced the following results of the Postal Ballot/ e-voting.

		Resolution 1	Resolution 2	Resolution 3
A	Number of Valid Postal Ballots forms received & e-voting by shareholders	94	94	94
B	Votes in favour of the Resolution	14,572,105	14,572,085	14,572,085
C	Votes against the Resolution	Nil	20	20
D	Number of invalid Postal Ballot Forms received	1	1	1

The votes cast assenting to all the above mentioned Special Resolutions are 100 % of the total votes polled and consequently the Resolution as mentioned in the Notice of Postal Ballot dated 17 December 2014 were passed by the shareholders by overwhelming majority.

As a result of sub-division each equity share of face value of INR 10/- (Rupees Ten only) each of the Company into 5 (five) equity shares of face value of INR 2/- (Rupees Two only) each, the paid up equity shares have increased from 16,440,100 to 82,200,500.

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 related 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 133 of the Companies Act, 2013 to the extent applicable.

(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 has 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 Regulation 34 read with Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pertaining to Corporate Governance, in respect of formation of remuneration Committee / Risk Management 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 securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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	:	Wednesday, 10 August 2016
Time	:	3.30 P.M.
Venue	:	Centrum Hall 'A', 1st Floor, Center 1, World Trade Center, Cuffe Parade Mumbai – 400 005.

(B) Financial Calendar : 1 April to 31 March

(C) Tentative Financial Calendar 2016-17 :

1st Quarter results	on or before 14 August 2016
2nd Quarter results	on or before 14 November 2016
3rd Quarter results	on or before 14 February 2017
4th Quarter results	before end of May 2017

(D) Book Closure : 4 August 2016 to 10 August 2016 (both days inclusive)

(E) Dividend Payment Date: Dividend will be paid within 30 days from the date of declaration.

(F) Listing of Shares & Other Securities

The Shares are listed on the Stock Exchanges at BSE, Limited, Mumbai, and National Stock Exchange of India Limited, Mumbai.

The Company has paid the listing fees to these Exchanges.

(G) Stock Code

Trading Symbol at :

BSE Ltd. (BSE) - 524735

National Stock Exchange of India Ltd. (NSE) – HIKAL

Demat ISIN Number in NSDL & CDSL – INE475B01022

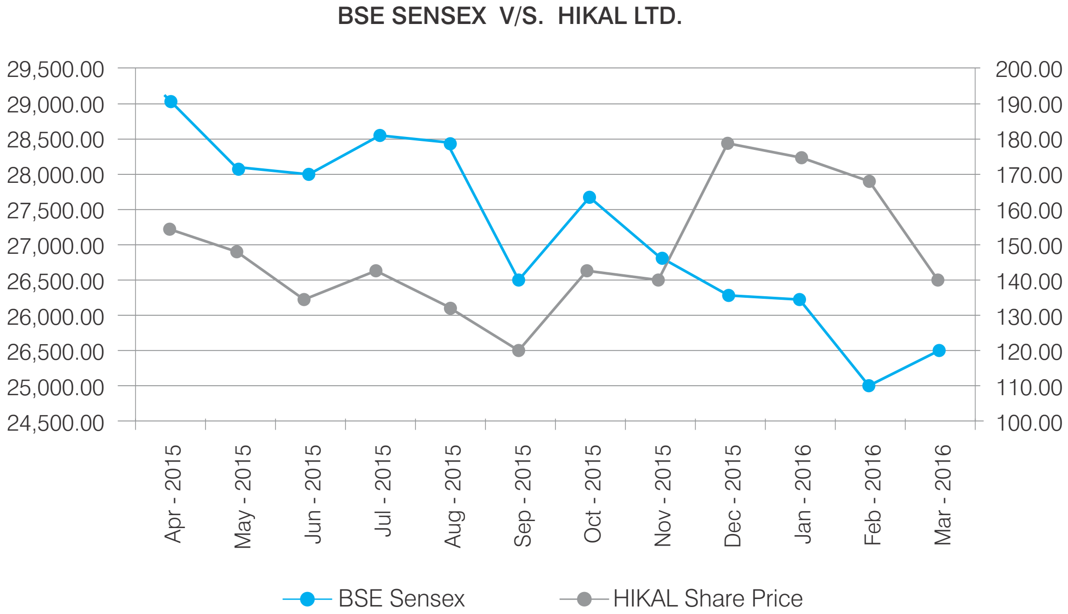
CIN No. - L24200MH1988PTC048028

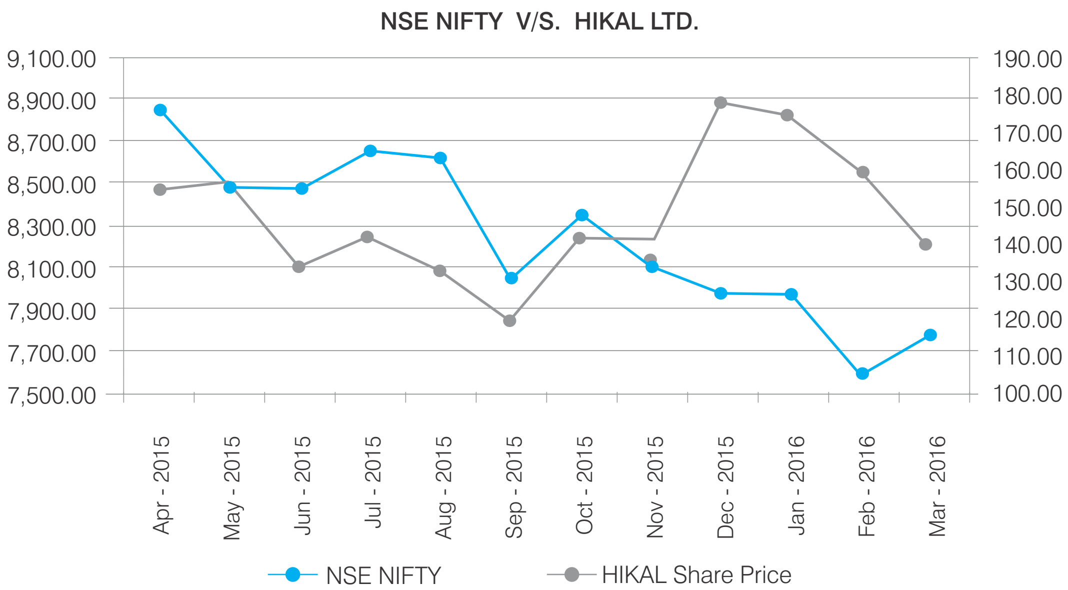
(H) Market Price Data

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

Month	BSE			NSE		
	High(₹)	Low(₹)	Close	High(₹)	Low(₹)	Close
April 2015	154.20	132.90	135.80	154.60	131.80	138.35
May 2015	147.50	126.00	128.00	156.00	123.70	129.10
June 2015	134.00	115.00	124.00	133.95	103.00	123.40
July 2015	142.00	122.00	128.20	141.90	120.20	128.15
August 2015	132.10	101.00	110.90	133.00	101.00	110.20
September 2015	119.00	98.00	110.50	119.80	100.00	110.70
October 2015	142.00	109.40	126.90	142.00	108.50	126.30
November 2015	139.00	112.40	132.70	138.90	111.85	132.65
December 2015	178.00	131.10	166.70	177.70	131.30	166.95
January 2016	174.00	135.00	153.70	174.50	135.00	154.25
February 2016	168.00	120.00	124.60	159.00	119.00	124.90
March 2016	139.00	116.60	117.20	140.00	116.10	117.35

(I) Performance Comparison: Hikal Ltd. v/s BSE SENSEX and Hikal Ltd. v/s NSE NIFTY





(J) Share Transfer Agents

Universal Capital Securities 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
Email: info@unisec.in

(K) 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.

(L) Distribution of Shareholding (Equity) as on 31March 2016.

Share Holding Range		Share Holders		Share Holdings		Share Amount	
From	To	Number	% To Total	Holdings	% To Total	₹	% To Total
1	5,000	8,259	94.130	3,301,389	4.016	6,602,778	4.016
5,001	10,000	268	3.054	994,311	1.210	1,988,622	1.210
10,001	20,000	104	1.185	803,716	0.978	1,607,432	0.978
20,001	30,000	49	0.558	620,073	0.754	1,240,146	0.754
30,001	40,000	14	0.160	245,415	0.299	490,830	0.299
40,001	50,000	13	0.148	301,428	0.367	602,856	0.367
50,001	100,000	32	0.365	1,190,621	1.448	2,381,242	1.448
100,001	And Above	35	0.399	74,743,547	90.928	149,487,094	90.928
Total		**8,774**	**100.00**	**82,200,500**	**100.00**	**164,401,000**	**100.00**

(M) Shareholding pattern as on 31 March 2016 is as under:

Category of Shareholders	No. of Equity Shares	Percentage
Promoters	56,528,510	68.77
Resident Individuals	6,621,288	8.06
Mutual Funds / UTI	7,034,597	8.56
FIIs	3,236,275	3.94
Insurance Company	100,500	0.12
Foreign National	121,550	0.15
Non Resident Indians	303,353	0.37
Corporate Bodies	975,260	1.19
Foreign Corporate Bodies	6,800,000	8.27
Others	479,167	0.58
Total	**82,200,500**	**100.00**

(N) Dematerialisation of Shares

89.39% (73,475,263 shares) of total equity capital is held in dematerialized form with NSDL and 9.87% (8,113,927 shares) of total equity capital is held in dematerialized form with CSDL as on 31 March 2016.

(O) 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

(P) Investor Correspondence

(i) Universal Capital Securities Pvt. Ltd
21 Shakil Niwas, Mahakali Caves Road,
Opp. Satya Sai Baba Mandir
Andheri (East), Mumbai – 400 093.
Tel: 022- 28207203/04/05,
Fax: 022-28207207
Email: info@unisec.in

(ii) **Investors Relation Center**
Mr. Sham Wahalekar – Sr. V. P. Finance & Company Secretary
603-A, Great Eastern Chambers, 6th Floor,
Sector 11, CBD Belapur, Navi Mumbai - 400 614.
Tel: 91 22 3097 3100
Fax: 91 22 3097 3281
Email: secretarial@hikal.com
Website: www.hikal.com

CEO/CFO Certification issued pursuant to the provisions of Regulation 17(8) read with part B of Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Board of Directors, 6 May 2016
Hikal Ltd.

Sub: **CEO/CFO Certificate**

We have reviewed financial statements, read with the cash flow statements of Hikal Ltd. for the year ended 31 March 2016 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 of the Company:

(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
DIN:00062203

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

DECLARATION

To The Members,

Hikal Ltd.

Sub: Declaration under Regulation 17 read with Schedule V (D) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

As required under Regulation 17 read with Schedule V (D) of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015, I hereby declare that all the Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the year ended 31 March 2016.

For Hikal Ltd.

Jai Hiremath
Chairman & Managing Director
DIN:00062203

Mumbai,

6 May 2016

Certificate of Compliance with the Corporate Governance requirements under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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 on 31 March 2016 as stipulated in Chapter IV of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to the Listing Agreement of the Company with Stock exchanges.

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 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 information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Chapter IV of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to the Listing Agreement of the Company with Stock Exchanges.

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

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Place: Mumbai
Date: 6 May 2016

Independent Auditors' Report

To the members of Hikal Limited

Report on the standalone financial statements

We have audited the accompanying standalone financial statements of Hikal Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2016 and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the standalone financial statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these standalone 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, of the state of affairs of the Company as at 31 March 2016 and its profit and its cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the said Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
   (a) we have sought and obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
   (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it 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 aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
   (e) on the basis of written representations received from the directors as on 31 March 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016, from being appointed as a director in terms of Section 164(2) of the Act;
   (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B"; and
   (g) with respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us :

i. the Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 26 to the standalone financial statements;

ii. the Company did not have any long-term contracts, including derivative contracts, for which there were any material foreseeable losses; and

iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31 March 2016.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
6 May 2016

Annexure A to the Independent Auditors' Report - 31 March 2016

With reference to the Annexure A referred to in the Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended 31 March 2016, we report the following:

(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, which includes freehold and leasehold land, by which all fixed assets are is 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. In accordance with the above programme, the Company has verified certain fixed assets during the year and we are informed that no discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties as disclosed in Note 11 to the standalone financial statements, are held in the name of the Company

(ii) The inventory, except goods-in-transit and stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been dealt with in books of account.

(iii) (a) The Company has granted interest free loans to a body corporate covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act'). The Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. In our opinion, the rate of interest and other terms and conditions on which loans have been granted to a body corporate listed in the register maintained under Section 189 of the Act are not, prima facie, prejudicial to the interest of the Company

(b) The interest free loans granted to a body corporate covered in the register maintained under Section 189 of the Act does not have stipulations with regard to the repayment of principal. Accordingly, we are unable to comment on the regularity of repayment of principal.

(c) The interest free loans granted to a body corporate covered in the register maintained under Section 189 of the Act does not have stipulations with regard to the repayment of principal. Accordingly, we are unable to comment whether there is any amount overdue for more than ninety days in respect of such loans.

(iv) In our opinion and according to the information and explanations given to us, in respect of the loans given to a body corporate, the Company has complied with the provisions of Section 185 and 186 of the Act. The Company has not made any investment, given any guarantee, or provided any security under Section 185 and 186 of the Act.

(v) In our opinion, and according to the information and explanations given to us, the Company has not accepted deposits as per the directives issued by the Reserve Bank of India under the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under. Accordingly, paragraph 3 (v) of the Order is not applicable to the Company.

(vi) 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 148 (1) 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.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' State Insurance, Service tax, Sales tax, Value added tax, Professional tax, Duty of customs, Duty of excise, Cess and other material statutory dues have been regularly deposited with the appropriate authorities. According to the information and explanations given to us and on the basis of our examination of records of the Company, amounts deducted/ accrued in the books of account in respect of

Income tax have generally been regularly deposited with the appropriate authorities, though there have been slight delay in a few cases

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income tax, Service tax, Sales tax, Value added tax, Professional tax, Duty of customs, Duty of excise, Cess and other material statutory dues were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Service tax, Sales tax, Value added tax and Duty of customs 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 and Duty of excise have not been deposited as on 31 March 2016 by the Company on account of disputes:

Name of the statute	Nature of the dues	Demand (₹)	Amount not deposited on A/c of demand (₹)	Period to which the amount relates	Forum where dispute is pending
Income tax Act, 1961	Income-tax	1,966,691	1,966,691	2001-02	Deputy Commissioner of Income-tax
Income tax Act, 1961	Income-tax	3,768,299	3,768,299	2002-03	Deputy Commissioner of Income-tax
Income tax Act, 1961	Income-tax	5,674,485	5,674,485	2003-04	Deputy Commissioner of Income-tax
Income tax Act, 1961	Income-tax	15,292,537	15,292,537	2006-07	Deputy Commissioner of Income-tax
Income tax Act, 1961	Income-tax	3,046,111	3,046,111	2007-08	Deputy Commissioner of Income-tax
Income tax Act, 1961	Income-tax	5,465,280	5,465,280	2009-10	Commissioner of Income-tax (appeals)
Income tax Act, 1961	Income-tax	1,805,620	1,805,620	2010-11	Commissioner of Income-tax (appeals)
Central Excise Act, 1932	Excise duty	40,126,609	34,126,609	July-2007 to December-2011	Customs, Excise and Service Tax Appellate Tribunal, Bangalore

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks. The Company does not have any loans or borrowings from government or dues to debenture holders during the year.

(ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. 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 are raised.

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

(xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable to the Company.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3 (xiv) of the Order is not applicable to the Company.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.

(xvi) According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable to the Company.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Mumbai
6 May 2016

Aniruddha Godbole
Partner
Membership No: 105149

Annexure B to the Independent Auditors' Report - 31 March 2016

(Referred to in our report of even date)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Hikal Limited ("the Company") as of 31 March 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing issued by ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
6 May 2016

Balance Sheet

As at 31 March, 2016
(Currency: Indian rupees in million)

	Note	31 March 2016		31 March 2015	
EQUITY AND LIABILITIES					
Shareholders' Funds					
Share capital	3	164.40			164.40
Reserves & surplus	4	5,484.58			5,170.34
			5,648.98		5,334.74
Non-current Liabilities					
Long-term borrowings	5	2,966.13			2,014.43
Deferred tax liabilities (net)	33	300.48			285.11
Long-term provisions	6	102.23			117.12
			3,368.84		2,416.66
Current Liabilities					
Short-term borrowings	7	1,719.36			2,310.11
Trade payables	8				
Total outstanding dues of micro enterprises and small enterprises		40.24			42.20
Total outstanding dues of creditors other than micro enterprises and small enterprises		1,238.24			1,329.05
Other current liabilities	9	620.34			1,315.19
Short-term provisions	10	124.93			181.31
			3,743.11		5,177.86
TOTAL			12,760.93		12,929.26
ASSETS					
Non-current assets					
Fixed assets	11				
Tangible fixed assets		6,225.68			6,393.52
Intangible fixed assets		6.14			-
Capital work-in-progress		661.25			616.61
			6,893.07		7,010.13
Non-current investments	12	31.27			31.27
Long-term loans and advances	13	1,164.69	1,195.96		879.41
			8,089.03		7,920.81
Current assets					
Inventories	14	2,911.13			3,139.54
Trade receivables	15	1,123.06			1,279.71
Cash and bank balances	16	191.55			136.92
Short-term loans and advances	17	443.45			409.16
Other current assets	18	2.71			43.12
			4,671.90		5,008.45
TOTAL			12,760.93		12,929.26
Significant accounting policies	2				
The notes referred to above form an integral part of the financial statements	3-43				

As per our report of even date attached
For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
6 May 2016

For and on behalf of the Board of Directors of Hikal Limited
CIN: L24200MH1988PTC048028

Jai Hiremath
Chairman & Managing Director- DIN: 00062203

Kannan K. Unni
Director- DIN: 00227858

Sham Wahalekar
Chief Financial Officer & Company Secretary- CS Membership No: 8745

Mumbai
6 May 2016

Statement of Profit and Loss
for the year ended 31 March 2016
(Currency: Indian rupees in million)

	Note	31 March 2016	31 March 2015
Revenue from operations			
Sales of products (gross)	19	9,186.44	8,601.99
Less: Excise duty		98.20	56.75
Sales of products (net)		9,088.24	8,545.24
Sales of services		1.91	46.82
Other operating revenue		166.34	126.46
		9,256.49	8,718.52
Other Income	20	18.41	15.77
Total Revenue (I)		9,274.90	8,734.29
Expenses			
Cost of materials consumed	21	4,477.68	4,318.86
Changes in inventories of finished goods and work-in-progress	22	164.88	(48.68)
Employee benefits expense	23	1,080.56	892.04
Finance costs	24	621.85	600.47
Depreciation and amortization expense	11	672.76	641.78
Other expenses	25	1,724.11	1,731.26
Total expenses (II)		8,741.84	8,135.73
Profit before tax (I-II)		533.06	598.56
Income tax expense:			
- Current tax		118.07	217.57
- Less: MAT credit entitlement		(13.55)	-
- Deferred tax charge / (credit)		15.37	(24.10)
Total tax expense		119.89	193.47
Profit for the year		413.17	405.09
Basic and diluted earnings per share ₹	31	5.03	4.93
(Face value per share ₹2/-)			
Significant accounting policies	2		
The notes referred to above form an integral part of the financial statements	3-43		

As per our report of even date attached
For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
6 May 2016

For and on behalf of the Board of Directors of Hikal Limited
CIN: L24200MH1988PTC048028

Jai Hiremath
Chairman & Managing Director- DIN: 00062203

Kannan K. Unni
Director- DIN: 00227858

Sham Wahalekar
Chief Financial Officer & Company Secretary- CS Membership No: 8745

Mumbai
6 May 2016

1 Company Overview

Hikal Limited ('Hikal' or 'the Company') was incorporated 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.

2 Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

a) Basis of preparation of financial statements

The accompanying financial statements have been prepared in compliance with Accounting standards prescribed under Section 133 of the Companies Act, 2013 ('the Act') (to the extent notified), read with Rule 7 of the Companies (Accounts) Rules, 2014, and other generally accepted accounting principles (GAAP) in India, to the extent applicable, under the historical cost convention, on the accrual basis of accounting and other relevant provision of the Act.

b) Use of estimates

The preparation of financial statements in conformity with GAAP in India requires management to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements 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 recognised prospectively in the current and future periods.

c) Current / Non-current classification

The Schedule III to the Act requires all assets and liabilities to be classified as either current or non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

(a) it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is expected to be realised within twelve months after the balance sheet date; or

(d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

Current assets include current portion of non-current financial assets. All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

(a) it is expected to be settled in, the entity's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is due to be settled within twelve months after the balance sheet date; or

(d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Current liabilities include current portion of non-current liabilities. All other liabilities are classified as non-current.

Operating cycle

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 above which are in accordance with the revised Schedule III to the Act.

Based on the nature of services 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

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For the year ended 31 March 2016
(Currency: Indian rupees in million)

d) **Fixed assets and capital work-in-progress**

Tangible assets

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 capitalised. Other pre-operative expenses for major projects are also capitalised, where appropriate.

Tangible fixed assets under construction are disclosed as capital work-in-progress.Advances paid for acquisition of fixed assets are disclosed under long term loans and advances.

Intangible assets

Intangible assets that are acquired by the Company are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss. Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates.

Depreciation and amortisation

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value.

Pursuant to the Act, being effective from 1 April 2014, the Company during the previous year has revised the depreciation rates on fixed assets as per the useful life specified in Part 'C' of Schedule II of the Act.

Consequently, depreciation charge for the period from 1 April 2014 to 31 March 2015 is higher by ₹ 43.50 Millions due to change in the estimated useful life of certain assets wherein the opening carrying value as at 1 April 2014 is depreciated over the remaining useful life.Written down value of the assets with balance useful life Nil of ₹ 46.16 Million and corresponding deferred tax impact of ₹ 15.69 million had been adjusted to the in retained earnings as per the option exercised by the Company.

Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, wherein the life of the assets has been assessed as under based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support, etc:

Plant and Machinery – Useful life of plant and machinery in factories are 9 to 13 years.

Leasehold land is amortised over the duration of the lease.

Leasehold improvements amortised over the primary period of lease.

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. With effect from the previous financial year ended on 31 March 2015, additional charge of depreciation on account of revaluation is debited to the statement of profit and loss and similar amount is withdrawn from revaluation reserve and credited to general reserve.

Until 31 March 2012, in respect of accounting period commencing on or after 07 December 2006 and ended on or before 31 March 2011, further extended to period ending on or before 31 March 2012 and subsequently extended till period ended on or before 31 March 2020,consequent to the insertion of paragraph 46 of AS-11 'The Effects of Changes in Foreign Exchange Rates',notified under the Companies (Accounting Standards) Rules, 2006, (as more fully explained in note 2. i), the cost of depreciable capital assets includes foreign exchange differences arising on translation of long-term foreign currency monetary items as at the balance sheet date in so far as they relate to the acquisition of such assets.

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

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

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 recognised in the statement of profit and loss or against revaluation surplus, where applicable. If at the balance sheet date there is an indication that previously assessed impairment loss no longer exists the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to maximum of depreciated historical cost.

f) **Investments**

Investments that are readily realisable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long-term investments. However, part of long-term investments which is expected to be realised within 12 months after the reporting date is also presented under 'current assets' as "current portion of long-term investment" in consonance with the current/ non-current classification scheme of Schedule III to the Act. Long-term investments (including current portion thereof) are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment.

Current investments are carried at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments. Any reduction in the carrying amount and any reversals of such reductions are charged or credited to the statement of profit and loss.

g) **Inventories**

Raw material, packing material, stores, spares and consumables are valued at lower of cost and net realisable value. Work-in-progress and finished goods are valued at lower of cost and net realisable 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.

The Comparison of cost and net realisable value is made on an item by item basis.

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

h) **Revenue recognition**

Revenue from sale of goods is recognised on transfer of all significant risks and rewards of ownership to the buyer, which coincides with the 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 recognised based on date of bill of lading.

Excise duty collected on sales is separately reduced from turnover.

Interest income is recognised on time proportion basis.

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

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.

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 amortised over the balance period of such long-term foreign currency liabilities or 31 March 2020, whichever is earlier.

j) **Employee benefits**

a) **Short term employee benefits:**

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include compensated absences such as paid annual leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the year.

b) **Post employment benefits:**

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards Provident Fund and Employees State Insurance Corporation. The Company's contribution is recognised as an expense in the statement of profit and loss during the period in which employee renders the related service.

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.

Defined benefit plans

The Company provides for gratuity, a defined benefit plan covering eligible employees. Liabilities with regard to the gratuity benefits payable, 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 staff at Panoli plant is funded through group gratuity insurance scheme of the Life Insurance Corporation of India ('LIC').

c) **Other long term employee benefits**

Compensated absences

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date as determined by an independent actuary based on projected unit credit method. The discount rates used for determining the present value of the obligation under other long term employment benefits plan, are based on the market yields on Government securities as at the balance sheet date.

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 capitalised 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 recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

l) Taxation

Income tax expense comprises current income tax (i.e. amount of tax for the year determined in accordance with income tax laws) and deferred tax charge or credit(reflecting the tax effect of timing difference between accounting income and taxable income for the year).

The deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

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 recognised 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.

m) Research and Development

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

n) Export incentives

Export incentives principally comprises of Duty Drawback, Merchandise Export from India Scheme, Excise Duty rebate and other export incentive schemes. The benefits under these incentive schemes are available based on the guidelines formulated for respective schemes by the Government authorities. These incentives are recognised as revenue on accrual basis to the extent it is probable that realisation 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.

Provision is reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent liabilities are disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of amount of the obligation cannot be made. Contingent Liabilities are not recognised but are disclosed in the notes

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 calculated 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/deposit with original maturity of three months or less.

r) Proposed Dividend

Dividend recommended by the Board of Directors is provided for in the books of account, pending approval at the Annual General Meeting.

Notes to financial statements

For the year ended 31 March 2016

(Currency: Indian rupees in million)

		31 March 2016	31 March 2015
3	**Share Capital**		
	Authorised		
	1,25,000,000 Equity Shares of ₹2/- each (P. Y. :1,25,000,000 Equity Shares of ₹2/- each)	250.00	250.00
	5,000,000 Cumulative Redeemable Preference Shares of ₹100/- each (P. Y. : 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		
	82,200,500 Equity Shares of ₹ 2/- each fully paid-up (P. Y.: 82,200,500 equity Shares of ₹ 2/- each fully paid up)	164.40	164.40
		164.40	164.40

a. During the previous year, the Company has altered the Memorandum and Articles of Association by passing Special resolution of the shareholders through postal ballot / e-voting on 16 February 2015 and subdivided its 16,440,100 equity shares of ₹ 10 each into 82,200,500 equity shares of ₹ 2 each. The number of Equity shares of the Authorised, Issued and subscribed and paid-up capital has been sub-divided accordingly.

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

Equity shares

	31 March 2016		31 March 2015	
	No. million	₹ in million	No. million	₹ in. million
At the beginning of the year	82.20	164.40	16.44	164.40
Increase in number of equity shares on account of sub-division	-	-	65.76	-
Outstanding at the end of the year	82.20	164.40	82.20	164.40
(Refer Note a above)				

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

The Company has only one class of equity shares having a par value of ₹ 2 (P.Y. ₹ 2) 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 2016, the amount of per share dividend recognised as distributions to equity shareholders is ₹ 1 on a face value of ₹ 2 (P.Y. ₹ 1 on a face value of ₹ 2).

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.

(Currency: Indian rupees in million)

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

	31 March 2016		31 March 2015	
	No. million	% holding in the Class	No. million	% holding in the Class
Equity shares of ₹2 (P.Y. ₹2) each fully paid				
Kalyani Investment Company Ltd.	25.78	31.36	25.78	31.36
Shri Badrinath Investment Pvt. Ltd.	13.28	16.15	13.28	16.15
International Finance Corporation	6.80	8.27	6.80	8.27
Reliance Capital Trustee Co Ltd	5.88	7.16	6.58	8.00
Shri Rameshwara Investment Pvt. Ltd.	6.54	7.96	6.54	7.96
Sugandha J Hiremath	6.45	7.84	6.45	7.84

	31 March 2016	31 March 2015
4 Reserves and surplus		
Capital reserve		
At the commencement and at the end of the year	0.44	0.44
Capital redemption reserve		
At the commencement and at the end of the year	509.82	509.82
Securities premium account		
At the commencement and at the end of the year	146.92	146.92
Revaluation reserve on land		
At the commencement of the year	1,063.28	1,070.97
Less: Amount transferred to general reserve	7.69	7.69
	1,055.59	1,063.28
State subsidy		
At the commencement and at the end of the year	5.50	5.50
Contingency reserve		
At the commencement and at the end of the year	30.00	30.00
General reserve		
At the commencement of the year	611.31	553.62
Add: Amount transferred from revaluation reserve	7.69	7.69
Add: Amount transferred from surplus	50.00	50.00
	669.00	611.31
Surplus in the statement of profit and loss (profit and loss balance)		
At the commencement of the year	2,803.07	2,577.38
Profit for the year	413.17	405.09
Appropriations		
Impact of depreciation pursuant to adoption of useful lives as per Schedule II of the Companies Act, 2013 (refer note 2(d) and note 11)	-	46.16
Deferred tax on above	-	15.69
Interim dividend on equity shares [amount per share ₹ 0.50 on face value of ₹ 2 (P.Y. ₹ 0.50 on face value of ₹ 2)]	41.10	41.10
Proposed final dividend on equity shares [amount per share ₹ 0.50 on face value of ₹ 2 (P.Y. ₹ 0.50 on face value of ₹ 2)]	41.10	41.10
Tax on interim and proposed equity dividend	16.73	16.73
Transfer to general reserve	50.00	50.00
Total appropriations	148.93	179.40
Net surplus in statement of profit and loss	3,067.31	2,803.07
Total reserves and surplus	5,484.58	5,170.34

Notes to financial statements

For the year ended 31 March 2016
(Currency: Indian rupees in million)

	31 March 2016	31 March 2015
5 Long-term Borrowings		
Secured		
Term loans from banks		
Rupee (refer note a (i) and b (i) below)	1,260.02	1,056.42
External commercial borrowing (refer note a (ii and iii) and b (i) below)	244.79	52.17
Term loans from financial institutions		
Rupee (refer note a (iv) and b (ii) below)	630.02	100.00
External commercial borrowing (refer note a (v) and b (ii) below)	530.72	751.20
Term loans from others		
Rupee (refer note a (vi) and b (ii) below)	294.00	45.56
Vehicle loans		
From banks -Rupee (refer note a (vii) and b (iii) below)	2.73	2.24
From Others -Rupee (refer note a (vii) and b (iii) below)	3.85	6.42
Finance lease obligations		
(Refer note b (iii) below and note 30)	-	0.42
Total	2,966.13	2,014.43

a. Nature of Security :

i) Rupee term loan from banks is secured by first pari passu charge on the fixed assets of the Company's plants situated at Taloja, Panoli and Bangalore, R & D centre at Pune and office at CBD Belapur (Navi Mumbai) and second pari passu charge on entire current assets both present and future.

ii) External Commercial borrowing from one bank is secured by first pari passu charge on the fixed assets of the Company's plants situated at Taloja, Panoli and Bangalore R & D centre at Pune and office at CBD Belapur and second pari passu charge on entire current assets both present and future.

iii) External Commercial borrowing from bank is secured by first pari passu charge on the fixed assets of the Company's plants situated at Taloja, Panoli, and Bangalore and second pari passu charge on entire current assets both present and future.

iv) Rupee term loan from financial institutions is secured by first pari passu charge on the fixed assets of the Company's plants situated at Taloja, Panoli and Bangalore R & D centre at Pune and office at CBD Belapur (Navi Mumbai) and second pari passu charge on entire current assets both present and future.

v) External Commercial borrowing from financial institutions is secured by first pari passu charge on the fixed assets of the Company's plants situated at Taloja, Panoli, and Bangalore and second pari passu charge on entire current assets both present and future.

vi) Rupee term loan from others is secured by first pari passu charge on the fixed assets of the Company's plants situated at Taloja, Panoli, Bangalore, R & D centre at Pune and office at CBD Belapur (Navi Mumbai) and second pari passu charge on entire current assets both present and future.

vii) Vehicle loans are secured by first charge on the said vehicles.

b. Terms of repayment as on 31 March 2016 are as under :

(i)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a		285.73	Repayable quarterly - 26 installments of ₹ 10.99 Mio starting from 31 December 2016	11.40%
b		100.00	Repayable quarterly - 26 installments of ₹ 3.85 Mio starting from 31December 2016	11.40%
c		560.00	Repayable quarterly - 26 installments of ₹ 21.54 Mio starting from 31 December2016	11.70%
d		170.00	Repayable quarterly - 26 installments of ₹ 6.54 Mio starting from 31 December 2016	11.70%
e		170.00	Repayable quarterly - 26 installments of ₹ 6.54 Mio starting from 31 December 2016	11.70%
f	0.75	49.75	Repayble quarterly - 2 instalments of US $ 0.375 Mio each starting 9 May 2016	3M Libor + 300 bps
g	3.69	244.79	Repayble quarterly - 18 instalments of US $ 0.205 Mio each starting 25 May 2019	3M Libor + 395 bps

(ii)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a		642.87	Repayble quarterly - 26 instalments of ₹ 24.73 Mio starting from 31 December 2016	11.40%
b		300.00	Repayble quarterly - 26 instalments of ₹ 11.54 Mio starting from 31 December 2016	11.40%
c	6.00	398.04	Repayable half yearly - 6 instalments of US $ 1 Mio each starting from 15 July 2016	6M Libor + 300 bps
d	6.00	398.04	Repayable half yearly - 6 instalments of US $ 1 Mio each starting from 15 July 2016	6M Libor + 300 bps

(iii)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a		0.75	Repayble monthly EMI of ₹ 0.025 Mio	10.49%
b		3.50	Repayble monthly EMI of ₹ 0.15 Mio	9.87%
c		1.00	Repayble monthly EMI of ₹ 0.039 Mio	10.25%
d		1.92	Repayble monthly EMI of ₹ 0.070 Mio	10.74%
e		1.49	Repayble monthly EMI of ₹ 0.047 Mio	10.26%
f		1.80	Repayble monthly EMI of ₹ 0.066 Mio	10.26%
g		0.42	Repayble quarterly EMI of ₹ 0.420 Mio	14.00%

Notes to financial statements

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(Currency: Indian rupees in million)

c. Terms of repayment as on 31 March 2015 are as under :

(i)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a		66.67	Repayable quarterly - 2 instalments of ₹ 33.33 Mio starting from 20.05.2015. Repaid during the year ended 31 March 2016	13.25%
b		225.00	Repayable quarterly - 9 instalments of ₹ 25.00 Mio starting from 11.04.2015. Repaid during the year ended 31 March 2016	12.05%
c		159.90	Repayable monthly - 36 instalments of ₹ 4.44 Mio starting from 21.04.2015. Repaid during the year ended 31 March 2016	13.75%
d		78.28	Repayable monthly - 36 instalments of ₹ 2.17 Mio starting from 29.04.2015. Repaid during the year ended 31 March 2016	13.40%
e		540.00	Repayable quarterly - 16 instalments of ₹ 33.75 Mio starting from 25.06.2015. Repaid during the year ended 31 March 2016	12.50%
f		150.00	Repayable quarterly - 20 instalments of ₹ 7.50 Mio starting from 25.06.2015. Repaid during the year ended 31 March 2016	12.25%
g		230.02	Repayable quarterly - 18 instalments of ₹ 12.78 Mio starting from 05.06.2015. Repaid during the year ended 31 March 2016	12.40%
h	4.00	250.40	Repayable quarterly - 6 instalments of US $ 0.67 Mio each starting from 14.04.2015	Libor + 300 bps

(ii)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a		108.33	Repayable quarterly - 2 instalments of ₹ 54.17 Mio starting from 30.04.2015. Repaid during the year ended 31 March 2016	12.80%
b		200.00	Repayable quarterly - 8 instalments of ₹. 25.00 Mio starting from 20.05.2015. Repaid during the year ended 31 March 2016	LTMLR Plus 275 bps
c		37.78	Repayable monthly - 8 instalments of ₹ 4.72 Mio starting from 1.05.2015. Repaid during the year ended 31 March 2016	14.00%
d		90.00	Repayable monthly - 17 instalments of ₹ 5.29 Mio starting from 1.08.2015. Repaid during the year ended 31 March 2016	13.00%
e	8.00	500.80	Repayable half yearly - 8 instalments of US $ 1 Mio each starting from 15.07.2015	Libor + 300 bps
f	8.00	500.80	Repayable half yearly - 8 instalments of US $ 1 Mio each starting from 15.07.2015	Libor + 320 bps

(iii)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a		1.49	Repayable monthly EMI of ₹ 0.155 Mio	9.61%
b		0.97	Repayable monthly EMI of ₹ 0.025 Mio	10.49%
c		4.88	Repayable monthly EMI of ₹ 0.150 Mio	9.87%
d		1.35	Repayable monthly EMI of ₹ 0.039 Mio	10.25%
e		2.51	Repayable monthly EMI of ₹ 0.069 Mio	10.74%
f		2.09	Repayable monthly EMI of ₹ 0.066 Mio	10.26%
g		0.13	Repayable quarterly EMI of ₹ 0.131 Mio	12.75%
h		0.16	Repayable quarterly EMI of ₹ 0.054 Mio	10.00%
i		7.49	Repayable monthly EMI of ₹ 1.070 Mio	14.00%
j		1.98	Repayable quarterly EMI of ₹ 0.395 Mio	14.00%

(Currency: Indian rupees in million)

		31 March 2016	31 March 2015
6	**Long term provisions**		
	Provision for employee benefits		
	Provision for gratuity (refer note 39)	52.55	47.31
	Provision for compensated absenses (refer note 39)	49.68	69.81
		102.23	117.12
7	**Short term borrowings**		
	Secured		
	Loans repayable on demand from banks		
	Working capital loan -Rupee (refer note a and b below)	735.16	210.91
	Working capital loan -Foreign currency (refer note a and b below)	984.20	1,884.20
		1,719.36	2,095.11
	Unsecured		
	Loans repayable on demand		
	Inter corporate deposits (refer note c below)	-	215.00
		-	215.00
		1,719.36	2,310.11

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

i Working capital loan from IDBI Bank Limited of ₹ 350 Million are secured by an exclusive charge on fixed assets of the Company's plant situated at Mahad.

ii Working capital loan from Standard Chartered Bank of ₹ 200 Million are secured by a first charge on office premises of the Company at CBD Belapur (Navi Mumbai).

iii Working capital loans from other banks are secured by first charge on all current assets of the Company and second pari passu charge on all fixed assets both present and future of the Company situated at R&D Unit at Banglore and Company's plants situated at Bangalore, Taloja and Panoli.

b. Working capital loans are repayable on demand and carry interest ranging from 3% to 14.50 % p.a.

c. Inter corporate deposits are repayable on demand and carries interest @ 12 % to 16 % p.a

Notes to financial statements

For the year ended 31 March 2016
(Currency: Indian rupees in million)

		31 March 2016	31 March 2015
8	**Trade payables**		
	Total outstanding dues of micro enterprises and small enterprises (refer note 32)	40.24	42.20
	Total outstanding dues of creditors other than micro enterprises and small enterprises	1,238.24	1,329.05
		1,278.48	1,371.25
9	**Other current liabilites**		
	Current maturities of long-term borrowings	363.56	1,137.53
	Current maturities of finance lease obligations	0.42	9.34
	Interest accrued but not due on borrowings	25.43	14.68
	Other payables		
	Payables for capital purchases	39.19	71.86
	Advances from customers	80.22	18.76
	Unpaid dividend	1.98	1.84
	Statutory dues payable		
	- Provident fund	3.31	3.20
	- Employees' state insurance	0.02	0.12
	- Tax deducted at Source	19.54	11.87
	- Sales tax /Value added tax	1.61	2.42
	- Profession tax	0.23	0.24
	Employee benefits payable	84.83	43.33
		620.34	1,315.19
10	**Short term provisions**		
	Provision for employee benefits		
	Provision for gratuity	7.41	6.65
	Provision for Compensated absenses	15.56	23.27
		22.97	29.92
	Other provisions		
	Proposed final equity dividend	41.10	41.10
	Proposed interim equity dividend	41.10	41.10
	Provision for tax on proposed equity dividend	16.73	16.73
	Provision for mark-to-market loss on derivative contract	-	42.50
	Provision for tax (net of advance tax of ₹ 230 million, [P.Y.₹122 million])	3.03	9.96
		101.96	151.39
		124.93	181.31

(Currency: Indian rupees in million)

11 Fixed Assets

Description	Gross block					Depreciation/amortisation				Net block
	As at 01 April 2015	Additions	Deductions/ Adjustments	Adjustments of exchange difference on borrowings	As at 31 March 2016	As at 31 March 2015	For the year	Deductions/ Adjustments	As at 31 March 2016	As at 31 March 2016
Tangible assets										
Freehold land	787.38	-	-	-	787.38	-	-	-	-	787.38
Leasehold land	715.81	-	-	-	715.81	63.60	8.74	-	72.34	643.47
Buildings	1,722.14	52.93	-	-	1,775.07	455.21	59.36	-	514.57	1,260.50
Plant and machinery	7,141.20	351.84	-	64.14	7,557.18	3,651.22	555.20	-	4,206.42	3,350.76
Electrical equipments & installations	251.87	2.86	-	-	254.73	166.76	24.01	-	190.77	63.96
Office equipment	125.56	11.91	-	-	137.47	116.42	5.62	-	122.04	15.43
Furniture and fixtures	113.40	10.76	-	-	124.16	74.88	11.93	-	86.81	37.35
Leasehold Improvements	-	5.56	-	-	5.56	-	0.05	-	0.05	5.51
Vehicles	46.03	3.39	-	-	49.42	19.33	4.52	-	23.85	25.57
Ships	51.56	-	-	-	51.56	14.01	1.80	-	15.81	35.75
	10,954.95	439.25	-	64.14	11,458.34	4,561.43	671.23	-	5,232.66	6,225.65
Intangible assets										
Computer software	5.49	7.67	-	-	13.16	5.49	1.53	-	7.02	6.14
Total	10,960.44	446.92	-	64.14	11,471.50	4,566.92	672.76	-	5,239.68	6,231.82
Capital work-in-progress										661.25
Total										6,893.07

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 31 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 million (P.Y. ₹ 7.69 million) on account of revaluation has been charged to the statement of profit and loss and a similar amount has been transferred from the revaluation reserve to general reserve.

b. Exchange differences of ₹. 64.14 million (P.Y. ₹ 64.92 million) has been included in the additions to fixed assets post the exercise of option in terms of Para 46A of AS11 (pursuant to notification dated 29 December 2011 issued by the Ministry of Corporate Affairs.)

c. Plant and machinery includes assets taken on finance lease as under

Particulars	Gross Block	Depreciation charge for the year	Accumulated depreciation	Net block
31 March 2016	30.97	3.20	7.74	23.23

Notes to financial statements

As at 31 March 2015

(Currency: Indian rupees in million)

11 Fixed Assets (continued...)

Description	Gross block					Depreciation/amortisation				Net block
	As at 01 April 2014	Additions	Deductions/ Adjustments	Adjustments of exchange difference on borrowings	As at 31 March 2015	As at 31 March 2014	For the year	Deductions/ Adjustments	As at 31 March 2015	As at 31 March 2015
Tangible assets										
Freehold land	787.38	-	-	-	787.38	-	-	-	-	787.38
Leasehold land	715.81	-	-	-	715.81	54.86	8.74	-	63.60	652.21
Buildings	1,623.92	98.22	-	-	1,722.14	398.74	56.47	-	455.21	1,266.93
Plant and machinery	6,613.87	462.41	-	64.92	7,141.20	3,130.37	520.85	-	3,651.22	3,489.98
Electrical equipments & installations	251.22	0.65	-	-	251.87	115.14	32.74	18.88	166.76	85.11
Office equipment	117.52	8.04	-	-	125.56	91.36	3.93	21.13	116.42	9.14
Furniture and fixtures	112.37	1.03	-	-	113.40	55.96	13.31	5.61	74.88	38.52
Vehicles	41.23	4.80	-	-	46.03	14.83	3.94	0.56	19.33	26.70
Ships	51.56	-	-	-	51.56	12.21	1.80	-	14.01	37.55
	10,314.88	575.15	-	64.92	10,954.95	3,873.47	641.78	46.18	4,561,43	6,393.52
Intangible assets										
Computer software	5.49	-	-	-	5.49	5.49	-	-	5.49	-
	10,320.37	575.15	-	64.92	10,960.44	3,878.96	641.78	46.18	4,566.92	6,393.52
Capital work-in-progress										616.61
Total										7,010.13

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 31 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 million on account of revaluation has been charged to the statement of profit and loss and a similar amount has been transferred from the revaluation reserve to general reserve. (Previous year ₹ 7.69 million was charged to statement of profit and loss and a similar amount was transferred from the revaluation reserve and credited to the statement of profit and loss.)

b. Pursuant to the Companies Act, 2013 being effective from 1 April 2014, the Company has revised the depreciation rates on fixed assets as per the useful life specified in Part "C" of Schedule II of the Act. Written down value of the assets with balance useful life 'Nil' of ₹ 46.16 Million has been adjusted to the balance in surplus (profit & loss balance) as per the option exercised by the Company. Consequently, depreciation charge for the year is higher by 43.5 million due to change in the estimated useful life of certain assets wherein the opening carrying value as at 1 April 2014 is depreciated over the remaining useful life.

c. Exchange differences of ₹. 64.92 million (P.Y. ₹ 142.35 million) has been included in the additions to fixed assets post the exercise of option in terms of Para 46A of AS11 (pursuant to notification dated 29 December 2011 issued by the Ministry of Corporate Affairs.)

d. Plant and machinery includes assets taken on finance lease as under

Particulars	Gross Block	Depreciation charge for the year	Accumulated depreciation	Net block
31 March 2015	30.97	3.20	4.54	26.43

HIKAL

(Currency: Indian rupees in million)

	31 March 2016	31 March 2015
12 Non Current Investments		
Trade Investments (valued at cost, unless otherwise stated)		
Unquoted Equity Investments		
223,164 (P.Y.: 223,164) Equity Shares of Bharuch Eco Aqua. Infrastructure Ltd. of ₹10/- each, fully paid up.	2.23	2.23
30,000 (P.Y.: 30,000) Equity Shares of Panoli Enviro Technology Ltd. of ₹10/- each, fully paid up.	0.30	0.30
14,494 (P.Y.:14,494) Equity Shares of MMA CETP Co-operative Society Limited of ₹100/- each, fully paid up	1.45	1.45
16% (P.Y.:16%) Equity Shares of Jiangsu Chemstar Chemical Co Limited fully paid up	26.97	26.97
	30.95	30.95
Other Investments (valued at cost, unless otherwise stated)		
Quoted Equity Investments		
10,000 (P.Y. 10,000) equity shares of Bank of Baroda of ₹2/- each fully paid up.	0.17	0.17
2,900 (P.Y.: 2,900) Equity Shares of Union Bank of India ₹10/- each fully paid up.	0.05	0.05
	0.22	0.22
Unquoted equity investments		
In subsidiary companies		
15,050,080 (P.Y.:15,050,080) Equity Shares of Acoris Research Limited of ₹10/- each, fully paid up.	0.10	0.10
	0.32	0.32
	31.27	31.27

Note:

Investment in Hikal International BV (100% Subsidiary of the Company) of 7200 equity shares of Euro 10 each fully paid-up has been fully written-off in earlier years.

Investment details

	31 March 2016	31 March 2015
Equity shares of Bharuch Eco Aqua.Infrastructure Limited		
Units	223.164	223.164
Value	2.23	2.23
Equity shares of Panoli Enviro Technology Limited		
Units	30,000	30,000
Value	0.30	0.30
Equity shares of MMA CETP Co-operative Society Limited		
Units	14.494	14,494
Value	1.45	1.45
Equity shares of Jiangsu Chemstar Chemical Co Limited		
Units	16%	16%
Value	26.97	26.97
Equity shares of Bank of Baroda		
Units	10,000	10,000
Value	0.17	0.17
Equity shares of Union Bank of India		
Units	2,900	2,900
Value	0.05	0.05
Equity shares of Acoris Research Limited		
Units	15,050,080	15,050,080
Value	0.10	0.10

Notes to financial statements

For the year ended 31 March 2016
(Currency: Indian rupees in million)

		31 March 2016	31 March 2015
	Aggregate book value of quoted investments	0.22	0.22
	Aggregate market value of quoted investments	1.85	2.09
	Aggregate book value of unquoted investments	31.05	31.05
13	**Long term loans and advances**		
	Unsecured and considered good		
	To parties other than related parties		
	Capital advances	107.25	43.12
	Security deposits	59.82	57.73
		167.07	100.85
	Other loans and advances		
	MAT credit entitlement	388.34	408.26
	VAT receivable	217.10	149.01
	Balances with customs, excise, etc	228.12	159.38
	Prepaid expenses	81.50	1.03
	Loans to employees	1.93	1.81
		916.99	719.49
	To related parties		
	Security deposits given to Directors	70.00	50.00
	Loan and advances to Hikal International BV	10.63	9.07
		1,164.69	879.41
14	**Inventories**		
	(Valued at lower of cost and net realisable value)		
	Raw materials [includes goods in transit of ₹113.23 million (P.Y.: ₹172.28 million)]	1,870.59	1,930.34
	Packing materials	13.93	10.01
	Work-in-progress	460.17	579.31
	Finished goods	434.18	479.92
	Stores, spares and consumables	132.26	139.96
		2,911.13	3,139.54
15	**Trade Receivables**		
	(Unsecured)		
	Outstanding for a period exceeding six months from the date they are due for payment		
	Considered good	49.77	30.92
	Considered doubtful	65.36	52.86
	Less : Provision for doubtful receivables	65.36	52.86
	(A)	49.77	30.92
	Other receivables		
	Considered good	1,073.29	1,248.79
	(B)	1,073.29	1,248.79
	Total (A+B)	1,123.06	1,279.71

Note:

Trade receivables are presented net of bills discounted [disclosed under contingent liabilities (refer note 26)], which are secured against the underlying receivables carrying interest rates ranging from 2.5% p.a. to 14 % p.a. with a maturity of 30 days to 90 days.

(Currency: Indian rupees in million)

		31 March 2016	31 March 2015
16	**Cash and bank balances**		
	Cash and cash equivalents		
	Cash on hand	1.44	1.63
	Balance with banks:		
	in current accounts	35.47	48.64
	- In exchange earners foreign currency	1.79	8.46
	- Deposits having original maturity upto three months	4.20	3.42
		42.90	62.15
	Other bank balances		
	Deposits with original maturity for more than 3 months but less than 12 months (refer note a below)	146.67	72.93
	Earmarked balances with banks-unpaid dividend	1.98	1.84
		148.65	74.77
		191.55	136.92
	Details of bank deposits		
	Bank deposits having original maturity upto three months included under Cash and cash equivalents	4.20	3.42
	Bank deposits with original maturity of more than 3 months but less than 12 months included under other bank balances.	146.67	72.93
		150.87	76.35

a. **Deposits given as security**

I) Margin money deposits with a carrying amount of ₹ 80.37 million (P.Y. ₹ 71.16 million) are subject to first charge to secure the Company's working capital loans.

ii) Bank deposits with a carrying amount of ₹ 67.65 million (P.Y. ₹ Nil) are subject to exclusive first charge to secure the Company's rupee term loans and external commercial borrowing term loan from one bank.

		31 March 2016	31 March 2015
17	**Short term loans and advances**		
	Unsecured		
	To parties other than related parties		
	Advance to suppliers		
	Considered good	73.21	60.25
	Considered doubtful	24.41	24.41
		97.62	84.66
	Less: Provision for doubtful advances	24.41	24.41
		73.21	60.25
	Balances with customs, excise, etc	169.09	99.64
	Prepaid expenses	46.73	35.15
	VAT/CST receivable	52.41	145.85
	MAT credit entitlement	99.60	65.00
	Loans to employees	2.41	3.27
		443.45	409.16
18	**Other current assets**		
	Interest accrued on fixed deposits	2.71	13.17
	Others	-	29.95
		2.71	43.12

Notes to financial statements

For the year ended 31 March 2016
(Currency: Indian rupees in million)

		31 March 2016	31 March 2015
19	Revenue from operations		
	Sale of products (gross)		
	Finished goods	9,186.44	8,601.99
	Less: Excise duty	98.20	56.75
	Sale of products (Net)	9,088.24	8,545.24
	Sale of services	1.91	46.82
	Other operating revenue		
	Export incentives	155.33	113.37
	Scrap sales	11.01	13.09
	Revenue from operations	9,256.49	8,718.52
20	Other income		
	Interest income on		
	Bank deposits	9.13	7.68
	Others	3.32	4,29
	Dividend on long term investments*	0.05	-
	Miscellaneous income	5.91	3.80
	*Amount less than ₹10,000/- for previous year	18.41	15.77
21	Cost of Materials Consumed		
	Raw materials at the beginning of the year	1,930.34	1,951.07
	Add : Purchases during the year	4,417.93	4,298.13
		6,348.27	6,249.20
	Less: Raw materials at the end of the year	1,870.59	1,930.34
		4,477.68	4,318.86
22	Changes in Inventories of Finished Goods and Work-in-progress		
	Decrease/(Increase) in stocks		
	Inventories at the end of the year		
	Work-in-progress	460.17	579.31
	Finished goods	434.18	479.92
	Total A	894.35	1,059.23
	Inventories at the beginning of the year		
	Work-in-progress	579.31	529.72
	Finished goods	479.92	480.83
	Total B	1,059.23	1,010.55
	Decrease/(Increase) in stocks (B-A)	164.88	(48.68)
23	Employee benefit expense		
	Salaries, wages and bonus	944.30	780.71
	Contribution to provident and other funds	43.13	36.58
	Gratuity expenses	21.06	16.63
	Staff welfare expenses	88.03	74.48
		1,096.52	908.40
	Less: Transferred to capital work in progress	(15.96)	(16.36)
		1,080.56	892.04

(Currency: Indian rupees in million)

		31 March 2016	31 March 2015
24	**Finance costs**		
	Interest on rupee term loan	228.23	237.97
	Interest on foreign currency term loan	43.35	31.92
	Interest on working capital loans	94.42	126.31
	Interest on bills discounted	40.29	55.17
	Other interest	48.66	53.42
	Bank charges	30.46	62.40
	Exchange difference to the extent considered as an adjustment to borrowing costs	146.20	46.10
		613.61	613.29
	Less: Transferred to capital work in progress	(9.76)	(12.82)
		621.85	600.47
25	**Other expenses**		
	Consumption of stores and spares	157.52	134.94
	Processing charges	24.86	1.13
	Power & fuel	837.00	938.54
	Advertisement	1.02	1.05
	Rent	20.74	18.18
	Rates and taxes	8.22	7.71
	Insurance	23.41	16.77
	Repairs and maintenance		
	- Plant & machinery	74.04	69.61
	- Buildings	16.54	14.76
	- Others	53.96	49.33
	Printing and stationery	12.91	12.00
	Legal and professional charges		
	- Legal charges	1.55	2.45
	- Professional charges	74.88	81.74
	Traveling and conveyance	46.49	45.54
	Vehicle expenses	12.60	11.75
	Postage, telephone and telegrams	14.59	12.45
	Payment to Auditors' (Refer note 37)	6.46	5.49
	Director's sitting fee	2.56	2.07
	Sales and distribution expenses	151.54	171.26
	Commission on sales	5.69	5.14
	Security service charges	23.76	21.24
	Sundry balance written off	4.41	3.44
	Service Charge	32.09	22.73
	Excise duty on closing stock	6.34	1.20
	Foreign exchange loss (net)	22.60	15.45
	Provision for doubtful debts	12.50	30.50
	Corporate social responsibility expenses (CSR) (Refer note 42)	9.00	0.87
	Miscellaneous expenses	66.83	56.70
		1,724.11	1,754.04
	Less: Transferred to capital work in progress	-	(22.78)
		1,724.11	1,731.26

Notes to financial statements

For the year ended 31 March 2016

(Currency: Indian rupees in million)

		As at 31 March 2016	As at March 31 2015
26	**Contingent liabilities**		
	Bills discounted with banks	1,042.56	694.65
	Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	174.49	92.87
	Disputed demands by Excise Authorities	40.13	40.13
	Disputed demands by Income Tax Authorities	37.02	37.02
	Bank guarantee issued	63.78	49.40

In addition, the Company is subject to legal proceedings and claims, which have arisen in the ordinary course of business. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liability, where applicable in its financial statements. The Company's management does not reasonably expect that these legal actions, when ultimately concluded and determined, will have a material and adverse effect of the Company's results of operations or financial condition.

27 Capitalisation of expenditure

During the year, the Company has capitalised 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 capitalised by the Company.

	Year ended 31 March 2016	Year ended 31 March 2015
Salaries, wages and bonus	15.96	16.36
Finance cost	9.76	12.82
Other expenses	-	22.78
Total	25.72	51.96

28 Segment reporting

The Company's financial reporting is organised 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.

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

(Currency: Indian rupees in million)

Primary Segment information

Particulars	Crop Protection	Pharmaceuticals	Total
Revenue (external revenue)	**3,565.13**	**5,691.36**	**9,256.49**
	3,343.51	*5,375.01*	*8,718.52*
Segment result	**547.21**	**805.09**	**1,352.30**
	500.32	*947.01*	*1,447.33*
Interest expenses			**621.85**
			600.47
Other unallocable expenditure			**197.39**
(net of unallocable income)			*248.30*
Profit before tax			**533.06**
			598.56
Segment assets	**3,171.50**	**8.217.95**	**11,389.45**
	3,373.28	*8,488.62*	*11.861.90*
Unallocated corporate assets			**1,371.48**
			1,067.36
Total assets			**12,760.93**
			12.929.26
Segment liabilities	**476.58**	**984.04**	**1,460.62**
	476.23	*1,083.98*	*1,560.21*
Unallocated corporate liabilities			**5,651.33**
			6,034.31
Total liabilities			**7,111.95**
			7,594.52
Capital expenditure for the year	**170.43**	**358.11**	**528.54**
	106.03	*534.26*	*640.29*
Unallocated capital expenditure			**27.18**
			4.72
Depreciation for the year	**145.11**	**513.52**	**658.63**
	144.69	*484.38*	*629.07*
Unallocated depreciation			**14.13**
			12.71

Notes to financial statements
For the year ended 31 March 2016
(Currency: Indian rupees in million)

Secondary segment information

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

Particulars	Revenue	Assets employed	Capital expenditure
India	1,939.71	12,760.93	555.72
	1,828.47	*12,929.26*	*645.01*
USA and Canada	1,326.38	-	-
	1,567.05	-	-
Europe	2,594.45	-	-
	2,904.39	-	-
South East Asia	3,231.37	-	-
	2,272.81	-	-
Others	164.58	-	-
	145.80	-	-
Total	9,256.49	12,760.93	555.72
	8,718.52	*12,929.26*	*645.01*

Note:

The figures in italics are in respect of previous year

29 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

Company exercising significant influence through voting power ('significant shareholder')

Kalyani Investment Company Limited (KICL)

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")

Rameshwara Investment Private Limited ("RIPL")

Badrinath Investment Private Limited ("BIPL")

Rushabh Capital Services Private Limited ("RCSPL")

(Currency: Indian rupees in million)

Transactions with related parties

Nature of Transaction	Subsidiary companies	Key management personnel	Relative of key management personnel	Enterprises over which key personnel or their relatives have significant influence	Company exercising significant influence through voting power
Remuneration					
- Jai Hiremath		27.19	-	-	-
		24.20	-	-	-
- Sameer Hiremath		14.89	-	-	-
		13.18	-	-	-
Commission Paid					
- Jai Hiremath		5.50	-	-	-
		6.35	-	-	-
- Sameer Hiremath		5.50	-	-	-
		6.35	-	-	-
Sitting fees					
- Sugandha Hiremath		-	0.45	-	-
		-	*0.43*	-	-
Interest Paid					
- BIPL		-	-	-	-
		-	-	*0.22*	-
- KECPL		-	-	-	-
		-	-	*0.07*	-
- DEPL		-	-	-	-
		-	-	*0.10*	-
- EIPL		-	-	-	-
		-	-	*0.02*	-
- RIPL		-	-	-	-
		-	-	*0.08*	-
- RCSPL		-	-	-	-
		-	-	*0.10*	-
Dividend paid					
- BIPL		-	-	13.28	-
		-	-	*13.28*	-
- RIPL		-	-	6.54	-
		-	-	*6.54*	-
- DEPL		-	-	0.03	-
		-	-	*0.03*	-
- EIPL		-	-	0.26	-
		-	-	*0.26*	-
- KECPL		-	-	0.04	-
		-	-	*0.04*	-
- KICL		-	-	-	25.78
		-	-	-	*25.78*
- Sugandha Hiremath		-	6.45	-	-
		-	*6.45*	-	-
- Jai Hiremath		1.19	-	-	-
		1.19	-	-	-
- Sameer Hiremath	-	0.26	-	-	-
	-	*0.26*	-	-	-

Notes to financial statements

For the year ended 31 March 2016

(Currency: Indian rupees in million)

Nature of Transaction	Subsidiary companies	Key management personnel	Relative of key management personnel	Enterprises over which key personnel or their relatives have significant influence	Company exercising significant influence through voting power
Lease rent paid					
- Sugandha Hiremath	-	-	2.40	-	-
	-	-	*2.40*	-	-
- Jai Hiremath	-	0.20	-	-	-
		-	-		
- RIPL	-		-	0.07	-
	-		-	*0.84*	-
- RCSPL	-		-	1.08	-
	-		-	*1.08*	-
Security deposits given					
- Jai Hiremath	-	20.00	-	-	-
	-	-	-	-	-
Security deposits repaid					
- RIPL	-	-	-	2.12	-
Inter corporate deposits repaid					
- BIPL	-	-	-	-	-
	-	-	-	*15.20*	-
- RIPL	-	-	-	-	-
	-	-	-	*4.80*	-
- EIPL	-	-	-	-	-
	-	-	-	*1.40*	-
- KECPL	-	-	-	-	-
	-	-	-	*4.10*	-
- DEPL	-	-	-	-	-
	-	-	-	*5.45*	-
- RCSPL	-			-	-
	-	-	-	*5.50*	-
Loans/Advances granted					
- HIBV	1.56	-	-	-	-
	1.12	-	-	-	-
Outstanding balance debit/(credit)					
Long term loans and advances					
- HIBV	10.63	-	-	-	-
	9.07	-	-	-	-
Commission payable					
- Jai Hiremath	-	(5.50)	-	-	-
	-	*(6.35)*	-	-	-
- Sameer Hiremath	-	(5.50)	-	-	-
	-	*(6.35)*	-	-	-
Security deposit					
- Jai Hiremath	-	20.00	-	-	-
	-	-	-	-	-
- Sugandha Hiremath	-	-	50.00	-	-
	-	-	*50.00*	-	-

Note: The figures in italics are in respect of previous year.

30 Leases

a) Operating Leases

The Company has taken printers, copiers and office and residential premises under cancellable and non-cancellable operating lease arrangements. Lease rentals debited to the statement of profit and loss aggregates ₹ 6.39 million (P.Y. 3.45 million) for non-cancellable lease and ₹ 14.35 million (P.Y. 14.73 million) for cancellable lease. The additional disclosures in respect of non-cancellable leases are given below:

	Year ended 31 March 2016	Year ended 31 March 2015
Future minimum lease payments in respect of non-cancellable leases:		
- not later than one year	5.17	3.57
- later than one year but not later than five years	14.12	2.95
- later than five years	6.04	-

b) Finance Leases

Certain items of plant and machinery 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 :	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Payable within 1 year	0.44	9.84	0.42	9.34
Payable between 1-5 years	-	0.44	-	0.42
Payable later than 5 years	-	-	-	-

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

	Non Current portion		Current portion	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
a) Total minimum lease payments	-	0.44	0.44	9.84
b) Future interest included in (a) above	-	0.02	0.02	0.50
c) Present value of future minimum lease payments {a-b}	-	0.42	0.42	9.34

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

31 Earnings Per Share

(Rupees in million, except per share data)

	Year ended 31 March 2016	Year ended March 31 2015
Basic and diluted earnings per share		
Profit after taxation	413.17	405.09
Numerator used for calculating earnings per share	413.17	405.09
Calculation of weighted average number of equity shares		
Number of equity shares outstanding at the beginning of the year	82,200,500	16,440,100
Increase in number of equity shares on account of Sub-division*	-	65,760,400
Number of equity shares outstanding at the end of the year	82,200,500	82,200,500
Weighted average number of equity shares outstanding during the year (based on date of issue of shares)	82,200,500	82,200,500
Basic and diluted earnings per share (₹)	5.03	4.93
Nominal value per shares (₹)	2	2

*During the previous year, the Company has subdivided its 16,440,100 equity shares of ₹ 10 each into 82,200,500 equity shares of ₹ 2 each on 16 February 2015. The disclosure of number of shares in the particulars of Shareholding and the disclosure of Earnings per share (in compliance with AS-20) has been arrived at after giving effect to the above sub-division.

Notes to financial statements

For the year ended 31 March 2016
(Currency: Indian rupees in million)

32 Details of dues to micro and small supplies

Particulars	31 March 2016	31 March 2015
The principal amount remaining unpaid to any supplier as at the year end of each accenting year	40.24	42.20
The interest due thereon remaining unpaid to any supplier at end of each accounting year	-	-
The 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.	-	-
The 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 Micro Small and Medium Enterprises Development Act, 2006	-	-
The 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 Succeeding 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 Section 23 of the Micro Small and Medium Enterprises Development Act, 2006	-	-

33 Deferred tax liabilites (net)

	31 March 2016	31 March 2015
Deferred tax assets:		
Provision for employee benefits	43.33	49.98
Provision for doubtful trade receivables and advances	31.07	26.27
Provision for inventory obsolescence	9.95	9.78
Total deferred tax assets	84.35	86.02
Deferred tax liabilities:		
Excess of depreciation on fixed assets under income tax law over depreciation provided in accounts	361.52	365.43
Excess of allowance for lease rental under income tax law over depreciation and interest charged on the leased assets in accounts	8.11	5.70
Excess claim for loan processing changes under Income Tax Law	15.20	-
Total deferred tax liabilities	384.83	371.13
Deferred tax liabilities(net)	300.48	285.11

34 Derivative Instruments

The Company uses derivative and forward contracts to hedge its risks associated with foreign currency fluctuations. Such transactions are governed by the strategy approved by the Board of Directors which provides principles on the use of these instruments consistent with the Company's Risk Management Policy. The Company does not use these contracts for trading or speculative purposes. In the previous year ended on 31 March 2015, the Company had marked to market forward contracts outstanding as at 31 March 2015 which had resulted in a net gain of ₹10.27 Million. The Company has not recongnised the mark-to-market gain on prudent basis as it is notional in nature. The Company does not have any outstanding derivative contracts as at 31 March 2016.

The foreign currency exposures hedged as at the year end are as under:

Category	No. of contracts	Amount in foreign currency (Million)	Equivalent amount in Rupees (Million)	Purpose
Currency/ interest swaps	-	-	-	Hedging of term loan/interest
	2	USD 2.40	150.02	

	31 March 2016			31 March 2015		
	Foreign Currency		₹million	Foreign Currency		₹million
	Curr.	Amt.	Amt.	Curr.	Amt.	Amt.
Amount receivable in foreign currency on account of following :						
-Export of goods	USD	-	-	USD	7.50	492.20

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

	31 March 2016			31 March 2015		
	Foreign Currency		₹million	Foreign Currency		₹million
	Curr.	Amt.	Amt.	Curr.	Amt.	Amt.
a. Amount receivable in foreign currency on account of following :						
- Export of goods	USD	7.16	475.10	USD	2.15	134.29
	EUR	2.25	169.01	EUR	3.02	203.88
	JPY	-	-	JPY	0.02	0.01
	GBP	0.22	21.16	GBP	-	-
b. Amount payable in foreign currency on account of following:						
(i) Import of goods & Services	USD	7.92	525.21	USD	9.38	587.16
	EUR	2.11	158.32	EUR	1.09	73.64
	GBP*	-	0.03	GBP	-	-
(ii) Loan payables	USD	16.44	1,090.63	USD	20.00	1,252.00
(iii) Working capital loan from bank	USD	14.12	936.73	USD	19.82	1,240.84
	EUR	0.63	47.47	EUR	9.53	643.36
c. Other Advances	USD	0.51	33.95	USD	0.65	40.64
	EUR	0.03	2.22	EUR	0.07	4.54
d. Bank balance	GBP*	-	0.26	GBP	-	-
	USD	0.03	1.79	USD	0.02	1.57
	EUR	-	-	EUR	0.10	6.89

*Amount less than 10,000/-

Notes to financial statements

For the year ended 31 March 2016
(Currency: Indian rupees in million)

35 Loans and advances in the nature of loans given to subsidiary as per the provisions of Regulations 34(3) of Securities Exchange Board of India (SEBI) (Listing obligations and disclosure requirement) Regulations 2015

- Hikal International B.V ₹10.63 million (P.Y. ₹ 9.07 million) [Maximum amount outstanding during the year ₹ 10.63 Million (P.Y. ₹ 9.07 Million)]

36 Research and Development

	31 March 2016	31 March 2015
Revenue expenditure on research and development expenses (including depreciation) included under the relevant heads in the statement of profit and loss	306.97	336.78
Capital expenditure	40.73	7.86

37 Payment to Auditor's'

	31 March 2016	31 March 2015
- Audit fees	3.70	3.30
- Limited review of quarterly results	2.10	1.95
- Certification and other matters	0.45	0.08
- Out-of-pocket expenses	0.21	0.16
Total	6.46	5.49

38 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.

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

Assumptions made for the actuarial valuation of Gratuity Liability and Compensated Leave 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.

(Currency: Indian rupees in million)

		2015-16		2014-15	
A.	**Expenses recognised in the statement of profit & loss for the year ended 31 March**	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	1. Interest cost	5.32	7.45	4.80	7.29
	2. Current service cost	10.52	13.00	8.40	12.69
	3. Expected return on planned assets	-	-	-	-
	4. Net actuarial (gain) / loss on obligations	5.22	46.03	3.43	15.03
	Total expenses recognised in statement of profit and loss	21.06	66.48	16.63	35.01
B.	**Net asset / (liability) recognised in the balance sheet**				
	1. Present value of the obligation as on 31 March	74.11	65.25	66.46	91.08
	2. Fair value of planned assets as on 31 March	(14.15)	-	(12.50)	-
	Liability recognised in the balance sheet	59.96	65.25	53.96	93.08
C.	**Change in plan assets**				
	1. Fair value of the plan as on 1 April	14.12	-	13.10	-
	2. Actual return of plan assets	1.60	-	-	-
	3. Employer's contribution	1.94	-	-	-
	4. Benefit paid	(3.51)	-	(0.60)	-
	5. Plan assets as at 31 March	14.51	-	12.50	-
D.	**Change in present value of obligation**				
	1. Present value of obligation as on 1 April	66.46	93.08	59.99	91.08
	2. Interest cost	5.32	7.45	4.80	7.29
	3. Current services cost	10.52	13.00	8.40	12.69
	4. Benefits paid	(13.41)	(94.31)	(10.16)	(33.01)
	5. Net actuarial (gain) / loss on obligations	5.22	46.03	3.43	15.03
	Present value of obligation as per actuarial valuation as at 31 March	74.11	65.25	66.46	93.08
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	N.A	N.A.	N.A	N.A
	b. Un-funded	N.A	N.A	N.A	N.A
	4. Mortality rate	Indian Assured Lives Mortality(2006-08)ultimate		Indian Assured Lives Mortality(2006-08)ultimate	

		2016	2015	2014	2013	2012
F.	**Experience adjustment**					
	1. Defined benefit obligation	74.11	66.46	59.99	50.93	41.66
	2. Plan assets (including bank balance)	14.15	12.50	13.10	14.53	13.30
	3. Surplus/(Deficit)	59.96	53.96	46.89	36.40	28.36
	4. Experience adjustments of obligation	5.22	3.43	2.65	2.98	6.24
	5. Experience adjustment on plan assets	0.47	NA	NA	0.17	0.14

Contribution to provident and other funds

On account of defined contribution plans the Company's contribution to Provident Fund and Superannuation Fund aggregating ₹ 43.13 million (P.Y. ₹ 36.58 million) has been recognized in the statement of profit and loss under the head employee benefits (Refer note23).

Notes to financial statements

For the year ended 31 March 2016
(Currency: Indian rupees in million)

40 Additional information

a) Raw material consumption

	31 March 2016 Amount	31 March 2015 Amount
Cyclohexane Diacetic Acid	820.49	844.61
SMPGM	384.20	563.16
Iso Propyl Alcohol (IPA)	60.74	45.22
Liquid Bromine	93.29	145.61
Acetone	84.83	138.33
Iso-Butyl Chloro Valeriate	114.39	62.29
Caustic Soda Lye	146.70	129.92
Ethyl 2-Bromobutyrate	266.83	316.11
Ethyl Propionate	26.62	58.78
Others	2,479.59	2,014.83
	4,477.68	4,318.86

b) Indigenous and imported consumption

	Amount	%	Amount	%
Raw materials				
Indigenous	2,018.72	45.08	1,798.90	41.65
Imported	2,458.96	54.92	2,519.46	58.35
	4,477.68	100.00	4,318.86	100.00
Stores and spares				
Indigenous	150.37	95.46	121.74	90.22
Imported	7.15	4.54	13.20	9.78
	157.52	100.00	134.94	100.00

c) Stocks and Turnover

Class of Goods	Work-in-progress Opening stock	Work-in-progress Closing stock	Finished Goods Opening stock	Finished Goods Closing stock	Turnover
Crop protection products	130.72	71.20	298.86	211.91	3,565.13
	221.70	*130.72*	*88.53*	*298.86*	*3,268.19*
Bulk drugs	448.59	388.97	181.06	222.27	5,689.45
	308.02	*448.59*	*392.30*	*181.06*	*5,198.76*
Others	-	-	-	-	-
	-	-	-	-	*204.75*
Income from	-	-	-	-	1.91
services rendered	-	-	-	-	*46.82*
Total	579.31	460.17	479.92	434.18	9,256.49
	529.72	*579.31*	*480.83*	*479.92*	*8,718.52*

Note: Figures in Italics are in respect of previous Year

	31 March 2016	31 March 2015
d) CIF value of imports		
Raw materials	2,501.31	2,439.21
Capital goods	27.14	33.45
Stores and spares	6.89	13.20
e) Earnings in foreign exchange		
FOB value of exports	7,316.73	6,890.04
f) Expenditure in foreign currency		
Interest	127.88	120.90
Professional charges	9.97	16.90
Commission	5.38	4.91
Traveling expenses	9.11	12.48
Others	46.15	47.64
g) Remittance in foreign currency on account of dividends		
Period to which it relates	2014-15	2013-14
Number of Non Resident Shareholders	1	1
Number of equity shares held on which dividend is due	1,21,550	24,310
Amount remitted	0.12	0.07

(Currency: Indian rupees in million)

41. Disclosure under section186 of the Companies Act 2013

The details of loan under Section 186 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014 are as follows:

Name of entity / parties	As at 31 March 2015	Loan given during the year	Repaid during the year	As at 31 March 2016
Hikal International B.V.	9.07	1.56	(-)	10.63

Note

Purpose of utlisation of above loan	Working capital
Loan repayment terms	Repayable on demand
Rate of interest	Nil

42. As per Section 135 of the Act, a CSR committee has been formed by the Company. The funds are utilised during the year on the activities which are specified in Schedule VII of the Act. The utilisation is done by way of direct contribution towards various activities.

Gross amount required to be spent by the Company during the year was ₹12.77 million.

The areas of CSR activities and contributions made thereto are as follows.

Amount spent during the year on:	Amount
Protection of national heritage	3.00
Education	3.13
Promoting vocational skill	1.50
Natural disaster relief Chennai	0.46
Natural disaster relief Nepal	0.05
Others	0.86
Total	**9.00**

43. Other information

Information with regard to other matters, as required by Schedule III to the Act is either nil or not applicable to the Company for the year.

As per our report of even date attached
For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
6 May 2016

For and on behalf of the Board of Directors of Hikal Limited
CIN: L24200MH1988PTC048028

Jai Hiremath
Chairman & Managing Director- DIN: 00062203

Kannan K. Unni
Director- DIN: 00227858

Sham Wahalekar
Chief Financial Officer & Company Secretary- CS Membership No: 8745

Mumbai
6 May 2016

Cash flow statement

For the year ended 31 March 2016

(Currency: Indian rupees in million)

			31 March 2016		31 March 2015	
A	**Cash flow from operating activities**					
	Profit before tax			533.06		598.56
	Adjustments –					
	Depreciation and amortisation		672.76		641.78	
	Mark to market gain/(loss) on forward contracts		-		(3.25)	
	Dividend on long-term investments*		(0.05)		-	
	Finance costs		621.85		600.47	
	Interest Income		(12.46)		(11.97)	
	Sundry balances written off		4.41		3.44	
	Provision for doubtful debts		12.50		30.50	
	Unrealised foreign exchange (gain)/loss		36.94		6.92	
				1,335.95		1,267.89
	Operating cash flow before working capital changes			1,869.01		1,866.45
	Decrease/(Increase) in trade receivables		142.38		(435.08)	
	(Increase) in loans and advances and other assets		(213.38)		(130.14)	
	Decrease/(increase) in inventories		228.41		(26.61)	
	(Decrease)/increase trade payables		(88.82)		62.28	
	Increase/(decrease) in provisions and other liabilities		45.51		(183.51)	
				114.10		(713.06)
	Cash generated from operation			1,983.11		1,153.39
	Income tax paid			(126.12)		(130.65)
	Net cash flow generated from operating activities	(A)		1,856.99		1,022.74
B	**Cash flow from investing activities**					
	Purchase of fixed assets (tangible and intangible fixed assets, capital work in-progress and capital advances)		(588.36)		(485.46)	
	Dividend on long-term investments*		0.05		-	
	Interest received		22.92		10.21	
	Loans given to subsidiaries		(1.56)		(1.12)	
	(Increase)/decrease in other bank balances (includes margin money account)		(73.74)		(46.39)	
	Net cash flow/(used in) by investing activities	(B)		(640.69)		(429.98)

* Amount less than ₹ 10,000/- for the previous year

Cash flow statement

For the year ended 31March 2016

(Currency: Indian rupees in million)

			31 March 2016		31 March 2015	
C	**Cash flow from financing activities**					
	Proceeds from long term borrowings		2,477.85		590.00	
	Repayment of long term borrowings		(2,409.28)		(766.55)	
	Repayments of proceeds from short-term borrowings (net)		(584.75)		154.18	
	Principal payment under finance leases		(9.34)		(17.46)	
	Mark to market loss on forward contracts		-		3.25	
	Finance costs paid		(611.10)		(603.50)	
	Dividend paid on equity shares (including corporate dividend tax)		(98.93)		(48.09)	
	Net cash flow used by financing activities	**(C)**		(1,235.55)		(688.17)
	Net decrease in cash and cash equivalents (A+B+C)			(19.25)		(95.41)
	Cash and cash equivalents at the beginning of the year			62.15		157.56
	Cash and cash equivalents at the end of the year			42.90		62.15

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'.

2. Cash and cash equivalents include:

	31 March 2016	31 March 2015
Cash on hand	1.44	1.63
Balances with banks		
- Current accounts	35.47	48.64
- Exchange Earners Foreign Currency accounts	1.79	8.46
- Deposits accounts (demand deposits and deposits having original maturity of 3 months or less)	4.20	3.42
Cash and cash equivalents at the end of the year (Refer note 16)	42.90	62.15

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
6 May 2016

For and on behalf of the Board of Directors of Hikal Limited
CIN: L24200MH1988PTC048028

Jai Hiremath
Chairman & Managing Director- DIN: 00062203

Kannan K. Unni
Director- DIN: 00227858

Sham Wahalekar
Chief Financial Officer & Company Secretary- CS Membership No: 8745

Mumbai
6 May 2016

Statement containing the salient features of the financial statements of subsidiaries

Form AOC-1- pursuant to first provision to sub section (3) of section 129 of the Companies Act, 2013 read with rule 5 of the Companies (Accounts) rules, 2014

(₹ Million except % of shareholding)

	Particulars	Hikal International BV	Acoris Research Limited
a)	Share Capital	5.41	150.50
b)	Reserves	17.45	(150.51)
c)	Total Assets	0.03	-
d)	Total Liabilities	12.07	(0.01)
e)	Investment	-	-
f)	Turnover	-	-
g)	Loss before taxation	1.16	0.003
h)	Provision for taxation	-	-
I)	Loss after Taxation	1.16	0.003
j)	% of shareholding	100	100

Independent Auditors' Report

To the Members of Hikal Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Hikal Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") comprising of the consolidated balance Sheet as at 31 March 2016 and the consolidated statement of profit and loss and the consolidated cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's responsibility for the consolidated financial statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (particularly Accounting Standard 21 - Consolidated Financial Statements). The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under sub section (10) of Section 143 of the Act. 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 the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, 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 financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

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 report of other auditors, the aforesaid consolidated 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, of the consolidated state of affairs of the Group as at 31 March 2016 and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other matters

We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of ₹ 0.03 million as at 31 March 2016, total revenues of ₹ Nil and net cash inflows amounting to ₹ 0.07 million for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors

Our opinion on the consolidated financial statements, and our report on other legal and regulatory requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on other legal and regulatory requirements

1. As required by sub-section (3) of Section143 of the Act, based on our audit and on the consideration of report of the other auditors on the separate financial statements of the subsidiaries we report, to the extent applicable, that:

(a) we have sought and obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit of the aforesaid consolidated financial statements;

(b) in our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;

(c) the consolidated balance sheet, the consolidated statement of profit and loss and the consolidated cash flow statement dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

(d) in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

(e) on the basis of the written representations received from the directors of the Holding Company as on 31 March 2016 taken on record by the Board of Directors of the Holding Company and the report of the statutory auditors of its subsidiary company incorporated in India, none of the directors of the Group companies, incorporated in India, are disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) with respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls of the Company and its subsidiary company incorporated in India, based on the comments in the auditors' reports of the Holding company and Acoris Research Limited, subsidiary company incorporated in India, we give in the Annexure our Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act ; and

(g) with respect to the other matters to be included in the auditor's report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of report of the other auditors, as noted in the 'Other matters' paragraph

   i. the Group has disclosed the impact of pending litigations on its financial position in its consolidated financial statements – Refer Note 26 to the consolidated financial statements;

   ii. the Group did not have any long-term contracts, including derivative contracts, for which there were any material foreseeable losses; and

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary company incorporated in India.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
6 May 2016

Annexure A to the Independent Auditors' Report – 31 March 2016

(Referred to in our report of even date)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2016, we have audited the internal financial controls over financial reporting of Hikal Limited (hereinafter referred to as "the Holding Company") and Acoris Research Limited, subsidiary company incorporated in India (the Holding Company and its subsidiary incorporated in India together referred to as "the Group"), as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company and the subsidiary company incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Group's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in Other matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Group's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Group has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Holding Company and its subsidiary company incorporated in India, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

Other matters

Our aforesaid report under clause (i) of sub-section 3 of Section 143 of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to Acoris Research Limited, subsidiary company incorporated in India, is based solely on the report of the auditors the aforementioned subsidiary company.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
6 May 2016

Consolidated Balance Sheet

As at 31 March 2016

(Currency: Indian rupees in million)

	Note	31 March 2016		31 March 2015
EQUITY AND LIABILITIES				
Shareholders' funds				
Share capital	3	164.40		164.40
Reserves & surplus	4	5,473.42		5,160.42
			5,637.82	5,324.82
Non-current liabilities				
Long-term borrowings	5	2,966.13		2,014.43
Deferred tax liabilities (net)	33	300.48		285.11
Long-term provisions	6	102.23		117.12
			3,368.84	2,416.66
Current liabilities				
Short-term borrowings	7	1,719.59		2,310.11
Trade payables	8			
Total outstanding dues of micro enterprises and small enterprises		40.24		42.20
Total outstanding dues of creditors other than micro enterprises and small enterprises		1,238.45		1,329.91
Other current liabilities	9	620.34		1,315.19
Short- term provisions	10	124.93		181.31
			3,743.55	5,178.72
TOTAL			12,750.21	12.920.20
ASSETS				
Non-current assets				
Fixed assets	11			
Tangible fixed assets		6,225.67		6,393.52
Intangible fixed assets		6.14		-
Capital work-in-progress		661.25		616.61
			6,893.06	7,010.13
Non-current investments	12	31.17		31.17
Long-term loans and advances	13	1,154.06	1,185.23	870.34
			8,078.29	7,911.64
Current assets				
Inventories	14	2,911.13		3,139.54
Trade receivables	15	1,123.06		1,279.71
Cash and bank balances	16	191.57		137.03
Short-term loans and advances	17	443.45		409.16
Other current assets	18	2.71		43.12
			4,671.92	5,008.56
TOTAL			12,750.21	12,920.20
Significant accounting policies	2			
The notes referred to above form an integral part of the consolidated financial statements	3-36			

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
6 May 2016

For and on behalf of the Board of Directors of Hikal Limited
CIN: L24200MH1988PTC048028

Jai Hiremath
Chairman & Managing Director- DIN: 00062203

Kannan K. Unni
Director- DIN: 00227858

Sham Wahalekar
Chief Financial Officer & Company Secretary- CS Membership No: 8745

Mumbai
6 May 2016

Consolidated statement of profit and loss

For the year ended 31 March 2016
(Currency: Indian rupees in million)

	Note	31 March 2016	31 March 2015
Revenue from operations			
Sale of products (gross)	19	9,186.44	8,601.99
Less: Excise duty		98.20	56.75
Sale of products (net)		9,088.24	8,545.24
Sale of services		1.91	46.82
Other operating revenue		166.34	126.46
Other income	20	18.41	15.77
Total Revenue (I)		9,274.90	8,734.29
Expenses			
Cost of materials consumed	21	4,477.68	4,318.86
Changes in inventories of finished goods and work-in-progress	22	164.88	(48.68)
Employee benefit expense	23	1,080.56	892.04
Finance cost	24	622.12	600.47
Depreciation and amortisation expense	11	672.76	641.90
Other expense	25	1,725.00	1,732.18
Total Expenses (II)		8,743.00	8,136.77
Profit Before Tax (I-II)		531.90	597.52
Income tax expense			
- Current tax		118.07	217.57
- Less: MAT credit entitlement		(13.55)	-
- Deferred tax charge/(credit)		15.37	(24.10)
Total tax expenses		119.89	193.47
Profit for the year		412.01	404.05
Basic and diluted earnings per share ₹	32	5.01	4.92
(Face value per share ₹2/-)			
Significant accounting policies	2		
The notes referred to above form an integral part of the consolidated financial statements	3-36		

As per our report of even date attached
For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
6 May 2016

For and on behalf of the Board of Directors of Hikal Limited
CIN: L24200MH1988PTC048028

Jai Hiremath
Chairman & Managing Director- DIN: 00062203

Kannan K. Unni
Director- DIN: 00227858

Sham Wahalekar
Chief Financial Officer & Company Secretary- CS Membership No: 8745

Mumbai
6 May 2016

1. Company overview

Hikal Limited ('Hikal' or 'the Company') was incorporated 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 (India):** A 100% subsidiary of the Company

b) **Hikal International BV (Netherlands) :** A 100% subsidiary of the company engaged in trading activities.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these consolidated financial statements.

A Principles of consolidation

The consolidated financial statements relate to Hikal Limited ('the Company') and all of its subsidiary companies and companies controlled, that is, companies over which the Company exercises control / joint control over ownership and voting power (herein after collectively referred to as 'the Group'). The consolidated financial statements have been prepared on the following basis:

a. The financial statements of the Company together with audited financial statements of its subsidiaries have been considered for the purpose of consolidation. The consolidated financial statements of the Company and its subsidiaries are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions and resultant unrealised profits or losses in accordance with the accounting principles generally accepted in India ('Indian GAAP') and comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Account) Rules, 2014 and other relevant provisions of the Companies Act, 2013 ('Act'), to the extent applicable.

b. In translating the financial statements of a non-integral operation for incorporation in the consolidated financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral operation are translated at the closing exchange rate; income and expense items of the non-integral operation are translated using the average exchange rates prevailing during the reporting period. All resulting exchange differences are accumulated in foreign currency translation reserve until the disposal of the net investment.

c. On the disposal/closure of a non-integral operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or expense in the same period in which gain/loss on disposal of the operation is recognised.

d. Investments in subsidiaries are eliminated and differences between the costs of investment over the net assets on the date of the investment in subsidiaries are recognised as goodwill or capital reserve, as the case may be.

e. The excess of cost to the Company of its investments in subsidiaries over its share of the equity of the subsidiaries at the date on which the investment in subsidiaries are made, is recognised as “Goodwill on Consolidation” being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary companies as on the date of investment is in excess of the investment of the Company, it is recognised as “Capital Reserve” and shown under the head “Reserves and surplus” in the consolidated financial statements. Impact of currency translation on such “Goodwill” and “Capital Reserve” is adjusted in the respective carrying amounts. Goodwill on consolidation is not amortised but is tested for impairment on each balance sheet date and impairment losses are recognised, where applicable

f. As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's standalone financial statements

g. The financial statements of the entities used for the purpose of consolidation are drawn upto the same reporting date as that of the parent Company, i.e. 31 March 2016.

h. Investments other than in subsidiaries, associates and joint ventures are accounted as per the Accounting Standard (AS) -13 “Accounting for Investments”

B. Basis of preparation of consolidated financial statements

These consolidated financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards as prescribed under Section 133 of the Companies Act, 2013 ('Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the act (to the extend notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied. The consolidated financial statements are presented in India rupees rounded off to the nearest million.

Notes to consolidated financial statements

For the year ended 31 March 2016

(Currency: Indian rupees in million)

C Use of estimates

The preparation of the consolidated financial statements in conformity with Generally Accepted Accounting Principles in India requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the consolidated financial statements. Management believes that the estimates made in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

Current / Non-current classification

The Schedule III to the Act requires all assets and liabilities to be classified as either current or non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

(a) it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is expected to be realised within twelve months after the balance sheet date; or

(d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

Current assets include current portion of non-current financial assets. All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

(a) it is expected to be settled in, the entity's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is due to be settled within twelve months after the balance sheet date; or

(d) the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

Operating cycle

All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out above which are in accordance with the Schedule III to the Act.

Based on the nature of services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current – non-current classification of assets and liabilities

D. Fixed assets and capital work-in progress

Tangible assets

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 capitalised. Other pre-operative expenses for major projects are also capitalised, where appropriate.

Tangible fixed assets under construction are disclosed as capital work-in-progress. Advances paid for acquisition of fixed assets are disclosed under long term loans and advances.

Intangible assets

Intangible assets that are acquired by the Group are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss. Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates.

Depreciation and amortization

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value .

Pursuant to the Act, being effective from 1 April 2014, the Group has revised the depreciation rates on fixed assets as per the useful life specified in Part 'C' of Schedule II of the Act. Consequently, depreciation charge for the period from 1 April 2014 to 31 March 2015 is higher by ₹ 43.50 Millions due to change in the estimated useful life of certain assets wherein the opening carrying value as at 1 April 2014 is depreciated over the remaining useful life. Written down value of the assets with balance useful life Nil of ₹ 46.16 Million and corresponding deferred tax impact of ₹ 15.69 million has been adjusted to the in retained earnings as per the option exercised by the Group.

Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Act except in respect of the following categories of assets, wherein the life of the assets has been assessed as under based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support, etc :

Plant and Machinery – Useful life of plant and machinery in factories are 9 to 13 years.

Leasehold land is amortised over the duration of the lease.

Leasehold improvements amortised over the primary period of lease.

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 Group'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. With effect from the previous financial year ended on 31March 2015, additional charge of depreciation on account of revaluation is debited to the Consildated statement of profit and loss and similar amount is withdrawn from revaluation reserve and credited to general reserve.

Until 31 March 2012, in respect of accounting period commencing on or after 07 December 2006 and ended on or before 31 March 2011, further extended to period ending on or before 31 March 2012 and subsequently extended till period ended on or before 31 March 2020, consequent to the insertion of paragraph 46 of AS-11 'The Effects of Changes in Foreign Exchange Rates', notified under the Companies (Accounting Standards) Rules, 2006, (as more fully explained in note 2.i), the cost of depreciable capital assets includes foreign exchange differences arising on translation of long term foreign currency monetary items as at the balance sheet date in so far as they relate to the acquisition of such assets.

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.

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

E. Impairment of assets

In accordance with AS 28 'Impairment of Assets', the carrying amounts of the Group'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 recognised in the consolidated statement of profit and loss or against revaluation surplus, where applicable. If at the consolidated balance sheet date there is an indication that previously assessed impairment loss no longer exists the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to maximum of depreciated historical cost.

F. Investments

Investments that are readily realisable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long-term investments. However, part of long-term investments which is expected to be realised within 12 months after the reporting date is also presented under 'current assets' as “current portion of long-term investment” in consonance with the current/ non-current classification scheme of Schedule III to the Act. Long-term investments (including current portion thereof) are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment.

Notes to consolidated financial statements

For the year ended 31 March 2016

(Currency: Indian rupees in million)

Current investments are carried at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments. Any reduction in the carrying amount and any reversals of such reductions are charged or credited to the consolidated statement of profit and loss.

G. **Inventories**

Raw material, packing material, stores, spares and consumables are valued at lower of cost and net realisable value. Work-in-progress and finished goods are valued at lower of cost and net realisable 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 recognised on transfer of all significant risks and rewards of ownership to the buyer, which coincides with despatch 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 recognised based on date of bill of lading.

Excise duty collected on sales is separately reduced from turnover.

Interest income is recognised on time proportion basis.

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

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 Group'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 Group 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 amortised over the balance period of such long term foreign currency liabilities or 31 March 2020 whichever is earlier.

J. Employee benefits

i) **Short term employee benefits:**

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include compensated absences such as paid annual leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the year.

ii) **Post employment benefits:**

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Group makes specified monthly contributions towards Provident Fund and Employees State Insurance Corporation. The Company's contribution is recognised as an expense in the consolidated statement of profit and loss during the period in which employee renders the related service.

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.

Defined benefit plans

The Company provides for gratuity, a defined benefit plan covering eligible employees. Liabilities with regard to the gratuity benefits payable, 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 consolidated statement of profit and loss.

Gratuity for staff at Panoli plant is funded through group gratuity insurance scheme of the Life Insurance Corporation of India ('LIC').

iii) **Other long-term employee benefits:**

Compensated absences

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date as determined by an independent actuary based on projected unit credit method. The discount rates used for determining the present value of the obligation under other long term employment benefits plan, are based on the market yields on Government securities as at the balance sheet date.

K. Leases

Leases under which the Group 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 consolidated 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 consolidated statement of profit and loss on a straight-line basis over the lease term.

Notes to consolidated financial statements

For the year ended 31 March 2016
(Currency: Indian rupees in million)

L. Taxation

Income tax expense comprises current income tax (i.e. amount of tax for the year determined in accordance with income tax laws) and deferred tax charge or credit (reflecting the tax effect of timing difference between accounting income and taxable income for the year).

The deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however; where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay tax during the specified period in accordance with applicable tax rates and tax laws. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognised 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 consolidated statement of profit and loss and shown as MAT Credit Entitlement. The Group 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.

M. Research and Development

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

N. Export incentives

Export incentives principally comprises of Duty Drawback, Merchandise Export from India Scheme, Excise Duty rebate and other export incentive schemes. The benefits under these incentive schemes are available based on the guidelines formulated for respective schemes by the government authorities. These incentives are recognised as revenue on accrual basis to the extent it is probable that realisation is certain.

O. Provisions and contingencies

The Group 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.

Provision reviews at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent liabilities are disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Group or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of amount of the obligation cannot be made. Contingent Liabilities are not recognised but are disclosed in the notes.

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 calculated 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 consolidated 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.

		31 March 2016	31 March 2015
3	**Share Capital**		
	Authorised		
	125,000,000 Equity Shares of ₹ 2/- each (P. Y. : 125,000,000 equity shares of ₹ 2/- each)	250.00	250.00
	5,000,000 Cumulative Redeemable Preference Shares of ₹100/- each (P. Y. : 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		
	82,200,500 Equity Shares of ₹2/- each fully paid-up	164.40	164.40
	(P. Y.:82,200,500 equity Shares of ₹ 2/- each fully paid up)		
		164.40	164.40

a. During the previous year, the Company has altered the Memorandum and Articles of Association by passing special resolution of the shareholders through postal ballot / e-voting on 16 February 2015 and subdivided its 16,440,100 equity shares of ₹10 each into 82,200,500 equity shares of ₹2 each. The number of Equity shares of the Authorised, Issued and subscribed and paid-up capital has been sub-divided accordingly.

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

Equity shares

	31 March 2016		31 March 2015	
	No. million	₹ in million	No. million	₹ in. million
At the beginning of the year	82.20	164.40	16.44	164.40
Increase in number of equity shares on account of sub division	-	-	65.76	-
Outstanding at the end of the year (Refer note a above)	82.20	164.40	82.20	164.40

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

The Company has only one class of equity shares having a par value of ₹2 (P.Y. ₹2) 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 2016, the amount of per share dividend recognised as distributions to equity shareholders is Re 1 on a face value of ₹2 (P.Y. Re 1 on a face value of ₹2).

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.

Notes to consolidated financial statements

For the year ended 31 March 2016

(Currency: Indian rupees in million)

d. **Details of shareholders holding more than 5% shares in the Company**

	31 March 2016		31 March 2015	
	No. million	% holding in the class	No. million	% holding in the class
Equity shares of ₹2/-(P. Y. ₹2/-) each fully paid				
Kalyani Investment Company Ltd.	25.78	31.36	25.78	31.36
Shri Badrinath Investment Pvt. Ltd.	13.28	16.15	13.28	16.15
International Finance Corporation	6.80	8.27	6.80	8.27
Reliance Capital Trustee Co Ltd	5.88	7.16	6.58	8.00
Shri Rameshwara Investment Pvt. Ltd.	6.54	7.96	6.54	7.96
Sugandha J Hiremath	6.45	7.84	6.45	7.84

	31 March 2016	31 March 2015
4 Reserve and surplus		
Capital Reserve		
At the commencement and at the end of the year	0.44	0.44
Capital redemption reserve		
At the commencement and at the end of the year	509.82	509.82
Securities premium account		
At the commencement and at the end of the year	1,131.99	1,131.99
Revaluation reserve on land		
At the commencement of the year	1,063.28	1,070.97
Less: Amount transferred to general reserve	7.69	7.69
	1,055.59	1,063.28
State subsidy		
At the commencement and at the end of the year	5.50	5.50
Contingency reserve		
At the commencement and at the end of the year	30.00	30.00
General reserve		
At the commencement of the year	616.17	558.48
Add: Amount transferred from revaluation reserve	7.69	7.69
Add : Amount transferred from surplus	50.00	50.00
	673.86	616.17.
Foreign currency translation reserve		
At the commencement of the year	(27.56)	(30.65)
For the year	(0.08)	3.09
	(27.64)	(27.56)
Surplus in Consolidated statement of Profit and loss (Profit and loss balance)		
At the commencement of the year	1,830.78	1,606.13
Profit for the year	412.01	404.05
Appropriations		
Impact of depreciation pursuant to adoption of useful lives as per Schedule II of the Companies Act, 2013 (refer note 2(d) and note 11)	-	46.16
Deferred tax on above	-	15.69
Interim dividend on equity shares [amount per share ₹ 0.50 on face value of ₹ 2 (P.Y. Re 0.50 on face value of ₹ 2)]	41.10	41.10
Proposed final dividend on equity shares [amount per share Re 0.50 on face value of ₹ 2 (P.Y. Re 0.50 on face value of ₹ 2)]	41.10	41.10
Tax on interim and proposed equity dividend	16.73	16.73
Transfer to general reserve	50.00	50.00
Total appropriations	148.93	179.40
Net surplus in consolidated Statement of profit and loss	2,093.86	1,830.78
Total reserves and surplus	5,473.42	5,160.42

(Currency: Indian rupees in million)

		31 March 2016	31 March 2015
5	**Long-term Borrowings**		
	Secured		
	Term loans from banks		
	Rupee (refer note a (i) and b (i) below)	1,260.02	1,056.42
	External commercial borrowing (refer note a (ii to iii) and b (i) below)	244.79	52.17
	Term loans from financial institutions		
	Rupee (refer note a (iv) and b (ii) below)	630.02	100.00
	External commercial borrowing (refer note a (v) and b (ii) below)	530.72	751.20
	Term loans from others		
	Rupee (refer note a (vi) and b (ii) below)	294.00	45.56
	Vehicle loans		
	From banks -Rupee (refer note a (vii) and b (iii) below)	2.73	2.24
	From Others -Rupee (refer note a (vii) and b (iii) below)	3.85	6.42
	Finance lease obligations	-	0.42
	(refer note b(iii) below and note 30)		
	TOTAL	2,966.13	2,014.43

a. Nature of Security :

i) Rupee term loan from banks is secured by first pari passu charge on the fixed assets of the Company's plants situated at Taloja, Panoli and Bangalore, R&D Centre at Pune and office at CBD Belapur (Navi Mumbai) and second pari passu charge on entire current assets both present and future.

ii) External Commercial borrowing from one bank is secured by first pari passu charge on the fixed assets of the Company's plants situated at Taloja, Panoli and Bangalore, R&D Centre at Pune and office at CBD Belapur and second pari passu charge on entire current assets both present and future.

iii) External Commercial borrowing from bank is secured by first pari passu charge on the fixed assets of the Company's plants situated at Taloja, Panoli, and Bangalore and second pari passu charge on entire current assets both present and future.

iv) Rupee term loan from financial institutions is secured by first pari passu charge on the fixed assets of the Company's plants situated at Taloja, Panoli and Bangalore, R&D Centre at Pune and office at CBD Belapur (Navi Mumbai) and second pari passu charge on entire current assets both present and future.

v) External Commercial borrowing from financial institutions is secured by first pari passu charge on the fixed assets of the Company's plants situated at Taloja, Panoli, and Bangalore and second pari passu charge on entire current assets both present and future.

vi) Rupee term loan from others is secured by first pari passu charge on the fixed assets of the Company's plants situated at Taloja, Panoli, Bangalore, R&D Centre at Pune and office at CBD Belapur (Navi Mumbai) and second pari passu charge on entire current assets both present and future.

vii) Vechile loans are secured by first change on the said vechicles.

Notes to consolidated financial statements

For the year ended 31 March 2016

(Currency: Indian rupees in million)

b. Terms of repayment as on 31 March 2016 are as under :

(i)	US $ in Million	₹. in Million	Repayment Terms	Interest Rate p.a.
a		285.73	Repayable quarterly - 26 installments of ₹ 10.99 Mio starting from 31 Dec 2016	11.40%
b		100.00	Repayable quarterly - 26 installments of ₹ 3.85 Mio starting from 31 Dec 2016	11.40%
c		560.00	Repayable quarterly - 26 installments of ₹ 21.54 Mio starting from 31 Dec 2016	11.70%
d		170.00	Repayable quarterly - 26 installments of ₹ 6.54 Mio starting from 31 Dec 2016	11.70%
e		170.00	Repayable quarterly - 26 installments of ₹ 6.54 Mio starting from 31 Dec 2016	11.70%
f	0.75	49.75	Repayble quarterly - 2 instalments of US $ 0.375 Mio each starting 09.05.2016	3M Libor + 300 bps
g	3.69	244.79	Repayble quarterly - 18 instalments of US $ 0.205 Mio each starting 25.05.2019	3M Libor + 395 bps

(ii)	US $ in Million	₹. in Million	Repayment Terms	Interest Rate p.a.
a		642.87	Repayble quarterly - 26 instalments of ₹ 24.73 Mio starting from 31.12.2016	11.40%
b		300.00	Repayble quarterly - 26 instalments of ₹ 11.54 Mio starting from 31.12.2016	11.40%
c	6.00	398.04	Repayable half yearly - 6 instalments of US $ 1 Mio each starting from 15.07.2016	6M Libor + 300 bps
d	6.00	398.04	Repayable half yearly - 6 instalments of US $ 1 Mio each starting from 15.07.2016	6M Libor + 300 bps

(iii)	US $ in Million	₹. in Million	Repayment Terms	Interest Rate p.a.
a		0.75	Repayble monthly EMI of ₹ 0.025 Mio	10.49%
b		3.50	Repayble monthly EMI of ₹ 0.15 Mio	9.87%
c		1.00	Repayble monthly EMI of ₹ 0.039 Mio	10.25%
d		1.92	Repayble monthly EMI of ₹ 0.070 Mio	10.74%
e		1.49	Repayble monthly EMI of ₹ 0.047 Mio	10.26%
f		1.80	Repayble monthly EMI of ₹ 0.066 Mio	10.26%
g		0.42	Repayble quarterly EMI of ₹ 0.420 Mio	14.00%

c. Terms of repayment as on 31 March 2015 are as under :

(i)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a		66.67	Repayable quarterly - 2 instalments of ₹ 33.33 Mio starting from 20.05.2015. Repaid during the year ended 31 March 2016	13.25%
b		225.00	Repayable quarterly - 9 instalments of ₹ 25.00 Mio.starting from 11.04.2015. Repaid during the year ended 31 March 2016	12.05%
c		159.90	Repayable monthly - 36 instalments of ₹ 4.44 Mio starting from 21.04.2015. Repaid during the year ended 31 March 2016	13.75%
d		78.28	Repayable monthly - 36 instalments of ₹ 2.17 Mio starting from 29.04.2015. Repaid during the year ended 31 March 2016	13.40%
e		540.00	Repayable quarterly - 16 instalments of ₹ 33.75 Mio starting from 25.06.2015. Repaid during the year ended 31 March 2016	12.50%
f		150.00	Repayable quarterly - 20 instalments of ₹ 7.50 Mio starting from 25.06.2015. Repaid during the year ended 31 March 2016	12.25%
g		230.02	Repayable quarterly - 18 instalments of ₹ 12.78 Mio starting from 05.06.2015. Repaid during the year ended 31 March 2016	12.40%
h	4.00	250.40	Repayable quarterly - 6 instalments of US $ 0.67 Mio each. starting from 14.04.2015	Libor + 300 bps

(ii)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a		108.33	Repayable quarterly - 2 instalments of ₹ 54.17 Mio starting from 30.04.2015. Repaid during the year ended 31 March 2016	12.80%
b		200.00	Repayable quarterly - 8 instalments of ₹ 25.00 Mio starting from 20.06.2015. Repaid during the year ended 31 March 2016	LTMLR Plus 275 bps
c		37.78	Repayable monthly - 8 instalments of ₹ 4.72 Mio starting from 01.05.2015. Repaid during the year ended 31 March 2016	14.00%
d		90.00	Repayable monthly - 17 instalments of ₹ 5.29 Mio starting from 01.08.2015.	13.00%
e	8.00	500.80	Repayable half yearly - 8 instalments of US $ 1 Mio each starting from 15.07.2015.	Libor + 300 bps
f	8.00	500.80	Repayable half yearly - 8 instalments of US $ 1 Mio each starting from 15.07.2015	Libor + 320 bps

(iii)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a		1.49	Repayable monthly EMI of ₹ 0.155 Mio	9.61%
b		0.97	Repayable monthly EMI of ₹ 0.025 Mio	10.49%
c		4.88	Repayable monthly EMI of ₹ 0.150 Mio	9.87%
d		1.35	Repayable monthly EMI of ₹ 0.039 Mio	10.25%
e		2.51	Repayable monthly EMI of ₹ 0.069 Mio	10.74%
f		2.09	Repayable monthly EMI of ₹ 0.066 Mio	10.26%
g		0.13	Repayable quarterly EMI of ₹ 0.131 Mio	12.75%
h		0.16	Repayable quarterly EMI of ₹ 0.054 Mio	10.00%
i		7.49	Repayable monthly EMI of ₹ 1.070 Mio	14.00%
j		1.98	Repayable quarterly EMI of ₹ 0.395 Mio	14.00%

	31 March 2016	31 March 2015
6 Long term provisions		
Provision for employee benefits		
Provision for gratuity (refer note 35)	52.55	47.31
Provision for compensated absenses(refer note 35)	49.68	69.81
	102.23	117.12

Notes to consolidated financial statements

For the year ended 31 March 2016
(Currency: Indian rupees in million)

		31 March 2016	31 March 2015
7	**Short term borrowings**		
	Secured		
	Loans repayable on demand from banks		
	Working capital loan rupee(refer note a & b below)	735.16	210.91
	Working capital loan -Foreign currency (refer note a and b below)	984.43	1,884.20
		1,719.59	2,095.11
	Unsecured		
	Loans repayable on demand		
	Inter corporate deposits (refer note c below)	-	215.00
		-	215.00
		1,719.59	2,310.11

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

i Working capital loan from IDBI Bank Limited of ₹ 350 Million are secured by an exclusive charge on fixed assets of the Company's plant situated at Mahad.

ii Working capital loan from Standard Chartered Bank of ₹ 200 Million are secured by a first charge on office premises of the Company at CBD Belapur (Navi Mumbai).

iii Working capital loans from other banks are secured by first charge on all current assets of the Company and second pari passu charge on all fixed assets both present and future of the Company situated at R&D Unit at Banglore and Company's plants situated at Bangalore, Taloja and Panoli.

b. Working capital loans are repayable on demand and carry interest ranging from 3% to 14.50 % p.a.

c. Inter corporate deposits are repayable on demand and carries interest @ 12 % to 16 % p.a

		31 March 2016	31 March 2015
8	**Trade Payables**		
	Total outstanding dues of micro enterprises and small enterprises	40.24	42.20
	Total outstanding dues of creditors other than micro enterprises and small enterprises	1,238.45	1,329.91
		1,278.69	1,372.11
9	**Other current liabilities**		
	Current maturities of long-term borrowings	363.56	1,137.53
	Current maturities of finance lease obligations	0.42	9.34
	Interest accrued but not due on borrowings	25.43	14.68
	Other payables		
	Payables for capital purchases	39.19	71.86
	Advances from customers	80.22	18.76
	Unpaid Dividend	1.98	1.84
	Statutory dues payable		
	- Provident fund	3.31	3.20
	- Employees' state insurance	0.02	0.12
	- Tax deducted at source	19.54	11.87
	- Sales tax /Value added tax	1.61	2.42
	- Profession tax	0.23	0.24
	Employee benefits payable	84.83	43.33
		620.34	1,315.19
10	**Short term provisions**		
	Provision for employee benefits		
	Provision for gratuity	7.41	6.65
	Provision for compensated absenses	15.56	23.27
		22.97	29.92
	Other provisions		
	Proposed final equity dividend	41.10	41.10
	Proposed interim equity dividend	41.10	41.10
	Provision for tax on proposed equity dividend	16.73	16.73
	Provision for mark to market loss on derivative contract	-	42.50
	Provision for tax (net of advance tax of ₹ 230 million[P.Y.₹ 122 million])	3.03	9.96
		101.96	151.39
		124.93	181.31

(Currency: Indian rupees in million)

11 Fixed Assets

Description	Gross block					Depreciation/amortisation				Net block
	As at 01 April 2015	Additions	Deductions/ Adjustments	Adjustments of exchange difference on borrowings	As at 31 March 2016	As at 31 March 2015	For the year	Deductions/ Adjustments	As at 31 March 2016	As at 31 March 2016
Tangible assets										
Freehold land	787.38	-	-	-	787.38	-	-	-	-	787.38
Leasehold land	715.81	-	-	-	715.81	63.60	8.74	-	72.34	643.47
Buildings	1,722.14	52.93	-	-	1,775.07	455.21	59.36	-	514.57	1,260.50
Plant and machinery	7,141.20	351.84	-	64.14	7,557.18	3,651.22	555.20	-	4,206.42	3,350.76
Electrical equipments & installations	251.87	2.86	-	-	254.73	166.76	24.01	-	190.77	63.96
Office equipment	126.35	11.91	-	-	138.26	117.21	5.62	-	122.83	15.43
Furniture and fixtures	113.40	10.76	-	-	124.16	74.88	11.93	-	86.81	37.35
Leasehold Improvements	-	5.56	-	-	5.56	-	0.05	-	0.05	5.51
Vehicles	46.03	3.39	-	-	49.42	19.33	4.52	-	23.86	25.56
Ships	51.56	-	-	-	51.56	14.01	1.80	-	15.81	35.75
	10,955.74	439.25	-	64.14	11,459.13	4,562.22	671.23	-	5,233.46	6,225.67
Intangible assets										
Computer software	5.49	7.67	-	-	13.16	5.49	1.53	-	7.02	6.14
Total	10,961.23	446.92	-	64.14	11,472.29	4,567.71	672.76	-	5,240.48	6,231.81
Capital work-in-progress										661.25
Total										6,893.06

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 31 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 million has been added to the assets and credited to revaluation reserve. The additional depreciation aggregating to ₹7.69 million (P.Y.₹ 7.69 million) on account of revaluation has been charged to the consolidated statement of profit and loss and a similar amount has been transferred from the revaluation reserve to general reserve.

b. Exchange differences of ₹ 64.14 million (P.Y. ₹64.92 million) has been included in the additions to fixed assets post the exercise of option in terms of Para 46A of AS11 (pursuant to notification dated 29 December 2011 issued by the Ministry of Corporate Affairs.)

c. Plant and machinery includes assets taken on finance lease as under

Particulars	Gross Block	Depreciation charge for the year	Accumulated depreciation	Net block
31 March 2016	30.97	3.20	7.74	23.23

Notes to consolidated financial statements

As at 31 March 2016

(Currency: Indian rupees in million)

11 Fixed Assets (continued...)

Description	Gross block					Depreciation/amortisation				Net block
	As at 01 April 2014	Additions	Deductions/ Adjustments	Adjustments of exchange difference on borrowings	As at 31 March 2015	As at 1 April 2014	For the year	Deductions/ Adjustments	As at 31 March 2015	As at 31 March 2015
Tangible assets										
Freehold land	787.38	-	-	-	787.38	-	-	-	-	787.38
Leasehold land	715.81	-	-	-	715.81	54.86	8.74	-	63.60	652.21
Buildings	1,623.92	98.22	-	-	1,722.14	398.74	56.47	-	455.21	1,266.93
Plant and machinery	6,610.65	465.63	-	64.92	7,141.20	3,130.36	520.85	-	3,651.22	3,489.98
Electrical equipments & installations	251.21	0.66	-	-	251.87	115.14	32.74	18.88	166.76	85.11
Office equipment	118.22	8.13	-	-	126.35	92.03	4.05	21.13	117.21	9.14
Furniture and fixtures	112.37	1.03	-	-	113.40	55.96	13.31	5.61	74.88	38.52
Vehicles	41.23	4.80	-	-	46.03	14.56	3.94	0.83	19.33	26.70
Ships	51.56	-	-	-	51.56	12.21	1.80	-	14.01	37.55
	10,312.35	578.47	-	64.92	10,955.74	3,873.85	641.90	46.45	4,562,22	6,393.52
Intangible assets										
Computer software	5.48	-	(0.01)	-	5.49	5.48	-	(0.01)	5.49	-
	10,317.83	578.47	(0.01)	64.92	10,961.23	3,879.33	641.90	46.44	4,567.71	6,393.52
Capital work-in-progress										616.61
Total										7,010.13

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 31 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 million has been added to the assets and credited to revaluation reserve. The additional depreciation aggregating to ₹ 7.69 million (P.Y. ₹ 7.69 million) on account of revaluation has been charged to the consolidated statement of profit and loss and a similar amount was transferred from the revaluation reserve to general reserve (P.Y. ₹ 7.69 million was charged to consolidated statement of profit and loss and similar amount was transferred from the revaluation reserve and credited to consolidated statement of profit and loss).

b. Pursuant to the Companies Act, 2013 being effective from 1 April 2014, the Company has revised the depreciation rates on fixed assets as per the useful life specified in Part "C" of Schedule II of the Act. Written down value of the assets with balance useful life 'Nil' of ₹ 46.16 Million was been adjusted to the balance in Surplus (Profit and loss balance) as per the option exercised by the Company. Consequently, depreciation charge for the year is higher by 43.5 million due to change in the estimated useful life of certain assets wherein the opening carrying value as at 1 April 2014 is depreciated over the remaining useful life.

c. Exchange differences of ₹ 64.92 million (P.Y. ₹ 142.35 million) has been included in the additions to fixed assets post the exercise of option in terms of Para 46A of AS11 (pursuant to notification dated 29 December 2011 issued by the Ministry of Corporate Affairs.)

d. Plant and machinery includes assets taken on finance lease as under

Particulars	Gross Block	Depreciation charge for the year	Accumulated depreciation	Net block
31 March 2015	30.97	3.20	4.54	26.43

(Currency: Indian rupees in million)

		31 March 2016	31 March 2015
12	**Non current investments**		
	Trade Investments (valued at cost unless otherwise stated)		
	Unquoted equity investments		
	223,164 (P.Y.: 223,164) Equity Shares of Bharuch Eco Aqua. Infrastructure Ltd. of ₹10/- each, fully paid up.	2.23	2.23
	30,000 (P.Y. : 30,000) Equity Shares of Panoli Enviro Technology Ltd. of ₹10/- each, fully paid up	0.30	0.30
	14,494 (P.Y. : 14,494) Equity Shares of MMA CETP Co-operative Society Limited of ₹100/- each, fully paid up	1.45	1.45
	16% (P.Y. : 16%) Equity Shares of Jiangsu Chemstar Chemical Co Limited fully paid up	26.97	26.97
		30.95	30.95
	Other Investments (valued at cost unless otherwise stated)		
	Quoted equity investments		
	10,000 (P.Y. : 10,000) Equity Shares of Bank of Baroda of ₹2/-each fully paid up.	0.17	0.17
	2,900 (P.Y. : 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

Investment Details

	31 March 2016	31 March 2015
Equity shares of Bharuch Eco Aqua.Infrastructure Limited		
Units	223.164	223.164
Value	2.23	2.23
Equity shares of Panoli Enviro Technology Limited		
Units	30,000	30,000
Value	0.30	0.30
Equity shares of MMA CETP Co-operative Society Limited		
Units	14.494	14,494
Value	1.45	1.45
Equity shares of Jiangsu Chemstar Chemical Co Limited		
Units	16%	16%
Value	26.97	26.97
Equity shares of Bank of Baroda		
Units	10,000	10,000
Value	0.17	0.17
Equity shares of Union Bank of India		
Units	2,900	2,900
Value	0.05	0.05
Aggregate book value of quoted investments	0.22	0.22
Aggregate market value of quoted investments	1.85	2.09
Aggregate book value of unquoted investments	30.95	30.95

Notes to consolidated financial statements

For the year ended 31 March 2016

(Currency: Indian rupees in million)

		31 March 2016	31 March 2015
13	**Long term loans and advances**		
	(Unsecured and considered good)		
	To parties other than related parties		
	Capital advances	107.25	43.12
	Security deposits	59.82	57.73
		167.07	100.85
	Other loans and advances		
	MAT credit entitlement	388.34	408.26
	VAT receivable	217.10	149.01
	Balances with customs, excise, etc	228.12	159.38
	Prepaid expenses	81.50	1.03
	Loans to employees	1.93	1.81
		916.99	719.49
	To related parties		
	Security deposits given to the Directors	70.00	50.00
		1,154.06	870.34
14	**Inventories**		
	(Valued at lower of cost and net realisable value)		
	Raw materials [includes goods in transit of ₹113.23 million] (P. Y.: ₹172.28 million)	1,870.59	1,930.34
	Packing materials	13.93	10.01
	Work-in-progress	460.17	579.31
	Finished goods	434.18	479.92
	Stores, spares and consumables	132.26	139.96
		2,911.13	3,139.54
15	**Trade receivables**		
	(Unsecured)		
	Outstanding for a period exceeding six months from the date they are due for payment		
	Considered good	49.77	30.92
	Considered doubtful	65.36	52.86
	Less : Provision for doubtful receivables	65.36	52.86
	(A)	49.77	30.92
	Other receivables		
	Considered good	1,073.29	1,248.79
	(B)	1,073.29	1,248.79
	Total (A + B)	1,123.06	1,279.71

Note -

Trade receivables are presented net of bills discounted [disclosed under contingent liabilities (refer note 26)], which are secured against the underlying receivables carrying interest rates ranging from 2.5% p.a. to 14 % p.a. with a maturity of 30 days to 90 days.

(Currency: Indian rupees in million)

		31 March 2016	31 March 2015
16	**Cash and Bank Balances**		
	Cash and cash equivalents		
	Cash on hand	1.44	1.63
	Balances with banks:		
	- In current accounts	35.49	48.75
	- In exchange earners foreign currency	1.79	8.46
	- Deposits having original maturity upto three months	4.20	3.42
		42.92	62.26
	Other bank balances		
	Deposits with original maturity for more than 3 months but less than 12 months (refer note a below)	146.67	72.93
	Earmarked balances with banks-Unpaid Dividend	1.98	1.84
		148.65	74.77
		191.57	137.03
	Details of bank deposits		
	Deposits having original maturity upto three months included under Cash and cash equivalents	4.20	3.42
	Deposits with original maturity for more than 3 months but less than 12 months included under other bank balances.	146.67	72.93
		150.87	76.35

Deposits given as security

i) Margin money deposits with a carrying amount of ₹ 80.37 million (P.Y. ₹ 71.16 million) are subject to first charge to secure the Company's working capital loans.

ii) Bank deposits with a carrying amount of ₹ 67.65 million (P.Y. ₹ Nil) are subject to exclusive first charge to secure the Company's rupee term loans and external commercial borrowing term loan from one bank.

		31 March 2016	31 March 2015
17	**Short term loans and advances**		
	Unsecured		
	To parties other than related parties		
	Advance to suppliers		
	Considered good	73.21	60.25
	Considered doubtful	24.41	24.41
		97.62	84.66
	Less: Provision for doubtful advances	24.41	24.41
		73.21	60.25
	Balances with customs, excise, etc	169.09	99.64
	Prepaid expenses	46.73	35.15
	VAT / CST receivable	52.41	145.85
	MAT credit entitlement	99.60	65.00
	Loans to employees	2.41	3.27
		443.45	409.16
18	**Other current assets**		
	Interest accrued on fixed deposits	2.71	13.17
	Others	-	29.95
		2.71	43.12

Notes to consolidated financial statements

For the year ended 31 March 2016
(Currency: Indian rupees in million)

		31 March 2016	31 March 2015
19	**Revenue from operations**		
	Sales of products (gross)	9,186.44	8,601.99
	Less: Excise duty	98.20	56.75
	Sales of products (net)	9,088.24	8,545.24
	Sale of services	1.91	46.82
	Other operating revenue		
	Export incentives	155.33	113.37
	Scrap sales	11.01	13.09
	Revenue from operations	9,256.49	8,718.52
20	**Other Income**		
	Interest income on		
	Bank deposits	9.13	7.68
	Others	3.32	4.29
	Dividend on long term investments*	0.05	0.00
	Miscellaneous income	5.91	3.80
	** Amount less than ₹ 10,000/- for previous year.*	18.41	15.77
21	**Cost of Materials Consumed**		
	Raw materials at the beginning of the year	1,930.34	1,951.07
	Add : Purchases during the year	4,417.93	4,298.13
		6,348.27	6,249.20
	Less: Raw materials at the end of the year	1,870.59	1,930.34
		4,477.68	4,318.86
22	**Changes in inventories of finished goods and work-in-progress**		
	Decrease/(increase) in stocks		
	Inventories at the end of the year		
	Work-in-progress	460.17	579.31
	Finished goods	434.18	479.92
	Total A	894.35	1,059.23
	Inventories at the beginning of the year		
	Work-in-progress	579.31	529.72
	Finished goods	479.92	480.83
	Total B	1059.23	1,010.55
	Decrease/(Increase) in stocks (B-A)	164.88	(48.68)
23	**Employee benefit expense**		
	Salaries, wages and bonus	944.30	780.71
	Contribution to provident and other funds	43.13	36.58
	Gratuity expenses	21.06	16.63
	Staff welfare expenses	88.03	74.48
		1,096.52	908.40
	Less : Transfer to capital work in progress	(15.96)	(16.36)
		1,080.56	892.04

(Currency: Indian rupees in million)

		31 March 2016	31 March 2015
24	**Finance costs**		
	Interest on rupee term loan	228.23	237.97
	Interest on foreign currency term loan	43.35	31.92
	Interest on working capital loans	94.42	126.31
	Interest on bills discounted	40.29	55.17
	Other interest	48.66	53.42
	Bank charges	30.73	62.40
	Exchange difference to the extent considered as an adjustment to borrowing costs	146.20	46.10
		613.88	613.29
	Less: Transferred to capital work in progress	(9.76)	(12.82)
		622.12	600.47
25	**Other expenses**		
	Consumption of stores and spares	157.52	134.94
	Processing charges	24.86	1.13
	Power & fuel	837.00	938.54
	Advertisement	1.02	1.05
	Rent	20.74	18.18
	Rates and taxes	8.22	7.71
	Insurance	23.41	16.77
	Repairs and maintenance		
	- Plant & machinery	74.04	69.61
	- Buildings	16.54	14.76
	- Others	53.96	49.33
	Printing and stationery	12.91	12.00
	Legal and professional charges		
	- Legal charges	1.55	2.45
	- Professional charges	75.76	82.66
	Traveling and conveyance	46.49	45.54
	Vehicle expenses	12.60	11.75
	Postage, telephone and telegrams	14.59	12.45
	Payment to Auditors'	6.47	5.49
	Director's sitting fee	2.56	2.07
	Sales and distribution expenses	151.54	171.26
	Commission on sales	5.69	5.14
	Security service charges	23.76	21.24
	Sundry balance written off	4.41	3.44
	Service Charges	32.09	22.73
	Excise duty on closing stock	6.34	1.20
	Foreign exchange loss (net)	22.60	15.45
	Provision for doubtful debts	12.50	30.50
	Corporate social responsibility expenses (CSR) (Refer note 35)	9.00	0.87
	Miscellaneous expenses	66.83	56.70
		1,725.00	1,754.96
	Less: Transferred to capital work in progress	-	(22.78)
		1,725.00	1,732.18

Notes to consolidated financial statements

For the year ended 31 March 2016

(Currency: Indian rupees in million)

		As at 31 March 2016	As at 31 March 2015
26	**Contingent liabilities**		
	Bills discounted with banks	1,042.56	694.65
	Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	174.49	92.87
	Disputed demands by Excise Authorities	40.13	40.13
	Disputed demands by Income Tax Authorities	37.02	37.02
	Bank guarantee issued	63.78	49.40

In addition, the Group is subject to legal proceedings and claims, which have arisen in the ordinary course of business. The Group has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liability, where applicable in its financial statements. The Group's management does not reasonably expect that these legal actions, when ultimately concluded and determined, will have a material and adverse effect of the Group's results of operations or financial condition.

27 Capitalisation of expenditure

During the year, the Group has capitalised 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 capitalised by the Group.

	Year ended 31 March 2016	Year ended 31 March 2015
Salaries, wages and bonus	15.96	16.36
Finance Cost	9.76	12.82
Others expenses	-	22.78
Total	25.72	51.96

28 Segment reporting

The Group's financial reporting is organised into two major operating divisions' viz. crop protection and pharmaceuticals. These divisions are the basis on which the Group 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 Group's operating divisions are managed from India. The principal geographical areas in which the Group operates are India, Europe, USA and 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 Group as a whole.

Notes to consolidated financial statements

For the year ended 31 March 2016

(Currency: Indian rupees in million)

Primary segment information

Particulars	Crop Protection	Pharmaceuticals		Total
		Indian operation	Overseas operation	
Revenue (external revenue)	3,565.13	5,691.36		9,256.49
	3,343.51	*5,375.01*		*8,718.52*
Segment result	547.21	805.09	(1.16)	1,351.14
	500.32	*947.01*	*(0.90)*	*1,446.43*
Interest expenses				622.12
				600.47
Other unallocable expenditure				197.12
(net of unallocable income)				*248.44*
Profit before tax				531.90
				597.52
Segment assets	3,171.50	8.217.95	0.03	11,389.48
	3,373.28	*8,488.62*	*0.10*	*11,862.00*
Unallocated corporate assets				1,360.73
				1,058.20
Total assets				12,750.21
				12,920.20
Segment liabilities	476.58	984.04	0.46	1,461.08
	476.23	*1,083.98*	*0.87*	*1,561.08*
Unallocated corporate liabilities				5,651.31
				6,034.30
Total liabilities				7,112.39
				7,595.38
Capital expenditure for the year	170.43	358.11		528.54
	106.03	*534.26*		*640.29*
Unallocated capital expenditure				27.18
				4.72
Depreciation for the year	145.11	513.52		658.63
	144.69	*484.38*		*629.07*
Unallocated depreciation				14.13
				12.83

Secondary segment information

Particulars	Revenue	Assets employed	Capital expenditure
India	1,939.71	12,750.18	555.72
	1,828.47	*12,920.10*	*645.01*
USA and Canada	1,326.38		
	1,567.05		
Europe	2,594.45	0.03	
	2,904.39	*0.10*	
South East Asia	3,231.37		
	2,272.81		
Others	164.58		
	145.80		
Total	9,256.49	12,750.21	555.72
	8,718.52	*12,920.20*	*645.01*

Note: The figures in italics are in respect of previous year.

29. Related parties disclosure

List of related parties

Parties where control exists:

Key Management Personnel

Jai Hiremath	Chairman & Managing Director
Sameer Hiremath	President & Joint Managing Director
TMF Netherlands BV	Managing Director of Hikal International BV

Relatives of Key Management Personnel

Sugandha Jai Hiremath

Company exercising significant influence through voting power ('significant shareholder')

Kalyani Investment Company Limited (KICL)

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")
Rameshwar Investment Private Limited ("RIPL")
Badrinath Investment Private Limited ("BIPL")
Rushabh Capital Services Private Limited ("RCSPL")

Notes to consolidated financial statements

For the year ended 31 March 2016

(Currency: Indian rupees in million)

Transactions with related parties

Nature of Transaction	Key management personnel	Relative of key management personnel	Enterprises over which key personnel or their relatives have significant influence	Company exercising significant influence through voting power
Remuneration				
- Jai Hiremath	27.19	-	-	-
	24.20	-	-	-
- Sameer Hiremath	14.89	-	-	-
	13.18	-	-	-
Commission Paid				
- Jai Hiremath	5.50	-	-	-
	6.35	-	-	-
- Sameer Hiremath	5.50	-	-	-
	6.35	-	-	-
Sitting fees				
- Sugandha Hiremath	-	0.45	-	-
	-	*0.43*	-	-
Interest Paid				
- BIPL	-	-	-	-
	-	-	*0.22*	-
- KECPL	-	-	-	-
	-	-	*0.07*	-
- DEPL	-	-	-	-
	-	-	*0.10*	-
- EIPL	-	-	-	-
	-	-	*0.02*	-
- RIPL	-	-	-	-
	-	-	*0.08*	-
- RCSPL	-	-	-	-
	-	-	*0.10*	-
Management and administration fees				
- TMF Netherlands BV	-	0.89	-	-
	-	*0.93*	-	-
Dividend paid				
- KICL	-	-	-	25.78
	-	-	-	*25.78*
- BIPL	-	-	13.28	-
	-	-	*13.28*	-
- RIPL	-	-	6.54	-
	-	-	*6.54*	-
- DEPL	-	-	0.03	-
	-	-	*0.03*	-
- EIPL	-	-	0.26	-
	-	-	*0.26*	-
- KECPL	-	-	0.04	-
	-	-	*0.04*	-
- Sugandha Hiremath	-	6.45	-	-
	-	*6.45*	-	-
- Jai Hiremath	1.19	-	-	-
	1.19	-	-	-
- Sameer Hiremath	0.26	-	-	-
	0.26	-	-	-

Notes to consolidated financial statements

For the year ended 31 March 2016

(Currency: Indian rupees in million)

Transactions with related parties

Nature of Transaction	Key management personnel	Relative of key management personnel	Enterprises over which key personnel or their relatives have significant influence	Company exercising significant influence through voting power
Lease rent paid				
- Jai Hiremath	0.20	-	-	-
	-	-	-	-
- Sugandha Hiremath	-	2.40	-	-
	-	*2.40*	-	-
- RIPL	-	-	0.07	-
	-	-	*0.84*	-
- RCSPL	-	-	1.08	-
	-	-	*1.08*	-
Security deposits repaid				
- RIPL	-	-	2.12	-
	-	-	-	-
Security deposit given				
- Jai Hiremath	20.00	-	-	-
	-	-	-	-
Inter corporate deposits repaid				
- BIPL	-	-	-	-
	-	-	*15.20*	-
- RIPL	-	-	-	--
	-	-	*4.80*	-
- EIPL	-	-	-	-
	-	-	*1.40*	-
- KECPL	-	-	-	-
	-	-	*4.10*	-
- DEPL	-	-	-	-
	-	-	*5.45*	-
RCSPL	-	-	-	-
	-	-	*5.50*	-
Outstanding balance debit/(credit)				
Commision payable				
- Jai Hiremath	(5.50)	-	-	-
	(6.35)	-	-	-
- Sameer Hiremath	(5.50)	-	-	-
	(6.35)	-	-	-
Security deposits				
- Jai Hiremath	20.00	-	-	-
	-	-	-	-
- Sugandha Hiremath	-	50.00	-	-
	-	*50.00*	-	-

Note- Figure in italics are in respect of previous year

30 Leases

i) Operating Leases

The Group has taken printers, copiers and office and residential premises under cancellable and non-cancellable operating lease arrangements. Lease rentals debited to the consolidated statement of profit and loss aggregates ₹ 6.39 million (P.Y. 3.45 million) for non-cancellable lease and ₹ 14.35 million (P.Y. 14.73 million) for cancellable lease. additional disclosure in respect of non cancellable lease are given below.

	Year ended 31 March 2016	Year ended 31 March 2015
Future minimum lease payments in respect of non-cancellable leases:		
- not later than one year	5.17	3.57
- later than one year but not later than five years	14.12	2.95
- later than five years	6.04	-

ii) Finance Leases

Certain items of plant and machinery 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:

Maturity profile of finance lease is as under :	Minimum Lease payment 31 March 2016	Minimum Lease payment 31 March 2015	Present Value 31 March 2016	Present Value 31 March 2015
Payable within 1 year	0.44	9.84	0.42	9.34
Payable between 1-5 years	-	0.44	-	0.42
Payable later than 5 years	-	-	-	-

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

	Non Current portion 31 March 2016	Non Current portion 31 March, 2015	Current portion 31 March 2016	Current portion 31 March 2015
a) Total minimum lease payments	-	0.44	0.44	9.84
b) Future interest included in (a) above	-	0.02	0.02	0.50
c) Present value of future minimum lease payments {a-b}	-	0.42	0.42	9.34

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

31 Earnings per share

(Rupees in million, except per share data)

	Year ended 31 March 2016	Year ended 31 March 2015
Basic diluted earnings per share		
Consolidated profit after taxation	412.01	404.05
Numerator used for calculating earnings per share	412.01	404.05
Calculation of weighted average number of equity shares		
Number of equity shares outstanding at the beginning of the year	82,200,500	16,440,100
Increase in number of equity shares on account of sub-division*	-	65,760,400
Number of equity shares outstanding at the end of the year	82,200,500	82,200,500
Weighted average number of equity shares outstanding during the year (based on date of issue of shares)	82,200,500	82,200,500
Basic and diluted earnings per share (₹)	5.01	4.92
Nominal value per shares (₹)	2	2

*During the previous year, the Group has subdivided its 16,440,100 equity shares of ₹ 10 each into 82,200,500 equity shares of ₹ 2 each on 16 February 2015. The disclosure of number of shares in the particulars of shareholding and the disclosure of earnings per share (in compliance with AS-20) has been arrived at after giving effect to the above sub-division.

Notes to consolidated financial statements

For the year ended 31 March 2016

(Currency: Indian rupees in million)

32 Deferred tax liabilities (net)

	As at 31 March 2016	As at 31 March 2015
Deferred tax assets:		
Provision for employee benefits	43.33	49.98
Provision for doubtful trade receivables and advances	31.07	26.27
Provision for inventory obsolescence	9.95	9.78
Total deferred tax assets	84.35	86.02
Deferred tax liabilities:		
Excess of depreciation on fixed assets under income tax law over depreciation provided in accounts	361.52	365.43
Excess of allowance for lease rental under income tax law over depreciation and interest charged on the leased assets in accounts	8.11	5.70
Excess claim for loan processing charges under Income Tax Law	15.20	-
Total deferred tax liabilities	384.83	371.13
Deferred tax liabilities (net)	300.48	285.11

33 Derivative instruments

The Group uses derivative and forward contracts to hedge its risks associated with foreign currency fluctuations. Such transactions are governed by the strategy approved by the Board of Directors which provides principles on the use of these instruments consistent with the Group's Risk Management Policy. The Group does not use these contracts for trading or speculative purposes. In the previous year ended on 31 March 2015, the Group had marked to market the forward contracts outstanding which has resulted in a net gain of ₹ 10.27 Million. The Group has not recongnised the mark-to-market gain on prudent basis as it is notional in nature. The Group does not have any outstanding derivative contracts as at 31 March 2016.

The foreign currency exposures hedged as at the year-end are as under:

Category	No. of contracts	Amount in foreign currency (Million)	Equivalent amount in Rupees (Million)	Purpose
Currency / Interest swap	-	USD	-	Hedging of term loan/ interest
	2	USD 2.40	150.02	Hedging of term loan/ interest

	31 March 2016			31 March 2015		
	Foreign Currency		₹ Millon	Foreign Currency		₹ Millon
	Curr.	Amount	Amount	Curr.	Amount	Amount
Amount receivable in foreign currency on account of following:						
- Export of goods	USD	-	-	USD	7.50	492.20

(Currency: Indian rupees in million)

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

		31 March 2016			31 March 2015		
		Foreign Currency		₹ Millon	Foreign Currency		₹ Millon
		Curr.	Amount	Amount	Curr.	Amount	Amount
a.	Amount receivable in foreign currency on account of following:						
	- Export of goods	USD	7.16	475.10	USD	2.15	134.29
		EUR	2.25	169.01	EUR	3.02	203.88
		JPY	-	-	JPY	0.02	0.01
		GBP	0.22	21.16	GBP	-	-
b.	Amount payable in foreign currency on account of following:						
	(i) Import of goods and services	USD	7.92	525.21	USD	9.38	587.16
		EUR	2.11	158.54	EUR	1.09	73.64
		GBP*	-	0.03	GBP	-	-
	(ii)Loan payables	USD	16.44	1,090.63	USD	20.00	1,252.00
	(iii) Working capital loan from banks	USD	14.12	936.73	USD	19.82	1,240.84
		EUR	0.63	47.71	EUR	9.53	643.36
c.	Other advances						
		USD	0.51	33.95	USD	0.65	40.64
		EUR	0.03	2.22	EUR	0.07	4.54
		GBP*	-	0.26	GBP	-	-
d.	Bank balance						
		USD	0.03	1.79	USD	0.02	1.57
		EUR	-	0.03	EUR	0.10	6.89

*Amount less than 10,000/-

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

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.

Notes to consolidated financial statements

For the year ended 31 March 2016
(Currency: Indian rupees in million)

		2015-16		2014-15	
		Gratuity	Leave encashment	Gratuity	Leave encashment
A.	**Expenses recognised in the consolidated statement of profit and loss for the year ended 31 March**				
	1. Interest cost	5.32	7.45	4.80	7.29
	2. Current service cost	10.52	13.00	8.40	12.69
	3. Expected return on planned assets	-	-	-	-
	4. Net actuarial (gain) / loss on obligations	5.22	46.03	3.43	15.03
	Total expenses recognised in Consolidated statement of profit and loss	21.06	66.48	16.63	35.01
B	**Net asset / (liability) recognised in the consolidated balance sheet**				
	1. Present value of the obligation as on 31 March	74.11	65.25	66.46	93.08
	2. Fair value of planned assets as on 31 March	(14.15)	-	(12.50)	-
	Liability recognised in the consolidated Balance Sheet	59.96	65.25	53.96	93.08
C	**Change in plan assets**				
	1. Fair value of the plan as on 1 April	14.12	-	13.10	-
	2. Actual return on plan assets	1.60	-	-	-
	3. Employer's contribution	1.94	-	-	-
	4. Benefit paid	(3.51)	-	(0.60)	-
	5. Plan assets as at 31 March	14.15	-	12.50	-
D.	**Change in present value of obligation**				
	1. Present value of obligation as on 1 April	66.46	93.08	59.99	91.08
	2. Interest cost	5.32	7.45	4.80	7.29
	3 Current service cost	10.52	13.00	8.40	12.69
	4 Benefits paid	(13.41)	(94.31)	(10.16)	(33.01)
	5 Net actuarial (gain)/loss on obligations	5.22	46.03	3.43	15.03
	Present value of obligation as per actuarial valuation as at 31 March	74.11	65.25	66.46	93.08
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	NA	NA	NA	NA
	b. Un-funded	NA	NA	NA	NA
	4 Mortality rate	Indian Assured Lives Mortality (2006-08) ultimate		Indian Assured Lives Mortality (2006-08) ultimate	

(Currency: Indian rupees in million)

F.	Experience adjustment	2016	2015	2014	2013	2012
1	Defined benefit obligation	74.11	66.46	59.99	50.93	41.66
2	Plan assets (including bank balance)	14.15	12.50	13.10	14.53	13.30
3	Surplus/(Deficit)	59.96	53.96	46.89	36.40	28.36
4	Experience adjustments on Obligation	5.22	3.43	2.65	2.98	6.24
5	Experience adjustments on Plan Assets	0.47	NA	NA	0.17	0.14

Contribution to provident and other funds

On account of defined contribution plans the Company's contribution to Provident Fund and Superannuation Fund aggregating ₹ 43.13 million (P.Y. ₹ 36.58 million) has been recognized in the statement of profit and loss under the head employee benefits (Refer note 23).

35. As per Section 135 of the Act, a CSR committee has been formed by the Company. The funds are utilised during the year on the activities which are specified in Schedule VII of the Act. The utilisation is done by way of direct contribution towards various activities.

Gross amount required to be spent by the Company during the year was ₹ 12.77 million.

The areas of CSR activities and contributions made thereto are as follows.

Amount spent during the year on:	Amount
Protection of national heritage	3.00
Education	3.13
Promoting vocational skill	1.50
Natural disaster relief Chennai	0.46
Natural disaster relief Nepal	0.05
Others	0.86
Total	**9.00**

36. Other information

Information with regard to other matters, as required by Schedule III to the Act is either nil or not applicable to the Group for the year.

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
6 May 2016

For and on behalf of the Board of Directors of Hikal Limited
CIN: L24200MH1988PTC048028

Jai Hiremath
Chairman & Managing Director- DIN: 00062203

Kannan K. Unni
Director- DIN: 00227858

Sham Wahalekar
Chief Financial Officer & Company Secretary- CS Membership No: 8745

Mumbai
6 May 2016

Consolidated cash flow statement

For the year ended 31 March 2016
(Currency: Indian rupees in million)

Particulars		31 March 2016		31 March 2015	
A Cash flow from operating activities:					
Profit before tax			531.90		597.52
Adjustments :					
Depreciation and amortisation		672.76		641.90	
Mark to market gain/(loss) on forward contracts		-		(3.25)	
Dividend on long-term investments*		(0.05)		-	
Finance costs		622.12		600.47	
Interest Income		(12.46)		(11.97)	
Sundry balances written off		4.41		3.44	
Provision for doubtful debts		12.50		30.50	
Unrealised exchange loss		36.94		6.92	
Effects of exchange differences on translation of assets and liabilities		0.62		0.16	
			1,336.84		1,268.17
Operating cash flow before working capital changes			1,868.74		1,865.69
Decrease/(increase) in trade receivables		142.38		(435.08)	
Increase in loans and advances and other assets		(213.39)		(130.15)	
Decrease/ (increase) in inventories		228.41		(26.61)	
(Decrease)/increase in trade payables		(89.47)		62.09	
Increase/(decrease) in provisions and other liabilities		45.52		(183.50)	
			113.45		(713.25)
Cash generated from operations			1,982.19		1,152.44
Income tax paid			(126.12)		(130.65)
Net cash flows generated from operating activities	**(A)**		1856.07		1,021.79
B. Cash flow from investing activities:					
Purchase of fixed assets (tangible and intangible fixed assets, capital work in-progress and capital advances)		(588.36)		(485.46)	
Dividend on long-term investments*		0.05		-	
Interest received		22.92		10.19	
(Increase)/decrease in other bank balances (includes margin money account)		(73.74)		46.39	
Net cash flow(used in) investing activities	**(B)**		(639.13)		(428.88)

* Amount less than ₹10,000/- for the previous year

Consolidated cash flow statement

For the year ended 31 March 2016
(Currency: Indian rupees in million)

		31 March 2016		31 March 2015	
C) Cash flow from financing activities					
Proceeds from long term borrowings		**2,477.42**		590.00	
Repayment of long term borrowings		**(2,409.28)**		(766.55)	
Repayments of/proceeds from short-term borrowings (net)		**(584.75)**		154.18	
Principal payment under finance leases		**(9.34)**		17.46	
Mark to market gain/(loss) on forward contracts		-		3.25	
Dividend paid on equity shares (including corporate dividend tax)		**(98.93)**		48.09	
Finance costs paid		**(611.39)**		603.50	
Net cash used by financing activities	**(C)**	**(1,236.27)**		(688.17)	
Net decrease in cash and cash equivalents (A+B+C)			**(19.33)**		(95.26)
Cash and cash equivalents at the begining of the year			**62.26**		157.52
Cash and cash equivalents at the end of year			**42.93**		62.26

Notes to the cash flow statement

1. The above consolidated cash flow statement has been prepared under the 'Indirect Method' set out in Accounting Standard 3, 'Cash Flow Statements'.

2. Cash and cash equivalents includes:

	31 March 2016	31 March 2015
Cash on hand	**1.44**	1.63
Balances with banks		
- Current accounts	**35.50**	48.75
- Exchange earners foreign currency accounts	**1.79**	8.46
- Deposits accounts (demand deposits and deposits having original maturity of 3 months or less)	**4.20**	3.42
Cash and cash equivalents at the end of the year (Refer note 16)	**42.93**	62.26

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
6 May 2016

For and on behalf of the Board of Directors of Hikal Limited
CIN: L24200MH1988PTC048028

Jai Hiremath
Chairman & Managing Director- DIN: 00062203

Kannan K. Unni
Director- DIN: 00227858

Sham Wahalekar
Chief Financial Officer & Company Secretary- CS Membership No: 8745

Mumbai
6 May 2016

Notes

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Corporate Information

Board of Directors

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

Audit Committee

Kannan Unni
Prakash Mehta
Sugandha Hiremath
Shivkumar Kheny

Company Secretary

Sham Wahalekar

Auditors

B S R & Co. LLP
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.
Standard Chartered Bank
Union Bank of India
Yes Bank Ltd.
Aditya Birla Finance Ltd.
The Federal Bank 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 Bannerghatta, Bangalore, 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 / Fax: 91-22-2822 1966/ 2825 7641

Website

www.hikal.com

Email

info@hikal.com


Taloja
R&D
Manufacturing
Hikal Limited
Headquarters : Mumbai
Mahad
Manufacturing
USA


Panoli
Manufacturing
Pune
R&D
Bangalore
R&D
Manufacturing
Japan

Responsible Care®

Since inception, Hikal has
endeavored to achieve inclusive growth.
Our motto of ‘Responsible Chemistry’
helps us reconcile growth with
the welfare of society and
protection of the environment.

HiKAL Just the right chemistry

HIKAL

JUST THE RIGHT CHEMISTRY

Hikal Limited : Great Eastern Chambers,
Sector 11, CBD-Belapur, Navi Mumbai - 400 614, India.
Tel: +91-22-3097 3100. Fax : +91-22-2757 4277.
E-mail : info@hikal.com **Website : www.hikal.com**