



**MOREPEN**  
*The Joy Of Growing Together*

# Live life without fullstops



Annual Report  
2013 - 14



# Live life without fullstops

*How can one live life without full-stops?*

*What does it really mean, imply, suggest, infer?*

*It's very simple, really. It is about the desire & ability to celebrate life through a happy & healthy lifestyle.*

*From day one, we at Morepen have relentlessly pursued this mission, in thought, word & deed, to partner you in this joyous journey of life, where good health remains the first commandment to happiness... without fullstops!*



## Board of Directors

**Sushil Suri**

Chairman & Managing Director

**Dr. Arun Kumar Sinha**

Director

**Manoj Joshi**

Director

**Bhupender Raj Wadhwa**

Director

**Sukhcharan Singh**

Director

**Auditors**

M/s M. Kamal Mahajan and Co.  
Chartered Accountants  
S.C.O. 61, Madhya Marg,  
Sector 26, Chandigarh

**Registered Office**

Morepen Village, Nalagarh Road,  
Near Baddi, Distt. Solan,  
Himachal Pradesh - 173205

**Corporate Office**

409, 4th Floor, Antriksh Bhawan,  
22, Kasturba Gandhi Marg,  
New Delhi - 110 001

**Registrar & Share Transfer Agents**

MAS Services Ltd.  
T-34, 2nd Floor, Okhla Industrial Area  
Phase - II, New Delhi - 110 020

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## MOREPEN LABORATORIES LIMITED

**Regd. Off:** Morepen Village, Nalagarh Road, Near Baddi, Distt. Solan, H. P. - 173205

**CIN:** L24231HP1984PLC006028; **Website:** www.morepen.com;

**E-mail Id:** corporate@morepen.com; **Tel No.:** + 91-01795-276201-03;

**Fax No.:** + 91-01795-276204

### NOTICE

**NOTICE** is hereby given that the **29<sup>th</sup> Annual General Meeting (AGM)** of the members of **Morepen Laboratories Limited** will be held on Friday, 19<sup>th</sup> day of September, 2014 at 10.30 A.M. at the Registered Office of the Company at Morepen Village, Nalagarh Road, Near Baddi, Distt. Solan, Himachal Pradesh-173205, to transact the following business:

#### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Statement of Profit & Loss for the financial year ended 31<sup>st</sup> March, 2014 and the Balance Sheet as at that date together with the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Sushil Suri (DIN: 00012028), who retires by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration and in this regard, to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:  
"RESOLVED THAT pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, (including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s. M. Kamal Mahajan And Co., Chartered Accountants (FRN: 006855N), the retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) until the conclusion of 31<sup>st</sup> Annual General Meeting (AGM) of the Company to be held in the year 2016 (subject to ratification of their appointment in subsequent AGM) at such remuneration as may be determined by the Audit Committee in consultation with the Auditors and fixed by the Board of Directors of the Company."

#### **SPECIAL BUSINESS**

4. **Appointment of Mr. Sukhcharan Singh (DIN: 00041987) as an Independent Director of the Company**  
To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:  
"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and other applicable provisions, if any, of the Companies Act, 2013 ("Act") and the Rules framed thereunder, read with Schedule IV to the Act (including any statutory modification(s) or re-enactment thereof, for the time being in force), Mr. Sukhcharan Singh (DIN: 00041987), a Non-Executive Independent Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a term of 5 (five) consecutive years with effect from 19<sup>th</sup> September, 2014 upto 18<sup>th</sup> September, 2019."
5. **Appointment of Mr. Manoj Joshi (DIN: 00036546) as an Independent Director of the Company**  
To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:  
"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and other applicable provisions, if any, of the Companies Act, 2013 ("Act") and the Rules framed thereunder, read with Schedule IV to the Act (including any statutory modification(s) or re-enactment thereof, for the time being in force), Mr. Manoj Joshi (DIN: 00036546), a Non-Executive Independent Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a term of 5 (five) consecutive years with effect from 19<sup>th</sup> September, 2014 upto 18<sup>th</sup> September, 2019."
6. **Appointment of Mr. Bhupender Raj Wadhwa (DIN: 00012096) as an Independent Director of the Company**  
To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:  
"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and other applicable provisions, if any, of the Companies Act, 2013 ("Act") and the Rules framed thereunder, read with Schedule IV to the Act (including any statutory modification(s) or re-enactment thereof, for the time being in force), Mr. Bhupender Raj Wadhwa (DIN: 00012096), a Non-Executive Independent Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a term of 5 (five) consecutive years with effect from 19<sup>th</sup> September, 2014 upto 18<sup>th</sup> September, 2019."



**7. Re-appointment of Dr.Arun Kumar Sinha (DIN: 00450783) as a Whole-Time Director, designated as Director - Technical, of the Company**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:  
**“RESOLVED THAT** pursuant to the provisions of Section 196, 197 and 203 and other applicable provisions, if any, of the Companies Act, 2013 (“Act”) read with Schedule V and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), approval of the Company be and is hereby accorded for the re-appointment of Dr. Arun Kumar Sinha (DIN: 00450783) as a Whole-Time Director (designated as Director - Technical) of the Company, liable to retire by rotation, to hold office for a term of 5 (five) consecutive years with effect from 1<sup>st</sup> April, 2014 upto 31<sup>st</sup> March, 2019 on the terms and conditions as specified in the statement pursuant to Section 102 of the Act annexed to this Notice and on the remuneration, which is as follows:

S. No.	Particulars	Amount (Rs.)
1.	Basic Pay	Upto Rs. 18,00,000 p.a.
2.	Other Perquisites	Upto Rs. 27,00,000 p.a.

**RESOLVED FURTHER THAT** notwithstanding anything herein above stated, where in any financial year closing on or after 1<sup>st</sup> April, 2014, during the tenure of Dr. Arun Kumar Sinha (DIN: 00450783) as Whole-Time Director of the Company, the Company incurs a loss or its profits are inadequate, the Company shall pay the above remuneration not exceeding the limits specified under Section II of Part II of Schedule V to the Act or such other limits as may be prescribed by the Central Government, from time to time, as minimum remuneration.

**FURTHER RESOLVED THAT** the Board of Directors of the Company be and is hereby authorised to alter and vary the terms and conditions of appointment and/or remuneration, as recommended by the Nomination and Remuneration Committee of the Board, subject to the above limits.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

**8. Approval of remuneration of the Cost Auditors for the financial year ending 31<sup>st</sup> March, 2015**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:  
**“RESOLVED THAT** pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 (“Act”) read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), on the recommendations of the Audit Committee, the Board of Directors of the Company have appointed M/s. Vijender Sharma & Co., Cost Accountants, as Cost Auditors of the Company, to conduct the audit of the cost records of the Company for the financial year ending 31<sup>st</sup> March, 2015 (FY 2014-15) at the following remuneration:

Particulars	Amount (Rs.)
Bulk Drugs	75,000/-
Drug Formulations	75,000/-
Out of Pocket Expenses (Limited to Actual)	50,000/-
<b>Total (Maximum)</b>	<b>2,00,000/-</b>

**RESOLVED FURTHER THAT** the above remuneration as recommended by the Audit Committee and approved by the Board of Directors of the Company be and is hereby ratified by the shareholders of the Company.

**FURTHER RESOLVED THAT** the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

**By order of the Board of Directors  
For Morepen Laboratories Limited**

New Delhi, 9<sup>th</sup> August, 2014  
CIN: L24231HP1984PLC006028

Sd/-

**Sushil Suri  
(Chairman & Managing Director)**

**Registered Office:**

Morepen Village, Nalagarh Road,  
Near Baddi, Distt.Solan, H.P. - 173205

## NOTES

1. The Statement pursuant to Section 102 of the Companies Act, 2013 ("Act") with respect to the special business set out under Item Nos. 4 to 8 of the Notice, is annexed hereto.
2. The relevant details as required under Clause 49 of the Listing Agreements entered into with the Stock Exchanges, of persons seeking appointment/re-appointment as Directors at the AGM are furnished and forms part of the Notice.
3. **A MEMBER ENTITLED TO ATTEND THE MEETING AND VOTE THEREAT IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

Pursuant to the provisions of Section 105 of the Companies Act, 2013, a person can act as a proxy on behalf of not more than fifty (50) members and holding in the aggregate not more than ten percent (10%) of the total Share Capital of the Company carrying voting rights. A member holding more than ten percent (10%), of the total Share Capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other member.

The instrument appointing proxies, in order to be effective, should be duly stamped, completed and signed and should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
4. Corporate members intending to send their authorized representatives to attend the meeting are requested to send, to the Company, a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
5. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 15<sup>th</sup> September, 2014 to Friday, 19<sup>th</sup> September, 2014 (both days inclusive).
6. Members/Proxies should bring the Attendance Slip sent herewith, duly filled in and signed, for attending the meeting.
7. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore requested to submit their PAN to their Depository Participants with whom they are maintaining their de-mat accounts. Members holding shares in physical form can submit their PAN to the RTA 'MAS Services Limited'.
8. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to MAS Services Limited, for consolidation into a single folio.
9. **To support the 'Green Initiative', the Members are requested to register/update their e-mail id's, contact details and addresses with the RTA 'MAS Services Limited'/Depositories for receiving all communications including Annual Report, Notices, Circulars, etc., from the Company electronically.**
10. The Notice of the 29<sup>th</sup> AGM along with the Annual Report 2013-14 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company/Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode.
11. Members may also note that the notice of 29<sup>th</sup> AGM and the Annual Report 2013-14 will be available on the Company's website, [www.morepen.com](http://www.morepen.com). The physical copies of the aforesaid documents will also be available at the Company's registered office for inspection during normal business hours on working days. Members who have any queries may write to us at [investors@morepen.com](mailto:investors@morepen.com).
12. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013 and Register of Contracts or arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
13. Pursuant to the provisions of Section 108 of the Act read with Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide to its members the facility to exercise their right to vote at the 29<sup>th</sup> AGM of the Company by electronic means on all resolutions set forth in this Notice, through the e-voting services provided by CDSL. The Members, whose name appear in the Register of Members, holding shares in physical or in dematerialised form, as on the Record Date i.e. Monday, 11<sup>th</sup> August, 2014 (End of Day), are entitled to cast their votes electronically on the resolutions set forth in this Notice. The e-voting will commence at 9.00 a.m. on Saturday, 13<sup>th</sup> September, 2014 and will end at 5.00 p.m. on Monday, 15<sup>th</sup> September, 2014.

### **PROCESS AND MANNER FOR E-VOTING:**

The instructions for e-voting are as under:

- A. In case of members receiving e-mail from RTA/CDSL (for Members whose e-mail ids are registered with the Company/Depositories):**
  - i. If you are holding shares in De-mat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and casted your vote earlier for EVSN of any Company, then your existing login id and password are to be used.
  - ii. Log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
  - iii. Click on "Shareholders" tab.



- iv. Now, select the “**Electronic Voting Sequence Number (EVSN) - 140730029**” along with “**Company Name - Morepen Laboratories Limited**” from the drop down menu and click on “Submit”.
- v. Now, fill up the following details in the appropriate boxes:

	<b>For members holding shares in De-mat Form</b>	<b>For members holding shares in Physical Form</b>
<b>User ID</b>	For NSDL: 8 character DP ID followed by 8 digits Client ID For CDSL: 16 digits beneficiary ID	Folio Number registered with the Company
<b>PAN*</b>	Enter your 10 digit alpha-numeric PAN issued by the Income Tax Department when prompted by the system while e-voting (applicable for both de-mat shareholders as well as physical shareholders) <ul style="list-style-type: none"> <li>● Members holding shares in physical form who have not updated their PAN with the Company are requested to use the first two letters of their name in 'Capital Letter' followed by 8 digit folio number in the PAN field. In case the folio number is less than 8 digits enter the applicable number of 0's before the folio number. For example: If your name is Suresh Kumar with folio number 1234 then enter SU00001234 in the PAN field.</li> <li>● Members holding shares in De-mat form who have not updated their PAN with their Depository Participant are requested to use the first two letters of their name in 'Capital Letter' followed by 8 digit CDSL/NSDL Client ID. For example: If your name is Suresh Kumar and your CDSL De-mat A/c. No. is 12058700 00001234 then enter SU00001234 or if your NSDL DPID-CLID is IN300100-10001234 then enter SU10001234 in the PAN field.</li> </ul>	
<b>DOB</b>	Enter the Date of Birth as recorded in your de-mat account or in the Company records for the said de-mat account or folio in dd/mm/yyyy format.	
<b>Dividend Bank Details</b>	Enter the Dividend Bank Details as recorded in your de-mat account or in the Company records for the said de-mat account or folio. <ul style="list-style-type: none"> <li>● Please enter the DOB or Dividend Bank Details in order to login. <b>If details are not recorded with the Depository or the Company please enter your Folio No. / De-mat A/c. No. / DPID-CLID, as the case may be, in the Dividend Bank details field.</b></li> </ul>	

- vi. After entering these details appropriately, click on “SUBMIT” tab.
- vii. Members holding shares in physical form will then reach directly to the EVSN selection screen. However, members holding shares in de-mat form will now reach 'Password Creation' menu wherein they are required to mandatorily change their login password, in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@#%&\* \_). Kindly note that this password is to be also used by the de-mat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- viii. Click on the **EVSN -140730029** for Morepen Laboratories Limited to vote.
- ix. On the voting page, you will see Resolution Description and against the same the option “YES/NO” for voting. Select the option YES or No as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- x. Click on the “Resolutions File Link” if you wish to view the entire Resolutions.
- xi. After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- xii. Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.

**B. In case a Members receiving the physical copy of Notice of AGM (for Members whose e-mail ids are not registered with the Company/Depositories):**

Please follow all steps from Sl. no. (ii) to Sl. no. (xii) above, to cast vote.

- C. Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to log on to <https://www.evotingindia.com> and register themselves, link their account which they wish to vote on and cast their vote. They should upload a scanned copy of the Board Resolution in PDF format in the system for the scrutinizer to verify the vote.

**General Instructions:**

- i. The e-voting period shall commence at 9.00 a.m. on Saturday, 13<sup>th</sup> September, 2014 and shall end at 5.00 p.m. on Monday, 15<sup>th</sup> September, 2014. During this period members of the Company, holding shares either in physical or in dematerialised form, as on the record date i.e. Monday, 11<sup>th</sup> August, 2014, may cast their vote electronically. The

e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

- ii. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (FAQs) and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
- iii. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the record date i.e. Monday, 11<sup>th</sup> August, 2014.
- iv. The Company has appointed Mr. P. C. Goel, Practicing Company Secretary (Membership No. FCS 1434 & C.P. No. 457) as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- v. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses, not in employment of the Company, and make a Scrutinizer's Report of the votes cast in favour or against, if any, and forward the same forthwith to the Chairman of the Company.
- vi. The results shall be declared on or after the AGM of the Company. The results declared alongwith the Scrutinizer's Report shall be placed on the Company's website [www.morepen.com](http://www.morepen.com) and on the website of CDSL within two (2) days of the passing of the resolutions at the 29<sup>th</sup> AGM of the Company to be held on Friday, 19<sup>th</sup> September, 2014.

**By order of the Board of Directors  
For Morepen Laboratories Limited**

Sd/-

**Sushil Suri  
(Chairman & Managing Director)**

New Delhi, 9<sup>th</sup> August, 2014  
CIN: L24231HP1984PLC006028

**Registered Office:**

Morepen Village, Nalagarh Road,  
Near Baddi, Distt.Solan, H.P. - 173205

**STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

As required under Section 102 of the Companies Act, 2013, the following statement sets out all material facts concerning each item of special business mentioned under Item Nos. 4 to 8 of the accompanying Notice:

**Item Nos. 4 to 6:**

The Company had, pursuant to the provisions of Clause 49 of the Listing Agreements entered with the Stock Exchanges, appointed Mr. Sukhcharan Singh, Mr. Manoj Joshi, Mr. Bhupender Raj Wadhwa, as Non-Executive Independent Directors at various times, in compliance with the requirements of the clause.

Pursuant to the provisions of Section 149 of the Act, which came in to effect from 1<sup>st</sup> April, 2014, every listed public company is required to have at least one-third of the total number of directors as Independent Directors, who are not liable to retire by rotation.

Pursuant to Rule 13 of the Companies (Appointment & Qualification of Directors) Rules, 2014, the members of the Company are hereby informed that the Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013 ("Act"), from a member alongwith a deposit of Rs. 1,00,000/- each proposing the candidature of Mr. Sukhcharan Singh, Mr. Manoj Joshi and Mr. Bhupender Raj Wadhwa, for the office of Independent Directors of the Company, to be appointed as such under the provisions of Section 149, 150, 152 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, read with Schedule IV to the Act (including any statutory modification(s) or re-enactment thereof, for the time being in force).

The Company has received from Mr. Sukhcharan Singh, Mr. Manoj Joshi and Mr. Bhupender Raj Wadhwa, Non-Executive Independent Directors of the Company, the following disclosures as per the relevant provisions of Companies Act, 2013:

- a) Consent in writing to act as Director of the Company pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules, 2014,
- b) Intimation in Form DIR-8 pursuant to Rule 14 of the Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that they are not disqualified under sub-section (2) of Section 164 of the Act, and
- c) A declaration to the effect that they meet the criteria of independence as provided under sub-section (6) of Section 149 of the Act.

The Nomination and Remuneration Committee of the Board has recommended the appointment of these directors as Independent Directors of the Company, not liable to retire by rotation, to hold office for a term of 5 (five) consecutive years with effect from 19<sup>th</sup> September, 2014 upto 18<sup>th</sup> September, 2019 and their appointment has been approved by the Board of Directors of the Company, subject to the approval of members in the ensuing AGM.



In the opinion of the Board, each of these directors fulfil the conditions specified in the Act and the Rules framed thereunder for appointment as Independent Director and they are independent of the management. A copy of draft letter of appointment of the above Independent Directors, setting out the terms and conditions of appointment, is available for inspection by the Members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday and also available on the website of the Company [www.morepen.com](http://www.morepen.com).

Pursuant to the provisions of Sections 149, 150, 152 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, read with Schedule IV to the Act (including any statutory modification(s) or re-enactment thereof, for the time being in force), the Board of Directors of the Company recommend the passing of the resolutions set out under Item Nos. 4 to 6 as **Ordinary Resolution**.

None of the Directors or Key Managerial Personnel of the Company and their relatives, other than the Independent Directors and their relatives for their respective appointment, are in any way, concerned or interested, financially or otherwise, in these resolutions.

**A brief profile of the Independent Directors proposed to be appointed is given below:**

**Mr. Manoj Joshi (DIN: 00036546)**, is a Post Graduate in Commerce - Business Administration. He has got a rich experience of more than 31 years in the area of Board Management, Policy Management, Public Advocacy and Management Consultancy. He joined the Board of the Company in June, 1992 and has continued on the Board ever since as a Non-Executive Independent Director. He is the Chairman of Audit Committee, Nomination and Remuneration Committee and the Stakeholders Relationship Committee of the Board.

**Mr. Bhupender Raj Wadhwa (DIN: 00012096)**, is a Graduate in Commerce and a Fellow Member of the Institute of Chartered Accountants of India. He is a Chartered Accountant in practice by profession having more than 26 years' experience in the area of accountancy and taxation. He joined the Board of the Company in June, 2005 and has continued on the Board ever since as a Non-Executive Independent Director. He is the member of Audit Committee and Nomination and Remuneration Committee of the Board.

**Mr. Sukhcharan Singh (DIN: 00041987)**, is a Bachelor in Arts and a Retired Inspector General of Police. He joined the Board of the Company in June, 2005 and has continued on the Board ever since as a Non-Executive Independent Director. He is the member of Audit Committee, Nomination and Remuneration Committee and the Stakeholders Relationship Committee of the Board.

Other details of the Independent Directors whose appointment is proposed at Item Nos. 4 to 6 of the Notice have been given in the **Annexure**.

**Item No. 7:**

**Dr. Arun Kumar Sinha (DIN: 00450783)**, has done his Post Graduation in Chemistry from Gorakhpur University in the year 1972 and Ph.D. in Chemistry from Kanpur University in the year 1996. He has also done Post Graduate Diploma in Personnel Management & Industrial Relations from Tech. Board of Education, U.P. He has a professional experience of more than 42 years in pharmaceutical companies in different lines. He heads the Formulations facility of Morepen Laboratories Limited. Dr. Arun Kumar Sinha joined the Board of the Company in June, 2005 as the Whole Time Director of the Company and has been serving the Company by providing his stewardship at the plant level.

Pursuant to Rule 13 of the Companies (Appointment & Qualification of Directors) Rules, 2014, the members of the Company are hereby informed that the Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013 ("Act"), from a member alongwith a deposit of Rs. 1,00,000/- proposing the candidature of Dr. Arun Kumar Sinha, for the office of Whole - Time Director (designated as Director - Technical) of the Company, to be appointed as such under the provisions of Section 196, 197 and 203 and other applicable provisions, if any, of the Companies Act, 2013 ("Act") read with Schedule V and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force).

The Company has received from Dr. Arun Kumar Sinha, Whole Time Director of the Company, the following disclosures as per the relevant provisions of Companies Act, 2013:

- a) Consent in writing to act as Director of the Company pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules, 2014 and
- b) Intimation in Form DIR-8 pursuant to Rule 14 of the Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that not disqualified under sub-section (2) of Section 164 of the Act.

Considering his valued contribution in the conduct and growth of business, the Nomination and Remuneration Committee of the Board has recommended his appointment as a Whole - Time Director (designated as Director - Technical) of the Company, liable to retire by rotation, to hold office for a term of 5 (five) consecutive years with effect from 1<sup>st</sup> April, 2014 upto 31<sup>st</sup> March, 2019 and increase in his remuneration from the existing levels. His appointment has been approved by the Board of Directors of the Company, subject to the approval of members in the ensuing AGM.

The terms and conditions of his appointment are as follows:

- a) Remuneration: As provided in the resolution.
- b) Period of Appointment: Term of 5 (five) consecutive years with effect from 1<sup>st</sup> April, 2014 upto 31<sup>st</sup> March, 2019.
- c) Termination: The appointment may be terminated by either party by giving six months' notice in writing of such termination or as may be mutually agreed between the parties.
- d) Duties and Responsibilities: Dr. Arun Kumar Sinha, Whole Time Director of the Company, shall perform such duties and responsibilities as shall from time to time be entrusted to him by the Board of Directors, subject to superintendence, guidance and control of the Board of Directors.

Pursuant to the provisions of Section 196, 197 and 203 and other applicable provisions, if any, of the Companies Act, 2013 ("Act") read with Schedule V and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the Board of Directors of the Company recommend the passing of the resolution set out under Item No. 7 as an **Ordinary Resolution**.

None of the Directors or Key Managerial Personnel of the Company and their relatives, other than Dr. Arun Kumar Sinha and his relatives, are in any way, concerned or interested, financially or otherwise, in this resolution.

**Item No. 8:**

As per the recommendations of the Audit Committee, the Board of Directors of the Company have appointed M/s. Vijender Sharma & Co., Cost Accountants, as Cost Auditors of the Company, to conduct the audit of the cost records of the Company for the financial year ending 31<sup>st</sup> March, 2015 (FY 2014-15) pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 ("Act") read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force).

In accordance with the provisions of Section 148(3) of the Act read with Rule 14 of the Companies (Audit and Auditors) Rules, 2014 the remuneration payable to the Cost Auditors, as recommended by the Audit Committee and approved by the Board of Directors of the Company, has to be ratified by the shareholders of the Company.

The Board of Directors of the Company recommends the passing of the resolution set out under Item No. 8 as an **Ordinary Resolution**.

None of the Directors or Key Managerial Personnel of the Company and their relatives, are in any way, concerned or interested, financially or otherwise, in this resolution.

## Details of Directors Seeking Appointment/Re-appointment at the Annual General Meeting

(Pursuant to Clause 49 of the Listing Agreement & Companies Act, 2013)

Particulars	Mr. Sushil Suri	Dr. A.K. Sinha	Mr. Manoj Joshi	Mr. B.R. Wadhwa	Mr. Sukhcharan Singh
Date of Birth	18.01.1964	17.03.1951	14.03.1957	29.01.1965	07.09.1942
Date of first appointment	01.02.1992	15.06.2005	27.06.1992	15.06.2005	15.06.2005
Qualifications	B.Sc., FCA	M.Sc. - Chemistry, Ph.D. Chemistry, PG Diploma in Personnel Management & Industrial Relations	M.Com - Business Administration	B.Com, FCA	B.A., Retired Inspector General (IG) of Police
Expertise in specific functional areas	Wide experience of more than 24 years in the various fields including finance, operations, management and managerial entrepreneurship in the pharmaceutical and hospitality industry.	Wide professional and technical expertise of more than 42 years in the pharmaceutical industry.	Rich experience of more than 31 years in the area of board management, policy management, public advocacy and management consultancy.	Professional expertise of more than 26 years in the area of finance, accountancy and taxation.	Vast experience in the area of administration and public policy
Directorships in other Companies (excluding foreign companies)	<ul style="list-style-type: none"> <li>● Square Investments and Financial Services Private Limited</li> <li>● Concept Credits and Consultants Private Limited</li> <li>● Liquid Holdings Private Limited</li> <li>● Brook Investments and Financial Services Private Limited</li> <li>● Seed Securities and Services Private Limited</li> <li>● Scope Credits and Financial Services Private Limited</li> <li>● Epitome Holdings Private Limited</li> </ul>	Nil	<ul style="list-style-type: none"> <li>● Joy Hotel and Resorts Private Limited</li> <li>● Blue Coast Infrastructure Development Private Limited</li> </ul>	<ul style="list-style-type: none"> <li>● Star Dream Property &amp; Developers Private Limited</li> <li>● Tanishq International Private limited</li> </ul>	<ul style="list-style-type: none"> <li>● Dr. Morepen Limited</li> </ul>
Memberships/ Chairmanships of Board Committees in other Companies (includes only Audit Committee and Shareholders/Investor Grievance Committee)	Nil	Nil	Nil	Nil	Member of Audit Committee - Dr. Morepen Limited
Number of shares held in the Company	55,01,510	100	Nil	Nil	Nil
DIN	00012028	00450783	00036546	00012096	00041987



## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 29<sup>th</sup> Annual Report and Audited Accounts for the year ended 31<sup>st</sup> March, 2014.

### FINANCIAL HIGHLIGHTS

	(Rs. in Lacs)	
Particulars	2013-14	2012-13
Total Revenue	33,676	30,597
Operating Surplus	4,660	3,160
Finance cost	989	1,161
Cash Surplus	3,671	1,999
<b>Non-Cash Items:</b>		
Depreciation & Amortisation	4,577	4,574
Profit/(Loss) before Extra-ordinary items and Tax	(906)	(2,575)
Extra ordinary items - Income (Net)	290	308
Profit/(Loss) Before Tax	(616)	(2,267)
Tax	-	-
Profit/(Loss) After Tax	(616)	(2,267)

### MANAGEMENT OVERVIEW

Your company has recorded revenues of Rs. 33,676 Lacs during the current financial year against last year revenues of Rs. 30,597 Lacs, recording a growth of 10% over the previous year revenues. Operating revenue for the current year at Rs. 33,597 Lacs has posted a growth of 10.8% over the last year. Sales revenues of the company are steadily improving over the past few years.

Better planning, improved productivity and the effective cost control have helped the company to substantially improve its operating margins in the current year.

Growth in Active Pharmaceutical Ingredients (API) business has been moderate, though export price realisation was better on account of weak Indian Rupee against US Dollar. Home Diagnostics and branded formulation business has shown significant improvement in their sales revenues recording a growth of 21% and 27% respectively.

Current year's operating surplus of Rs. 4,660 Lacs has translated into a growth of 48% against last year of Rs. 3,160 Lacs. Finance cost at Rs. 989 Lacs has come down by 15% against Rs. 1,161 Lacs incurred in the previous year.

Cash generated during the year stands at Rs. 3,671 Lacs against Rs. 1,999 Lacs generated during the last financial year.

The management is committed towards profitable growth of all its business segments by improving their operating and financial performance. It is committed for the timely servicing of its financial obligations.

### DIVIDEND

For the year under review the Directors do not recommend any dividend due to absence of any distributable surplus.

### OPERATIONS

Current year sales revenues of Rs. 32,206 Lacs have registered a growth of around 9% against last year revenues of Rs. 29,578 Lacs. Home Diagnostics business has recorded a growth of 21% in its sales revenues. Active Pharmaceutical Ingredients (API) business and Finished Formulation business have recorded moderate growth of 6% & 5% respectively.

Continued focus on margin improvement, cost control and efficient utilization of resources has helped the company to significantly improve its operating margins over the preceding years. The operating surplus for the current year has improved to Rs. 4,660 Lacs from Rs. 3,160 Lacs in the previous year. Current year operating surplus has recorded 48% growth over the last financial year. After servicing the finance cost of Rs. 989 Lacs, current year net cash surplus is Rs. 3,671 Lacs against Rs. 1,999 Lacs generated in the previous year.

API export business registered a growth of around 11% whereas domestic API business recorded a dip of 6% over the last year. Atorvastatin and Fexofenadine business recorded handsome growth. Current year Loratadine revenues have not shown many variations against previous year revenues.



During the Current year 'Home Diagnostics' business has recorded revenue of Rs. 4,431 Lacs against Rs. 3,652 Lacs recorded in previous financial year. The handsome growth in revenues was made possible by expanding consumer base by tying up with online portals for sales and marketing of company's products.

Finished Formulation business has recorded sales revenues of Rs. 7,506 Lacs against Rs. 7,147 Lacs recorded in the previous year.

## FINANCES

The company continues to service its debt obligations as per the terms approved by its lender banks and financial institutions. The company has been managing its day to day operations without any institutional working support. It is surviving on the surplus generated out of its operations. Further on account of accumulated losses including losses for the current year the provisions of Companies Act, 2013, place restrictions on redemption of Preference Shares. In view of above, the company has not been able to redeem optionally convertible preference shares which have fallen due for redemption and/or conversion on 4<sup>th</sup> May, 2014.

## REPORT ON BUSINESS PERFORMANCE

### A. ACTIVE PHARMACEUTICAL INGREDIENTS (API)

Over the years API business has significantly contributed towards the overall growth of the company. During last few years expansion of domestic and export markets has fast tracked the revenue growth. During the current year a growth of 6% has been recorded in the annual sales revenues. Current year Revenues are at Rs. 20,288 Lacs against last year revenues of Rs. 19,061 Lacs. Loratadine API and its intermediates have recorded a marginal growth of 1.6% however Atorvastatin and Fexofenadine respectively has recorded a growth of 30% and 42% respectively. Montelukast with current year revenues of Rs. 4,967 Lacs has recorded a dip of around 9%.

There has been volume growth of 11% in 'Loratadine' US business. Lower price realisation in terms of US Dollars has been compensated by weak rupee and hence squeeze in margins was not material. Loratadine intermediate business has been steady and marginally crossed the previous year sales revenues. The company was able to secure good business in other markets for the Loratadine supply based on its strength of cost effective route of Loratadine production. Further, the company has already been granted Loratadine Certificate of Suitability (CoS).

Desloratadine 'API' has recorded sales revenue of Rs. 355 Lacs against Rs. 322 Lacs recorded in the last financial year. The company expects steady business in the coming years.

Current year sales revenues of Montelukast have recorded a dip of 9% over the previous year. Competitive prices offered by the Chinese markets have adversely affected the 'Montelukast' business of the company. Morepen was granted Certificate of Suitability (CoS) for Montelukast during the year under review. It will facilitate the company in capturing the highly profitable regulated European markets.

Atorvastatin with its annual sales revenues of Rs. 2,351 Lacs has registered a growth of 30% over the last year. During the current year Fexofenadine' have posted a healthy growth of 42% in its annual sales revenues. The company has also been granted Certificate of Suitability (CoS) for Crystalline Atorvastatin Calcium Trihydrate.

During the current year, new products like Sitagliptin Phosphate, Rosuvastatin Calcium, Olmesartan Medoxomil and Aliskiren have been developed in the R&D laboratory. Their scale up as well as commercialization has been completed and these products are now commercially produced in plant to fulfill the customer's requirement. This product basket has recorded sales revenue of Rs. 733 Lacs against Rs. 154 Lacs recorded in the last financial year.

The company continues to work towards enhancement and strengthening of its Intellectual Property. The company has filed four new patent applications during the year.

### B. HOME DIAGNOSTICS

There has been healthy growth in current year sales revenues. Revenues for the current year are at Rs. 4,431 Lacs against Rs. 3,652 Lacs in the previous year. The company has tied up with online portals for expansion of its product reach with the end customers. The Company was able to reach households directly, however there was margin erosion. The company was not fully able to pass on the benefit of weak rupee to its customers. As most of the products are imported by the company weak rupee adversely affected the Home Diagnostics business of the company.

### C. FINISHED FORMULATIONS

Current year annual revenue has registered a modest growth of 5% over the last financial year. Revenue for the current year is at Rs. 7,506 Lacs, against Rs. 7,147 Lacs recorded in the previous financial year. Branded formulation as a part of finished formulations registered a growth of 27% whereas contract manufacturing and brand sharing business reported a minor slide. The company has got the breakthrough for export business in semi and non-regulated countries which will give it a handsome growth and business in coming years. Further, the focus on institutional business has also improved and will give better results in coming years. The business performance is expected to improve significantly in the years ahead.

## **SUBSIDIARIES**

### **PERFORMANCE OF SUBSIDIARIES:**

The working of all its subsidiaries for the year under review and the performance of each of its subsidiaries is given here-in-below:

#### **Dr. Morepen Limited**

Over The Counter (OTC) business of the company carried out through its wholly owned subsidiary, Dr. Morepen Limited (DML) is showing healthy growth. During the current year OTC business has recorded a jump of 29% in its annual revenues. Sales revenue for the current year stood at Rs. 3,356 Lacs against last year revenues of Rs. 2,601 Lacs.

Net Profit for the current year is at Rs. 304 Lacs against Rs. 232 Lacs recorded during last financial year. There has been healthy growth in Net profits levels during the last few years.

The brand sharing business of the company has attained respectable volumes during the current year. It recorded revenue of Rs. 1,045 Lacs during the year against Rs. 361 Lacs in the last year.

The company has ambitious plan of increasing its sales revenues by capturing consumers' attention. It continues its focus on marketing and media activities. However, limited cash flows provide little room for large scale marketing and other activities. We expect steady improvement in the business and financial performance which would allow a greater room for major actions on marketing and product expansions.

#### **Total Care Limited**

There was no business activity during the year. Other income of Rs. 10 Lacs was recorded during the year.

#### **Morepen Inc.**

This company is our marketing and distribution interface in USA for various OTC & other products. The Current year revenue was at Rs. 69 Lacs (\$116,090) as against Rs. 69 Lacs (\$120,022) in the previous year. Current year profit after tax is at Rs. 24 Lacs, against loss of Rs. 5 Lacs in the last year.

#### **Morepen Max Inc.**

This company has been in a dormant state for last few years. Board of Directors consider it expedient to divest the investment in the company at an appropriate time.

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

A detailed report on Management Discussion and Analysis of Corporate Governance pursuant to Clause 49 of the Listing Agreement is enclosed and forms part of the Annual Report as per Annexure 'A'.

## **LEGAL & CORPORATE MATTERS**

During the financial year ending 31st March, 2010, the company had allotted 9,24,90,413 equity shares to the fixed deposit holders towards settlement of their dues under the Scheme of Arrangement or Compromise U/s 391 of the Companies Act, 1956, approved by the Hon'ble Shimla High Court vide its order dated 4th August, 2009. The Central Government appealed against the said order which was allowed by the Division Bench and the matter was remanded back to provide a hearing to Central Government. The matter is pending before a Single Judge for final adjudication.

The company has also filed a Writ Petition before the Hon'ble High Court, Delhi for a decision on listing of equity shares allotted on preferential basis by the company to Banks & Financial Institutions, Promoters and Foreign Investors in the wake of Debt Restructuring Scheme approved by the CDR Cell in June, 2006. The matter is sub-judice.

The cases filed against the company on the basis of investigation carried U/s 235 of the Companies Act, 1956 and the consequential cases filed by the Registrar of Companies against the company and its Directors are being defended by the company.

The company's appeal with the Hon'ble Supreme Court against the appointment of special directors on the board of the company u/s 408 of Companies Act, 1956 is pending for final disposal.

## **ENVIRONMENT**

The company as a responsible corporate citizen is committed for safeguarding the environment. It is taking all necessary and mandated precautions for the proper upkeep of natural resources. Good manufacturing practices are adhered to consistently in carrying out day to day operations. It also takes proper care of treatment of effluents and its disposal. Air and water pollution have been contained within permissible limits by adopting latest techniques. Timely up-gradation of all equipment's i.e. production equipment's, Effluent Treatment Plant and other related equipment's are being done. The company is regularly investing in new equipment's and methods of production to lessen the power and fuel consumption and thereby regulate emission of particles and gases as per laid down norms.



## HUMAN RESOURCES

Your Company had always endeavored to attract good and talented people. Many of employees have long term association with the company.

The Company has a long tradition of providing rightful and equal opportunity to all its employees. It has strong belief in the spirit of fairness and transparency at all levels of employee engagement. The company understands that Human capital of a company differentiates between progressive companies and the rest of the companies. It remains committed to protect and promote the interest of its work force by way of collective efforts of all the team members. The inter-personal relationship amongst workers, staff and officers has always been cordial and healthy.

As on 31st March, 2014, 1342 employees were working for the company across all levels at various locations.

## PARTICULARS OF EMPLOYEES

No employee of the Company is in receipt of remuneration in excess of the limits prescribed under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended up to date.

## DISCLOSURE OF PARTICULARS

The information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and out go, as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors), Rules 1988 is annexed and forms part of this report as **Annexure-'B'**.

## DIRECTORS' RESPONSIBILITY STATEMENT

In terms of provisions of Section 217(2AA) of the Companies Act, 1956, ("Act"), your Directors confirm that:

1. In the preparation of annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures, wherever applicable.
2. They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.
3. They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for prevention and detecting fraud and other irregularities.
4. The annual accounts have been prepared on a going concern basis.

## DIRECTORS

Mr. Manoj Joshi, Mr. Sukhcharan Singh and Mr. B.R. Wadhwa, have given their consent to act as a Director of the Company pursuant to Section 152 of Companies Act, 2013, read with Rule 8 of Companies (Appointment and Qualification of Directors) Rules, 2014 and have offered themselves to be appointed as the Independent Directors of the Company. Your directors recommended their appointment as Independent Directors on the Board, in accordance with the provisions of Section 149 of Companies Act, 2013, read with Companies (Appointment and Qualification of Directors) Rules, 2014, as amended from time to time, in the ensuing Annual General Meeting.

Mr. Sushil Suri, Chairman & Managing Director of the Company, who is liable to retire by rotation pursuant to the provisions of Section 152 of Companies Act, 2013, read with Companies (Appointment and Qualification of Directors) Rules, 2014, as amended from time to time, has given his consent and being eligible has offered himself for re-appointment. Your directors recommended his re-appointment as Chairman & Managing Director of the Company in the ensuing Annual General Meeting.

Dr. A. K. Sinha, Whole-Time Director of the Company, has given his consent and offered himself for appointment as Whole-Time Director of the Company pursuant to Section 196, 197, Schedule V and other applicable provisions of Companies Act, 2013, read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. Your directors recommended his appointment as Whole-Time Director of the Company in the ensuing Annual General Meeting.

Further, as per the provisions of Section 149(1) of the Companies Act, 2013, Rule 3 of Companies (Appointment and Qualification of Directors) Rules, 2014 and revised clause 49 of Listing Agreement it is mandatory to appoint a Woman Director on the Board of the Company. However, as per the terms of the order of the Supreme Court of India, in the case of Morepen Laboratories Limited vs. Union of India, status quo as on 16th July, 2007 has been ordered to be maintained. Therefore, the Board has expressed its inability to comply with the said requirements and has asked the management to seek further legal opinion on the matter. The Company shall comply with the above requirements once the case has been decided by the Hon'ble Supreme Court.

## **COST AUDIT**

The Board of Directors of the Company appointed M/s. Vijender Sharma & Co., Cost Accountants, as the Cost Auditor of the Company for the year ended March 31, 2014. The due date for filing the Cost Audit Reports in XBRL mode for the financial year ended March 31, 2013 was September 30, 2013 and the Cost Audit Reports were filed by the Cost Auditor on September 29, 2013. The due date for filing the Cost Audit Reports for the financial year ended March 31, 2014 is September 30, 2014.

## **AUDITORS**

M/s. M. Kamal Mahajan And Co., Chartered Accountants, retire as Auditors of the Company at conclusion of the ensuing Annual General Meeting and have confirmed their eligibility under Section 141(3) of the Companies Act, 2013 and are willing to continue as Auditors of the Company, if re-appointed.

## **EXPLANATION TO AUDITORS' REPORT**

The Auditors have vide Para (i) (a) of the annexure to the audit report commented on the quantitative details and situation of items like pipe, meter instruments and other similar items. Your Company is a pharmaceutical company, where, in the manufacturing plants controlled reactions take place in the reactors and the items of Plant and Machinery like pipes runs criss-cross throughout the various sections of the plant, like pilot plants, utility sections and various control valves and meters and instrumentations are mounted on such pipes, samplings, reactors and items of Plant & Machinery. Therefore, on account of nature of the industry, these particular items cannot be attributed to a particular place to the exclusion of others. Further, in your Directors view, this is not a qualification but an observation of a clarificatory nature.

Further, the auditors vide Para (xi) of the annexure to the audit report have commented on delay in payment of dues to the lenders. The Company reiterates its commitment to service its debt obligations as per the agreed terms.

## **LISTING**

Annual listing fees for the year 2014-2015 have been paid to both the Stock Exchanges i.e. BSE and NSE. The Equity shares continue to be listed on BSE and NSE.

## **CORPORATE GOVERNANCE**

A detailed report on Corporate Governance pursuant to Clause 49 of the Listing Agreement is given in a separate section and forms part of the Annual Report.

The statement pursuant to section 212 of the Companies Act, 1956 is annexed as Annexure 'C' and forms part of this Report.

## **ACKNOWLEDGMENTS**

Your Directors place on record their sincere appreciation for the valuable inputs and continued support extended by the Employees, Customers, Suppliers, Collaborators, Company's GMP consultants, Directors, Auditors, Bankers, Financial Institutions, Medical & Legal Professionals, Drug Control Authorities, Government Agencies, Business Associates, and our large Shareholder Family.

**For and on behalf of the Board**

Sd/-

**Sushil Suri**

**Chairman & Managing Director**

New Delhi

9th August, 2014

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### GLOBAL PHARMACEUTICAL SCENARIO

Total global spending on medicines will exceed one trillion US Dollar for the first time in 2014 and is expected to touch \$1.2 trillion by 2017. The global spending on prescription medicines will increase by \$205-235 Bn till the year 2017. The level of increase is comparable to the \$234 Bn by which spending increased in last five years. The mix of total global spending on medicines will shift towards generics in the coming years, rising from 27% to 36% of the total by 2017, even as brands will continue to account for more than two thirds of spending in developed world. The use of generics will be at its highest in pharmerging markets where 63% of the spending will go to generics products. The slowing growth in the coming years till 2017 reflects reduced spending in many developed markets facing continued austerity measures. Annual growth in spending levels having reached a low point in 2013 will be followed by increased growth particularly in developed markets. Medicines spending levels are also affected by launches of new products which are typically smaller, more specialty and niche products than in past whereas at the same time, patent expiries of many small molecules products have successfully contained spending growth for traditional medications in developed markets.

The role of medicines in improving health for hundreds of millions of people across the globe has never been more important. Many countries are moving towards Universal Health Coverage, ensuring access to medicines and other elements of health care for all. Since the beginning of the world's major economic slowdown in 2007, macroeconomic indicators are improving, though slowly than the previously forecasted. Austerity measures taken by some governments, especially in Europe, continue to be applied to healthcare spending especially medicines. Next five years see a continuing growth split between developed markets and pharmerging markets. The developed markets of North America, Europe and Japan will see very modest single-digit spending growth, due to a combination of economic and healthcare austerity measures and the saving realized from the growing availability of lower cost generic versions of brands following their patent expiry. Growth in developed markets will rebound from negative \$3 Bn in 2012 to \$20-25 Bn by 2017, even as the European economic recovery lags that of US and Japan. Growth in Pharmerging markets will increase from \$26 Bn in 2012, to \$30-50 Bn in 2017 primarily due to increased access to medicines as infrastructure and health systems evolve.

Across the major developed markets, uncertainty exists to an unusual extent. The last 5-6 years in Europe have seen greater adoption of generics and more restrictive policies that have made patients in European countries less likely to gain access to innovative medicines. Meanwhile US will also see the major impact of the implementation of its local drug legislations and how the structural changes will impact the medicine spending is difficult to predict with certainty. However, US will resume increased spending levels in 2014 after 2 years of reduction, due to expansion of healthcare access and lower patent expiries. US, expected to grow at CAGR of 1-4% thro' 2013-17, will have a smaller share of the global market thro' 2017 but a constant share of developed markets. In Japan, the key variable driving different scenario is the successful establishment of effective generic drug market. Japan has targeted to achieve increasing generics markets share in its local market and achieve 60% share of its total generic and listed drugs by 2018. Medicine spending growth in pharmerging markets is highly influenced by the scenario emerging out of Chinese markets. It is the largest and one of the fastest growing emerging markets for the prescription drugs with the goal being universal healthcare coverage by 2020.

Innovation, the ultimate engine of growth for the global provision of medicines, will see a revival of activity through 2017, with increase in the number of global innovative launches since 2010.

### MOREPEN'S STRATEGY

Morepen has been handling complex chemical manufacturing processes for quite a numbers of years. The company is working in the area of improved cost-beneficial chemical synthesis for various drug molecules. The process will provide a wide variety of bulk drugs both for domestic markets as well as export markets. Expanding range of generic products on account of more molecules coming off patent provide exciting opportunities to the company for the API as well for intermediates production. The company is looking forward to its future with great expectations. It expects significant gains in the business on the strength of its good in-house strength of handling complex chemical reaction, fully trained and experienced work force, increased spend on process improvements and emphasis on cost savings. The company is committed to expand its R&D efforts to enable it to file new process/polymorph patents for more and more products and also to enable it to enter newer countries.

In respect of its formulations and home diagnostic business segments, the company is slowly expanding its operations. On account of limited working capital finances it intends to continue its present strategy of conservative but profitable growth of these two business segments. Over the years the company has established a niche place for itself by delivering quality products at affordable prices and it expects its business and profits to grow healthy in the coming years. The company has established a brand name for its products across all business segments and the company hopes to leverage its position in the market. The company will continue to work on better products mix and markets with a view to improve its business and financial performance.

The company has been able to improve upon its operational and financial performance in the recent past and it hopes to carry forward its profitable growth in the coming years as well. All the business segments have shown better performance in the current year and are expected to record better performance for the coming years.

The company continues to remain committed to offer value to its customers and maintain a cordial and healthy relationship with all its constituents. Towards the purpose of enhancement of API business and towards strengthening of its Intellectual properties five new patent applications were filed during the year.

## **OPPORTUNITIES AHEAD**

### **GLOBAL MARKETS**

#### **ACTIVE PHARMA INGREDIENTS (API)**

The Indian pharmaceutical industry is the most respected amongst the pharmaceutical emerging nations. It is one of the most sought after sectors from a global collaboration point of view. On account of having strong macro and socio-economic foundation, the driving factors are intrinsically deep-rooted in the Indian pharmaceutical sector. Therefore, it has not been deterred by quality issues recently faced by a few Indian companies. The Indian pharma sector offers a lot to be optimistic about. The sector which was only \$ 6 Bn in 2005 has been able to clock a CAGR of 17% till now. It is expected to grow to \$45 billion by 2020, the sixth largest in the world in terms of absolute size by 2020.

The sector stands to benefit from various domestic and international driving factors. On the domestic front, the growth has been in the range of 13-14 per cent on back of increasing sales of generic medicines, continued growth in chronic therapies and a greater penetration in rural markets.

Exports continue to make a significant contribution to the industry growth story. Critical and developed markets like the US are driving growth in the generics segment. The present US policy on healthcare, is also a positive development for Indian pharma players as it increases the scope of supplying high quality affordable drugs to the American markets.

Apart from the developed markets, Indian pharma companies have established a strong presence in other fast growing semi-regulated markets like Russia, South Africa and Latin America.

For India to remain a reckoning force in the international markets, the Indian pharma industry needs to continuously invest in development of global R&D capabilities and develop its strong and well established CRAMS segment. India will have to imbibe the technical capabilities and knowledge of the west especially in areas of manufacturing and new drug delivery systems. Strong international collaborations and partnership will insure that India continues to reinvent itself by delivering on more value added products to the global markets, thus protecting its global market position.

The Indian pharma sector is at the threshold of exponential growth. It is forecasted that the Indian pharma market will be amongst the top three global markets in terms of incremental growth by 2020.

#### **Patent Filing**

Towards its journey of profitable growth and technological advancement strengthening, the company, has filed four new patent applications in respect of Sitagliptin Phosphate New Polymorphs, Improved process for control on Anti-isomer in Rosuvastatin calcium, Novel purification process for Methyl Loratadine and Novel purification process for White stable Desloratadine.

### **DOMESTIC MARKETS**

#### **FINISHED FORMULATIONS**

#### **Rx MARKETING**

The company continues to work on improved distribution strategies to focus on delivery areas and enable greater penetration of its pharmaceutical products. The company remain focused on its existing therapeutic categories but at the same time work on more lucrative therapeutic categories. Product portfolio has also been realigned with the market demand and the company's strengths. The products with good demand and higher contribution continue to be under greater focus. Multivitamins, Gastroenteritis and Antibiotics remained under greater focus. Business performance has shown improvement during the year and is expected to be better in the coming years. The company remains committed to rein in its distribution expenses and improve upon its operating margins on consistent basis.

#### **PRODUCT CONTRACT MANUFACTURING (PCM) AND BRAND SHARING**

The name and standing earned by the company in delivering good quality products has helped it in retaining the old customers and also expand its brand sharing business. The cardio and diabetic category has been taken as the main focused category and the company is now manufacturing most of the products in these two categories. It has a very good acceptance by third party marketing companies. There has been consistent improvement in the performance of this segment. The company is able to utilize its



formulation production capacities and capabilities. Brand sharing business visibility is improving with the introduction of new products in the market.

#### **OUTLOOK ON THREATS, RISKS AND CONCERNS**

Asia Pacific is fast becoming a dominant player in the global API business both in terms of supply and demand. The region has a share of more than 28% of the global API market. Countries such as India and China have become global hubs for API outsourcing, primarily due to their low cost of production and strong domestic demand. However, the rising cost heads have put the much-touted cost advantage into question in these countries. The industry is expected to undergo consolidation, with large API producers taking over the capacity of small manufacturers. Also, surviving manufacturers are likely to focus on API demand from unregulated markets (such as Africa and Latin America) in order to avoid the rising quality assurance cost. Shrinking operating margins, especially for generics, loom large for global pharmaceutical companies in 2014. There will be hike in production and distribution costs, adversely impacting margins. Multiple regulatory announcements locals and international, restructuring, essential drug list expansion, and new price caps and generics-promoting guidelines from global drug regulator have already limited the scope of pharmaceutical companies, impacting operating margins.

Ever changing regulatory scenario and rising API manufacturing costs in the global pharmaceutical industry is likely to impact its entire supply chain. In 2014, we can expect multinational pharmaceutical companies to rely heavily on their domestic partners to optimize their sales costs. These companies may also look to decentralize their procurement and distribution networks to ensure regulatory compliance.

The Pharmaceutical Price Control Policy carried forward earlier governmental initiatives in terms of ensuring quality drugs at reasonable prices, strengthening of indigenous capability for cost-effective production, reducing trade barriers and providing active encouragement to in-house R&D efforts of domestic firms. The objective is to increase revenue and lower prices of medicines by using fiscal deterrent on Maximum Retail Price (MRP). There is heightened sensitivity of the government towards consumer access to medicines at reasonable prices and keeping a check on undue profit making by the industry. The Indian pharmaceutical industry shall ensure that essential drugs at affordable prices are available to the vast population of this sub-continent and also continue providing employment for millions. India shall implement all the rules and regulations, which guide, monitor and control the activities of the providers of the healthcare system in the country and shall examine the way to bring them up to international standards.

The focus of Indian Pharmaceutical Regulatory bodies is now shifting towards the risk management and science based GMP regulations with the affordability of quality medicines. The need of the hour is to change the attitude by the Indian Pharmaceutical Manufactures to make them compliant with regulatory requirements by converting industries research and innovation driven'. Though all these changes and challenges are tough but facing them with determination will yield a long lasting success.

The sharp fluctuations in foreign exchange rates also impact the Company's financial results as API business is largely export oriented, whereas 'Home Health Diagnostics' business is largely import driven.

The above-mentioned details are being provided as disclosure in relation to the company's business by explaining the prevailing business environment.

#### **FIXED ASSETS**

Fixed Assets of the Company are generally well maintained and are in good condition.

#### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

Your Company continues to place special emphasis on the internal control systems by way of internal audit of the Company and also by way of strengthening the systems & processes. Discrepancies and weaknesses, found at various levels are timely and adequately addressed with a view to efficiently manage the company's valuable resources.

#### **CAUTIONARY STATEMENT**

Statements/Declarations contained in the Management Discussions and Analysis Report pertaining to Strategies, future plans and projections have been made in good faith.

Market data and production information contained in this report have been based on the information gathered from various published and unpublished reports and their authenticity cannot be completely ensured/assured. The Management of the Company reserves the right to re-visit any of the predictive statements to decide the best course of action for the maximization of Shareholders' value/wealth besides meeting social and corporate obligations.

## Annexure 'B'

**INFORMATION PURSUANT TO SECTION 217(1)(E) OF THE COMPANIES ACT, 1956  
READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF  
BOARD OF DIRECTORS) RULES, 1988**

## FORM A

Form for disclosure of particulars with respect to conservation of energy.

## A) ELECTRICITY AND FUEL CONSUMPTION:

S. No.	Particulars	Year ended 31.03.2014	Year ended 31.03.2013
1.	Electricity		
a.	Purchase Units (KWH) (Units in Lacs)	87.45	93.60
	Total amount (Rs. in Lacs)	550.14	490.68
	Rate/Unit(Rs.)	6.29	5.24
b.	Own Generation		
I)	Through Diesel Generator Unit (KWH) (Units in Lacs)	4.64	5.85
	Unit per Litre of Diesel Oil	3.02	3.02
	Cost/Unit (Rs.)	17.09	14.29
II)	Through Steam Turbine/Generator	N.A.	N.A.
2.	Coal (Specify the quantity used)	N.A.	N.A.
3.	Pet Coke Quantity (MT)	875.875	437.270
	Total Amount (Rs./Lacs)	57.56	26.62
	Cost/Kg.(Rs.)	6.57	6.09
4.	Furnace Oil Quantity (K.litres) (Qty. in Lacs)	2.06	-
	Total Amount (Rs./Lacs)	90.46	-
	Average Rate (Rs. Per Litre)	43.97	-
5.	Diesel Quantity (K.litres) (Qty. in Lacs)	1.29	6.30
	Total Amount (Rs./Lacs)	64.21	294.99
	Average Rate (Rs. Per Litre)	49.93	46.86
6.	Other/Internal Generation	N.A.	N.A.

## B) CONSUMPTION

Particulars	Unit	Standards	Year ended 31.03.2014	Year ended 31.03.2013
Electricity	KWH	No Specific standards	88.51	104.19
Furnace Oil	Ltr./Kg	No Specific standards	1.98	-
Diesel	Ltr./Kg		1.24	6.60
Coal	N.A.		N.A.	N.A.
Pet Coke	Kg./Kg	No Specific standards	8.42	4.58
Others		N.A.	N.A.	N.A.

Note: Consumption depends upon product mix.



## FORM B

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors), Rules 1988.

### 1. Research & Development

#### (a) Key areas in which R & D is carried out by the Company

- Innovation and up-gradation of existing technologies/products to meet customer requirements
- Improvement in existing processes of various API's & their intermediates to improve the quality and also for cost reduction
- Development of new dosage forms in different therapeutic categories for domestic market - for in-house marketing as well as for contract manufacturing
- Development of bi-layer tablets with incompatible API's and in Cardiovascular therapeutic category of the products
- Development and launch of Vitamin D3 Sachets and Mouth Dissolving Tablets
- Development of DHA based formulation in Syrup form
- Development of iron tablets and syrups.
- Development and launch of Voglibose + Metformin (SR) tablets in diabetic category and Olmesartan and Rosuvastatin product ranges in cardio category along with Pre & Pro biotics in Neutraceutical range.
- Dossier for Rabeprazole tablets submitted for Russian market.
- Development of new products in Anti-diabetic category like Dapagliflozin, Canagliflozin, Voglibose, Alogliptin, Vildagliptin, Linagliptin and in anti-hypertensive category with Candesartan, Irbesartan, Fimasartan, Valsartan.
- Development of anti-diabetic product Sitagliptin phosphate Monohydrate & its four new polymorphic forms.
- Development of impurity free Rosuvastatin & Atorvastatin calcium in anti-cholesterol category for Japan.
- Development of Olmesartan Medoxomil and Aliskiren Hemifumarate in anti-hypertensive category.

#### (b) Benefits derived as a result of R & D activities

- Yield improvement and reduction in the input quantities of raw material resulting in cost reduction and economization, helping the company staying ahead of its competitors.
- Process/Quality improvements and product up-gradation as per customer requirements.
- Filing of several new process patents for various products like Atorvastatin, Desloratadine, Aliskiren & Rosuvastatin to strengthen the IP assets of the company which is the result of continuous process improvement/development for new as well as existing products / API's.
- Process simplification and standardization of parameters resulting in uniform quality and better efficiencies.
- Newly developed research work was utilized in the production of commercialized products.
- Grant of COS for 'Montelukast' and Atorvastatin' for their non-infringing processes developed in R&D laboratories.
- DMF filing of Atorvastatin calcium form VI in Taiwan to Taiwan food and drugs administration (TFDA).
- EDMF filing for Desloratadine in various European countries.
- Increase in the CRAM business and addition of new customers with the help of new molecules launch and also specialization in cardio-diabetic category of the products.
- The export business initiated for semi and non regulated markets
- The cost of some of the products like Atorvastatin and Rabeprazole tablets has been reduced by altering the excipients without affecting the quality parameters.

#### (c) Future plan of action

- New high value drugs like Dapagliflozin, Canagliflozin, Alogliptin, Saxagliptin, Vildagliptin & Linagliptin & Candesartan, Fimasartan, Irbesartan etc, are to be developed.
- Greater focus on innovative, commercially viable process know-how for both API's and dosage forms.
- Greater focus on the expansion of intellectual property on all the work carried out in R&D.
- DMF/COS filing for crystalline & Amorphous Rosuvastatin Calcium, crystalline 'Aliskiren Hemifumarate, Sitagliptin Phosphate Monohydrate & Olmesartan Medoxomil
- Filing of patent for "novel polymorphic form of Rosuvastatin calcium".
- To develop and commercialize API's which has good potential in international market with early patent expiry.

- Development of Loratadine Tablets for regulated market compared to innovator and preparation of its dossier, to be submitted through our counterpart.
- Cost reduction of the products especially reducing the solvent cost for enteric / film coating tablets by changing solvent based coating to aqueous based coating.
- Cost reduction of other ranges of products by exchanging the high value excipients with the low value, without affecting the quality parameters.
- Development of products for export market like Valsartan range of products and cough & cold category as per export market requirements.
- Development of novel anti-oxidant nutraceutical product, to be developed in tablet and syrup form and to be launched first time in India.
- Development of Montelukast, Loratadine, Desloratadine and Fexofenadine in the syrup form.

**(d) Expenditure on R&D**

	Year Ended 31.03.2014	Year Ended 31.03.2013
Capital	-	-
Revenue	<b>38.00</b>	48.00
Total	<b>38.00</b>	48.00
Total R&D expenditure as % of total turnover	<b>0.11%</b>	0.16%

**2. Technology Absorption, Adaptation and Innovation**

a) Efforts in brief made towards technology absorption and innovation

The Company is continuously adopting innovative processes in the manufacture of all of its API's and intermediates as well as in formulations as explained in 1 (a) above.

b) Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.

Internationally competitive prices and high quality products, improved productivity/process efficiencies, foreign exchange earning/savings and other benefits as explained in 1(b) above.

c) Information in case of imported technology (Imports during last five Years)

Not Applicable.

**3. Conservation of Energy**

The Company continues to take necessary steps towards conservation of energy.

**4. Foreign exchange earnings and outgo**

The information on earnings and outgo of foreign exchange is given in notes on Financial Statements under note No. 31.

The following steps were taken for strengthening of export markets

- Patent for "Process for control on anti-isomer formation in Rosuvastatin calcium" was filed.
- Patent for "Novel purification process for stable white Desloratadine" was filed.
- Patent for "Novel polymorphic forms of Sitagliptin phosphate & processes thereof" was filed.
- Patent for "Improved Process for the purification of Loratadine intermediate" was filed.
- Montelukast Sodium was sold in China.

## ANNEXURE 'C'

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

(Rs. in Lacs)

1	Name of the subsidiaries	Morepen Max Inc.	Morepen Inc.	Dr. Morepen Limited	Total Care Limited
2	The Financial year of the Subsidiary Company ended on	31.03.2014	31.03.2014	31.03.2014	31.03.2014
3	Extent of interest	51 Equity shares of US\$ 1,000 each	9,400 Fully paid shares of US\$ 1 each	4,06,79,500 Equity shares of Rs.10/- each	8,86,721 Equity Shares of Rs. 100/- each (Held by Dr. Morepen Ltd., a 100% subsidiary of the Morepen Laboratories Ltd.)
4	Extent of Shareholding	51%	100%	100%	95%
5	(i) Net aggregate amount of profit/losses of the subsidiary so far as it concerns the members of Morepen Laboratories Limited and is not dealt within the Company's Accounts.				
	a. Profit/(Loss) for the Financial Year ended as 31st March, 2014 of the Subsidiary	2.52	35.83	304.10	(2.87)
	b. Profit/(Loss) for the previous financial years of the subsidiary since it became subsidiary	(6.27)	84.88	(2506.22)	(588.86)
	(ii) Net aggregate amount of profit/losses of the subsidiary so far as it concerns the members of Morepen Laboratories Limited and is dealt within the Company's Accounts.				
	a. Profit/(Loss) for the Financial Year ended as 31st March, 2014 of the Subsidiary	-	-	-	-
	b. Profit/(Loss) for the previous financial years of the subsidiary since it became subsidiary	-	-	-	-

(Rs. in Lacs)

Name of the subsidiaries		Morepen Max Inc.	Morepen Inc.	Dr. Morepen Limited	Total Care Limited
6	a. Capital	59.35	33.91	4067.95	933.39
	b. Reserve	(15.31)	117.69	(608.52)	(2173.11)
	c. Total Assets	59.35	189.74	4996.43	4.51
	d. Total Liabilities	59.35	189.74	4996.43	4.51
	e. Investment (except in case of investment in the subsidiaries)	-	-	-	-
	f. Turnover	-	68.90	3357.76	-
	g. Profit before tax	4.93	36.96	304.10	(3.02)
	h. Provision for Taxation	-	1.13	-	-
	i. Profit after Taxation	4.93	35.83	304.10	(3.02)
	j. Proposed Dividend	-	-	-	-

**Notes:**

The Board of Directors of the Company has given its consent for not attaching the balance sheet of the above listed subsidiaries. The company, on demand, shall make available to its shareholders and the shareholders of its subsidiaries, at any point of time, the annual accounts of the subsidiaries and the related detailed information. The annual accounts of the subsidiary companies shall also be kept for inspection by any shareholder in the registered office of the company and of the subsidiary companies concerned. Further a hard copy of details of accounts shall be furnished on demand to any of its shareholder.

## Report on Corporate Governance

### CORPORATE GOVERNANCE

[Report on Corporate Governance pursuant to Clause 49 of the Listing Agreement entered into with the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) and forming part of the Directors' Report for the year ended 31st March, 2014]

### COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Morepen Laboratories Limited (MLL) strongly believes in adopting and adhering to the best corporate governance practices and benchmarking itself against the industry's best practices. Corporate governance encompasses a set of systems and practices to ensure that the Company's affairs are being managed in a manner which ensures accountability, transparency and fairness in all transactions. The objective of corporate governance is to meet stakeholders' aspirations as well as expectations of the Society. It ensures greater transparency and timely reporting of the affairs of the Company to its stakeholders. The element of Corporate Governance contributes in generating the value for its Stakeholders at large. The Company conducts its business affairs in compliance of the principles of Corporate Governance and in the process strives to adopt various legal and regulatory measures with the ultimate objective of creating and maximizing stakeholders' wealth.

### 1. BOARD OF DIRECTORS

#### COMPOSITION AND CATEGORY OF DIRECTORS AS ON MARCH 31, 2014

Category	No. of Directors	%
<b>A Executive Directors</b>		
Mr. Sushil Suri (Promoter) Chairman & Managing Director	1	20
Dr. A. K. Sinha	1	20
<b>B Non Executive Independent Directors</b>		
Mr. Manoj Joshi, Mr. Sukhcharan Singh and Mr. B. R. Wadhwa	3	60
<b>Total</b>	<b>5</b>	<b>100</b>

#### Note:

The Chairman of the Board is an Executive Director.

#### DIRECTORS' PROFILE

Sl No.	Name of Director	Qualification	Nature of Expertise	No. of Companies in which they hold directorships
1.	Mr. Sushil Suri	B.Sc., FCA	Managerial Entrepreneurship	1
2.	Mr. Manoj Joshi	M. Com in Business Administration	Board Level Management, Policy Management and Public Advocacy	1
3.	Mr. Sukhcharan Singh	B.A., Retired Inspector General of Police	Administration	2
4.	Mr. B. R. Wadhwa	FCA, B.COM	Taxation and Finance	1
5.	Dr. A. K. Sinha	M.Sc., Ph.D	Technical	1

#### Note:

The Directorships held by directors as mentioned above do not include alternate directorships and directorships of foreign companies, Companies registered under Section 25 of the Companies Act, 1956 and Private Limited Companies.

## **ATTENDANCE OF EACH DIRECTOR AT MEETING OF THE BOARD OF DIRECTORS AND LAST ANNUAL GENERAL MEETING**

Four Board Meetings were held during the period under review i.e. on May 13, 2013, August 05, 2013, November 13, 2013 and February 12, 2014 as against the minimum requirement of four.

<b>Name</b>	<b>Date of Appointment</b>	<b>Designation</b>	<b>No. of Board meetings held during the year</b>	<b>No. of Board meetings attended</b>	<b>Last AGM attendance</b>	<b>Number of directorship in other companies</b>	<b>No. of Committee memberships</b>	<b>No. of Chairmanship in Board / committees</b>
Mr. Sushil Suri	01.02.1992	Chairman & Managing Director	4	4	No	Nil	1	Nil
Mr. Manoj Joshi	27.06.1992	Director	4	4	Yes	Nil	2	2
Mr. Sukhcharan Singh	15.06.2005	Director	4	4	No	1	3	Nil
Mr. B. R. Wadhwa	15.06.2005	Director	4	4	No	Nil	1	Nil
Dr. A. K. Sinha	15.06.2005	Director	4	3	Yes	Nil	Nil	Nil

### **Note:**

The Directorships held by directors as mentioned above do not include alternate directorships and directorships of foreign companies, Companies registered under Section 25 of the Companies Act, 1956 and Private Limited Companies. As per the information provided to the Company, the Committee memberships and chairmanships as mentioned above relates to Morepen Laboratories Limited and other Company(ies).

In accordance with clause 49 of the listing agreement, memberships/chairmanships of only the Audit Committee and Stakeholders Relationship Committee of all Public Limited Companies have been considered.

### **Shareholding of Directors as on March 31, 2014**

<b>Sl. No.</b>	<b>Name of Director</b>	<b>Shareholding</b>
1.	Mr. Sushil Suri	55,01,510
2.	Mr. Manoj Joshi	NIL
3.	Mr. Sukhcharan Singh	NIL
4.	Mr. B. R. Wadhwa	NIL
5.	Dr. A. K. Sinha	100

## **2. AUDIT COMMITTEE**

The Company has an Audit Committee, which meets the requirements of both Clause 49 of the Listing Agreement and Section 177 of the Companies Act, 2013. The Audit Committee comprises of Mr. Manoj Joshi, as Chairman and Mr. B. R. Wadhwa and Mr. Sukhcharan Singh as Members. All the members of the Committee are Non-Executive Independent Directors and are financially literate, i.e. have the ability to read and understand financial statements. One member of the Audit Committee possesses accounting or related financial management expertise.

### **Compositions of Audit Committee**

All the members of Committee are independent directors. Four meetings were held during the period under review i.e. on May 13, 2013, August 05, 2013, November 13, 2013 and February 12, 2014. The attendance of various directors was as follows:

<b>Sl. No.</b>	<b>Name of Director</b>	<b>Designation</b>	<b>No. of meetings held</b>	<b>Attendance</b>
1.	Mr. Manoj Joshi	Chairman	4	4
2.	Mr. Sukhcharan Singh	Member	4	4
3.	Mr. B. R. Wadhwa	Member	4	4

### **Role / Terms of reference**

The role / terms of reference of the Audit Committee includes the following:

- 1) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- 2) Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of statutory auditors, including cost auditors, and fixation of audit fees and other terms of appointment.
- 3) Approving payment to statutory auditors, including cost auditors for any other services rendered by them.
- 4) Reviewing with the management, annual financial statements and auditors report thereon before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Directors' Responsibility Statement to be included in the Directors' Report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956.
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on the exercise of judgment by the management.
  - Significant adjustments made in financial statements arising out of audit findings.



- Compliance with listing and other legal requirements relating to financial statements.
  - Disclosure of related party transactions.
  - Qualifications in draft audit report.
- 5) Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
  - 6) Reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice, and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
  - 7) Reviewing and monitoring the auditor's independence and performance and effectiveness of audit process.
  - 8) Approval or any subsequent modification of transactions of the Company with related parties.
  - 9) Scrutiny of inter-corporate loans and investments.
  - 10) Valuation of undertakings or assets of the Company, wherever it is necessary.
  - 11) Evaluation of internal financial controls and risk management systems.
  - 12) Reviewing with the management, the performance of statutory auditors, including cost auditors and internal auditors, adequacy of internal control systems.
  - 13) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
  - 14) Discussion with internal auditors, any significant findings and follow-up thereon.
  - 15) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature, and reporting the matter to the Board.
  - 16) Discussion with statutory auditors, before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
  - 17) To look into the reasons for substantial defaults, if any, in the payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
  - 18) To review the functioning of the Whistle Blower Mechanism.
  - 19) Approval of appointment of the CFO (i.e. the Whole-Time Finance Director or any other person heading the finance function or discharging that function) after assessing qualifications, experience and background of the candidate.
  - 20) Reviewing financial statements, in particular the investments made by the Company's unlisted subsidiaries.
  - 21) Reviewing the following information:
    - The Management Discussion and Analysis of financial condition and results of operations;
    - Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
    - Management letters/letters of internal control weaknesses issued by the statutory auditors;
    - Internal audit reports relating to internal control weaknesses; and
    - The appointment, removal and terms of remuneration of internal auditors / chief internal auditor.
  - 22) To call for comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and to discuss any related issue with the internal and statutory auditors and the management of the Company.
  - 23) To carry out such other functions as may be specifically referred to the Committee by the Company's Board of Directors and/or other Committees of Directors.

### 3. NOMINATION AND REMUNERATION COMMITTEE

The Nomination & Remuneration Committee was constituted by the Board on 21st May, 2014 consequent to the dissolution of Remuneration Committee. The Committee's constitution and terms of reference are in compliance with the provisions of Companies Act, 2013 and Clause 49 of the Listing Agreement, as amended from time to time.

The Nomination & Remuneration Committee comprises of Mr. Manoj Joshi, as Chairman and Mr. B. R. Wadhwa and Mr. Sukhcharan Singh as Members. All the members of the Committee are Non-Executive Independent Directors. Further, no remuneration is paid to the Non-Executive Directors except sitting fees.

One meeting of the Nomination & Remuneration Committee (Formerly Remuneration Committee) was held during the period under review i.e. on February 12, 2014.

The attendance of various directors was as follows:

S.No.	Name of Director	Designation	No. of meeting held	Attendance
1.	Mr. Manoj Joshi	Chairman	1	1
2.	Mr. Sukhcharan Singh	Member	1	1
3.	Mr. B. R. Wadhwa	Member	1	1

### **Role / Terms of reference**

The role / terms of reference of the Nomination & Remuneration Committee include the following:

- 1) To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and/or removal.
- 2) To formulate the criteria for determining qualifications, positive attributes and independence of a Director, and recommend to the Board a policy, relating to the remuneration for the Directors, key managerial personnel and other employees.
- 3) To formulate the criteria for evaluation of Independent Directors and the Board.
- 4) To carry out evaluation of every Director's performance.
- 5) To carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notification, amendment or modification, as may be applicable.
- 6) To administer, monitor and formulate detailed terms and conditions of the Employees' Stock Option Scheme.
- 7) To perform such other functions as may be necessary or appropriate for the performance of its duties.

### **REMUNERATION OF EXECUTIVE DIRECTORS**

Details of remuneration disbursed to Executive Directors, during the period under review are as under:

(Amount in Rs.)

<b>Name of Director</b>	<b>Salary</b>	<b>Perks</b>	<b>Commission</b>	<b>Total</b>
Mr. Sushil Suri	12,75,000	11,22,515	NIL	23,97,515
Dr. A. K. Sinha	22,15,443	5,57,600	NIL	27,73,043

### **SITTING FEE PAID TO NON-EXECUTIVE DIRECTORS**

Details of Sitting Fee paid to the Non-Executive Directors, during the period under review are as under:

(Amount in Rs.)

<b>Name of Director</b>	<b>Sitting Fees</b>
Mr. Manoj Joshi	60,000
Mr. Sukhcharan Singh	60,000
Mr. B. R. Wadhwa	40,000

#### **4. STAKEHOLDERS RELATIONSHIP COMMITTEE**

The Stakeholders Relationship Committee was constituted by the Board on 21st May, 2014 consequent to the dissolution of Shareholders/Investors Grievance Committee. The Committee's constitution and terms of reference are in compliance with the provisions of Companies Act, 2013 and Clause 49 of the Listing Agreement, as amended from time to time.

The Stakeholders Relationship Committee is headed by Mr. Manoj Joshi, Chairman of the Committee, who is a Non-Executive Director, while Mr. Sushil Suri and Mr. Sukhcharan Singh are its Members. Mr. Thomas P. Joshua, Company Secretary of the Company has been designated as Compliance Officer of the Company.

The Committee specifically looks into the redressal of shareholders and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc., and ensures that share transfers are processed well within the stipulated time period. Company's Registrar and Transfer Agent 'MAS Services Limited' redresses the Investor Complaints with respect to shares, dividend etc.

Four meetings of the Stakeholders Relationship Committee (Formerly Shareholders/Investors Grievance Committee) were held during the period under review i.e. on May 13, 2013, August 05, 2013, November 13, 2013 and February 12, 2014.

The attendance of various directors was as follows:

<b>Sl No.</b>	<b>Name of Director</b>	<b>Designation</b>	<b>No of meeting held</b>	<b>Attendance</b>
1.	Mr. Manoj Joshi	Chairman	4	4
2.	Mr. Sukhcharan Singh	Member	4	4
3.	Mr. Sushil Suri	Member	4	4

Details as to the Shareholders/Investors complaints received and handled during the year ended 31st March, 2014 is given as under:

<b>Nature of complaint</b>	<b>No. of complaints received</b>	<b>No. of complaints replied</b>	<b>No. of pending complaints*</b>
With regard to non-receipt of dividend	02	02	NIL
With regard to shares transfer, transmission / transposition etc.	NIL	NIL	NIL
With regard to delay in Demat/ Remat	NIL	NIL	NIL
SEBI/ROC	03	03	NIL
Non Receipt of Annual Report & Others	12	12	NIL
<b>TOTAL</b>	<b>17</b>	<b>17</b>	<b>NIL</b>

\* As on 31st March, 2014, no complaint was pending.

## 5. GENERAL BODY MEETINGS

The Annual General Meetings (AGMs) of the company were held in accordance with the requirements of Listing agreement with Stock Exchanges and Companies Act, 1956 and 2013, etc.

### (A) Details of last three Annual General Meetings (AGMs):

Date & Time	Location	Special Resolution(s) Passed
13.09.2013 at 10:30 a.m.	Morepen Village, Nalagarh Road, Near Baddi, Distt. Solan, Himachal Pradesh	Appointment of Auditors
14.09.2012 at 10:30 a.m.	Morepen Village, Nalagarh Road, Near Baddi, Distt. Solan, Himachal Pradesh	Appointment of Auditors
16.09.2011 at 10:30 a.m.	Morepen Village, Nalagarh Road, Near Baddi, Distt. Solan, Himachal Pradesh	Appointment of Auditors

### (B) Details of Extra Ordinary General Meetings (EGMs):

No Extra Ordinary General Meeting has been held during the period under review.

### (C) Postal Ballot:

No Special resolution was passed during the period under review through postal ballot. Further, no Special Resolution is proposed to be conducted through postal ballot.

## 6. DISCLOSURES

### (A) Disclosures on Materially significantly related party transactions, i.e. transactions of the Company of material nature with its promoters, the directors or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of Company at large:

Attention of members is drawn to the disclosures of transactions with the related parties as set out in Note No.33 to the Financial Statements of the Company for the year ended March 31, 2014 forming part of this Annual Report. None of the transactions with any of the related parties was in conflict with the interest of the Company.

The related party transactions are entered into based on considerations of various business exigencies such as synergy in operations, sectorial specialization etc.

The Company has made requisite disclosure with respect to related party transaction in the significant accounting policies and note to accounts to the financial statements.

### (B) Details of non-compliance by the Company, penalties, and strictures 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.

During the last 3 years there were no penalties or strictures imposed on the Company by Stock Exchange(s), SEBI or any other statutory authority, on any matter related to capital markets.

The Company strives to adhere to rules and regulations framed by Stock Exchanges(s), SEBI and other Govt. Authorities on matters relating to capital markets. However, the Company's application for listing of equity shares issued on preferential basis to Banks & Financial Institutions, Foreign Investors and Promoters under the approved Corporate Debt Restructuring (CDR) Scheme is pending disposal.

### (C) Whistle Blower policy and affirmation that no personnel has been denied access to the audit committee:

The Company looks forward to adopt a Whistle Blower Policy / Vigil Mechanism in the near future as per the requirements of Companies Act, 2013 and Clause 49 of the Listing Agreement.

### (D) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause:

The Company to the best of its knowledge has complied with the mandatory and some of the non-mandatory requirements of the Code of Corporate Governance as stipulated under the Clause 49 of the Listing Agreement with the Stock Exchanges.

#### Compliance with Non-mandatory Requirements:

##### 1) Remuneration Committee:

The Nomination & Remuneration Committee deals with the remuneration payable to Directors. It comprises of three members who are Non-Executive Independent Directors.

##### 2) Audit Qualifications:

There are no qualifications in the Company's financial statements. The Company wishes to continue in the regime of unqualified financial statements.

**(E) Disclosure of accounting treatment, if different, from that prescribed in Accounting Standards with explanations.**

The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles (GAAP), Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956 and 2013, as adopted and followed consistently by the Company.

The Company has made requisite disclosure with respect to contingent liabilities in the significant accounting policies and notes to accounts, where necessary.

**7. SUBSIDIARY MONITORING FRAME WORK**

All the subsidiary companies of our Company are Board managed having the rights and obligations to manage the Company in the best interest of their stakeholders. The Company monitors the performance of such companies by reviewing the financial statements, minutes, etc.

**Brief details of Company's Subsidiary Companies as on March 31, 2014 is given below:**

S. No.	Name of the Subsidiary	Country in which operating
1.	Dr. Morepen Limited	India
2.	Total Care Limited	India
3.	Morepen Inc.	USA
4.	Morepen Max Inc.	USA

Morepen Max Inc., subsidiary of Morepen Laboratories Limited was non-operational during the financial year under review.

**8. MEANS OF COMMUNICATON**

- Quarterly results as per format prescribed by the Stock Exchanges are duly submitted to all the stock exchanges where Company is listed, published in at least one English daily newspaper circulating in whole or substantially whole of India and one daily newspaper in Hindi, being the language of the region where the registered office of the Company is situated and also uploaded on the website of the Company.
- Quarterly results are published in various newspapers like Financial Express (English) and Jansatta (Hindi) with a view that results are communicated to maximum number of stakeholders. An official release is made to the Newspapers/Press and Stock Exchanges for financial results and also on the happening of any material event.
- The Company has its own website viz., www.morepen.com where information relating to financial results, launch of new products and official releases to news agencies are made available.
- In accordance with the Circulars issued by the Ministry of Corporate Affairs on the Green Initiatives and amendment in Clause 32 of the Listing Agreements with the Stock Exchanges, the Company sends Annual Reports and Notice of Annual General Meeting along with Proxy Form electronically/physically.
- Management Discussion and Analysis Report forms part of this Annual Report.

**9. GENERAL SHAREHOLDER INFORMATION**

i.	Date, Time and Venue of Annual General Meeting (AGM)	19th September, 2014 at 10:30 a.m. at Morepen Village, Nalagarh Road, Near Baddi, Distt. Solan, Himachal Pradesh 173 205
ii.	Financial Year	April, 01 to March, 31
iii.	Date of Book Closure	Monday, September 15, 2014 to Friday, September 19, 2014 (both days inclusive) for AGM
iv.	Listing on Stock Exchanges	<b>National Stock Exchange of India Limited (NSE)</b> Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 <b>BSE Limited (BSE)</b> Floor 25, Phirozejeejeebhoy Towers, Dalal Street, Mumbai - 400 001



v. Stock code	<b>NSE</b>	<b>BSE</b>
	<b>Symbol</b> MOREPENLAB	<b>Scrip Code</b> 500288
	<b>ISIN No.</b> INE083A01026	<b>ISIN No.</b> INE083A01026
	<b>RIC Code</b> Morl.ns	<b>RIC Code</b> Morl.ns
vi. Listing Fees	Listing fees for the year 2014-2015 has been duly paid to NSE & BSE.	
vii. Registered Office	Morepen Village, Nalagarh Road, Near Baddi, Distt. Solan, Himachal Pradesh - 173 205	
viii. Corporate Office	409, Antriksh Bhawan, 22, K.G. Marg, New Delhi - 110 001	
ix. Registrar and Transfer Agents	MAS Services Limited, T-34, 2nd Floor, Okhla Industrial Area, Ph.- II, New Delhi - 110 020 Tel. No.: 011-26387281/82/83; Fax. No.: 011-26387281 e-mail id: info@masserv.com; website: www.masserv.com	
x. Share Transfer System	Share Transfer System of the Company is computerized. The Share transfers are processed and share certificates duly endorsed are returned within the prescribed time period, subject to documents being valid and complete in all respects. In compliance with the clause 47(C) of the Listing Agreement, the Share Transfer system is audited by a Practicing Company Secretary and a half-yearly certificate of compliance with the share transfer formalities, issued by him, is submitted to the stock exchanges. Mr. Thomas P. Joshua, Company Secretary of the Company acts as the Compliance Officer of the Company, who looks after the formalities for share transfer/transmission, re-mat/de-mat, on regular basis and reports to the Board of Directors/Stakeholder Relationship Committee of the Directors, accordingly. M/s. MAS Services Limited is the Company's Registrar and Transfer Agent (RTA) for equity shares (kept in physical as well as electronic mode).	

**xi. Market Price Data :**

Month	BSE			NSE		
	High	Low	Volume	High	Low	Volume
April, 2013	3.07	2.50	6,16,153	3.15	2.50	15,53,694
May, 2013	3.10	2.56	8,77,902	3.10	2.55	19,22,190
June, 2013	2.85	2.25	7,25,375	2.90	2.25	15,36,020
July, 2013	3.48	2.23	24,31,670	3.50	2.25	33,04,413
August, 2013	2.50	2.05	10,60,753	2.50	2.05	16,49,029
September, 2013	3.19	2.27	17,79,964	3.15	2.30	31,02,182
October, 2013	4.04	3.09	32,65,465	3.90	3.10	36,22,570
November, 2013	3.50	2.77	11,42,831	3.55	2.80	20,14,973
December, 2013	4.39	2.87	32,61,278	4.25	2.85	24,73,498
January, 2014	5.79	3.68	54,11,760	5.65	3.70	49,42,267
February, 2014	4.52	3.45	18,80,941	4.45	3.40	21,98,015
March, 2014	4.90	3.60	29,10,253	4.80	3.55	38,86,817

(Source: Official website of BSE & NSE)

xii. **Performance in comparison to S&P BSE Sensex and NSE S&P CNX Nifty**

Month	NIFTY		MOREPEN (NSE)		SENSEX	
	OPEN	CLOSE	OPEN	CLOSE	OPEN	CLOSE
April, 2013	5697.35	5930.20	2.55	2.80	18,890.81	19,504.18
May, 2013	5911.40	5985.95	2.85	2.65	19,459.33	19,760.30
June, 2013	5997.35	5842.20	2.70	2.30	19,859.22	19,395.81
July, 2013	5834.10	5742.00	2.30	2.25	19,352.48	19,345.70
August, 2013	5776.90	5471.80	2.35	2.25	19,443.29	18,619.72
September, 2013	5480.25	5735.30	2.35	3.15	18,691.83	19,379.77
October, 2013	5756.10	6299.15	3.15	3.20	19,452.05	21,164.52
November, 2013	6289.75	6176.10	3.15	2.90	21,158.81	20,791.93
December, 2013	6171.15	6304.00	2.85	4.10	20,771.27	21,170.68
January, 2014	6323.80	6089.50	4.10	3.75	21,222.19	20,513.85
February, 2014	6058.80	6276.95	3.75	3.70	20,479.03	21,120.12
March, 2014	6264.35	6704.20	3.80	3.80	21,079.27	22,386.27

xiii. **Distribution of shareholding as on March 31, 2014**

No. of equity shares held	No. of shareholders	% of shareholders	No. of shares	% of shareholding
Upto 5,000	1,14,511	90.816	8,36,10,893	18.587
5,001-10,000	7,238	5.740	2,53,81,590	5.643
10,001-20,000	2,573	2.041	1,87,94,797	4.178
20,001-30,000	668	0.530	83,41,906	1.854
30,001-40,000	327	0.259	58,94,138	1.310
40,001-50,000	179	0.142	40,70,362	0.905
50,001-1,00,000	289	0.229	99,77,718	2.218
1,00,001 and above	306	0.243	29,37,54,799	65.304
<b>Total</b>	<b>1,26,091</b>	<b>100.00</b>	<b>44,98,26,203</b>	<b>100.00</b>

**CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2014**

Category	No. of shares held	Shareholding (%)
Promoters Holdings	15,53,71,588	34.540
Financial Institutions/ Banks	63,67,940	1.416
Insurance Companies	2,24,84,570	4.998
Foreign Institutional Investors	5,85,30,000	13.012
Bodies Corporate	2,57,54,711	5.725
Individuals	17,44,60,632	38.784
NRI/OCBs	42,85,746	0.953
Others (Foreign Company, Trust and Clearing Member)	25,71,016	0.572
<b>Total</b>	<b>44,98,26,203</b>	<b>100.00</b>

**10. EQUITY SHARES IN THE SUSPENSE ACCOUNT**

In terms of Clause 5A(I) and Clause 5A(II) of the Listing Agreement, the Company hereby reports the following details in respect of equity shares lying in the Suspense Accounts which were issued in demat form and physical form:

Particulars	Number of Shareholders	Number of equity shares
Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on April 1, 2013	5,150	57,79,953
Number of shareholders who approached the Company for transfer of shares from Unclaimed Suspense Account during the year	55	67,063
Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the year	55	67,063
Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on March 31, 2014	5,095	57,12,890

#### 11. DEMATERIALIZATION OF SHARES AND LIQUIDITY

The Equity Shares of the Company are in compulsory demat segment and are available for trading in the depository systems of both the National Securities Depository Limited and the Central Depository Services (India) Limited. The ISIN Number of Company on both the NSDL and CDSL is INE083A01026. As on March 31, 2014, 19,53,03,392 Equity Shares of Rs. 2/- each (43.42%) are held in electronic / de-mat form.

#### 12. DEPOSITORY SERVICES

Shareholders may write to the Company or to the respective Depositories for any guidance on depository services:

##### National Securities Depository Ltd.

Trade World, 4th Floor,  
Kamla Mills Compound,  
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013  
Telephone : 022 - 24972964-70  
Fax : 022 - 24972993  
022 - 24976351

##### Central Depository Services (India) Ltd.

Phirozejeebhoy Towers,  
28th Floor, Dalal Street,  
Mumbai - 400 023  
Telephone : 022 - 2272 3333-3224  
Fax : 022 - 2272 3199

#### 13. OUTSTANDING GDRS/ADRS/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY

Type of security	Date of conversion	Likely impact on equity
97,35,201 - 0.01% Optionally Convertible Preference Shares (OCPS)	Optionally Convertible into Equity Shares at the end of 7 years from the respective date of its allotment.	The exact impact on the equity would be determined only at the time of conversion of OCPS into equity shares.
The above shares have been allotted as per the following details: i. 70,40,276 allotted on May 4, 2007; ii. 17,62,000 allotted on May 31, 2007; and iii. 9,32,925 allotted on February 9, 2008	Out of the 97,35,201 0.01% OCPS issued to preference shareholders the following shares have fallen due for redemption / conversion as follows: i. 70,40,276 due on May 4, 2014; and ii. 17,62,000 due on May 31, 2014	The OCPS would be converted into Equity Shares at a price determined as per the provisions of SEBI (ICDR) Regulations, 2009 and other laws as may be applicable.

#### 14. PLANT LOCATIONS

**Baddi** : Morepen Village, Nalagarh Road, Near Baddi, Distt. Solan, Himachal Pradesh  
**Parwanoo** : Sector-2, Parwanoo, District Solan, Himachal Pradesh  
**Masulkhana** : Village Masulkhana, District Solan, Himachal Pradesh

#### 15. ADDRESS FOR INVESTOR CORRESPONDENCE:

##### Morepen Laboratories Limited

409, Antriksh Bhawan,  
22, K.G. Marg,  
New Delhi - 110 001  
Tel No.: 011 - 23324443/23712025  
Fax No.: 011 - 23722422

##### MAS Services Ltd.

T-34, 2nd Floor, Okhla Ind. Area, Ph.II  
New Delhi-110 020  
Tel No.: 011 - 26387281/82/83  
Fax No.: 011 - 26387281  
(REGISTRAR AND TRANSFER AGENT)

#### 16. CODE OF BUSINESS CONDUCT AND ETHICS FOR DIRECTORS AND SENIOR MANAGEMENT PERSONNEL

Pursuant to the clause 49 of the Listing Agreement executed with the Stock Exchanges, the Company has adopted Morepen's Code of Conduct for Directors and senior management personnel which is also posted on the website of the Company [www.morepen.com](http://www.morepen.com).

#### 17. CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

Pursuant to the SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, the Board of Directors of the Company has adopted a Code of Conduct for the Prevention of Insider Trading.

## CEO/CFO CERTIFICATION

To,  
**The Board of Directors/Audit Committee**  
**Morepen Laboratories Limited**

We, Sushil Suri, Chairman & Managing Director and Ajay Sharma, Chief Financial Officer, of Morepen Laboratories Limited, hereby certify that:

- a) We have reviewed financial statements and the cash flow statement for the financial year ended 31st March, 2014 and that to the best of our knowledge and belief:
  - 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 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 such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the auditors and the Audit committee
  - i. significant changes in internal control over financial reporting during the year;
  - ii. significant changes in accounting policies during the year and that 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.

Place: New Delhi

Date: 21st May, 2014

**SUSHIL SURI**

(Chairman & Managing Director)

**AJAY SHARMA**

(Chief Financial Officer)

### **CERTIFICATE REGARDING COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

To,  
**The Shareholders / Members,**  
**Morepen Laboratories Limited**

We have examined the compliance of conditions of Corporate Governance by Morepen Laboratories Limited ("the Company") for the financial year ended on March 31, 2014 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to review of procedures and implementation thereof, adopted by the Company for ensuring the compliance with 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 Clause 49 of the above mentioned Listing Agreement.

On the basis of information / documents provided to us, we state that in respect of investor grievances received during the financial year ended March 31, 2014, no investor grievance is pending against the Company for a period exceeding one month as per the records maintained by the Company which are presented to the Stakeholders Relationship Committee (Shareholders/Investor Grievance Committee).

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

**FOR PD AND ASSOCIATES**  
**COMPANY SECRETARIES**

**CS PRAVEEN DUA**  
PROPRIETOR  
C.P. No. 2139

Place : New Delhi

Date : 9th August, 2014



## Independent Auditors' Report

To  
The Members of Morepen Laboratories Limited  
Report on the Financial Statements

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

### Management Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Principles generally accepted in India including Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular No. 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal controls 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.

### Our Responsibility

Our responsibility is to express an opinion on these financial statements based on our examination. We conducted our examination in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the examination to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Matters of Emphasis

Without qualifying our opinion, we draw attention to the Note no. 35(e) to the financial statement regarding remuneration paid to directors without taking approval of Central Government.

### Opinion

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

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
- b) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Report on other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order, to the extent applicable to the Company.
2. As required by section 227(3) of the Act, we report that :
  - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our examination.
  - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - c. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d. In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act read with the General Circular No. 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.
  - e. On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For M Kamal Mahajan And Co.  
Chartered Accountants  
Firm Regn. No. 006855N

(M K Mahajan)  
(Partner)

Place : New Delhi  
Date : 21st May, 2014

Membership No. 017418

## **Annexure to Independent Auditors' Report of Morepen Laboratories Limited**

Referred to under the heading of "Report on other Legal and Regulatory Requirements" of our report of even date.

- (i)
  - a) The company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets except for items like pipe, meter instruments and other similar items.
  - b) As explained to us, most of the fixed assets have been physically verified by the management during the year and we have been informed that no material discrepancy was noticed on such verification. In our opinion, the frequency of physical verification is reasonable having regard to the size of the company and nature of its business.
  - c) During the year, the company has not disposed off substantial part of the fixed assets.
- (ii)
  - a) As explained to us, the inventory has been physically verified at reasonable intervals by the management.
  - b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
  - c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of accounts.
- (iii)
  - a) According to the information and explanations furnished to us, the company has not granted secured or unsecured loans to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
  - b) According to the information and explanations furnished to us, during the year, the company has not taken any fresh loan from companies, firms or other parties covered in the register maintained under Section 301 of the Act. During the year, the company has repaid fully the existing outstanding loan taken from one company amounting to Rs. 1074 lacs along with interest due. In our opinion, the rate of interest and other terms of the loan are prima facie not prejudicial to the interest of the company. (Refer Note no. 4(II) of notes on financial statements).
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business, for the purchases of inventory and fixed assets and for the sale of goods and service. Further during the course of audit, we have not come across any instance of major weakness in internal control.
- (v)
  - a) Based on the audit procedures applied by us and according to the explanations provided by the management, we are of the opinion that the transactions that need to be entered in the register maintained under section 301 of the act have been so entered.
  - b) In our opinion and according to the information and explanations given to us, the transactions which have been entered into pursuant to contract that have been entered in the register maintained under Section 301 of the act have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) With approval of scheme of Arrangement and Compromise u/s 391 of the Companies Act, 1956 for the fixed deposit holders by Hon'ble High Court of Himachal Pradesh at Shimla and issue of equity shares thereafter to the fixed deposit holders, in our opinion there is no default by the company u/s 58A of the Companies Act, 1956.
- (vii) In our opinion and according to the information and explanations given to us, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the company pursuant to rules made by the Central Government under section 209(1)(d) of the Companies Act, 1956 for maintenance of Cost records and are of the opinion that, prima facie, the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (ix) According to the records of the company, the company, in general, is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales-tax, Wealth-tax, Service tax, Custom duty, Excise-duty, Cess and other statutory dues applicable to it and as on 31.3.2014, there are no statutory dues outstanding for a period exceeding six months. There is no amount in respect of Income-tax, Sales-tax, Wealth tax, Service-tax Customs duty, cess outstanding as at 31st March, 2014 due to any dispute. According to the information provided to us, an amount of Rs. 744 Lacs is disputed by the company in respect of excise duty matters under the Central Excise Act, 1944 pertaining to years from 2006-07 to 2013-14 and the matter is pending with Customs and Central Excise Appellate Tribunals- Rs. 578 Lacs and Commissioners of Central Excise- Rs. 166 Lacs.



- (x) The accumulated losses of the company at the end of the financial year are not more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) Based on our audit procedures and on the information and explanations given by the management the company has defaulted in repayment of dues to financial institutions amounting to Rs. 157 lacs and interest Rs. 182 lacs both for a period less than three months. (Refer Note no. 4(l)(e) of notes on financial statements)
- (xii) Based on our examination of documents and records, we are of the opinion that the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a chit fund/nidhi/mutual benefit fund/societies.
- (xiv) The company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) In our opinion, and according to the information and explanations given to us and on the basis of our verification of books of accounts of the company and based on our examination of the records, we are of the opinion that the company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) According to the information and explanations given to us and on the basis of our verification of books of accounts of the company, we are of the opinion that the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on the basis of our verification of books of accounts of the company, we are of the opinion that funds raised for short term basis were not used for long term investment.
- (xviii) During the year, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the act.
- (xix) The company has no debentures as on 31.3.2014 and hence this clause is not applicable to the company.
- (xx) During the year covered by our audit report, the company has not raised any money by way of public issue hence provisions of this clause are not applicable to it.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the year.

For **M Kamal Mahajan And Co.**  
Chartered Accountants  
Firm Regn. No. 006855N

Place : New Delhi  
Date : 21st May, 2014

**(M K Mahajan)**  
(Partner)  
Membership No. 017418

# Balance Sheet

As at 31st March, 2014

(Rs. in Lacs)

	Notes	As at 31.03.2014	As at 31.03.2013
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>1. SHAREHOLDERS' FUNDS</b>			
Share capital	2	20961	20961
Reserves and Surplus	3	11465	12081
		<u>32426</u>	<u>33042</u>
<b>2. NON - CURRENT LIABILITIES</b>			
Long-term borrowings	4	7465	9449
Other Long - term liabilities	5	205	209
Long-term provisions	6	735	678
		<u>8405</u>	<u>10336</u>
<b>3. CURRENT LIABILITIES</b>			
Short-term borrowings	7	119	-
Trade payables	8	6675	5490
Other current liabilities	9	3091	5214
Short-term provisions	6	73	68
		<u>9958</u>	<u>10772</u>
<b>TOTAL</b>		<u>50789</u>	<u>54150</u>
<b><u>ASSETS</u></b>			
<b>1. NON-CURRENT ASSETS</b>			
<b>Fixed Assets</b>			
Tangible Assets	10	28888	33059
Intangible Assets		59	32
		<u>28947</u>	<u>33091</u>
Non-current Investments	11	11794	12181
Long-term loans and advances	12	175	158
		<u>40916</u>	<u>45430</u>
<b>2. CURRENT ASSETS</b>			
Inventories	13	3291	3675
Trade receivables	14	4009	3659
Cash and cash equivalents	15	807	472
Short-term loans and advances	16	1407	601
Other current assets	17	359	313
		<u>9873</u>	<u>8720</u>
<b>TOTAL</b>		<u>50789</u>	<u>54150</u>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1		
<b>NOTES ON FINANCIAL STATEMENTS</b>	2-38		

Per our separate report of even date

For & on behalf of the Board

For M.Kamal Mahajan And Co.

Chartered Accountants  
Firm Regn. No. 006855N

(M.K. Mahajan)

Partner  
Membership No. 17418

Place : New Delhi

Date : 21st May, 2014

(Sushil Suri)

Chairman & Managing Director  
DIN : 00012028

(Ajay Sharma)

GM- Finance & Accounts

(Manoj Joshi)

Director  
DIN : 00036546

(Thomas P. Joshua)

Company Secretary

## Statement of Profit and Loss

For the year ended 31st March, 2014

		(Rs. in Lacs)	
	Notes	Year Ended 31.03.2014	Year ended 31.03.2013
<b>REVENUE</b>			
Revenue from operations (Gross)	19	34073	30932
Less : Excise Duty		<u>476</u>	<u>597</u>
Revenue from operations (Net)		33597	30335
Other Income	20	<u>79</u>	<u>262</u>
<b>Total Revenue</b>		<u><b>33676</b></u>	<u><b>30597</b></u>
<b>EXPENSES</b>			
Cost of materials consumed	21	13099	13147
Purchases of Stock-in-Trade	22	6791	5839
Changes in inventories of finished goods, work-in-progress and stock-in-trade	23	161	157
Employee benefits expense	24	3968	3497
Finance Costs	25	989	1161
Depreciation and amortization expense	26	4577	4574
Other expenses	27	<u>4997</u>	<u>4797</u>
<b>Total expenses</b>		<u><b>34582</b></u>	<u><b>33172</b></u>
<b>Profit/(Loss) before exceptional and extraordinary items and tax</b>		<u><b>(906)</b></u>	<u><b>(2575)</b></u>
Exceptional items		-	-
<b>Profit/(Loss) before extraordinary items and tax</b>		<u><b>(906)</b></u>	<u><b>(2575)</b></u>
Extraordinary Items - Income	28	<u>290</u>	<u>308</u>
<b>Profit/(Loss) before tax</b>		<u><b>(616)</b></u>	<u><b>(2267)</b></u>
Tax expense:			
(1) Current tax		-	-
(2) Deferred tax		-	-
<b>Profit/(Loss) for the year</b>		<u><b>(616)</b></u>	<u><b>(2267)</b></u>
Earning per equity share of Rs. 2/- each:	34		
(1) Basic		<b>(0.15)</b>	(0.49)
(2) Diluted		<b>(0.15)</b>	(0.49)
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1		
<b>NOTES ON FINANCIAL STATEMENTS</b>	2-38		

Per our separate report of even date

**For M.Kamal Mahajan And Co.**

Chartered Accountants  
Firm Regn. No. 006855N

**(M.K. Mahajan)**

Partner  
Membership No. 17418

Place : New Delhi

Date : 21st May, 2014

For & on behalf of the Board

**(Sushil Suri)**

Chairman & Managing Director  
DIN : 00012028

**(Ajay Sharma)**

GM- Finance & Accounts

**(Manoj Joshi)**

Director  
DIN : 00036546

**(Thomas P. Joshua)**

Company Secretary

# Cash Flow Statement

For the year ended 31st March, 2014

(Rs. in Lacs)

	Notes	Year Ended 31.03.2014	Year Ended 31.03.2013
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES :</b>			
Profit/(Loss) before extraordinary items and tax		(906)	(2575)
Adjustments for :			
Depreciation & Amortisation	26	4577	4574
(Profit)/Loss on Sale of Fixed Assets		(0.2)	(62)
Finance Cost (Net)	25	989	1161
<b>Operating profit before changes in current assets and liabilities</b>		<b>4660</b>	<b>3098</b>
Changes in current assets and liabilities -			
Trade Receivables	14	(350)	(346)
Short Term Loans and advances and other current assets	16, 17	(852)	157
Inventories	13	384	126
Current liabilities	6,7,8,9	(813)	3
<b>Cash Flow before extraordinary items</b>		<b>3029</b>	<b>3038</b>
Extraordinary items	28	290	308
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>3319</b>	<b>3346</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of Fixed Assets	10	(434)	(444)
Sale of Fixed Assets		0.3	196
Provision for fall in value in Non- Current Investments	11	387	-
Long-term loans and advances	12	(18)	(3)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(65)</b>	<b>(251)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Finance Cost (Net)	25	(989)	(1161)
Change in Long Term borrowings (Net)	4	(1984)	(1940)
Change in Other Long Term liabilities & provisions (Net)	5,6	54	83
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(2919)</b>	<b>(3019)</b>
Net Increase/(Decrease) in Cash and Cash equivalents (A + B + C)		335	76
Cash and Cash equivalents as at 01.04.2013		472	396
Cash and Cash equivalents as at 31.03.2014		807	472
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1		
<b>NOTES ON FINANCIAL STATEMENTS</b>	2-38		

Per our separate report of even date

For & on behalf of the Board

For M.Kamal Mahajan And Co.

Chartered Accountants  
Firm Regn. No. 006855N

(M.K. Mahajan)

Partner  
Membership No. 17418

Place : New Delhi

Date : 21st May, 2014

(Sushil Suri)

Chairman & Managing Director  
DIN : 00012028

(Ajay Sharma)

GM-Finance & Accounts

(Manoj Joshi)

Director  
DIN : 00036546

(Thomas P. Joshua)

Company Secretary



## 1. SIGNIFICANT ACCOUNTING POLICIES

### 1. Basis for preparation of Financial Statements

#### a) Basis for presentation of Financial Statements

The financial statements have been prepared and presented under the historical cost convention on an accrual basis of accounting and comply with the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, other pronouncements of the Institute of Chartered Accountants of India, the relevant provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India, to the extent applicable and as consistently applied by the company.

#### b) Use of Estimates

The presentation of financial statements requires the management of the company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of financial statements and the reported amount of income and expenses during the year. Examples of such estimates include provisions for doubtful debts, employee benefits, provisions for income taxes, useful life of depreciable assets and provisions for impairments.

### 2. Fixed assets

- a) Fixed assets are stated at cost less depreciation. Capital work in progress includes pre-operative expenses.
- b) Expenditure incurred on projects / expansion during implementation is capitalized and apportioned to various assets on commissioning / completion of the same.

### 3. Depreciation

- a) Depreciation on fixed assets is provided on straight-line method at the rates not lower than the rates prescribed by the schedule XIV of the Companies Act, 1956 and in the manner as prescribed by it.
- b) Cost of leasehold land is not amortized over the period of lease.

### 4. Investments

Investments are stated at cost. Provision is made, where, there is a permanent fall in the value of investment.

### 5. Foreign exchange transactions

Foreign currency liabilities covered by forward contracts/swap agreements are stated at the forward contracts/swap agreements rates, while those not covered by forward contracts/swap agreements are restated at rates ruling at the year-end. Other exchange differences are dealt with in the statement of profit and loss.

### 6. Valuation of inventories

Stocks of raw materials and other ingredients have been valued on First in First Out (FIFO) basis, at cost or net realizable value whichever is less, finished goods and stock-in-trade have been valued at lower of cost and net realizable value, work-in-progress is valued at raw material cost up to the stage of completion, as certified by the management on technical basis. Goods in transit are carried at cost.

### 7. Revenue Recognition

- a) Sales are stated net of returns, excise duty and sales tax.
- b) Dividend income is accounted for when the right to receive the same is established.
- c) Interest on calls-in-arrears on share capital is accounted for as and when received.

### 8. Excise duty on finished goods

Excise duty is accounted for at the point of manufacture of goods and accordingly considered for valuation of finished goods stock lying in the factory premises as on the balance sheet date.

### 9. Researches and Development

- a) Capital expenditure on research and development is included in the cost of fixed assets.
- b) Revenue expenditure on research and development is charged to the statement of profit & loss.

### 10. Taxation

The provision for taxation is ascertained on the basis of assessable profits computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

## **11. Impairment of Assets**

The company determines whether there is any indication of impairment of carrying amount of company's assets. The recoverable amounts of such assets are estimated, and if any indication exists, impairment loss is recognised wherever the carrying amount of assets exceeds its recoverable amount.

## **12. Provision**

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

## **13. Earning per share**

Basic earning per share is calculated by dividing the net profit or loss for the year attributable to the equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating the diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as at beginning of the period, unless they have been issued at a later date.

## **14. Employee Retirement benefits**

### Short term employee benefits

All employee benefits payable/available within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages and bonus etc., are recognised in the statement of profit and loss in the period in which the employee renders the related service.

### Defined benefit plans

Defined benefit plans of the company consist of gratuity and leave encashment.

#### **- Gratuity**

The company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to the vested employees at retirement, death while in employment or on termination of employment of an amount based on the respective employee's salary and tenure of employment. Vesting occurs upon completion of five years of service.

#### **- Leave Encashment**

As per company's policy, eligible leaves can be accumulated by the employees and carried forward to future periods either to be utilised during the service, or encashed. Encashment can be made during the service, on early retirement, on withdrawal of scheme, at resignation and upon death of the employee. The value of benefit is determined based on the seniority and the employee's salary.

The liability in respect of defined benefit plans is accounted for in the books of accounts on the basis of actuarial valuation carried out by an independent actuary.

### Defined contribution plans -

Defined contribution plans of the company consist of Provident fund and Employees State Insurance.

#### **- Provident Fund & Employees State Insurance (ESI)**

The company makes specified monthly contribution towards the employees' provident fund & ESI for the eligible employees.

The contribution made to provident fund and ESI are charged to the statement of profit and loss as and when these become payable.

## NOTES ON FINANCIAL STATEMENTS

For the year ended 31st March, 2014

	(Rs. in Lacs)	
	As at 31.03.2014	As at 31.03.2013
<b>2. A SHARE CAPITAL</b>		
<b>Authorised</b>		
45,00,00,000 (Previous Year 45,00,00,000) Equity Shares of Rs. 2/- each	<b>9000</b>	9000
1,20,00,000 (Previous Year 1,20,00,000) Preference shares of Rs. 100/- each	<b>12000</b>	12000
	<b>21000</b>	21000
<b>Issued &amp; Subscribed</b>		
<u>Equity Share Capital</u>		
44,98,26,203 (Previous Year 44,98,26,203) Equity Shares of Rs. 2/- each fully paid up	<b>8997</b>	8997
	<b>8997</b>	8997
<u>Preference Share capital</u>		
97,35,201 ( Previous Year 97,35,201) 0.01% Optionally Convertible Preference Shares of Rs.100/- each fully paid up	<b>9735</b>	9735
17,30,000 (Previous year 17,30,000) 0.01% Cummulative Redeemable Preference Shares of Rs. 100/- each fully paid up	<b>1730</b>	1730
5,00,000 (Previous Year 5,00,000) 9.75% Cummulative Redeemable Preference Shares of Rs.100/- each fully paid up	<b>500</b>	500
	<b>11965</b>	11965
<b>Issued, Subscribed &amp; Paid up</b>		
<u>Equity Share Capital</u>		
44,97,93,203 (Previous Year 44,97,93,203) Equity Shares of Rs. 2/- each fully paid up	<b>8996</b>	8996
	<b>8996</b>	8996
<u>Preference Share capital</u>		
97,35,201 ( Previous Year 97,35,201) 0.01% Optionally Convertible Preference Shares of Rs.100/- each fully paid up	<b>9735</b>	9735
17,30,000 (Previous year 17,30,000) 0.01% Cummulative Redeemable Preference Shares of Rs. 100/- each fully paid up	<b>1730</b>	1730
5,00,000 (Previous Year 5,00,000) 9.75% Cummulative Redeemable Preference Shares of Rs.100/- each fully paid up	<b>500</b>	500
	<b>11965</b>	11965
	<b>20961</b>	20961

### B. Reconciliation of the number and amount of Equity shares -

	31.03.2014		31.03.2013	
	Nos.	Amount (Rs./Lacs)	Nos.	Amount (Rs./Lacs)
Outstanding at beginning of the year	<b>449826203</b>	<b>8997</b>	449826203	8997
Add : Shares issued during the year	-	-	-	-
Less : Shares bought back during the year	-	-	-	-
Outstanding at the end of year	<b>449826203</b>	<b>8997</b>	449826203	8997

### Reconciliation of the number and amount of Preference shares -

	31.03.2014		31.03.2013	
	Nos.	Amount (Rs./Lacs)	Nos.	Amount (Rs./Lacs)
Outstanding at beginning of the year	<b>11965201</b>	<b>11965</b>	11965201	11965
Add : Shares issued during the year	-	-	-	-
Less : Shares bought back during the year	-	-	-	-
Outstanding at the end of year	<b>11965201</b>	<b>11965</b>	11965201	11965

**C. Rights, preferences and restrictions attached to each class of Shares and terms of redemption -**

- a) i) The company has two classes of shares referred as equity shares and preference shares. The equity shares are having a par value of Rs. 2/- each whereas par value for each preference shares is Rs. 100/-. Every holder of equity shares is entitled to one vote per share in respect of all matters submitted to vote in the shareholders' meeting. Preference share holders are entitled to one vote per share, in respect of every resolution placed before the company which directly affect the rights attached to their shares. However, a cumulative preference shareholder acquires voting rights at par with an equity shareholder if the dividend on preference shares has remained unpaid for a period of not less than two years.
- ii) In the event of liquidation of the company, the holders of equity shares will be entitled to receive the remaining assets of the company after distribution of preferential amounts. The distribution will be in the proportion of the number of equity shares held by the shareholders.
- iii) 17,30,000, 0.01% Redeemable Preference Shares of Rs. 100/- each and 5,00,000, 9.75% Redeemable Preference Shares of Rs. 100/- each are cumulative. Dividend arrears on these shares as at 31.03.2014 are Rs. 586 Lacs (Previous year Rs. 537 Lacs).
- b) i) Out of 97,35,201, 0.01% Optionally Convertible Preference Shares, Shares amounting to Rs. 7,040 Lacs fall due for redemption/conversion on May 4, 2014, shares amounting to Rs. 1,762 Lacs are due for redemption/conversion on May 31, 2014 whereas balance shares amounting to Rs. 933 Lacs are due for redemption/conversion on February 9, 2015. The conversion, if opted for, of preference shares into equity shares will be at price determined as per SEBI guidelines. Dividend arrears on above preference shares as at 31.03.2014 are Rs. 7 Lacs (Previous year Rs. 6 Lacs).
- ii) Out of 17,30,000, 0.01% Cumulative Redeemable Preference Shares, 15,30,000 Shares amounting Rs. 1,530 Lacs are redeemable in two equal installments, on May 4, 2016 & May 4, 2017. Balance 2,00,000, Shares amounting Rs. 200 lacs, had already become due for redemption in the financial year ending 31.03.2012, could not be redeemed because of unavailability of surplus.
- iii) 5,00,000, 9.75% Cumulative redeemable Preference shares amounting to Rs. 500 Lacs had been due for redemption since March, 2004, however, could not be redeemed because of unavailability of surplus. The subscriber has filed a legal case against the company for the recovery of the sum invested as well as interest thereon. The company has contested the claim of the subscriber and have moved the jurisdictional appellate authorities against the said claim.
- iv) Capital Redemption Reserve for redemption of Preference Shares could not be created during the year because of unavailability of surplus.

**D.** The company itself being ultimate holding company, therefore, disclosure requirements about its parent company are not applicable in the present case.

**E. Shareholders holding more than 5% shares -**

**i) Equity Shares**

Name of Shareholder	As at 31-03-2014		As at 31-03-2013	
	No. of Shares	% of Holding	No. of Shares	% of Holding
GL India Mauritius (III) Ltd.	38530000	8.57	38530000	8.57

**ii) Preference Shares**

**a) 97,35,201, 0.01% Optionally Convertible Redeemable Shares -**

Name of Shareholder	As at 31-03-2014		As at 31-03-2013	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Bank of Nova Scotia	1179000	12.11	1179000	12.11
Stressed Assets Stabilisation Fund (SASF)	961044	9.87	961044	9.87
EXIM Bank	916333	9.41	916333	9.41
SICOM	829463	8.52	829463	8.52
Punjab National Bank	671522	6.90	671522	6.90
Oriental Bank of Commerce	623828	6.41	623828	6.41
Dena Bank	593936	6.10	593936	6.10
UCO Bank	515900	5.30	515900	5.30

**b) 17,30,000, 0.01% Cumulative Redeemable Shares -**

Name of Shareholder	As at 31-03-2014		As at 31-03-2013	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Oriental Bank of Commerce	1000000	57.80	1000000	57.80
Axis Bank Ltd.	500000	28.90	500000	28.90
Blue Sky Securities Pvt. Ltd.	200000	11.56	200000	11.56

**c) 5,00,000, 9.75% Cumulative Redeemable Shares -**

Name of Shareholder	As at 31-03-2014		As at 31-03-2013	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Jammu and Kashmir Bank Ltd.	500000	100	500000	100

- F. During last 5 years immediately preceding the balance sheet date, no Equity Share or Preference share has been issued pursuant to any contract without payment being received in cash. Further the company has neither allotted any share by way of bonus shares, nor it had bought back any Equity or Preference Share during aforesaid period of 5 years.

**G. Disclosure about unpaid calls -**

(Rs. in Lacs)

Unpaid Calls	31-03-2014	31-03-2013
	By Directors & Officers	-
By Others	1	1

- H. No shares have been forfeited by the company during the year.

**3. RESERVES & SURPLUS**

(Rs. in Lacs)

	As at 31.03.2014	As at 31.03.2013
Capital Reserve	270	270
Securities Premium Account	16,741	16,741
Capital Redemption Reserve	7,123	7,123
	<b>24,134</b>	24,134
<u>Surplus/(Deficit) -</u>		
Opening balance	(12053)	(9927)
Transfer from Debenture Redemption Reserve	-	141
Profit/(Loss) for the year	(616)	(2267)
Closing balance	<b>(12669)</b>	(12053)
	<b>11,465</b>	12,081

**4. LONG TERM BORROWINGS**

	Current Portion		Non Current Portion	
	As at 31-03-14	As at 31-03-13	As at 31-03-14	As at 31-03-13

**Secured**

Term Loans from Banks & Institutions

Restructured Debts -

Interest Bearing	1,310	568	3,018	4,531
Interest Free	-	-	4,441	4,910
	<b>1,310</b>	568	<b>7,459</b>	9,441
Other Loans	9	9	6	8
	<b>1,319</b>	577	<b>7,465</b>	9,449

**Unsecured**

Loans from related parties	-	1,074	-	-
	-	1,074	-	-
	<b>1,319</b>	1,651	<b>7,465</b>	9,449

**I. Term Loans from Banks & Institutions**

- a. Term loans, except noted at (d) below, are secured by a first charge created by way of a joint equitable mortgage on pari-passu basis on all immovable and movable fixed assets, including plant and machinery, land & buildings and others, both present and future, first charge over Escrow/Trust and Retention Account, and second charge on the current assets of the company, both present and future. Further these loans are secured by personal guarantee of Managing Director of the company.

- b. Yearwise re-payment schedule of Interest bearing portion of term loans, payable in quarterly instalments is as under -

Year of Repayment	2015-16	2016-17	2017-18	Total
Annual Repayment Amount (Rs./Lacs)	1242	888	888	3018
Annual Rate of Interest	18%	18%	18%	

- c. Yearwise re-payment schedule of Interest free portion of term loans, payable in quarterly instalments is as under. Debt is interest free till March, 2015.

Year of Repayment	2015-16	2016-17	2017-18	Total
Annual Repayment Amount (Rs./Lacs)	-	1110	3331	4441
Annual Rate of Interest	-	8.25%	8.25%	

- d. Other loans represents vehicle loans, repayable on monthly basis, are secured by way of hypothecation of specific assets purchased under the hire purchase scheme.

Year of Repayment	2015-16	2016-17	Total
Annual Repayment Amount (Rs./Lacs)	5	1	6
Annual Rate of Interest	8.50% -11.00%	8.50% -11.00%	

- e. Details of delay in repayment of term loan & interest thereon is as under -

Particulars	Amount (Rs./Lacs)	Period
Principal	157	Less than 3 Months
Interest	182	Less than 3 Months

## II. Unsecured Loans

During the year, the company has repaid the outstanding loan amounting to Rs. 1,074 Lacs (Previous Year Rs. 430 Lacs)

- III. Current portion of long term borrowings is appearing under the head Other current liabilities. (Refer Note No. 9)

(Rs. in Lacs)

	As at 31.03.2014	As at 31.03.2013
--	---------------------	---------------------

## 5. OTHER LONG TERM LIABILITIES

Security receipts from business associates & others	205	209
	<u>205</u>	<u>209</u>

## 6. PROVISIONS

	Short-Term		Long-Term	
	As at 31-03-14	As at 31-03-13	As at 31-03-14	As at 31-03-13
Provision for employees' benefits (Unfunded) -				
Gratuity	51	49	538	502
Leave Encashment	22	19	197	176
<b>Total</b>	<u>73</u>	<u>68</u>	<u>735</u>	<u>678</u>

## 7. SHORT TERM BORROWINGS

### Secured

#### From banks

Buyer's credit facility	119	-
	<u>119</u>	<u>-</u>

The buyers' credit facility is secured by way of term deposits with the bank.

	(Rs. in Lacs)	
	As at 31.03.2014	As at 31.03.2013
<b>8. TRADE PAYABLES</b>		
Trade Payables	<u>6675</u>	<u>5490</u>
	<u>6675</u>	<u>5490</u>
<p>Based on the information available with the Company, a sum of Rs. Nil (Previous Year Nil) is payable to Micro &amp; Small Enterprises as defined under the MSMED Act, 2006.</p> <p>Further, no interest during the year has been paid or is payable under the terms of the MSMED Act, 2006.</p>		
<b>9. OTHER CURRENT LIABILITIES</b>		
Current maturities of long term borrowings (Refer note no. 4 III) [(including Rs. Nil (Previous Year Rs. 1074 Lacs) in respect of related parties]	<b>1319</b>	1651
Interest accrued and due on borrowings [(including Rs. Nil Lacs (Previous Year Rs. 279 Lacs) in respect of related parties]	<b>182</b>	544
Accrued salaries and benefits	<b>523</b>	570
<u>Other payables -</u>		
Advance received from -		
Customers	<b>755</b>	650
Subsidiaries (Refer note 33)	-	1351
Direct Taxes	<b>73</b>	100
Indirect Taxes	<b>36</b>	35
Others	<b>203</b>	313
	<u><b>3091</b></u>	<u>5214</u>

## 10. FIXED ASSETS

### TANGIBLE ASSETS

(Rs. in Lacs)

PARTICULARS	GROSS BLOCK		DEPRECIATION		CARRYING VALUE	
	As at 01.04.2013	As at Disposals 31.03.2014	As at 01.04.2013	For the year 31.03.2014	As at 31.03.2014	As at 31.03.2013
Free hold Land	119	-	-	-	119	119
Leasehold Land	33	-	-	-	33	33
Buildings	7047	66	2416	188	4509	4631
Plant & Machinery	81965	296	53883	4306	24072	28082
Furnitures & Fixtures	251	2	208	28	17	43
Vehicles	253	12	159	23	83	94
Office Equipments	130	13	73	15	55	57
<b>Total</b>	89,798	389	56,739	4,560	28,888	33,059
Previous Year	89,547	409	52,190	4,571	33,059	-

### INTANGIBLE ASSETS

Computer Software	35	44	4	16	20	32
Previous Year	-	35	-	3	32	-
<b>GRAND TOTAL</b>						
Current year	89,833	434	56,743	4,577	28,947	33,091
Previous Year	89,547	444	52,190	4,574	33,091	

#### Note :

- a) Leasehold land is not amortised in view of para 1(c) of Accounting Standard on Leases (AS-19) issued by The Institute of Chartered Accountants of India defining scope of the standard.

	(Rs. in Lacs)	
	As at <b>31.03.2014</b>	As at 31.03.2013
<b>11. NON- CURRENT INVESTMENTS</b>		
<b>A. Trade Investments</b>		
Investment in Equity Instruments (Unquoted)		
<b>Subsidiary Companies</b>		
i) <u>Dr. Morepen Limited</u>		
4,06,79,500 (Previous Year 4,06.79,500) Equity shares of Rs.10/- each fully paid up	<b>11747</b>	11747
ii) <u>MorepenMax Inc.</u>		
51(Previous Year 51), fully paid and non-assessable Shares @ US\$ 1000 each	<b>25</b>	25
iii) <u>Morepen Inc.</u>		
9,400 (Previous Year 9,400) fully paid Shares of Common Voting Stocks	<b>22</b>	22
	<b>11794</b>	11794
Provision for fall in carrying value of investments, in respect of losses in the subsidiaries company has not been made, as these losses, in management's perception, are temporary in nature.		
<b>Associate Companies</b>		
<u>Morepen Biotech Ltd.</u>		
38,65,500 (Previous Year 38,65,500) Equity Shares of Rs. 10/- each fully paid up	<b>387</b>	387
Less : Provision for fall in carrying value of investments being permanent in nature	<b>(387)</b>	-
	<b>11794</b>	12181
<b>B. Other Investments (At Cost) -</b>	<b>-</b>	-
	<b>11794</b>	12181
<b>Aggregate amount of unquoted investments (At Cost)</b>	<b>12181</b>	12181
<b>Aggregate amount of provision for fall in carrying value of investments</b>	<b>(387)</b>	-
<b>12. LONG TERM LOANS AND ADVANCES</b>		
<u>Unsecured</u>		
Capital Advances		
Considered good	<b>37</b>	37
Considered Doubtful	<b>-</b>	11
Less : Provision for doubtful advances	<b>-</b>	(11)
	<b>37</b>	37
Security Deposits	<b>138</b>	121
	<b>175</b>	158
<b>13. INVENTORIES</b>		
(At cost or Net Realisable Value whichever is lower)		
Raw Materials	<b>1080</b>	1295
Work-in-progress	<b>1134</b>	1056
Finished goods	<b>382</b>	712
Stock -in-trade	<b>527</b>	450
Goods in transit	<b>82</b>	90
Stores and spares	<b>86</b>	72
	<b>3291</b>	3675
The inventory of stocks, stores and spares has been taken, valued and certified by the management.		
<b>Breakup of Inventory</b>		
<b>i) Raw materials -</b>		
API & Intermediates	<b>728</b>	960
Formulations	<b>352</b>	335
<b>Total Raw Materials</b>	<b>1080</b>	1,295

(Rs. in Lacs)

	As at 31.03.2014	As at 31.03.2013
<b>ii) Work in Progress -</b>		
API & Intermediates	1068	1028
<b>Formulations -</b>		
Tablets	58	25
Syrup	4	2
Capsules	3	-
Others	1	1
Formulations Sub Total	<u>66</u>	<u>28</u>
<b>Total Work -in -progress</b>	<u>1134</u>	<u>1056</u>
<b>iii) Finished goods -</b>		
API & Intermediates	262	645
<b>Formulations -</b>		
Tablets	89	38
Syrup	20	28
Capsules	6	1
Others	5	-
Formulations Sub Total	<u>120</u>	<u>67</u>
<b>Finished Goods Inventory</b>	<u>382</u>	<u>712</u>
<b>iv) Stock in trade -</b>		
<b>Diagnostics &amp; Home Health -</b>		
Diagnostics	-	45
Home Health	459	337
<b>Diagnostics &amp; Home Health Sub-total</b>	<u>459</u>	<u>382</u>
<b>Formulations-</b>		
Tablets	6	25
Syrup	9	9
Capsules	23	1
Others	30	33
<b>Formulations Sub -total</b>	<u>68</u>	<u>68</u>
<b>Stock in trade Inventory</b>	<u>527</u>	<u>450</u>
<b>14. TRADE RECEIVABLES</b>		
Trade receivables outstanding for a period exceeding six months		
Unsecured -		
Considered good	259	177
Considered doubtful	10	20
Less: Allowance for bad & doubtful debts	<u>(10)</u>	<u>(20)</u>
	259	177
Other Debts		
Unsecured -		
Considered good	3750	3482
	<u>4009</u>	<u>3659</u>
<b>15. CASH AND CASH EQUIVALENTS</b>		
<u>Balances with banks</u>		
i) Current Accounts	437	354
ii) Bank Balances held as -		
Margin Money	346	88
Guarantees	14	20
Cash on hand	10	10
	<u>807</u>	<u>472</u>



	(Rs. in Lacs)	
	As at 31.03.2014	As at 31.03.2013
<b>16. SHORT TERM LOANS AND ADVANCES</b>		
Due from wholly owned subsidiary - Dr. Morepen Limited	676	-
<u>Others- unsecured &amp; considered good</u>		
Central Excise Balances	444	299
Advance Income Tax - Tax Deducted at source	8	3
Security Deposits	47	44
Advances with Suppliers & Others	165	185
Loans & advances to employees	67	70
<u>Advances Considered Doubtful</u>	158	158
Less : Provision for doubtful advances	<u>(158)</u>	<u>(158)</u>
	<u>1407</u>	<u>601</u>
<b>17. OTHER CURRENT ASSETS</b>		
Export Incentives Receivable	230	242
Recoverable from Customs	63	55
Prepaid Expenses	40	9
Interest accrued but not due	26	7
	<u>359</u>	<u>313</u>
<b>18. CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)</b>		
<b>a) Contingent Liabilities</b>		
Claim against the Company not acknowledged as debts	1144	1525
Guarantees	9	14
Other money for which company is contingently liable	1477	1274
Arrears of Fixed Cumulative Dividends on Preference Shares	593	543
Bills discounted with banks	126	134
	<u>3349</u>	<u>3490</u>
<b>b) Commitments</b>	-	-
	<u>3349</u>	<u>3490</u>
<b>19. REVENUE FROM OPERATIONS</b>		
<u>Sale of products (including Excise Duty)</u>		
Domestic	16389	16022
Exports	16293	14153
[(includes third party & deemed exports of Rs. 5,396 Lacs (Previous year Rs. 4,293 Lacs)]		
Total	<u>32682</u>	<u>30175</u>
<u>Other Operating Revenues</u>		
Export Incentives	408	471
Other items	983	286
	<u>1391</u>	<u>757</u>
Revenue from operations	<u>34073</u>	<u>30932</u>
<b>Break-up of revenue from sale of products ( net of excise duty )</b>		
Classification -		
<b><u>Manufactured goods</u></b>		
<b>API &amp; Intermediates</b>	20289	19061
<b>Formulations -</b>		
Tablets	2686	2134
Syrup	513	121
Capsules	158	486
Others	98	84
<b>Formulations Sub-Total</b>	<u>3,455</u>	<u>2825</u>
<b>Sale of Manufactured Goods - (A)</b>	<u>23,744</u>	<u>21886</u>

(Rs. in Lacs)

	As at 31.03.2014	As at 31.03.2013
<b>Stock in trade</b>		
<b>Diagnosics &amp; Home Health -</b>		
Diagnosics	-	251
Home Health	4414	3311
<b>Diagnosics &amp; Home Health Sub-total</b>	<b>4,414</b>	3562
<b>Formulations -</b>		
Tablets	1,874	2067
Syrups	558	467
Capsules	636	558
Others	980	1038
<b>Formulations Sub -Total</b>	<b>4,048</b>	4130
<b>Total Sales of Stock in Trade - (B)</b>	<b>8,462</b>	7692
<b>Total Sales Revenues (A + B) (Net of Excise)</b>	<b>32206</b>	29578
<b>Excise Duty</b>	<b>476</b>	597
<b>Revenue from operations (Gross)</b>	<b>32682</b>	30175
<b>20. OTHER INCOME</b>		
Interest Income	79	12
Prior Period Income	-	121
Others	-	129
	<b>79</b>	262
<b>21. COST OF MATERIALS CONSUMED</b>		
Raw Materials	12473	12576
Packing Materials	626	571
	<b>13099</b>	13147
<b>Break up of cost of Raw Material consumed</b>		
Classification -		
API & Intermediates	11068	11424
Formulations	2031	1723
<b>Total</b>	<b>13099</b>	13147
<b>22. PURCHASE OF STOCK-IN-TRADE</b>		
<b>Diagnosics &amp; Home Health -</b>		
Diagnosics	-	109
Home Health	3242	2189
<b>Diagnosics &amp; Home Health Sub-total</b>	<b>3242</b>	2298
<b>Formulations -</b>		
Tablets	1730	1772
Syrups	510	435
Capsules	501	476
Others	808	858
<b>Formulations Sub -total</b>	<b>3549</b>	3541
<b>Total</b>	<b>6791</b>	5839
<b>23. CHANGE IN INVENTORY</b>		
Opening Balance -		
Work-in-progress	1056	1324
Finished goods	712	234
Stock-in-trade	450	824
Stores and spares	72	65
	<b>2290</b>	2447



	(Rs. in Lacs)	
	As at <b>31.03.2014</b>	As at 31.03.2013
Closing Balance -		
Work-in-progress	<b>1134</b>	1056
Finished goods	<b>382</b>	712
Stock-in-trade	<b>527</b>	450
Stores and spares	<b>86</b>	72
	<u><b>2129</b></u>	<u>2290</u>
	<u><b>161</b></u>	<u>157</u>
<b>24. EMPLOYEE BENEFITS EXPENSE</b>		
Salaries and Wages	<b>3605</b>	3104
Contribution to provident fund/ESI	<b>133</b>	122
Gratuity and Leave Encashment	<b>87</b>	153
Staff Welfare	<b>143</b>	118
	<u><b>3968</b></u>	<u>3497</u>
<b>25. FINANCE COST</b>		
Interest expense	<b>989</b>	1161
	<u><b>989</b></u>	<u>1161</u>
<b>26. DEPRECIATION AND AMORTIZATION EXPENSES</b>		
Depreciation	<b>4577</b>	4574
	<u><b>4577</b></u>	<u>4574</u>
<b>27. OTHER EXPENSES</b>		
Consumption of Stores and spare parts	<b>78</b>	67
Power and Fuel	<b>842</b>	896
Rent	<b>228</b>	184
Repairs to buildings	<b>106</b>	62
Repairs to machinery	<b>226</b>	241
General Repairs	<b>54</b>	9
Insurance	<b>33</b>	31
Research & Development	<b>38</b>	48
Quality Control & Testing Charges	<b>163</b>	151
Rates and Taxes	<b>151</b>	69
Legal and Professional Expenses	<b>307</b>	235
Travelling Expenses	<b>635</b>	536
Selling and Distribution Expenses	<b>1511</b>	1548
Miscellaneous Expenses	<b>625</b>	720
	<u><b>4997</b></u>	<u>4797</u>

28. Extraordinary items of Rs. 290 Lacs (Previous year 308 Lacs) represent net of surplus of Rs. 677 Lacs accruing on account of settlement with one of the lenders of the Company and amount of Rs. 387 Lacs provided towards fall in carrying value of investment in the associate company.

**29. PAYMENTS TO AUDITORS**

<b>Statutory Auditors -</b>		(Rs./Lacs)	
Year Ended	<b>31.03.2014</b>	31.03.2013	
Audit Fee	<b>12</b>	12	
Tax Audit Fee	<b>6</b>	6	
Tax Matters	<b>3</b>	3	
Certification	<b>1</b>	1	
Service Tax	<b>3</b>	3	
<b>Total</b>	<b>25</b>	25	
<b>Cost Auditors-</b>			
Audit Fees	<b>3</b>	3	
Others	<b>1</b>	1	
<b>Total</b>	<b>4</b>	4	

**30. PRIOR PERIOD ITEMS**

Expenses include Rs.195 lacs (Previous Year Rs. 110 lacs) as expenses (net) relating to earlier years.

**31. DISCLOSURES ABOUT IMPORTS, EXPENDITURE IN FOREIGN CURRENCY, RAW MATERIAL CONSUMPTION & EARNINGS IN FOREIGN EXCHANGE -**

	As at <b>31.03.2014</b>	As at 31.03.2013
<b>A. VALUE OF IMPORTS ON CIF BASIS</b>		
Raw Materials	<b>4691</b>	5181
Stock -in -trade	<b>171</b>	505
Capital Goods	<b>-</b>	63
	<b>4862</b>	5749
<b>B. EXPENDITURE IN FOREIGN CURRENCY</b>		
Technical Knowhow/ Professional fees	<b>7</b>	12
Others	<b>293</b>	169
	<b>300</b>	181
<b>C. VALUE OF IMPORTED AND INDIGENIOUS RAW MATERIAL CONSUMED AND PERCENTAGE THEREOF</b>		
Imported	<b>4864</b>	5153
Indigenous	<b>8235</b>	7994
	<b>13,099</b>	13147
% Imported	<b>37%</b>	39%
% Indigenous	<b>63%</b>	61%
	<b>100%</b>	100%
<b>D. EARNINGS IN FOREIGN EXCHANGE</b>		
Exports of Goods on F.O.B. basis	<b>10898</b>	9860
[Excluding third party & deemed exports of Rs. 5,396 Lacs (Previous Year Rs. 4,293 Lacs)]	<b>10898</b>	9860

**32. SEGMENT REPORTING**

In accordance with AS-17 "Segment Reporting", segment information has been given in consolidated financial statements of the company and therefore, no separate disclosure on segment information is given in these financial statements.

**33. RELATED PARTY DISCLOSURES**

Disclosure as required by accounting standard "Related Party Disclosures" (AS-18) issued by the Institute of Chartered Accountants of India are as under:



### Related Parties

1. Subsidiary Companies	
MorepenMax Inc.	Overseas Company
Morepen Inc.	Overseas Company
Dr. Morepen Limited	Domestic Company
Total Care Limited	Domestic Company
2. Associates	
Morepen Biotech Limited	Domestic Company
3. Key Management Personnel (Whole Time Directors)	Mr. Sushil Suri, Chairman & Managing Director Dr. A.K. Sinha
4. Relatives of key Management personnels with whom the company has any transaction during the year	Nil
5. Entities over which key management personnel/ or Relatives of key management personnel are able to exercise significant influence with which the company has any transactions during the year	Blue Coast Infrastructure Development Private Limited

### Transactions with related parties -

Particulars	Nature of transaction	(Rs. in lacs)
1. Subsidiary Companies	Sale of inventories	337
	Purchase of inventories	2
	Other Advances	676
	Balance as on 31.03.14 – Receivable (Maximum balance outstanding Rs. 676 Lacs)	676
2. Associates	Not Any	Nil
3. Key Management Personnel (Whole Time Directors)	Remuneration	52
	Payable Balance as on 31.03.14 (Maximum amount outstanding - Rs.5 Lacs)	5
4. Entities over which key management personnel/ or Relatives of key management personnel are able to exercise significant influence with which the company has any transactions during the year	Receipt of un-secured loans	1074
	Payment of interest	326
	Balance Payable as on 31.03.14 (Maximum amount outstanding - Rs.1074 Lacs)	Nil

### 34. EARNING PER SHARE

Particulars	Year Ended	
	31.03.2014	31.03.2013
Profit/(Loss) after Tax (Rs. in Lacs)	(616)	(2267)
Weighted average number of equity shares outstanding	449826203	449826203
Earnings/(loss) per share in rupees (face value Rs.2/- per share) - Basic & Diluted	(0.15)	(0.49)

EPS has been computed after considering dividend on preference shares.

### 35. EMPLOYEE BENEFITS

Disclosures as per Accounting Standard, AS -15 (Revised) 'Employee Benefits' is as under -

#### (A) Disclosures for Defined Contribution Plans -

Particulars	31.03.2014	31.03.2013
Employer's Contribution to Provident Fund	107	93
Employer's Contribution to Employees State Insurance	26	29

#### (B) Disclosures for Defined Benefit Plans - Unfunded

Particulars	Gratuity		Leave Encashment	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
<b>I Change in the present value of obligation:</b>				
Present Value of Obligation at beginning of the year	551	470	195	181
Add: Interest Cost	45	39	16	14
Add: Current Service Cost	52	50	54	25
Less:- Benefit Paid	13	37	12	21
Add: Actuarial loss on obligations	(46)	29	(34)	(4)
Present Value of Obligation as at year end	589	551	219	195

<b>II Change in the fair value of plan Assets:</b>	<b>31.03.2014</b>	31.03.2013	<b>31.03.2014</b>	31.03.2013
Fair Value of Plan Assets at the beginning of year	-	-	-	-
Add : Expected Return on Plan Assets	-	-	-	-
Add : Contributions	-	-	-	-
Less: Benefits Paid	-	-	-	-
Fair Value of Plan Assets at year end	-	-	-	-
<b>III Expense recognized in the Profit and Loss Account</b>	<b>31.03.2014</b>	31.03.2013	<b>31.03.2014</b>	31.03.2013
Current Service Cost	<b>52</b>	50	<b>54</b>	25
Add: Interest Cost	<b>45</b>	39	<b>16</b>	14
Less: Expected Return on Plan Assets	-	-	-	-
Less: Settlement Credit	-	-	-	-
Add: Net actuarial loss recognised	<b>(46)</b>	29	<b>(34)</b>	(4)
Total expenses recognized in profit & loss account	<b>51</b>	118	<b>35</b>	35
<b>IV The following table sets out the assumptions used in actuarial valuation of gratuity and leave encashment-</b>	<b>31.03.2014</b>	31.03.2013	<b>31.03.2014</b>	31.03.2013
Assumptions				
Discount Rate	<b>9.00%</b>	8.20%	<b>9.00%</b>	8.20%
Salary Escalation Rate	<b>7.00%</b>	7.00%	<b>7.00%</b>	7.00%
Expected Return on Assets	-	-	-	-
Employee Turnover rates	<b>5.00%</b>	5.00%	<b>5.00%</b>	5.00%
Expected average remaining working lives of employees (years)	<b>23</b>	23	<b>23</b>	23

### 36. IMPAIRMENT

It is the view of management that there are no impairment conditions that exist as on 31st March, 2014. Hence, no provision is required in the accounts for the year under review.

### 37. DEFERRED TAX LIABILITY/(ASSET)

As required by Accounting Standard "Accounting for taxes on income" i.e. (AS-22) issued by the Institute of Chartered Accountants of India, deferred tax asset on losses during the year, is not recognized as a matter of prudence.

### 38. OTHERS SIGNIFICANT DISCLOSURES

- In the opinion of directors, all assets and non-current investments stated otherwise have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the books of accounts and the provision for depreciation and for all known liabilities is adequate and considered reasonable.
- Balances of Non-current liabilities, Current liabilities, Long terms loans and advances, Trade receivables, Short term loans and advances and banks are subject to confirmation.
- Sales Tax assessments for earlier years are in progress. Demand, if any, shall be known & accounted for, on the completion of assessments.
- During the financial year ending 31st March, 2010, the company had allotted, 9,24,90,413 Equity Shares to fixed deposit holders towards settlement of their dues, under the Scheme of arrangement or compromise u/s 391 of the Companies Act, 1956, approved by Hon'ble High Court at Shimla. The central government preferred an appeal against the said order and the Hon'ble Divisional Bench while admitting the appeal directed the implementation of the Scheme subject to the final outcome of the Appeal. The matter has now been remanded back to the single judge of Hon'ble Himachal Pradesh High Court for giving Central Government a hearing and adjudicating the matter.
- Remuneration paid to directors' for the period April, 2005 - March, 2014 of Rs. 356 lacs, including current year remuneration of Rs. 52 lacs is subject to approval from Central Government.
- In view of losses during the year, the managing director has been paid a salary of Rs. 24 lacs, out of approved salary of Rs. 60 lacs. Balance salary of Rs. 36 lacs has been forgone by him and hence not provided in the accounts.
- Taxation - No Provision for current Income tax has been made in view of loss during the year.
- Previous year figures have been regrouped and rearranged wherever necessary to suit the present year layout.
- Figures have been rounded off to the nearest lacs.



## Auditors' Report on Consolidated Financial Statements

To

### The Board of Directors of Morepen Laboratories Limited

We have audited the accompanying consolidated financial statements of Morepen Laboratories Limited ("the company") and its subsidiaries (as per list appearing in Note 1(1)(a) of Financial Statements), collectively referred to as "Morepen Group", which comprise the Consolidated Balance Sheet as at 31st March, 2014, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management Responsibility for the Financial Statements

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

### Our Responsibility

Our responsibility is to express an opinion on these financial statements based on our examination. We conducted our examination in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the examination to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We did not audit the financial statements of the foreign subsidiaries of the company whose financial statements reflect total assets of Rs. 234 Lacs as at 31st March, 2014, total revenues of Rs. 95 lacs and cash flows amounting to Rs. 8 Lacs for the year then ended. These financial statements have not been audited by us in view of which our opinion on consolidated financial statements is limited to the financial statements of the parent company and its two domestic subsidiary companies only.

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

### Matters of Emphasis

Without qualifying our opinion, we draw attention to the following notes to the financial statement:-

- i. Note no. 12(b) regarding legal case in respect of Trademark "Burnol".
- ii. Note no. 35(e) regarding remuneration paid to directors without taking approval of Central Government.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, and on the consideration of the separate audit reports of the financial statements of the parent company and its two domestic subsidiaries and on the other financial information of the components the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :

- a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
- b) in the case of the Consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the year ended on that date.

For M Kamal Mahajan And Co.

Chartered Accountants  
Firm Regn. No. 006855N

(M K Mahajan)

(Partner)

Membership No. 017418

Place : New Delhi

Date : 21st May, 2014

# Consolidated Balance Sheet

As at 31st March, 2014

(Rs. in Lacs)

	Notes	As at 31.03.2014	As at 31.03.2013
<b>EQUITY AND LIABILITIES</b>			
<b>1. SHAREHOLDERS' FUNDS</b>			
Share capital	2	20961	20961
Reserves and surplus	3	8750	9027
		<u>29711</u>	<u>29988</u>
<b>2. MINORITY INTEREST</b>	4	(40)	(43)
<b>3. NON - CURRENT LIABILITIES</b>			
Long-term borrowings	5	7478	9465
Other Long - term liabilities	6	205	209
Long-term provisions	7	782	717
		<u>8465</u>	<u>10391</u>
<b>4. CURRENT LIABILITIES</b>			
Short-term borrowings	8	119	-
Trade payables	9	6860	5681
Other current liabilities	10	3758	4522
Short-term provisions	11	77	70
		<u>10814</u>	<u>10273</u>
<b>TOTAL</b>		<u>48950</u>	<u>50609</u>
<b>ASSETS</b>			
<b>1. NON-CURRENT ASSETS</b>			
<b>Fixed Assets</b>			
Tangible Assets	12	28955	33120
Intangible Assets	12	7853	7826
		<u>36808</u>	<u>40946</u>
Non-current Investments	13	-	387
Long-term loans and advances	14	184	167
		<u>36992</u>	<u>41500</u>
<b>2. CURRENT ASSETS</b>			
Inventories	15	3330	3705
Trade receivables	16	4267	3911
Cash and cash equivalents	17	911	553
Short-term loans and advances	18	3086	623
Other current assets	19	364	317
		<u>11958</u>	<u>9109</u>
<b>TOTAL</b>		<u>48950</u>	<u>50609</u>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1		
<b>NOTES ON FINANCIAL STATEMENTS</b>	2-35		

Per our separate report of even date

For M.Kamal Mahajan And Co.

Chartered Accountants  
Firm Regn. No. 006855N

(M.K. Mahajan)

Partner  
Membership No. 17418

Place : New Delhi  
Date : 21st May, 2014

For & on behalf of the Board

(Sushil Suri)

Chairman & Managing Director  
DIN : 00012028

(Ajay Sharma)

GM- Finance & Accounts

(Manoj Joshi)

Director  
DIN : 00036546

(Thomas P. Joshua)

Company Secretary

## Consolidated Statement of Profit and Loss

For the year ended 31st March, 2014

		(Rs. in Lacs)	
	Notes	Year Ended 31.03.2014	Year ended 31.03.2013
<b>REVENUE</b>			
Revenue from operations (Gross)	21	37161	33189
Less : Excise Duty		<u>476</u>	<u>597</u>
Revenue from operations (Net)		36685	32592
Other Income	22	<u>122</u>	<u>287</u>
<b>Total Revenue</b>		<u><b>36807</b></u>	<u><b>32879</b></u>
<b>EXPENSES</b>			
Cost of materials consumed	23	13099	13147
Purchases of Stock-in-Trade		8264	6578
Changes in inventories of finished goods work-in-progress and Stock-in-Trade		153	191
Employee benefits expense	24	4508	3967
Finance Costs	25	992	1163
Depreciation and amortization expense	26	4584	4580
Other expenses	27	<u>5771</u>	<u>5613</u>
<b>Total expenses</b>		<u><b>37371</b></u>	<u><b>35239</b></u>
<b>Profit/(Loss) before exceptional and extraordinary items and tax</b>		<u><b>(564)</b></u>	<u><b>(2361)</b></u>
Exceptional items		-	-
<b>Profit/(Loss) before extraordinary items and tax</b>		<u><b>(564)</b></u>	<u><b>(2361)</b></u>
Extraordinary Items - Income	28	<u>290</u>	<u>308</u>
<b>Profit/(Loss) before tax</b>		<u><b>(274)</b></u>	<u><b>(2053)</b></u>
Tax expense:			
(1) Current tax		1	0.5
(2) Deferred tax		<u>-</u>	<u>-</u>
<b>Profit/(Loss) for the year</b>		<u><b>(275)</b></u>	<u><b>(2053)</b></u>
Share of minority interest in Profit/ (loss)		<u>2</u>	<u>(0.4)</u>
<b>Profit/ (Loss) for the year available for majority shareholders</b>		<u><b>(277)</b></u>	<u><b>(2052)</b></u>
Earning per equity share of Rs. 2/- each:	32		
(1) Basic		<b>(0.07)</b>	(0.45)
(2) Diluted		<b>(0.07)</b>	(0.45)
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1		
<b>NOTES ON FINANCIAL STATEMENTS</b>	2-35		

### Per our separate report of even date

#### For M.Kamal Mahajan And Co.

Chartered Accountants  
Firm Regn. No. 006855N

#### (M.K. Mahajan)

Partner  
Membership No. 17418

Place : New Delhi  
Date : 21st May, 2014

### For & on behalf of the Board

#### (Sushil Suri)

Chairman & Managing Director  
DIN : 0001 2028

#### (Ajay Sharma)

GM- Finance & Accounts

#### (Manoj Joshi)

Director  
DIN : 00036546

#### (Thomas P. Joshua)

Company Secretary

# Consolidated Cash Flow Statement

For the year ended 31st March, 2014

(Rs. in Lacs)

	Notes	Year Ended 31.03.2014	Year Ended 31.03.2013
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES :</b>			
Profit/(Loss) before extraordinary items and tax		(564)	(2360)
Adjustments for :			
Depreciation & Amortisation	26	4584	4580
(Profit)/Loss on Sale of Fixed Assets		2	(63)
Finance Cost (Net)	25	992	1163
Minority Interest	4	(2)	0.4
<b>Operating profit before changes in current assets and liabilities</b>		<b>5012</b>	<b>3320</b>
Changes in current assets and liabilities -			
Trade Receivables	16	(356)	(396)
Short Term Loans and advances and other current assets	18, 19	(2510)	188
Inventories	15	376	161
Current liabilities	8,9,10,11	540	(217)
<b>Cash generated from operations</b>		<b>3062</b>	<b>3056</b>
Income Tax		1	0.5
<b>Cash Flow before extraordinary items</b>		<b>3061</b>	<b>3056</b>
Extraordinary items	28	290	308
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>3351</b>	<b>3364</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of Fixed Assets		(451)	(477)
Sale of Fixed Assets		1	197
Provision for fall in value in Non-Current Investments	13	387	-
Outflow on Long Term advances (Net)	14	(17)	(3)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(80)</b>	<b>(283)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Finance Cost (Net)	25	(992)	(1163)
Change in Long Term borrowings (Net)	5	(1987)	(1924)
Change in Long Term liabilities & provisions (Net)	6,7	65	108
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(2914)</b>	<b>(2979)</b>
Net Increase/(Decrease) in Cash and Cash equivalents (A + B + C)		358	102
Cash and Cash equivalents as at 01.04.2013		553	451
Cash and Cash equivalents as at 31.03.2014		911	553
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1		
<b>NOTES ON FINANCIAL STATEMENTS</b>	2-35		

Per our separate report of even date

For M.Kamal Mahajan And Co.

Chartered Accountants  
Firm Regn. No. 006855N

(M.K. Mahajan)

Partner  
Membership No. 17418

Place : New Delhi  
Date : 21st May, 2014

For & on behalf of the Board

(Sushil Suri)

Chairman & Managing Director  
DIN : 00012028

(Ajay Sharma)

GM- Finance & Accounts

(Manoj Joshi)

Director  
DIN : 00036546

(Thomas P. Joshua)

Company Secretary

## 1. SIGNIFICANT ACCOUNTING POLICIES

### 1. Basis for preparation of financial statements

#### a) Basis for presentation of Financial Statements

The financial statements have been prepared and presented under the historical cost convention on an accrual basis of accounting and comply with the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, other pronouncements of the Institute of Chartered Accountants of India, the relevant provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India, to the extent applicable and as consistently applied by the company.

The consolidated financial statements consist of financial statements of Morepen Laboratories Ltd. (parent company) and its four subsidiaries namely Dr. Morepen Ltd., Total Care Ltd., (Domestic Companies) and MorepenMax Inc., Morepen Inc. (Foreign Companies). Financial statements of foreign subsidiaries have been recasted for the purpose of consolidation. One of the subsidiary company i.e. MorepenMax Inc. has remained dormant during the year ending 31.03.2014 & its financial statements are un-audited.

Investment in Associate Company has been accounted as per Accounting Standard-13 i.e. Accounting for Investments issued by the Institute of Chartered Accountants of India.

The names of subsidiary companies included in consolidation and parent company's holding therein are as under-

Subsidiary Company	Country of Incorporation	Percentage of Holding (%)
Morepen Max Inc.	U.S.A.	51
Morepen Inc.	U.S.A.	100
Dr. Morepen Ltd.	India	100
Total Care Ltd.	India	95*

\*(Held by Dr. Morepen Limited)

#### b) Use of Estimates

The presentation of financial statements requires the management of the company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of financial statements and the reported amount of income and expenses during the year. Examples of such estimates include provisions for doubtful debts, employee benefits, provisions for income taxes, useful life of depreciable assets and provisions for impairments.

### 2. Fixed assets

- Fixed assets are stated at cost less depreciation. Capital work in progress includes pre-operative expenses.
- Expenditure incurred on projects / expansion during implementation is capitalized and apportioned to various assets on commissioning / completion of the same.

### 3. Depreciation

- Depreciation on fixed assets is provided on straight-line method at the rates not lower than the rates prescribed by the schedule XIV of the Companies Act, 1956 and in the manner as prescribed by it.
- Cost of leasehold land is not amortized over the period of lease.
- Cost of patents, trademarks, designs and brands is being amortized over a period of ten years starting from period subsequent to the period of launch of product/period of acquisition.

### 4. Investments

Investments are stated at cost. Provision is made, where, there is a permanent fall in the value of investment.

### 5. Foreign exchange transactions

Foreign currency liabilities covered by forward contracts/swap agreements are stated at the forward contracts/swap agreements rates, while those not covered by forward contracts/swap agreements are restated at rates ruling at the year-end. Other exchange differences are dealt with in the statement of profit and loss.

### 6. Valuation of inventories

Stocks of raw materials and other ingredients have been valued on First in First Out (FIFO) basis, at cost or net realizable value whichever is less, finished goods and stock-in-trade have been valued at lower of cost and net realizable value, work-in-progress is valued at raw material cost up to the stage of completion, as certified by the management on technical basis. Goods in transit are carried at cost.

### 7. Revenue Recognition

- Sales are stated net of returns, excise duty and sales tax.
- Dividend income is accounted for when the right to receive the same is established.
- Interest on calls-in-arrears on share capital is accounted for as and when received.

8. **Excise duty on finished goods**

Excise duty is accounted for at the point of manufacture of goods and accordingly considered for valuation of finished goods stock lying in the factory premises as on the balance sheet date.

9. **Researches and Development**

- a) Capital expenditure on research and development is included in the cost of fixed assets.
- b) Revenue expenditure on research and development is charged to the statement of profit & loss.

10. **Taxation**

The provision for taxation is ascertained on the basis of assessable profits computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

11. **Impairment of Assets**

The company determines whether there is any indication of impairment of carrying amount of company's assets. The recoverable amounts of such assets are estimated, and if any indication exists, impairment loss is recognised wherever the carrying amount of assets exceeds its recoverable amount.

12. **Provision**

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

13. **Earning per share**

Basic earning per share is calculated by dividing the net profit or loss for the year attributable to the equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating the diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted at beginning of the period, unless they have been issued at a later date.

14. **Employee Retirement benefits**

Short term employee benefits

All employee benefits payable/available within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages and bonus etc., are recognised in the statement of profit and loss in the period in which the employee renders the related service.

Defined benefit plans

Defined benefits plans of the company consist of gratuity and leave encashment.

**- Gratuity**

The company has an obligation towards gratuity, a defined benefits retirement plan covering eligible employees. The plan provides for a lump sum payment to the vested employees at retirement, death while in employment or on termination of employment of an amount based on the respective employee's salary and tenure of employment. Vesting occurs upon completion of five years of service.

**- Leave Encashment**

As per company's policy, eligible leaves can be accumulated by the employees and carried forward to future periods either to be utilised during the service, or encashed. Encashment can be made during the service, on early retirement, on withdrawal of scheme, at resignation and upon death of the employee. The value of benefit is determined based on the seniority and the employee's salary.

The liability in respect of defined benefit plans is accounted in the books of accounts on the basis of actuarial valuation carried out by an independent actuary.

Defined contribution plans

Defined contribution plans of the company consist of Provident fund and Employees State Insurance fund.

**- Provident Fund & Employees State Insurance (ESI)**

The company makes specified monthly contribution towards the employees' provident fund & ESI for the eligible employees. The contribution made to provident fund and ESI are charged to the statement of profit and loss as and when these become payable.

# NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

	(Rs. in Lacs)	
	As at 31.03.2014	As at 31.03.2013
<b>2. A SHARE CAPITAL</b>		
<b>Authorised</b>		
45,00,00,000 (Previous Year 45,00,00,000) Equity Shares of Rs. 2/- each	9000	9000
1,20,00,000 (Previous Year 1,20,00,000) Preference shares of Rs. 100/- each	<u>12000</u>	<u>12000</u>
	<b>21000</b>	<b>21000</b>
<b>Issued &amp; Subscribed</b>		
<u>Equity Share Capital</u>		
44,98,26,203 (Previous Year 44,98,26,203) Equity Shares of Rs. 2/- each	<u>8997</u>	<u>8997</u>
	<b>8997</b>	<b>8997</b>
<u>Preference Share capital</u>		
97,35,201 ( Previous Year 97,35,201) 0.01% Optionally Convertible Preference Shares of Rs.100/- each fully paid up	9735	9735
17,30,000 (Previous year 17,30,000) 0.01% Cummulative Redeemable Preference Shares of Rs. 100/- each fully paid up	1730	1730
5,00,000 (Previous Year 5,00,000) 9.75% Cummulative Redeemable Preference Shares of Rs.100/- each fully paid up	<u>500</u>	<u>500</u>
	<b>11965</b>	<b>11965</b>
<b>Issued, Subscribed &amp; Paid up</b>		
<u>Equity Share Capital</u>		
44,97,93,203 (Previous Year 44,97,93,203) Equity Shares of Rs. 2/- each fully paid up	<u>8996</u>	<u>8996</u>
	<b>8996</b>	<b>8996</b>
<u>Preference Share capital</u>		
97,35,201 ( Previous Year 97,35,201) 0.01% Optionally Convertible Preference Shares of Rs.100/- each fully paid up	9735	9735
17,30,000 (Previous year 17,30,000) 0.01% Cummulative Redeemable Preference Shares of Rs. 100/- each fully paid up	1730	1730
5,00,000 (Previous Year 5,00,000) 9.75% Cummulative Redeemable Preference Shares of Rs.100/- each fully paid up	<u>500</u>	<u>500</u>
	<b>11965</b>	<b>11965</b>
	<u>20961</u>	<u>20961</u>

## B. Reconciliation of the number and amount of Equity shares -

	31.03.2014		31.03.2013	
	Nos.	Amount (Rs./Lacs)	Nos.	Amount (Rs./Lacs)
Outstanding at beginning of the year	449826203	8997	449826203	8997
Add : Shares issued during the year	-	-	-	-
Less : Shares bought back during the year	-	-	-	-
Outstanding at the end of year	<b>449826203</b>	<b>8997</b>	449826203	8997

## Reconciliation of the number and amount of Preference shares -

	31.03.2014		31.03.2013	
	Nos.	Amount (Rs./Lacs)	Nos.	Amount (Rs./Lacs)
Outstanding at beginning of the year	11965201	11965	11965201	11965
Add : Shares issued during the year	-	-	-	-
Less : Shares bought back during the year	-	-	-	-
Outstanding at the end of year	<b>11965201</b>	<b>11965</b>	11965201	11965

### C. Rights, preferences and restrictions attached to each class of Shares and terms of redemption -

- a) i) The company has two classes of shares referred as equity shares and preference shares. The equity shares are having a par value of Rs. 2/- each whereas par value for each preference shares is Rs. 100/-. Every holder of equity shares is entitled to one vote per share in respect of all matters submitted to vote in the shareholders' meeting. Preference share holders are entitled to one vote per share, in respect of every resolution placed before the company which directly affect the rights attached to their shares. However, a cumulative preference shareholder acquires voting rights at par with an equity shareholder if the dividend on preference shares has remained unpaid for a period of not less than two years.
- ii) In the event of liquidation of the company, the holders of equity shares will be entitled to receive the remaining assets of the company after distribution of preferential amounts. The distribution will be in the proportion of the number of equity shares held by the shareholders.
- iii) 17,30,000, 0.01% Redeemable Preference Shares of Rs. 100/- each and 5,00,000, 9.75% Redeemable Preference Shares of Rs. 100/- each are cumulative. Dividend arrears on these shares as at 31.03.2014 are Rs. 586 Lacs (Previous year Rs. 537 Lacs).
- b) i) Out of 97,35,201, 0.01% Optionally Convertible Preference Shares, Shares amounting to Rs. 7,040 Lacs falls due for redemption/conversion on May 4, 2014, shares amounting to Rs. 1,762 Lacs are due for redemption on May 31, 2014 whereas balance shares amounting to Rs. 933 Lacs are due for redemption/conversion on February 9, 2015. The conversion, if opted for, of preference shares into equity shares will be at price determined as per SEBI guidelines. Dividend arrears on above preference shares as at 31.03.2014 are Rs. 7 Lacs (Previous year Rs. 6 Lacs).
- ii) Out of 17,30,000, 0.01% Cumulative Redeemable Preference Shares, 15,30,000 Shares amounting Rs. 1,530 Lacs are redeemable in two equal installments, on May 4, 2016 & May 4, 2017. Balance 2,00,000, Shares amounting Rs. 200 lacs, had already become due for redemption in the financial year ending 31.03.2012, could not be redeemed because of unavailability of surplus.
- iii) 5,00,000, 9.75% Cumulative redeemable Preference shares amounting to Rs. 500 Lacs had been due for redemption since March, 2004, however, could not be redeemed because of unavailability of surplus. The subscriber has filed a legal case against the company for the recovery of the sum invested as well as interest thereon. The company has contested the claim of the subscriber and have moved the jurisdictional appellant authorities against the said claim.
- iv) Capital Redemption Reserve for redemption of Preference Shares could not be created during the year because of unavailability of surplus.

### D. Shareholders holding more than 5% shares -

#### i) Equity Shares

Name of Shareholder	As at 31-03-2014		As at 31-03-2013	
	No. of Shares	% of Holding	No. of Shares	% of Holding
GL India Mauritius (III) Ltd.	38530000	8.57	38530000	8.57

#### ii) Preference Shares

##### a) 97,35,201, 0.01% Optionally Convertible Redeemable Shares -

Name of Shareholder	As at 31-03-2014		As at 31-03-2013	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Bank of Nova Scotia	1179000	12.11	1179000	12.11
Stressed Assets Stabilisation Fund (SASF)	961044	9.87	961044	9.87
EXIM Bank	916333	9.41	916333	9.41
SICOM	829463	8.52	829463	8.52
Punjab National Bank	671522	6.90	671522	6.90
Oriental Bank of Commerce	623828	6.41	623828	6.41
Dena Bank	593936	6.10	593936	6.10
UCO Bank	515900	5.30	515900	5.30

##### b) 17,30,000, 0.01% Cumulative Redeemable Shares -

Name of Shareholder	As at 31-03-2014		As at 31-03-2013	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Oriental Bank of Commerce	1000000	57.80	1000000	57.80
Axis Bank Ltd.	500000	28.90	500000	28.90
Blue Sky Securities Pvt. Ltd.	200000	11.56	200000	11.56



**c) 5,00,000, 9.75% Cumulative Redeemable Shares -**

Name of Shareholder	As at 31-03-2014		As at 31-03-2013	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Jammu and Kashmir Bank Ltd.	500000	100	500000	100

- E. During last 5 years immediately preceding the balance sheet date, no Equity Share or Preference share has been issued pursuant to any contract without payment being received in cash. Further the company has neither allotted any share by way of bonus shares, nor it had bought back any Equity or Preference Share during aforesaid period of 5 years.

**F. Disclosure about unpaid calls -**

Unpaid Calls	(Rs. in Lacs)	
	31-03-2014	31-03-2013
By Directors & Officers	-	-
By Others	1	1

- G. No shares have been forfeited by the company during the year.

	(Rs. in Lacs)	
	As at 31.03.2014	As at 31.03.2013

**3. RESERVE & SURPLUS**

Capital Reserve	270	270
Securities Premium Account	16,741	16,741
Preference Share Redemption Reserve	7,123	7,123
	<u>24,134</u>	<u>24,134</u>

Surplus/(Deficit) -

Opening balance	(15107)	(13196)
Transfer from Debenture Redemption Reserve	-	141
Profit/(Loss) for the year	(277)	(2052)
Closing balance	<u>(15384)</u>	<u>(15107)</u>
	<u>8,750</u>	<u>9,027</u>

**4. MINORITY INTEREST**

Share Capital	72	72
Share in Profit/(Loss)	(112)	(115)
	<u>(40)</u>	<u>(43)</u>

**5. LONG TERM BORROWINGS**

**Secured**

Term Loans from Banks & Institutions

Interest Bearing	3,018	4,531
Interest Free	4,441	4,910
	<u>7,459</u>	<u>9,441</u>
Other Loans	19	24
	<u>7,478</u>	<u>9,465</u>

**Unsecured**

Loans from related parties	-	-
	-	-
	<u>7,478</u>	<u>9,465</u>

**Nature of Security and Terms of Repayment -**

**I. Term Loans from Banks & Institutions**

- a. Term loans, except noted at (d) below, are secured by a first charge created by way of a joint equitable mortgage on pari-passu basis on all immovable and movable fixed assets, including plant and machinery, land & buildings and others, both present and future, first charge over Escrow/Trust and Retention Account, and second charge on the current assets of the company, both present and future. Further these loans are secured by personal guarantee of Managing Director of the company.

- b. Yearwise re-payment schedule of Interest bearing portion of term loans, payable in quarterly instalments is as under -

Year of Repayment	2015-16	2016-17	2017-18	Total
Annual Repayment Amount (Rs./Lacs)	1243	888	888	3019
Annual Rate of Interest	18%	18%	18%	

- c. Yearwise re-payment schedule of Interest free portion of term loans, payable in quarterly instalments is as under. Debt is interest free till March 2015.

Year of Repayment	2015-16	2016-17	2017-18	Total
Annual Repayment Amount (Rs./Lacs)	-	1110	3331	4441
Annual Rate of Interest	-	8.25%	8.25%	

- d. Other loans represents vehicle loans, repayable on monthly basis, are secured by way of hypothecation of specific assets purchased under the hire purchase scheme.

Year of Repayment	2015-16	2016-17	2017-18	Total
Annual Repayment Amount (Rs./Lacs)	15	4	1	20
Annual Rate of Interest	8.50% -16.00%	8.50% -16.00%	8.50% -16.00%	

- e. Details of delay in repayment of term loan & interest thereon is as under -

Particulars	Amount (Rs./Lacs)	Period
Principal	157	Less than 3 Months
Interest	182	Less than 3 Months

## II. Unsecured Loans

During the year, the company has repaid the outstanding loan amounting to Rs. 1,074 Lacs (Previous Year Rs. 430 Lacs)

- III. Current portion of long term borrowings is appearing under the head Other current liabilities. (Refer Note No. 10).



	(Rs. in Lacs)	
	As at 31.03.2014	As at 31.03.2013
<b>6. OTHER LONG TERM LIABILITIES</b>		
Security receipts from business associates & others	205	209
	<u>205</u>	<u>209</u>
<b>7. LONG TERMS PROVISIONS</b>		
Provision for employees' benefits (Unfunded) -		
Gratuity	565	524
Leave Encashment	217	193
	<u>782</u>	<u>717</u>
<b>8. SHORT TERM BORROWINGS</b>		
<b>Secured</b>		
Buyer's credit facility	119	-
	<u>119</u>	<u>-</u>
The buyers' credit facility is secured by way of term deposits with the bank.		
<b>9. TRADE PAYABLES</b>		
Trade Payables	6860	5681
	<u>6860</u>	<u>5681</u>
Based on the information available with the Company, a sum of Rs. Nil (Previous Year Nil) is payable to Micro & Small Enterprises as defined under the MSMED Act, 2006. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.		
<b>10. OTHER CURRENT LIABILITIES</b>		
Current maturities of long-term debt (Refer note no. 5)	1331	1658
Interest accrued and due on borrowings	182	544
Unpaid matured debentures	-	-
Accrued salaries and benefits	627	670
<b>Other Payables -</b>		
Advance received from -		
Advance received from customers	755	650
Direct Taxes	76	103
Indirect Taxes	52	37
Advance against sale of Fixed Assets*	435	435
Others	300	425
	<u>3758</u>	<u>4522</u>
<b>* Advance against sale of Fixed Assets</b>		
Advance against the sale of fixed assets represents amount received for the sale of land appearing in the Note no. 12 (c) of notes of financial statements under the head Fixed Assets and the profit on this transaction is not recognised in the books as some obligations are still pending to be completed .		
<b>11. SHORT TERM PROVISIONS</b>		
Provision for employees' benefits -		
Gratuity	53	50
Leave Encashment	24	20
	<u>77</u>	<u>70</u>

**12. FIXED ASSETS**

**TANGIBLE ASSETS**

(Rs. in Lacs)

PARTICULARS	GROSS BLOCK			DEPRECIATION			CARRYING VALUE	
	As at 01.04.2013	Additions	Disposals Adjustments	As at 01.04.2013	For the year	Deductions Adjustments	As at 31.03.2014	As at 31.03.2013
			31.03.2014					
Free hold Land	134	-	134	-	-	-	134	134
Leasehold Land	33	-	33	-	-	-	33	33
Buildings	7047	66	7113	2416	188	-	4509	4631
Plant & Machinery	81979	296	82260	53862	4306	(20)	24072	28117
Furnitures & Fixtures	265	2	266	216	29	1	22	49
Vehicles	294	26	317	199	26	31	123	95
Office Equipments	139	16	142	78	19	17	62	61
<b>Total</b>	89,891	406	90,265	56,771	4,568	29	28,955	33,120
Previous Year	89,621	441	89,891	52,229	4,577	35	33,120	-

**INTANGIBLE ASSETS**

Goodwill	7,794	-	7,794	-	-	-	7,794	7,794
Patents & Trade Marks	2,323	-	2,323	2,323	-	-	-	-
Computer Software	35	44	79	4	16	-	59	32
<b>Total</b>	10,152	44	10,196	2,327	16	-	7,853	7,826
Previous Year	10,117	35	10,152	2,323	3	-	7,826	-

**GRAND TOTAL**

Current year	100,043	450	100,461	59,098	4,584	29	36,808	40,947
Previous Year	99,738	476	100,043	54,552	4,580	35	40,946	-

**Note :**

- Leasehold land is not amortised in view of para 1(c) of Accounting Standard on Leases (AS-19) issued by The Institute of Chartered Accountants of India defining scope of the standard.
- Trade mark "Burnol" forming part of Patents & Trade Marks was given as a Collateral security against inter-corporate deposit taken by the parent company. Legal case in respect of the above trade mark is pending final adjudication.
- Freehold land includes land having gross value of Rs. 15 Lacs sold in earlier years and advance received against sale revenue on this transaction is not recognised in the books as some obligations are still pending to be completed.



	(Rs. in Lacs)	
	As at 31.03.2014	As at 31.03.2013
<b>13. NON- CURRENT INVESTMENTS</b>		
<b>A. Trade Investments</b>		
<u>Investment in Equity Instruments (Unquoted)</u>		
<b>Associate Companies</b>		
<u>Morepen Biotech Ltd.</u>		
38,65,500 (Previous Year 38,65,500) Equity Shares of Rs. 10/- each fully paid up	387	387
	<u>387</u>	<u>387</u>
Provision for fall in carrying value of investments, in respect of losses in the associate company being permanent in nature	(387)	-
	<u>-</u>	<u>387</u>
<b>B. Other Investments (At Cost) -</b>	-	-
<b>Unquoted Investments -</b>	<u>387</u>	<u>387</u>
Aggregate amount of unquoted investments (At cost)	387	387
Aggregate amount of provision for fall in carrying value of investments	(387)	-
<b>14. LONG TERM LOANS AND ADVANCES</b>		
Unsecured		
Capital Advances		
Considered good	38	37
Considered Doubtful	-	11
Less : Provision for doubtful advances	-	(11)
	<u>38</u>	<u>37</u>
Security Deposits	146	130
	<u>184</u>	<u>167</u>
<b>15. INVENTORIES</b>		
(At cost or Net Realisable Value whichever is lower)		
Raw Materials	1080	1295
Work-in-progress	1134	1056
Finished goods	382	712
Stock -in-trade	566	480
Goods in transit	82	90
Stores and spares	86	72
	<u>3330</u>	<u>3705</u>
The inventory of stocks, stores and spares has been taken, valued and certified by the management		
<b>16. TRADE RECEIVABLES</b>		
Trade receivables outstanding for a period exceeding six months		
Unsecured -		
Considered good	259	202
Considered doubtful	47	45
Less: Allowance for bad & doubtful debts	(19)	(45)
	<u>287</u>	<u>202</u>
Other Debts		
Unsecured -		
considered good	3980	3709
	<u>4267</u>	<u>3911</u>
<b>17. CASH AND CASH EQUIVALENTS</b>		
Balances with banks		
i) Current Accounts	537	430

(Rs. in Lacs)

	As at 31.03.2014	As at 31.03.2013
ii) Bank Balances held as -		
Margin Money	346	88
Guarantees	17	23
Cash on hand	11	12
	<u>911</u>	<u>553</u>
<b>18. SHORT TERM LOANS AND ADVANCES</b>		
<u>Others- unsecured &amp; considered good</u>		
Central Excise Balances	444	299
Advance Income Tax - Tax Deducted at source	8	3
Security Deposits	47	44
Advance with suppliers and others	2511	199
Loans & advances to employees	76	78
<u>Advances Considered Doubtful</u>	158	158
Less : Provision for doubtful advances	(158)	(158)
	<u>3086</u>	<u>623</u>
<b>19. OTHER CURRENT ASSETS</b>		
Export Incentives Receivable	230	242
Recoverable from Customs	63	57
Prepaid Expenses	41	9
Interest accrued but not due	30	9
	<u>364</u>	<u>317</u>
<b>20. CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)</b>		
<b>a) Contingent Liabilities</b>		
Claim against the Company not acknowledged as debts	1144	1525
Guarantees	9	15
Other money for which company is contingently liable	1477	1274
Arrears of Fixed Cumulative Dividends on Preference Shares	593	543
Bills discounted with banks	126	134
	<u>3349</u>	<u>3491</u>
<b>b) Commitments</b>	-	-
	<u>3349</u>	<u>3491</u>
<b>21. REVENUE FROM OPERATIONS (GROSS)</b>		
<u>Sale of Products</u>		
Domestic	19408	18355
Exports	16293	14077
Gross Sales	35701	32432
<u>Other Operating Revenues</u>		
Export Incentives	408	471
Others	1052	286
	<u>1460</u>	<u>757</u>
	<u>37161</u>	<u>33189</u>
<b>22. OTHER INCOME</b>		
Interest Income	105	13
Others	17	274
	<u>122</u>	<u>287</u>
<b>23. COST OF MATERIALS CONSUMED</b>		
Raw Materials	12473	12576
Packing Materials	626	571
	<u>13099</u>	<u>13147</u>



	(Rs. in Lacs)	
	As at 31.03.2014	As at 31.03.2013
<b>24. EMPLOYEE BENEFITS EXPENSE</b>		
Salaries and Wages	4110	3531
Contribution to provident fund/ ESI	157	143
Gratuity and Leave Encashment Expenses	98	174
Staff Welfare	143	118
	<u>4508</u>	<u>3967</u>
<b>25. FINANCE COST</b>		
Interest expense	992	1163
	<u>992</u>	<u>1163</u>
<b>26. DEPRECIATION AND AMORTIZATION EXPENSES</b>		
Depreciation	4584	4580
Amortisation	-	-
	<u>4584</u>	<u>4580</u>
<b>27. OTHER EXPENSES</b>		
Consumption of Stores and spare parts	78	67
Power and Fuel	842	896
Rent	266	226
Repairs to buildings	106	62
Repairs to machinery	226	241
General Repairs	64	13
Insurance	41	33
Research & Development	38	48
Rates and taxes excluding taxes on income	151	69
Legal and Professional Expenses	312	239
Travelling Expenses	828	727
Quality Control & Testing Charges	163	151
Miscellaneous Expenses	701	801
Selling and Distribution Expenses	1955	2040
	<u>5771</u>	<u>5613</u>
<b>28.</b> Extraordinary items of Rs. 290 Lacs (Previous year 308 Lacs) represent net of surplus of Rs. 677 Lacs accruing on account of settlement with one of the lenders of the Company and amount of Rs. 387 Lacs provided towards fall in carrying value of investment in the associate company.		
<b>29. PRIOR PERIOD ITEMS</b>		
Expenses include Rs. 204 lacs (Previous Year Rs. 111 lacs) as expenses (net) relating to earlier years.		
<b>30. SEGMENT REPORTING</b>		
In accordance with AS-17, "Segment Reporting" the Company's business activity falls within a single primary business segment viz. "Pharmaceuticals". The secondary business segment in terms of geographical markets have been recognised as India, USA and rest of world. The segment revenues for the year is as under-		
Geographical Segment	Sales Revenues (Rs./Lacs)	
	<u>2013-14</u>	<u>2012-13</u>
USA	6462	6334
Rest of World	9831	7743
India	19408	18355
Total	<u>35701</u>	<u>32432</u>

### 31. RELATED PARTY DISCLOSURES

Disclosure as required by accounting standard "Related Party Disclosures" (AS-18) issued by the Institute of Chartered Accountants of India are as under:

**Related Parties**

1. Associates Morepen Biotech Limited	Domestic Company
2. Key Management Personnel (Whole Time Directors)	Mr. Sushil Suri, Chairman & Managing Director Dr. A.K. Sinha Mr. Sanjay Kumar
3. Entities over which key management personnel/ or Relatives of key management personnel are able to exercise significant influence with which the company has any transactions during the year	Blue Coast Infrastructure Development Private Limited

**Transactions with related parties -**

Particulars	Nature of transaction	(Rs. in lacs)
1. Associates	Nil	-
2. Key Management Personnel (Whole Time Directors)	Remuneration Balance as on 31.03.14 (Maximum amount outstanding - Rs.14 Lacs)	63 7
3. Entities over which key management personnel/ or Relatives of key management personnel are able to exercise significant influence with which the company has any transactions during the year	Repayment of un-secured loans Payment of interest Balance Payable as on 31.03.14 (Maximum amount outstanding - Rs.1400 Lacs)	1,074 326 Nil

**32. EARNING PER SHARE (EPS)**

Particulars	Year Ended	
	31.03.2014	31.03.2013
Profit/(Loss) after Tax (Rs. in Lacs)	(277)	(2052)
Weighted average number of equity shares outstanding	449826203	449826203
Earnings/(loss) per share in rupees (face value Rs.2/- per share)	(0.07)	(0.45)

EPS has been computed after considering dividend on preference shares.

**33. IMPAIRMENT**

It is the view of management that there are no impairment conditions that exist as on 31st March, 2014. Hence, no provision is required in the accounts for the year under review.

**34. DEFERRED TAX LIABILITY/ (ASSET)**

As required by Accounting Standard "Accounting for taxes on income" i.e. (AS-22) issued by the Institute of Chartered Accountants of India, deferred tax asset on losses during the year, is not recognized as a matter of prudence.

**35. OTHERS SIGNIFICANT DISCLOSURES**

- In the opinion of directors, all assets and non-current investments, stated otherwise, have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the books of accounts and the provision for depreciation and for all known liabilities is adequate and considered reasonable.
- Balances of Non-current liabilities, Current liabilities, Long terms loans and advances, Trade receivables, Short term loans and advances and banks are subject to confirmation.
- Sales Tax assessments for earlier years are in progress. Demand, if any, shall be known & accounted for, on the completion of assessments.
- During the financial year ending 31st March, 2010, the company had allotted, 9,24,90,413 Equity Shares to fixed deposit holders towards settlement of their dues, under the Scheme of arrangement or compromise u/s 391 of the Companies Act, 1956, approved by Hon'ble High Court at Shimla. The central government preferred an appeal against the said order and the Hon'ble Divisional Bench while admitting the appeal directed the implementation of the Scheme subject to the final outcome of the Appeal. The matter has now been remanded back to the single judge of Hon'ble Himachal Pradesh High Court for giving Central Government a hearing and adjudicating the matter.
- Remuneration paid to directors' for the period April, 2005 - March, 2014, of Rs. 356 lacs, including current year remuneration of Rs. 52 lacs is subject to approval from Central Govt.
- In view of losses during the year, the managing director has been paid a salary of Rs. 24 lacs, out of approved salary of Rs. 60 lacs. Balance salary of Rs. 36 lacs has been forgone by him and hence not provided in the accounts.
- Taxation - No Provision for current Income tax has been made in view of loss during the year.
- Previous year figures have been regrouped and rearranged wherever necessary to suit the present year layout.
- Figures have been rounded off to the nearest lacs.



# MOREPEN LABORATORIES LIMITED

**Regd. Off:** Morepen Village, Nalagarh Road, Near Baddi, Distt. Solan, H. P. - 173205

**CIN:** L24231HP1984PLC006028; **Website:** www.morepen.com;

**E-mail Id:** corporate@morepen.com; **Tel No.:** + 91-01795-276201-03; **Fax No.:** + 91-01795-276204

## Form No. MGT 11 PROXY FORM

[Pursuant to Section 105 (6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member (s): .....
Registered address:.....
E-mail Id: ..... Folio No./DPID & Client ID:.....

I/We, being the member (s) of.....shares of the above named company, hereby appoint

- 1) Name: ..... E-mail Id: .....  
 Address: .....  
 Signature:  or failing him/her
- 2) Name: ..... E-mail Id: .....  
 Address: .....  
 Signature:  or failing him/her

as my/our Proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 29<sup>th</sup> Annual General Meeting of the Company, to be held on Friday, the 19<sup>th</sup> day of September, 2014 at 10.30 a.m. at the Registered Office of the Company at Morepen Village, Nalagarh Road, Near Baddi, Distt. Solan, H. P. - 173205 and at any adjournment thereof in respect of such resolutions as are indicated below:

Res. No.	Description	For	Against
1.	Adoption of Annual Accounts and Reports thereon for the financial year ended 31 <sup>st</sup> March, 2014.		
2.	Re-appointment of Mr. Sushil Suri (DIN: 00012028), who retires by rotation at this Annual General Meeting and, being eligible, offers himself for re-appointment.		
3.	Appointment of M/s M. Kamal Mahajan And Co., Chartered Accountants (FRN: 006855N) as Statutory Auditors of the Company and to fix their remuneration		
4.	Appointment of Mr. Sukhcharan Singh (DIN: 00041987) as an Independent Director of the Company		
5.	Appointment of Mr. Manoj Joshi (DIN: 00036546) as an Independent Director of the Company		
6.	Appointment of Mr. Bhupender Raj Wadhwa (DIN: 00012096) as an Independent Director of the Company		
7.	Re-appointment of Dr. Arun Kumar Sinha (DIN: 00450783) as a Whole - Time Director, designated as Director - Technical, of the Company		
8.	Approval of remuneration of the Cost Auditors for the financial year ending 31 <sup>st</sup> March, 2015		

Signed this ..... day of ..... 2014. Signature of Shareholder: .....

Affix  
Revenue  
Stamp

### NOTES:

- Please put a 'X' in the appropriate column against the respective resolutions. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
- Pursuant to the provisions of Section 105 of the Companies Act, 2013, a person can act as a proxy on behalf of not more than fifty (50) members and holding in the aggregate not more than ten percent (10%) of the total Share Capital of the Company carrying voting rights. A member holding more than ten percent (10%) of the total Share Capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other member.
- This form of Proxy in order to be effective should be duly completed, stamped, signed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.

## MOREPEN LABORATORIES LIMITED

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**E-mail Id:** corporate@morepen.com; **Tel No.:** +91-01795-276201-03; **Fax No.:** +91-01795-276204

### E-COMMUNICATION REGISTRATION FORM

Dear Shareholders,

You are aware that majority of the provisions of Companies Act, 2013 have been made effective from 1<sup>st</sup> April, 2014. Pursuant to Section 101 and Section 136 of the Companies Act, 2013 read with relevant Rules issued thereunder, Companies can serve Annual Reports, Notices and other communications through electronic mode to those shareholders who have registered their email address either with the Company/RTA or with the Depository.

It is a welcome move that would benefit the society at large, as this will reduce paper consumption to a great extent and allow shareholders to contribute towards a greener environment. This provides a golden opportunity to every shareholder of Morepen Laboratories Limited to contribute to the cause of '**Green Initiative**' by giving their consent to receive various communications from the Company through electronic mode.

We therefore invite all our shareholders to contribute to the cause by filling up the form given below to receive communication from the Company in electronic mode. You can also download the appended registration form from the website of the Company [www.morepen.com](http://www.morepen.com).

*[Please note that as a Member of the Company, you will be entitled to receive all such communication in physical form, upon request.]*

Best Regards,

Sd/-

**Sushil Suri**

**(Chairman & Managing Director)**

### E-COMMUNICATION REGISTRATION FORM

Folio No. /DP ID & Client ID: .....

Name of the 1<sup>st</sup> Registered Holder: .....

Name of the Joint Holder[s]: (1) ..... (2) .....

Registered Address: .....

.....

E-mail ID (to be registered): ..... Mob./Tel. No.: .....

I/We shareholder(s) of Morepen Laboratories Limited hereby agree to receive communications from the Company in electronic mode. Please register my above E-mail ID in your records for sending communications in electronic form.

Date: .....

Signature: .....

**Note:** Shareholder(s) are requested to keep the Company informed as and when there is any change in the e-mail address.



## MOREPEN LABORATORIES LIMITED

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### ATTENDANCE SLIP

(To be handed over at the entrance of the meeting venue)

Name of the Member(s) / Proxy\*: .....

(\*Strike off whichever is not applicable)

Registered address:.....

E-mail Id: ..... Folio No./DPID & Client ID:.....

I/We, being the member (s) of ..... shares of the above named company, hereby record my/our presence at the 29<sup>th</sup> Annual General Meeting of the Company, to be held on Friday, the 19<sup>th</sup> day of September, 2014 at 10.30 a.m. at the Registered Office of the Company at Morepen Village, Nalagarh Road, Near Baddi, Distt. Solan, H. P. - 173205 and at any adjournment thereof.

Signature of the Member/Proxy\*: .....

(\*strike out whichever is not applicable)

#### NOTES:

- 1) Members/Proxies are requested to bring the duly signed attendance slip to the meeting and hand it over at the entrance.
- 2) Corporate members intending to send their authorized representatives to attend the meeting are requested to send, to the Company, a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
- 3) For the convenience of Members, persons other than Members/Proxies will not be admitted.



*Bulk Drugs Plant at the Baddi Complex*



**MOREPEN**

*The Joy Of Growing Together*

**Morepen Laboratories Limited**

(CIN: L24231HP1984PLC006028)

Corp. Off. : 4th Floor, Antriksh Bhawan, 22 K.G. Marg, New Delhi - 110 001, INDIA

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