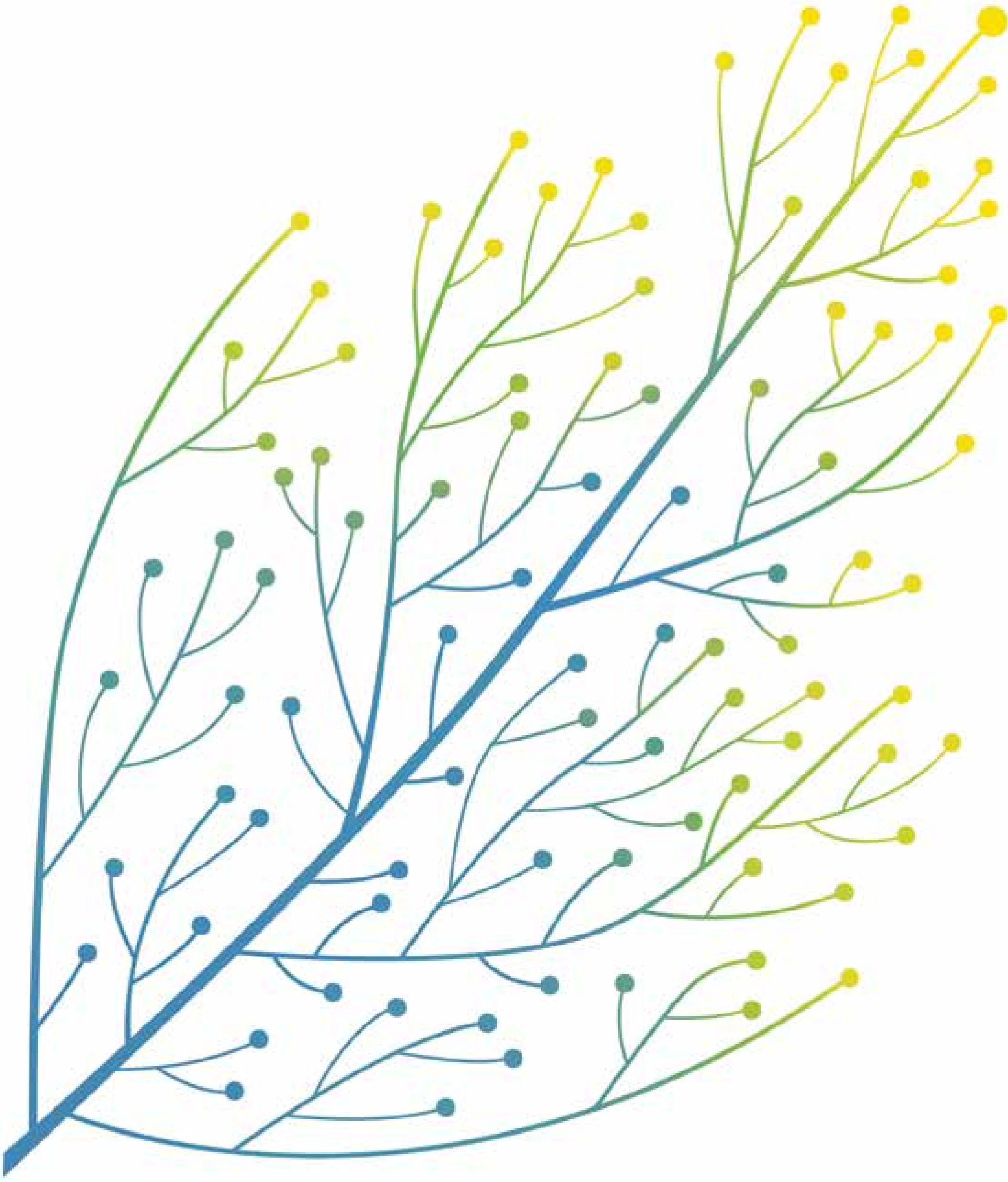
Strides ARCOLAB LIMITED

Strategy to delivery



STRIDES ARCOLAB LIMITED

ANNUAL REPORT 13/14

Forward-looking statements

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

WAY FORWARD

01-20 Charting our Course

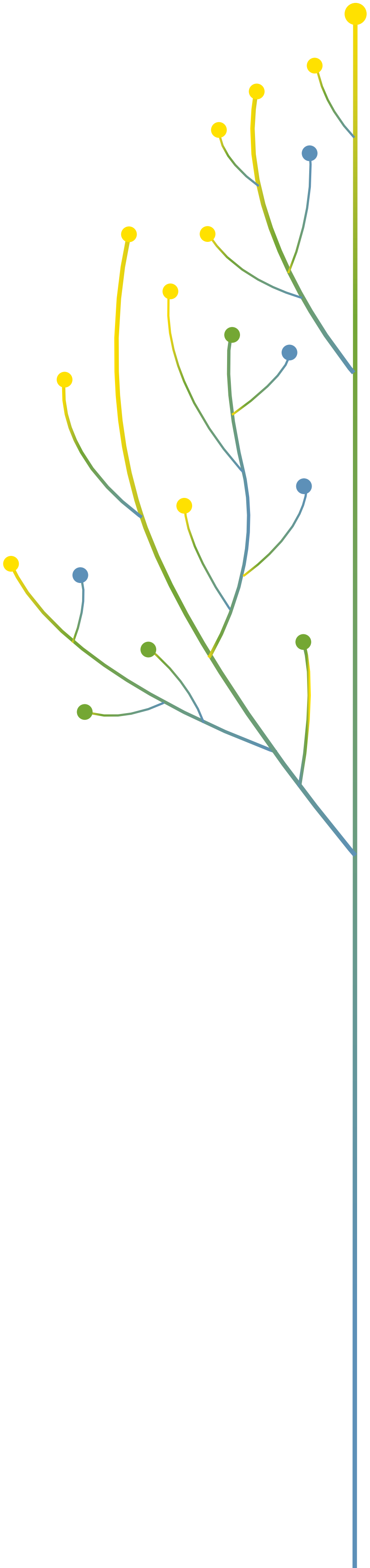
We explain who we are, where we operate, our business model and strategy, investment and a summary of how we performed.

21-70 Statutory Reports

We explain our approach to corporate governance and reporting.

71-197 Financial Statements

This section contains the financial statements, the auditors' report, the accounting policies and notes to the accounts.



Ever since our inception, we have stayed competitive in the global pharmaceutical landscape by virtue of our ability to identify niche genres, then strengthened our position by selecting the right science, markets, partners, processes and people. When all the pieces to the puzzle fit in a beautiful harmony, the whole is more than the sum of its parts.

A consistently value-creating enterprise, which caters to the escalating demand for affordable pharmaceutical products globally.

We are driven by a deep sensitivity to ease suffering and enhance the quality of life.

WE ARE TRANSLATING STRATEGY TO DELIVERY, EVERY SINGLE DAY AT STRIDES.

CEO'S COMMUNIQUÉ

DEAR FRIENDS,

THE GLOBAL PHARMACEUTICAL LANDSCAPE IS CONSTANTLY EVOLVING. NEW FRONTIERS OF MEDICAL SCIENCE ARE EMERGING ON THE HORIZON. EFFECTIVE THERAPIES FOR HITHERTO INCURABLE DISEASES ARE BEING INTRODUCED AT A RAPID PACE. GLOBAL HEALTHCARE SPENDING IS ALSO GROWING CONSIDERABLY. IN FACT, TOTAL GLOBAL SPENDING ON MEDICINES IS LIKELY TO EXCEED ONE TRILLION U.S. DOLLARS FOR THE FIRST TIME IN 2014 AND REACH ALMOST US$ 1.2 TRILLION IN 2017. HOW DO WE INTERPRET THIS REALITY? OUR INDUSTRY HOLDS OUT HOPE TO MILLIONS OF PEOPLE WHO ARE IN NEED OF CRITICAL CARE. IN THIS SCENARIO, OUR OBJECTIVE IS TO SHARPEN OUR R&D EXPERTISE, STRENGTHEN OUR MANUFACTURING CAPABILITIES AND FORAY INTO EMERGING DOMAINS FOR GLOBAL HEALTH AND WELLNESS.

Before we talk about the future, it is pertinent to look back and see what we can learn from the past. Our past experience shows that it's always value accretive to be in the niche domains. First, it provides a chance to constantly upgrade our collective knowledge and be at the vanguard of opportunities globally. Second, knowledge accretion in niche domains helps create unique value streams and outsmart competition. Third, with growing reputation as a niche player the brand valuation also goes up. Therefore, as a conscious strategy, we are identifying niche domains and aggregating businesses to make a difference, both as an industry participant and as a value creator for society.

We successfully completed the Agila divestment to Mylan and are delighted that we could create value for the shareholders and employees by distributing a significant portion of the monetised value. After monetising the significant value created at Ascent Pharmahealth and Agila Specialties, we are now focused on growing our core pharma business and successfully executing our planned investments in biogenerics.

During the period under review, our revenues stood at ₹ 13,747 Million with an EBITDA of ₹ 2,572 Million, driven by growth across all our businesses. We are building a sustainable and scalable business in niche products to cater to regulated and emerging markets.

PHARMACEUTICAL OPPORTUNITY

Our pharmaceutical business is well poised for growth owing to strong business partnerships with global big pharma companies and front-ending presence in regulated markets. Our institutional business is also positioned to grow attractively, as we have a strong pipeline of products to cater to institutionally-funded aid projects and global procurement agencies, such as Global Fund, PFSCM, USAID, UNITAID, WHO, UNICEF, PEPFAR and the Clinton Foundation.

Africa is emerging as a considerable economic force in the world. As people in that continent demand better healthcare and governments step up investments to ensure a better quality of life for people, Africa presents a significant opportunity for growth. Our African business is well on its way; we have footprint across 25 countries in the continent. We strive to emerge as one of the frontrunner pharmaceutical players in Africa.

BIOGENERICS FORAY

During the year, we rebranded our biogenerics business as STELIS Biopharma. We have now commenced our R&D initiatives at a new R&D centre in Bangalore. We will consistently drive R&D initiatives in the biogenerics space to create a product pipeline that will drive future growth.

R&D HORIZON

We are consistently widening our R&D horizon for the pharmaceutical business to create a product pipeline for the future. During FY 2013-14, we continued with our series of filings and approvals as a part of our consistent R&D focus. Our R&D expertise is geared to provide better cure at lower costs globally.

ROAD AHEAD

Pharma Generics: We will focus on high quality standards with an IP-led business model to maximise returns from regulated markets. Our front-end operations in the US and the UK are better positioned to leverage new opportunities. Moreover, we plan to generate significant share from niche products with high value, low volume and high profitability.

Branded Generics (Africa): We are well positioned to capture the highly attractive African healthcare market, which is expected to touch US$45 billion by 2020. Our products are now at various stages of approvals. We are building dedicated facilities to cater to major markets in Africa. We will also focus on penetrating unexplored regions in Africa, scale up our field force and launch new products.

Branded Generics (India): We plan to accelerate our growth pace of India's brand business through the launch of new products, expansion into unexplored territories and setting up a specialised sales force, focused on chronic therapy areas. We acquired 'Raricap' and India Branded Generic Business from Bafna Pharmaceuticals Limited, which will enhance the Women and Child care portfolio.

Institutional Business: We are constantly adding new molecules and fixed-dose combinations to the therapeutic range of products.

Biogenerics: We will consistently drive R&D initiatives in the biogenerics space to create a product pipeline that will drive future growth.

As Strides readies itself for its next level of growth, people capabilities will play a crucial role. We consistently focus on attracting, training and retaining top-tier talent to create a vast pool of human resources, who can take Strides to a higher trajectory of growth and opportunity. We have always recognised and rewarded our people for their loyalty, capability and leadership, and will continue to undertake various initiatives to enhance team spirit.

We are optimistic and ready for the future. We have sound competitive advantage in terms of experience and expertise, global presence and the beautiful culture of value creation that works from strategy to delivery.

Warm Regards,

Arun

AFTER MONETISING THE SIGNIFICANT VALUE CREATED AT ASCENT PHARMAHEALTH AND AGILA SPECIALTIES, WE ARE NOW FOCUSED ON GROWING OUR CORE PHARMA BUSINESS AND SUCCESSFULLY EXECUTING OUR PLANNED INVESTMENTS IN BIOGENERICS.

DEFINING STRIDES

STRIDES HAS PROGRESSED OVER THE YEARS WITH FORESIGHT TO IDENTIFY DIFFICULT-TO-OPERATE NICHE DOMAINS AND THE FORTITUDE TO EXCEL IN THOSE SPHERES. WE WILL CONTINUE TO REINFORCE OUR COMMITMENT TOWARDS COMPLIANCE AND GOVERNANCE, WHILE AT THE SAME TIME LEVERAGE OPPORTUNITIES TO GROW ORGANICALLY AND INORGANICALLY. OUR PHILOSOPHY IS NOT JUST TO DO WHAT WE ARE GOOD AT, BUT TO AGGREGATE POTENTIAL BUSINESS LINES AND EMERGE AS A HOLISTIC VALUE CREATOR.

HEADQUARTERED IN INDIA, WE ARE A GLOBAL PHARMACEUTICAL COMPANY WITH FOCUS ON THE DEVELOPMENT AND MANUFACTURE OF IP-LED NICHE GENERICS. WE ARE STRATEGICALLY POSITIONED TO MEET THE EVOLVING DEMANDS AND CHALLENGES ACROSS DEVELOPED AND EMERGING PHARMACEUTICAL MARKETS.

OUR CORE EXPERTISE LIES IN THE DEVELOPMENT AND MANUFACTURE OF NICHE AND TECHNICALLY COMPLEX PHARMACEUTICAL PRODUCTS. WE POSSESS WORLD-CLASS MANUFACTURING FACILITIES, BEST-IN-CLASS R&D INFRASTRUCTURE AND A STRONG COMMERCIAL PLATFORM TO MARKET BRANDED AND COMMODITY GENERICS GLOBALLY. OUR CONSISTENT FOCUS ON QUALITY HAS PROVIDED US SIGNIFICANT COMPETITIVE ADVANTAGE IN A RAPIDLY EVOLVING REGULATORY LANDSCAPE.

Vision

To be a profitable provider of high quality pharmaceutical products and solutions that create strategic value to our partners and to provide a rewarding workplace for our employees.

Mission

We innovate and operate in niche areas; deliver high quality products and compelling service that ensure that our customers view us as a long term and reliable partner.

5 manufacturing facilities

Presence in 75+ countries globally

2 global R&D centres with 125 scientists

1,500+ employees

BUSINESS FOCUS

Pharmaceuticals

- Pharma Generics
- Branded Generics
- Institutional Business

Biogenerics

LEADERSHIP THROUGH PARTNERSHIP

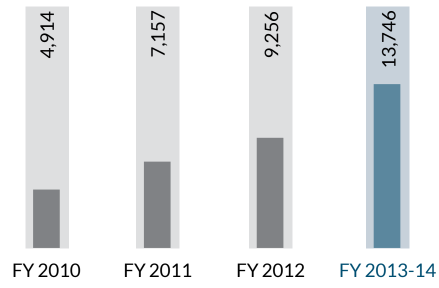
Leading global pharmaceutical companies partner us, because we have delivered incremental value through an impressive track record of:

- Regulatory compliances in manufacturing
- R&D capability across the entire life cycle of a formulation
- Wide portfolio of products

GLOBAL PHARMA BUSINESS PERFORMANCE

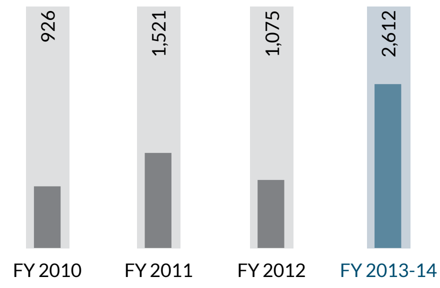
REVENUE

(₹ in Millions)



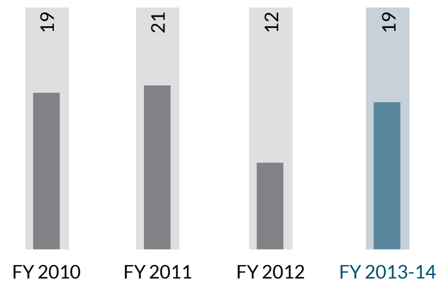
EBITDA

(₹ in Millions)



EBITDA MARGINS

(%)

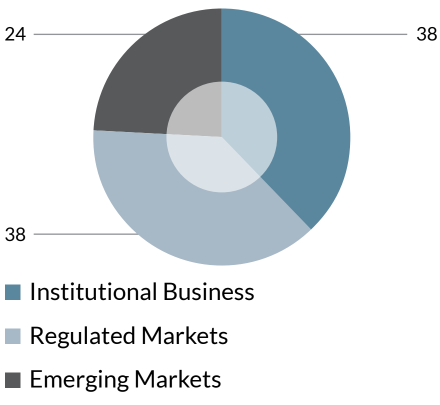


Notes:

1. Financial Year 2013-14 is for 15 months
2. Revenues and EBITDA exclude discontinued Australasia business (2010-2012)

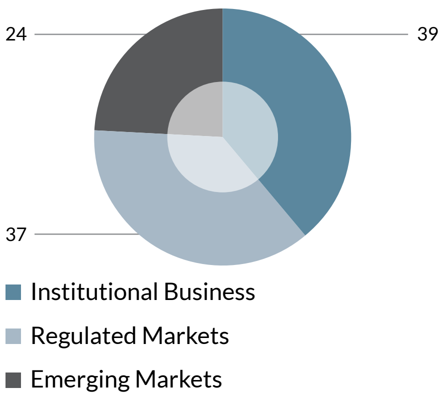
REVENUE CONTRIBUTION FY 2012

(%)



REVENUE CONTRIBUTION FY 2013-14

(%)



CFO'S REVIEW

DEAR FRIENDS,

FY 2013-14 WAS CHALLENGING IN MORE WAYS THAN ONE. WITH DEEPER INTROSPECTION, I WOULD SAY THE YEAR TESTED OUR UNWAVERING FOCUS AND COMMITMENT TO CREATE VALUE AMID INTERNAL AND EXTERNAL EXIGENCIES. AND I AM HAPPY TO NOTE THAT WE PERFORMED ENCOURAGINGLY, CONSIDERING THE PREVAILING CIRCUMSTANCES.

COMPLIANCE, CONTROLLERSHIP AND RISK MANAGEMENT WILL PLAY A PIVOTAL ROLE IN THE WAY WE SEE OUR GROWTH UNFOLDING IN THE NEAR FUTURE.

The external challenges were not few and far between: change in business model, election year for one of the world's largest democracies, financial hardships nationally and internationally, new landmark legislations, currency volatility and increased compliance. Internally also, we had to manage a lot of priorities. We had to execute the sale of injectables business across all geographies, complete the process of distributing one of the largest special dividends in India, consolidate the balance sheet position and improve operational performance of our continuing business and yet deliver results in line with guidance.

OPERATIONAL PERSPECTIVE

While the sale of the specialties business was much talked about, we progressed with growing our global pharma business, registering revenue of ₹ 13,747 Million and an EBITDA of ₹ 2,572 Million (EBITDA margin stood at 19%). We had a foreign exchange loss; adjusted for which, our EBITDA would have been ₹ 2,836 Million with an EBITDA Margin at 21%.

In the pharma business, we witnessed growth in all regions. Revenue from regulated markets grew from ₹ 3,560 Million in FY 2012 to ₹ 5,060 Million in FY 2013-14, despite delayed approvals in the US market.

The revenue from the emerging markets increased from ₹ 2,179 Million in FY 2012 to ₹ 3,351 Million in FY 2013-14. This was driven by strong expansion in the African business with addition of five new countries and over 100 new field staff – our total Africa business spans 25 countries.

Our revenue from institutional business grew from ₹ 3,520 Million in FY 2012 to ₹ 5,336 Million in FY 2013-14. During the year, we launched our anti-malarial product in the institutional business.

Stelis Biopharma our Biogenerics Division commenced its R&D initiatives at its new centre in Bangalore. We had a negative EBITDA of ₹ 41 Million, which happened owing to initial set-up cost and R&D expenses in this space.

FUTURE FOCUS

As an organisation with a roadmap for long term value creation, we would like to enhance focus on financial controllership, drive growth initiatives, stabilise cash returns to shareholders and remain consistent across all our metrics.

As part of our financial controllership, we seek to structure transactions optimally, maintain debt-equity ratio within a range, evaluate all R&D programmes with a long-term focus and improve asset turnover ratio and productivity.

As part of growth initiatives, we will concentrate on building world-class facilities ahead of time, step up business consolidation through selective value enhancing organic and inorganic strategies, strengthen our bottom-line and cash flows across our business verticals.

To enhance shareholder value, we would like to emphasise on steady and consistent operational performance, optimum utilisation of capital, deploying cash on high yielding investments and achieving systematic improvement of EBITDA to PAT conversion by prudent utilisation of assets and tax planning.

We are consistent in our emphasis on high quality growth in bottom line, which is driven predominantly by operations. Besides, investor engagement and credible communication, along with proactive implementation and readiness with legislative changes is the cornerstone of our corporate governance.

Compliance, controllership and risk management will play a pivotal role in the way we see our growth unfolding in the near future. The regulatory and legislative aspects continue to be on our corporate radar for hassle-free business operations. We would like to be ahead of the curve and meet the requirements of an evolving legislative/ regulatory demands and spread compliance culture across the organisation.

We will continue to drive productivity improvements through IT transformation programmes across the organisation, remove complexity and create additional headroom to invest in order to widen our business horizons and ensure stable returns to shareholders.

Warm Regards,

Badree

AS AN ORGANISATION WITH A ROADMAP FOR LONG TERM VALUE CREATION, WE WOULD LIKE TO ENHANCE FOCUS ON FINANCIAL CONTROLLERSHIP, DRIVE GROWTH INITIATIVES, STABILISE CASH RETURNS TO SHAREHOLDERS AND REMAIN CONSISTENT ACROSS ALL OUR METRICS.

STRATEGY-TO-DELIVERY MODEL HAS TAKEN US FAR

FROM A VERY MODEST BEGINNING IN INDIA, STRIDES HAS COME A LONG WAY. WE HAVE CREATED A STERLING TRACK RECORD OF DELIVERING VALUE TO STAKEHOLDERS, NOT INTERMITTENTLY, BUT CONSISTENTLY. BESIDES, WE HAVE FORGED LONG-TERM BUSINESS PARTNERSHIPS WITH GLOBAL PHARMACEUTICAL COMPANIES TO PROVIDE A STABLE REVENUE STREAM ACROSS GEOGRAPHIES. OVER THE YEARS, OUR KNOWLEDGE DEPTH AND BREADTH HAS ENABLED US TO CREATE SUSTAINABLE VALUE FOR ALL STAKEHOLDERS.

We registered over 10-fold increase in market capitalisation in the last five years, outpacing the Sensex growth over the same period, owing to focus on strategy, execution and commitment to create consistent shareholder value.

In our previous annual report, we communicated about our definitive agreement for the sale of our Specialties Division to Mylan. During 2013-14, we completed the transaction successfully and distributed the value generated to our shareholders and employees, and the balance will be used to fund future growth plans.

SPECIAL DIVIDEND

We declared ₹ 500 as a special dividend, aggregating to US$525 Million (pre-tax) wealth distributed to our shareholders.

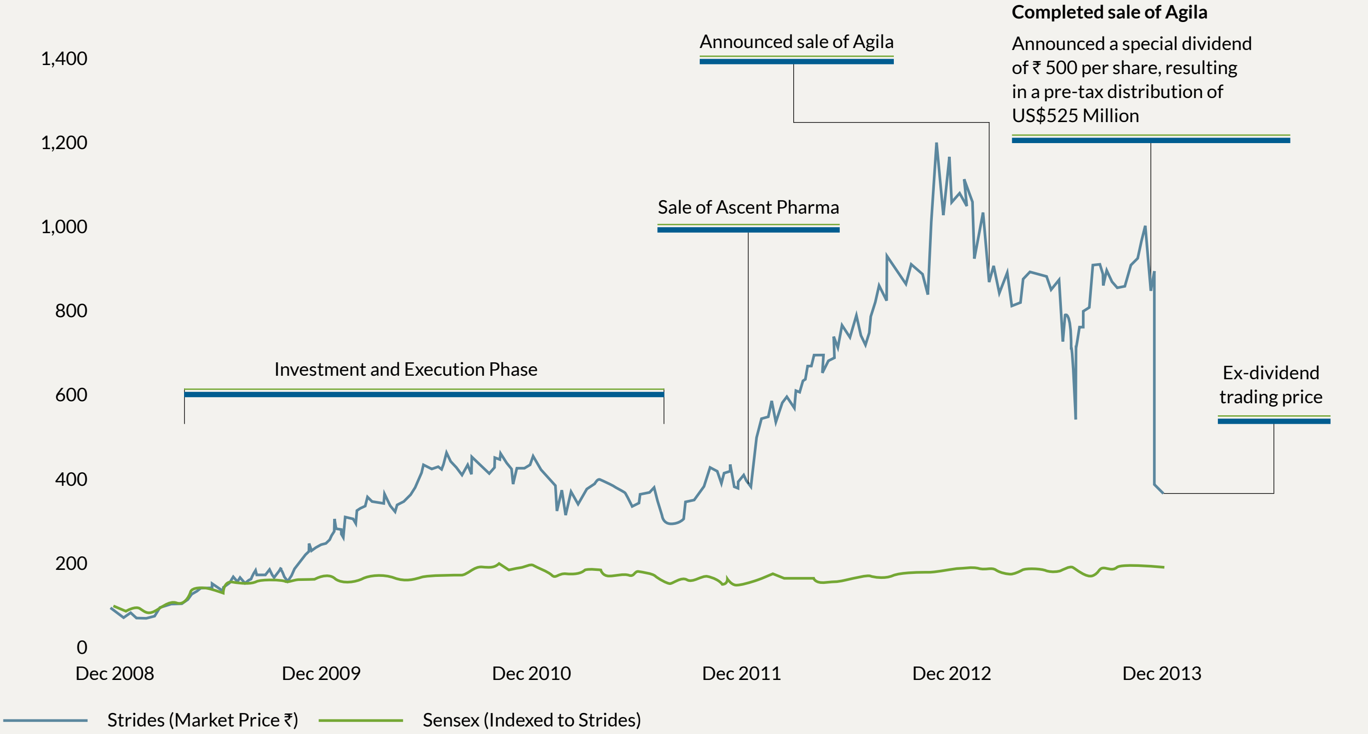
STRENGTHENING DEBT EQUITY

A portion of the proceeds was used for debt repayment to strengthen our debt equity (net of cash) position, which stands at (0.08).

FUND FOR FUTURE GROWTH

We have US$ 75 Million of cash post initial closure of the transaction for further reinvestment.

SHAREHOLDER VALUE CREATION



Source: CapIQ

WE STRATEGISE TODAY. TO DELIVER FOR TOMORROW.

WE ARE FOCUSING ON IMPROVING OUR CAPABILITIES IN DIVERSE FRONTIERS, WHILE AT THE SAME TIME SCOUTING FOR INORGANIC OPPORTUNITIES FOR GROWTH. FROM RESEARCH ENDEAVOURS TO MANUFACTURING CAPABILITIES TO GOVERNANCE STANDARDS AND COMPLIANCE LEVELS TO STRENGTHENING OUR BRANDS, WE ARE MAKING CREDIBLE PROGRESS EVERY DAY. OUR PRESENT STRATEGIES ARE SHAPING THE FUTURE DELIVERY MODEL OF STRIDES.

GLOBAL LEADERSHIP COUNCIL

Front Row (from left): Arun Kumar and Mohan Kumar
Back Row (from left): Joe Thomas, Badree Komandur and Sebi Chacko

African Opportunity

Africa offers a highly attractive market opportunity as the continent's healthcare market size is expected to double to US$ 45 billion by 2020.

Biotech Opportunity

Biologics represents the fastest growing market segment in the pharma space, accounting for six out of the top 10 selling global drugs, with patents of first-generation biologics (worth US$ 67 billion) expiring by 2020.

ADVANCING WITH PHARMA GENERICS

We are growing our global footprint in IP-led generics with efficient formulation development, complex manufacturing capabilities and operational flexibility. We have a diversified portfolio comprising over 300 products and strong regulatory and registration capabilities for regulated and emerging markets. Moreover, we are front-ending through Strides Pharma Inc. in the US with focus on providing quality healthcare products with the Strides brand.

IN AFRICA, FOR AFRICA

Identifying the need for affordable medicines in Africa, we are consistently strengthening our presence in the continent. We are currently catering to over 25 semi-regulated markets. We have a comprehensive portfolio of 900 product registrations with another 300 in the pipeline.

We have two dedicated manufacturing facilities catering to major markets in Africa. Moreover, we are setting up a series of cGMP compliant manufacturing facilities in Sudan, Cameroon and Mozambique and packaging facilities in Botswana and Namibia. When complete, almost 70% of sales in Africa will come from products locally manufactured.

GROWING OUR INDIAN BRAND BUSINESS

We acquired 'Raricap' and India Branded Generic Business from Bafna Pharmaceuticals Limited, to strengthen our domestic brand business. This will enhance the Women and Child care portfolio of our branded generics business. Bafna's pan-India reach will facilitate ReNerve's entry into new market segments. ReNerve, a vitamin B12 supplement, is our flagship brand, and among the fastest growing brands in India. Also, our strong presence across South India will help 'Raricap' reach a higher patient base.

INSTITUTIONAL BUSINESS

Strides international business encompasses sales of antiretroviral and anti-Malaria medicines to African government programmes backed by large donor agencies providing highly visible and reliable funding. The Company is pre-qualified by WHO for all Anti-Malarial and antiretroviral products. It is a key supplier to institutionally funded aid projects and global procurement agencies like Global Fund, PFSCM, USAID, UNITAID, WHO, UNICEF, PEPFAR and Clinton Foundation.

STELIS BIOPHARMA, OUR BIOGENERICS ARM

We have branded our biogenerics business as 'Stelis Biopharma'. We have commenced R&D initiatives at our state-of-the-art R&D facility in Bangalore, which is dedicated to bio-pharmaceuticals, catering to an internal pipeline as well as partnering activities.

INNOVATION INFUSES A FRESH LEASE OF LIFE

WE ARE CONSISTENTLY INVESTING IN INNOVATION TO DEVELOP NEW PRODUCTS, INCREASE REGULATORY FILINGS AS WELL AS IMPROVE EXISTING PROCESSES TO PROVIDE AFFORDABLE MEDICINES TO PEOPLE IN NEED.

Cutting-edge technologies, strong technical leadership and global talent pool strengthen our business model. We have an R&D pipeline of 20+ products to be commercialised in the next five years.

R&D EDGE

- Strong R&D capabilities with a focus on development of IP-led, high-value complex generics
- Proficient regulatory framework capable of developing and filing products in major regulated markets
- Cutting edge modified-release technologies like sustained release and delayed release in various oral dosage forms

SIGNIFICANT PRODUCT APPROVALS

	PEPFAR	NON- PEPFAR
Total ANDA filed	19	26
Total ANDA approvals	16*	13

*Tentative Approvals

R&D FOCUS

Technical Expertise
Strong technical expertise to develop high-quality products that lead to value creation for our partners and customers.

Product Selection
Concentrate on niche products characterised by complex formulations across diverse therapeutic areas.

Development
Capability to develop products with new and better technologies at competitive cost.

Regulatory Review/ Filing
Strong Intellectual Property (IP) assessment capabilities and global regulatory expertise.

Plant Approvals

US Food and Drug Administration (FDA) approval for the Semi Solids Facility, Beltapharm, Italy.

Continued US FDA approval status and WHO pre-qualification for the Oral Dosage Manufacturing Facility in Bangalore.

TECHNOLOGY BOLSTERS STRATEGY TO DELIVERY

AT STRIDES, EVERY OPERATION IS SUPPORTED BY ADVANCED INFORMATION TECHNOLOGY (IT) PLATFORMS. OVER THE YEARS, WE HAVE SIGNIFICANTLY STEPPED UP IT INVESTMENTS TO INTEGRATE OPERATIONS, ACCELERATE DECISION-MAKING AND IMPROVE EFFICIENCIES.

World class IT Platforms

- SAP - Entire Business Operation
- TrackWise - Quality Management
- LIMS - Laboratory Management
- Chromeleon - Lab Testing
- Wizdom - Learning Management
- Newgen BPM solution - Shared service and technical operations
- Sales Force Automation - Brands business in India and Africa
- Procon Track and Trace solution - Secondary and Tertiary Packaging
- Planvisage - Forecasting, Planning and Scheduling

We are guided by the credo 'High Quality and High Performance', to achieve our definitive goal of being perpetually 'audit ready'.

We decided to transform the 'IT Organisation' into two distinct areas:

Run the Business: Ensure continuity in operational excellence with implemented solution(s)

Change the Business: Digitisation of the Enterprise by implementing technology solutions from product development to commercialisation and integrating the solution with manufacturing equipment and laboratory instruments, resulting in Electronic Batch Manufacturing record.

Keeping the above core requirements in view and after detailed due diligence of various 'IT Platforms' that can address those needs, we have finalised on the following approach:

- Oracle Agile Product Lifecycle Management (PLM) to handle the life cycle of a product starting from development till commercialisation
- Spire – HR solution for talent acquisition and performance management to ensure right people on the right job
- Training and development solution, which will deliver integration capability with other interdependent IT systems
- Emerson Manufacturing Execution System (MES) to handle manufacturing processes and machine integration by capturing data directly from equipment in order to deliver the end objective of Electronic Batch Manufacturing record
- Electronic Lab notebook to capture all development data

This transformation agenda — an industry trendsetter in itself — will continue for 15-18 months from August 2014 and enable us to emerge as one of the best run pharmaceutical companies globally.

EMPOWERING OUR PEOPLE

PEOPLE ARE OUR GREATEST ASSETS. WE ENCOURAGE OUR PEOPLE TO PUSH THEIR BOUNDARIES OF EXCELLENCE AND HELP DELIVER ON OUR STRATEGIES. THEREFORE, OUR CORPORATE IMPERATIVE IS TO ATTRACT, NURTURE AND RETAIN THE BEST TALENT.

We have instituted a Talent Management team to identify and nurture high potential employees, which then prepares these targeted individuals to take on larger roles in future.

We provide leadership and development programmes at all management levels. Best in-class training courses, including tie-ups with tier one management colleges for executive programmes are organised for managers to help them develop their potential. During the period under review, we also engage employees with the theme 'Above and beyond FDA-for the healthy public' to help deliver extraordinary performance at our ODF facility.

Some of the senior leadership teams at Agila were offered global leadership roles at Mylan, which indicates the depth and quality of our leadership development programmes.

INCLUSION AND GENDER DIVERSITY

At Strides Arcolab, we are committed to a diverse workforce. We continuously focus on creating awareness on gender equality through surveys and sessions.

SKILL DEVELOPMENT AND CONTINUOUS LEARNING

We focus on enhancing the skills and competencies of our people. Regular training programmes are organised to help people acquire new skills, and to work on existing ones, thereby sharpening their work attributes. At Strides, performance management is very robust and through a regular process of review, improvement areas are identified and training programmes adopted accordingly.

AGILA –MYLAN TRANSACTION

One of the biggest challenges that we undertook during the period under review was the HR transition. We have ensured a smooth transition of our employees to Agila and the aim was to make the transition and handover a seamless one with continuous engagement and communication.

SHARED VALUE WITH OUR PEOPLE

People are a valued resource at Strides and setting a benchmark of its kind in the Indian industry, Strides shared a considerable portion of the wealth that was created through the Agila – Mylan deal with all its employees.

SOCIAL EMPATHY

AT STRIDES, SOCIAL RESPONSIBILITY IS EMBEDDED IN OUR CULTURE. WE WORK WITH THE STRIDES FOUNDATION TO STRENGTHEN OUR FOCUS ON WORKING FOR THE UNDERPRIVILEGED. OUR INITIATIVES GO BEYOND COMPLIANCE AND CREATE SUSTAINABLE VALUE FOR COMMUNITIES BY IMPROVING THEIR HEALTH, EDUCATION, AND EMPLOYABILITY. WE PARTNER WITH VARIOUS NON-GOVERNMENTAL ORGANISATIONS (NGOS) TO CARRY OUT DIFFERENT PROJECTS.

EDUCATION

We help transform society through a programme – 'Leadership Adoption Programme for Schools' (LeAPS). The programme which is designed in partnership with People Pro targets Government schools and aims to help and motivate students to visualise their goals and achieve them. Currently, more than 600 students have benefited from this programme.

KR Suresh Memorial Scholarship was awarded to 11 meritorious students to pursue higher education.

PARTNERSHIP FOR RELIEF AND REHABILITATION

We have signed an MoU with the Government of Uttarakhand to construct eight Anganwadis at Uttarkashi's Purola Block. The constructions at Nagjhala, Mairana and Srikot have reached an advanced level and the construction at Sunali has just begun, following necessary approvals.

THE BOARD

Front Row (from left): Sangita Reddy, Deepak Vaidya and Arun Kumar

Back Row (from left): A.K. Nair, P.M. Thampi, M.R. Umarji, S Sridhar and Mukul Sarkar

Bharat Shah not in image.

MANAGEMENT TEAM

Arun Kumar
Founder and Group CEO
Member of the Group Leadership Council

Joe Thomas
Chief Corporate Development Officer
Member of the Group Leadership Council

Mohan Kumar
CEO – Pharma
Member of the Group Leadership Council

Badree Komandur
CFO and Company Secretary
Member of the Group Leadership Council

Sebi Chacko
Chief Human Resources Officer
Member of the Group Leadership Council

Sinhue Noronha
CEO, Africa

Subroto Banerjee
President- Brands, India

21-70

STATUTORY REPORTS

MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL ECONOMY

The financial year 2013-14 witnessed changing world dynamics with developed nations gaining strength and emerging markets witnessing moderate growth. The central banks played a pivotal role in the U.S., Japan and Europe by introducing unconventional monetary policies combined with fiscal stimulus, low interest rates and reassured commitment to facilitate recovery. However, emerging markets like Brazil and India witnessed domestic demand slowdown due to rising rates deployed to curb inflation.

Global economic growth is estimated to be 3.4% in 2014 against 3.2% in 2013. The evolving housing sector and rising employment with reduced drag from fiscal consolidation in the US, coupled with high exports in the Eurozone is expected to drive advanced economies' growth. Emerging economies like China and India are expected to grow with reforms for better governance and quality of growth along with removal of supply.

According to the IMF, Sub-Saharan Africa is expected to grow at 5.4% in 2014 and 5.8% in 2015. Greater political stability and rapid structural reforms especially in infrastructure can bring a lasting transformation to these economies.

Global growth (%)

	2012	2013	2014 (E)	2015 (E)
World Output	3.5	3.2	3.4	4
Advanced Economies	1.4	1.3	1.8	2.4
United States	2.8	1.9	1.7	3
Euro Area	-0.7	-0.4	1.1	1.5
Japan	1.4	1.5	1.6	1.1
United Kingdom	0.3	1.7	3.2	2.7
Other Advanced Economies	2	2.3	3	3.2
Emerging and Developing Economies	5.1	4.7	4.6	5.2
Africa	5.1	5.4	5.4	5.8

(Source: International Monetary Fund, July, 2014)

INDIAN ECONOMY

The Indian economy grew at 4.7% in FY2013-14. (Source: Central Statistics Office). Fiscal deficit is estimated to be 4.6% of GDP, below the targeted 4.8%, while it is projected at 4.1% of GDP for FY 2014-15. The CAD is estimated to be contained at 1.7% of GDP and is around US$ 45 billion as against previous year's US$ 88 billion. With a stabilised rupee, rising exports and greater thrust on reforms to boost manufacturing and infrastructure as well as remove structural constraints, India is poised to witness accelerated future growth.

GDP growth (%)

Year	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Growth	8.6	8.9	6.7	4.5	4.7

(Source: Central Statistics Office, 2014)

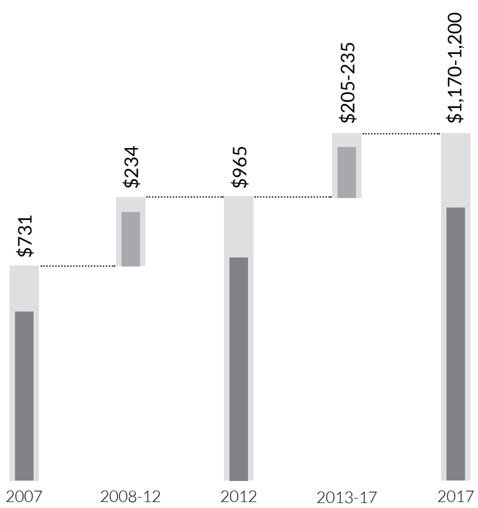
According to a Deloitte report, India is one of the top-five emerging pharmaceutical markets. India's life sciences and healthcare industry registered double-digit growth owing to rising sales of generic medicines, continued growth in chronic therapies and increasing penetration in rural markets. Pharmaceutical sales are projected to rise by 14.4% from US$ 23.6 billion in 2013 to US$ 27 billion in 2016. Increased exports will drive the domestic pharmaceutical market from stable to positive growth in the next fiscal.

GLOBAL PHARMACEUTICAL INDUSTRY

The global pharmaceutical market is estimated to reach around US$1.2 trillion in 2017 from US$965.4 billion in 2012, registering compound annual growth rate (CAGR) of 3-6% during 2013-17. Developed markets like the US, Europe and Japan are expected to witness single-digit growth owing to a combination of economic and health austerity measures. Most emerging markets are likely to exhibit double-digit growth driven by economic prosperity, demographic factors, epidemiologic changes and improved state and private insurance funding available for healthcare and medicines.

It is forecasted that the global spending share of developed markets (US, EU5 and Japan) will decrease to 53% in 2017 from 61% in 2012 whereas the combined share of emerging markets and rest of the world is estimated to reach 48% in 2017 from 39% in 2012.

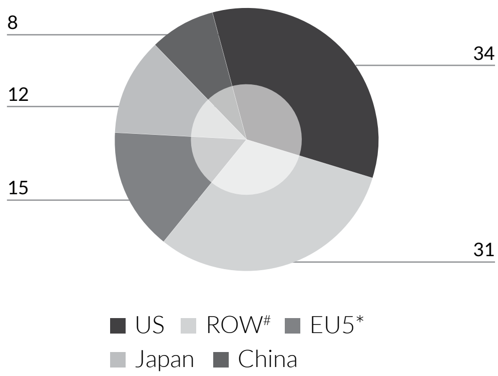
GLOBAL SPENDING AND GROWTH (Billion)



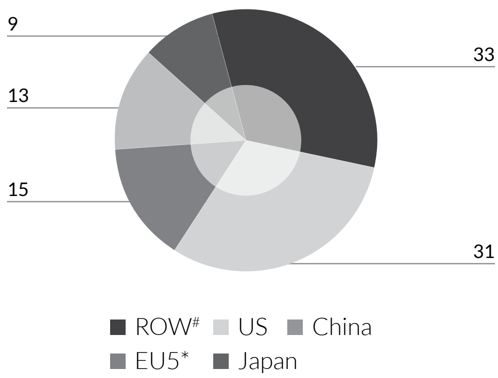
(Source: IMS Institute for Healthcare Informatics, November, 2013)

SPENDING BY GEOGRAPHY (%)

2012



2017



* includes France, Germany, Italy, Spain and UK,

\# ROW- Rest of World

(Source: IMS Institute for Healthcare Informatics, November, 2013)

The global pharmaceutical market is estimated to reach around US$1.2 trillion in 2017 from US$965.4 billion in 2012, registering compound annual growth rate (CAGR) of 3-6% during 2013-17.

Key pharmaceutical markets

Developed markets

US

The US is the world's largest pharmaceutical market with US$328.2 billion market size in 2012. It is projected that the US pharmaceutical market will grow at a compound annual growth rate (CAGR) of 1-4% during 2013-17 to reach

ObamaCare: A revolution in the healthcare industry

Known as 'The Patient Protection and Affordable Care Act'

Aims to provide affordable health coverage to all the US citizens and prevents discrimination in terms of gender, income and health issues

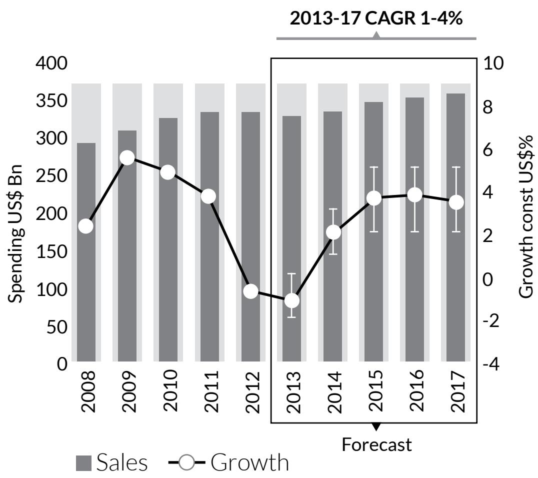
Caters to the sensitive needs of seniors via free preventive care and cheaper drugs under Medicare Advantage, a health insurance programme

Removal of pre-existing conditions for granting health insurance till 2017

Over 100 million Americans have been benefitted already

US$350-380 billion by 2017 (Source: IMS Institute for Healthcare Informatics, November, 2013). Patent expiries and low cost generics are likely to impact the spending growth during this period. The US remains the largest pharmaceutical market with 75% of the global generics market volume-wise.

US SPENDING AND GROWTH, 2008-17

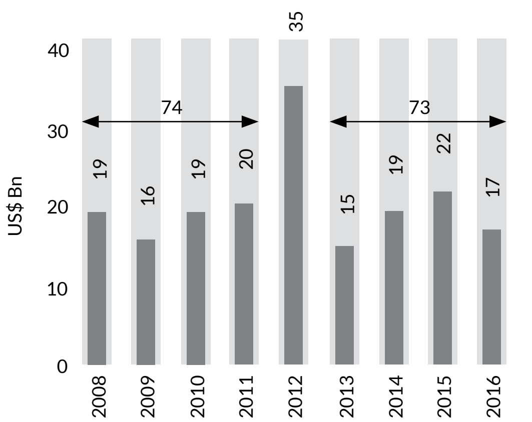


(Source: IMS Institute for Healthcare Informatics, November, 2013)

There is impetus to generic spending of US$ 40 billion in developed markets with on-going patent expiries. Moreover, it is likely that this will result in a patent dividend of around US$73 billion during 2013-2016.

VALUE OF PATENT EXPIRIES

(Billion)



(Source: 'Asia Healthcare' - HSBC Report, March 2013)

EU5

The EU5 pharmaceutical markets are estimated to grow in a range of 0 to 3% to reach market value of US$140-170 billion in 2017 from US$148.7 billion in 2012.

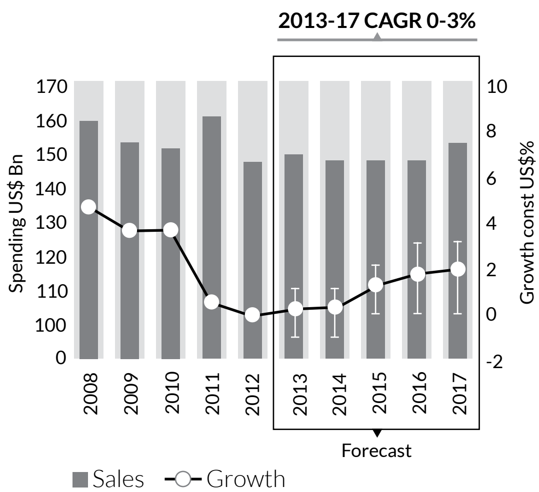
Country-wise spending

	Market value by 2017 (billion)	CAGR growth, 2013-17 (%)
France	30-40	(2)-1
Germany	41-51	1-4
Italy	23-33	0-3
Spain	13-23	(4)-(1)
UK	20-30	1-4

(Source: IMS Institute for Healthcare Informatics, November, 2013)

In the EU5 countries, the economic crisis affected the market of new medicines, but Germany and the UK were least affected due to strong market controls. Besides, government intervention is also likely to impact the spending and growth in these regions.

EU5 SPENDING AND GROWTH, 2008-17



(Source: IMS Institute for Healthcare Informatics, November, 2013)

Japan

In 2012, Japan's pharmaceutical market, captured around 12% of the global pie. The market size is projected to reach US$90-120 billion, at a CAGR of 2-5% during 2012-17(Source: IMS Institute for Healthcare Informatics, November, 2013). The growth slowed down owing to biennial drug price reductions, and is expected to continue this way as the government attempts to cut down healthcare expenditure. However, aging population, strong product pipeline and easing of regulatory norms are likely to provide impetus to the pharmaceutical industry growth. Moreover, the Japanese government maintains a pro-generic stance, which may benefit the pharmaceutical industry.

Emerging markets

The pharmerging markets are expected to grow at a CAGR of 10-13% to reach US$ 370-400 billion in 2017 from US$ 223.9 billion in 2012. These markets will provide a fillip to cover 60% of global pharmaceutical spending growth during 2013-17. The key contributing countries will be Brazil, Russia, China, India, Mexico, Turkey, Argentina and Indonesia. Rising income, healthcare reforms and increased access to medicines will drive the growth trajectory.

Region-wise contribution to global growth (%)

	2008-2012	2013-2017
United States	22	17
Canada	1	1
EU5	6	3
Rest of Europe*	1	2
Japan	8	6
S. Korea	1	1
Pharmerging Tier 1 (China)	24	33
Pharmerging Tier 2	14	15
Pharmerging Tier 3	14	14
Rest of World	9	8

* Rest of Europe excludes Russia, Turkey, Poland, Romania, Ukraine, which are included in emerging pharma markets.

(Source: IMS Institute for Healthcare Informatics, June, 2013)

Market size and growth

Economy	Market Size (US$ billion)		2013-17 CAGR (%)
	2012	2017	
Pharmerging	223.9	370-400	10-13
China	81.7	160–190	14-17
Tier 2*	59.6	90–110	10-13
Brazil	28.5	38-48	11-14
Russia	17.1	23-33	8-11
India	14.0	22-32	11-14
Tier 3**	82.6	100-130	5-8

*Tier 2: Brazil, India, Russia. **Tier 3: Mexico, Turkey, Venezuela, Poland, Argentina, Saudi Arabia, Indonesia, Colombia, Thailand, Ukraine, South Africa, Egypt, Romania, Algeria, Vietnam, Pakistan and Nigeria.

(Source: IMS Institute for Healthcare Informatics, November, 2013)

China

In 2012, China was the third largest pharmaceutical market with US$ 81.7 billion market size. It is projected to double to reach US$160-190 billion, at a CAGR of 14-17% during 2013-17 (Source: IMS Institute for Healthcare Informatics, November, 2013). Demographic shifts, government's efforts to improve healthcare and medical services and rising chronic diseases are expected to boost substantial growth. Moreover, the Chinese government has identified the pharmaceutical industry as one of the seven industries to lend support till 2020 in its Twelfth Five Year Plan development.

Latin America

Latin America's pharmaceuticals market size stood at US$68.6 billion in 2012 and is forecasted to grow at a CAGR of 10-13% during 2012-17 (Source: IMS Health Market Prognosis, June 2013). During recent times, several regulatory bodies entered into reciprocity agreements to promote pharmaceuticals trade between the Latin American countries.

Latin America's pharmaceutical growth is driven by Brazil and Mexico. Brazil was the largest pharmaceutical market with US$28.5 billion market size in 2012 and is estimated to reach US$38-48 billion by 2017, at a CAGR of 11-14% during 2013-17. Mexico comes after Brazil and is ranked 14th globally (Source: IMS Institute for Healthcare Informatics, November, 2013).

Africa

Africa, as a continent offers huge potential for pharma companies, as pharmaceutical spending is growing at a CAGR of 10.6% through 2016, second only to Asia-Pacific's 12.5% growth in pharma spending. This market is expected to reach US$ 30 billion in 2016 and US$ 45 billion in 2020 driven by a combination of demographic changes, increasing FDI fuelling macroeconomic growth, rising demand for drugs to treat chronic diseases and healthcare investment in Sub-Saharan Africa (SSA).

Healthcare investment across 49 African countries is growing at a CAGR of 9.6%, fuelled by government, NGO and private sector investment. Besides struggling with parasitic and infectious diseases, Africa experiences an increased demand for chronic care drugs reflecting the rise of non-communicable diseases like cancer, diabetes and asthma and the continued effect of human immunodeficiency virus and acquired immune deficiency syndrome (HIV/AIDS). (Source: IMS white paper on Africa)

India

India is one of the top emerging pharmaceuticals globally. The Indian pharmaceutical market is projected to reach US$22-32 billion in 2017 from US$14 billion in 2012, at a CAGR of 11-14%.

Brief facts

- Largest provider of generic drugs globally
- Ranks second worldwide in terms of Active Pharmaceutical Ingredients (APIs)
- Second largest in terms of largest number of USFDA-approved manufacturing plants globally
- Foreign direct investment (FDI) in the pharma sector has more than doubled to US$1.26 billion during FY2013-14 (till December 2013)

(Source: Press Trust of India, March 2014)

Growth drivers

- Vulnerability to chronic diseases
- Increase in health insurance penetration
- Cost efficiency in drugs production
- Better infrastructure facilities in healthcare
- Increase in government healthcare spending

Exports

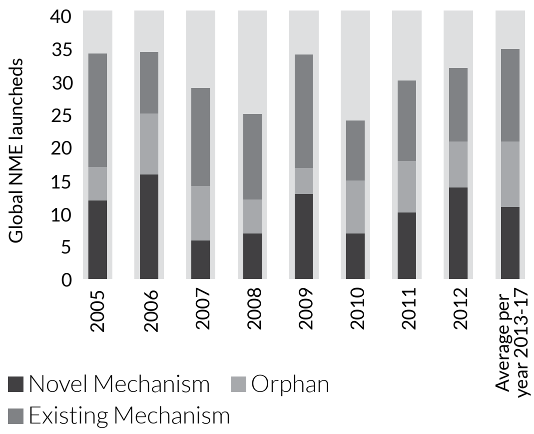
India exports drug intermediates, Active Pharmaceutical Ingredients (APIs), Finished Dosage Formulations (FDFs), Bio-Pharmaceuticals, and Clinical Services globally. India's pharmaceuticals exports increased to US$14.84 billion in FY2013-14 from US$14.6 billion in 2012-13. The government targets to increase pharmaceuticals exports to US$25 billion by 2016 (Source: FICCI).

Innovator market

The pharmaceutical industry's research and development pipeline holds the potential to transform care through New Molecular Entities (NMEs) across a wide range of disease areas. It is forecasted that around 35 NMEs will be launched annually on an average during 2013-17. These launches will address the needs of specialty drugs, orphan drugs, diseases affecting small patient population and others.

GLOBAL LAUNCHES

(Nos.)

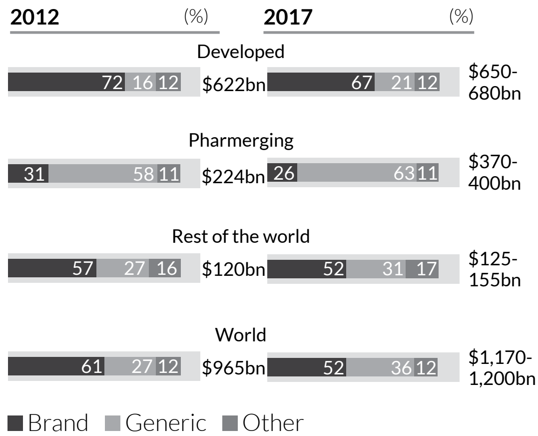


(Source: IMS Institute for Healthcare Informatics, November, 2013)

Generic market

The global generic spending is estimated to reach around US$421-432 billion in 2017 from approximately US$260 billion in 2012. The dynamics of spending mix may shift towards generics over the next five years (2013-17). However, branded medicines will continue to account for more than two-third of the spending in developed markets during that period. The global spending mix towards generics is expected to increase to 36% in 2017 from 27% in 2012.This growth is likely to be driven by patent expiries in the developed markets, volume-driven growth in the emerging pharmaeconomies and expanded generic use of off-patent molecules. In emerging pharmamarkets, spending on generics forms major proportion of the total pharmaceutical spending. The proportion of generics to total spending is likely to be around 63% in 2017 as compared to 58% in 2012 in these markets.

SEGMENT-WISE SPENDING



(Source: IMS Institute for Healthcare Informatics, November, 2013)

Biosimilars market

The market value of global biosimilars and non-original biologics market was US$2.4 billion in 2012 and is estimated to reach US$11-25 billion by 2020, at a CAGR of 21-34% during 2012-20. This market's future holds significant potential owing to these factors:

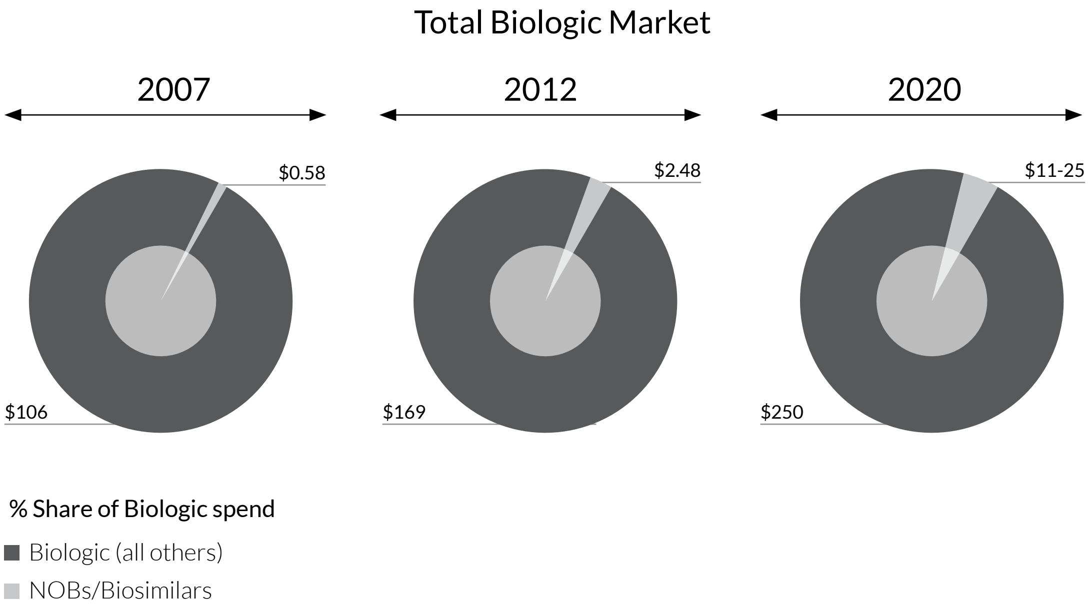
- Recent approval on the new wave of monoclonal antibody (mAb) biosimilars treating chronic conditions in the European Union
- Several important and large biologic therapy areas are facing loss of exclusivity (LoE) in the recent years
- Approval of a non-original version of filgrastim for marketing in the Unites States

Few facts

- Development of biosimilars requires significant investment, technical capability and clinical trial expertise
- Biosimilars prices are generally around 20-30% lower than the originator brand
- Regulatory hurdles in developed markets are more complex for biosimilars

GROWTH EVOLUTION OF BIOSIMILARS

(Billion)



(Source: IMS Institute for Healthcare Informatics, 2013)

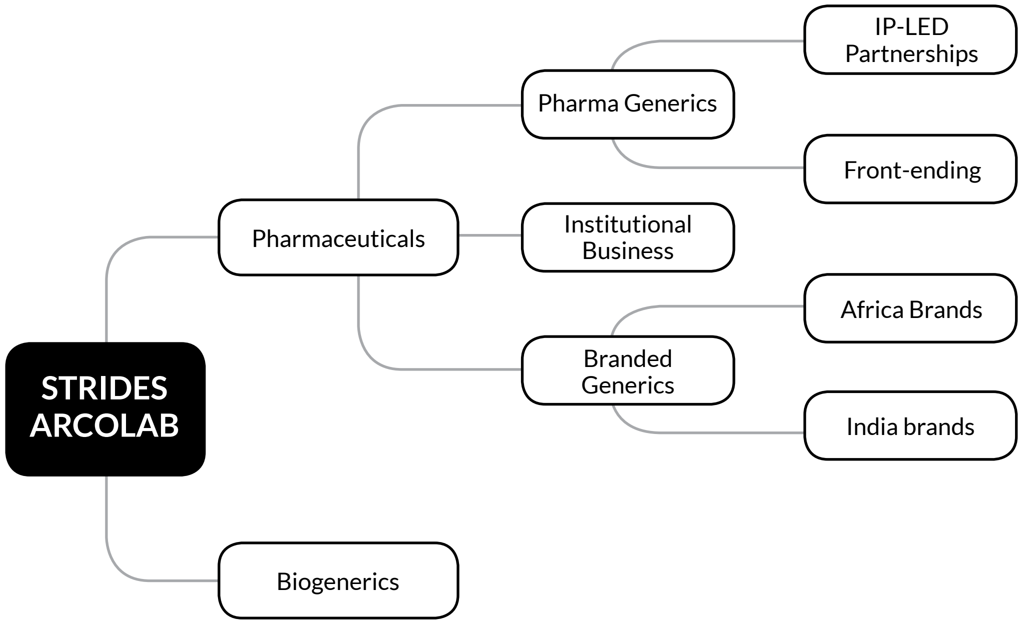
STRIDES AT A GLANCE

Strides Arcolab Limited is a global pharmaceutical Company with business interests in pharma generics, branded generics and bio generics. The Company has world-class manufacturing facilities, innovation-driven Research and Development (R&D) hub and a strong commercial platform to market its pharmaceutical products globally. These facilities helped the Company to carve a niche and accomplish a profitable business in a short span. The Company is one of the world's largest soft gelatine capsule manufacturers and its competence lies in the development and manufacture of niche and technically complex pharmaceutical products.

Strides Arcolab is one of the world's **largest** soft gelatine capsule manufacturers. Presence in more than **75 countries**, including developed and emerging markets.

Sold Agila, Specialities division to Mylan Inc for an enterprise value of up to **US$1.75 billion**. Completed sale on December 5, 2013.

BUSINESS STRUCTURE



Business Verticals

Pharmaceuticals

The pharmaceuticals division's growth is driven by IP-led licensing agreements and global partnerships. Efficient formulation development, complex manufacturing capabilities and operational flexibility also act as catalysts in its growth.

Major Highlights of 2013-14

- Consolidated Pharma Business meets 15 month Revenue and EBITDA guidance of ₹ 12,800 Million and ₹ 2,600 Million respectively
- Continued US FDA approval status for Oral Dosage Facility, Bangalore
- Received US FDA approval for Italian semi solids and Ointment facility (Beltapharm)
- Successful Launch of Anti Malaria business
- Three notch upgrade from BBB+ to A+ (in January 2014) by India Ratings & Research
- Established own front end business in the US Market

Pharma Generics

- Driven by strong business partnerships with global big pharma companies and front ending presence in the regulated markets.
- Focus on niche products that deliver high value with low volumes and high margins
- Two state-of-the-art manufacturing facilities (India and Italy) approved by key global regulatory authorities including US FDA
- Strong R&D capabilities with pipeline focused on high entry barriers products

Product Portfolio	Regulatory filings update
● Soft Gel Capsules	● 26 USFDA filings and 13 approvals received
● Hard Gel Capsules	● 19 PEPFAR filings and 16 approvals received
● Liquid filled Hard Gel Capsules	● 8 ANDAs have already been commercialised in the US
● Tablets	● Over 200 filings and approvals in other regulated markets
● Creams	
● Ointments	
● Sachets	
● Liquids & Syrups	

Capabilities

- Strong R&D capabilities with a focus on development of IP-led, high-value complex generics
- Proficient regulatory framework capable of developing and filing products in major regulated markets
- Cutting edge modified release technologies like sustained release and delayed release in various oral dosage forms
- Capabilities in difficult-to-develop products in varied dosage formats including combipacks, bilayered tablets, modified release dosage forms, sachets and soft gels
- Focus on difficult to develop innovative / differentiated products including capabilities for
    - Developing non-infringing formulations for early entry into the regulated markets
    - Creating own patentable technologies for lifecycle management for out-licensing to innovators
- Exhaustive pipeline of generics across varied formats and domains
- Pipeline of 20+ products to be commercialised in the next five years

Institutional business

Our products enjoy strong offtake by procurement agencies, such as Global Fund, PFSCM, USAID, UNITAID, WHO, UNICEF, PEPFAR and the Clinton Foundation, among others.

- Launched anti-malarial products in the institutional business in 2013-14.
- Manufacturing six anti-malarial products of which, two products are WHO pre-qualified and two are ERP approved; two products are under evaluation for pre-qualification.
- WHO has pre-qualified ten anti retro-viral products.

Emerging Markets

Africa

A regional player with manufacturing, sales and marketing platform for branded generic pharmaceuticals and OTC medicines.

- Employee strength of 350 including a strong front-ended sales and marketing team of 196 covering over 25 semi-regulated markets in Sub-Saharan Africa.
- Revenues from branded generics in French Africa grew considerably well and giving us the recognition of being one among top 8 Indian players in Francophone African Countries.
- Focus on the rapidly emerging African market was further strengthened by the initiation of the setting up of three manufacturing facilities – the flagship one at Bangalore and 3 others at Sudan, Mozambique and Cameroon. And the setting up of pharma repackaging units in Namibia and Botswana.
- These units will add substantial production capacity in the key markets, thereby strengthening our commitment of being "in Africa - for Africa".
- We have scaled up our field force and expanded our product portfolio with a focus on augmenting the bottom line.

India

- Strong regional presence in 8 states in south and western India.
- 400+ strong field force focused on therapeutic categories of CNS, Diabetes, Women's health, Cardiac care and pain management
- Wide network catering to over 700 stockists and 50,000 retail outlets
- Strong brands focus, growth through creation of several brand franchises and selective geography expansions.
- "Renerve" is the flagship brand with leading market position
- Amongst the top 75 pharmaceutical companies in the represented therapeutic segment (Source: IMS MAT April 2014).
- In the coming years, we plan to accelerate our growth pace through launch of newer products in niche segments that will strengthen our portfolio and expansion into newer territories .

Bio Generics

Strides Arcolab's wholly-owned subsidiary, Stelis Biopharma (previously known as Agila Biotech) is the face of bio generics business. Stelis Biopharma directs R&D expertise of Inbiopro (acquired in 2012) towards manufacturing and commercialisation of the product pipeline. Our product development is progressing according to the schedule and is expected to be commercialised by early 2015.

Biotechnology has leaped to the forefront of modern healthcare addressing several critical diseases and disorders with innovative solutions. The development and use of biotherapeutics has now become widespread. Biotherapeutic drugs are complex and process intensive, and require bacterial or mammalian expression platforms for their production. The expiration of the patents for many of the high value biotherapeutics has spurred companies around the world into developing 'genericised' versions of these molecules referred to as 'biosimilars' or 'follow on biologics'.

Financial Highlights

Consolidated Performance ₹ In Million

Particulars	2013-14 [15 month period]	2012 [12 month period]
Revenue	13,747	9,700
EBITDA	2,572	1,088
PAT [after Minority Interest]	17,667	8,462
EPS [₹]	298.56	144.30

Note: Strides Arcolab Limited has changed financial year from January-December to April-March effective April 1, 2014. The current financial year will be for a period of 15 months (January, 2013 to March, 2014).

RISK MANAGEMENT

Risks form an indispensable element of any business and thus, effective risk management is considered as a critical activity for its sustainability. There are a number of risks and uncertainties, which individually or together can have material adverse impact on the Company's strategy, performance and growth. The Company has incorporated risk management as an essential element of its corporate governance and strategy development.

Our risk management framework provides assurance that business objectives and obligations towards our customers, shareholders, employees and society are met. The Company takes measured risks, falling within its risk appetite, to emerge as a sustainable business. Effective mitigation techniques are applied to manage potential risks and thus, protect the stakeholder's value.

Risk identification and mitigation

Nature of risk	Definition and impact	Mitigating factors
Regulatory risk	Inability to receive necessary regulatory approvals for the manufacturing facilities, thus affecting business operations	• Regular plant audits and inspections by the global regulatory authorities, such as ○ USFDA ○ MHRA and MCA in the UK ○ TGA in Australia ○ ANVISA in Brazil ○ Other regulatory authorities • Stringent review systems to ensure compliance with the statutory guidelines and norms of the pharmaceuticals industry
Innovation risk	Lack of niche products and processes may negatively affect growth rate	• Strong R&D capabilities • Proven track record in filing, approval and commercialisation of niche products and processes • Filed several dossiers across regulated and emerging market • Robust pipeline of products and processes under development

Risk identification and mitigation

Nature of risk	Definition and impact	Mitigating factors
Operating risk	Inconsistent supply and delay in execution of operating plan may affect the Company's operations and bottom-line	• Long-term contracts with approved vendors for supply of raw materials globally • Round-the-clock review mechanism to enhance operational efficiency
Information technology (IT) risk	Inappropriate IT framework and infrastructure, hampering business operations	• Secured IT network through firewall use, intrusion prevention system (IPS), network segregation and end-point security solutions • Restricted access to internet via web security models • Validation check of all business applications and infrastructure as part of the current Good Manufacturing Practices (cGMP) guidelines

Human Assets

The Company has a diversified workforce with no discrimination in terms of nationality, sex, religion, marital status, caste and creed. This makes us truly global in terms of expertise, exposure and experience. The Company adopts friendly human resource (HR) policies to motivate its employees and create congenial work environment. Merit-based recruitment, adequate training facilities and rewards and recognitions are some of the components of its HR policies. Such policies help in skill enhancement, knowledge upgradations and employee motivation, which in turn, contribute to organisational excellence. The Company's total employee strength stood at over 1,500 as at March 31, 2014.

Internal control systems and adequacy

The Company has world-class IT infrastructure to ensure adequate internal controls over business processes and practices. This internal control system provides reasonable assurance about the integrity and reliability of the financial statements. Moreover, it has a strong in-system audit programme, supported by Grant Thornton, which regularly covers various operations consistently. The Company's Audit committee reviews all internal audit observations regularly.

Cautionary statements

Certain statements in the Management Discussion and Analysis describing the Company's objectives, predictions may be "forward-looking statements" within the meaning of applicable laws and regulations. Actual results may vary significantly from the forward looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India, volatility in interest rates, new regulations and Government policies that may impact the Company's business as well as its ability to implement the strategy. The Company does not undertake to update these statements.

DIRECTORS' REPORT

Dear Members,

Your Company's directors are pleased to present the **Twenty-Third** Annual Report together with audited financial statements for the 15 months period ended March 31, 2014.

1. STANDALONE FINANCIALS

(Figures in Million)

		Period ended			
		March 31, 2014 (15 Months period)		December 31, 2012 (12 Months period)	
		₹	US$ *	₹	US$ *
1.1	**Financial Results**				
	Income	11,847.81	201.70	8,309.15	155.03
	Operating Profit (EBITDA)	2,693.84	45.86	2,146.14	40.04
	Net Profit (PAT) / (Loss)	35,129.25	598.05	559.86	10.45
	Reserves and Surplus	15,713.55	267.51	13,126.10	244.90
1.2	**Profits**				
	Operating Profit (EBITDA)	**2,693.84**	**45.86**	**2,146.14**	**40.04**
	Less : Interest	(1,050.31)	(17.88)	(712.20)	(13.29)
	Depreciation & Amortisation	(472.49)	(8.04)	(190.99)	(3.56)
	Exceptional items incl. AS 30	44,948.42	765.22	(644.09)	(12.02)
	Profit before tax	**46,119.46**	**785.15**	**598.86**	**11.17**
	Less: Provision for Tax				
	Current tax expenses	11,092.44	188.84	206.5	3.85
	Current tax expense relating to prior years	(35.00)	(0.60)	-	-
	Deferred tax expenses	43.90	0.75	-	-
	MAT credit entitlement	(111.13)	(1.89)	(167.50)	(3.13)
	Profit / (Loss) after tax	**35,129.25**	**598.05**	**559.86**	**10.45**
	Available for appropriation	**35,129.25**	**598.05**	**559.86**	**10.45**
1.3	**Appropriations**				
	Dividend on Equity Shares				
	Interim Dividend Paid	(29,783.30)	(507.04)	-	-
	Proposed Dividend	(297.83)	(5.07)	(117.99)	(2.20)
	Dividend Tax				
	On Interim Dividend	(2,762.46)	(47.03)	-	-
	On proposed Dividend	(50.62)	(0.86)	(19.14)	(0.36)
	Transfer to General Reserve	(3,512.92)	(59.81)	(43.00)	(0.80)
	Balance carried to Balance Sheet	**(1,277.88)**	**(21.76)**	**379.73**	**7.08**

Note * 1 US$ = ₹ 58.74 (Exchange Rate as on March 31, 2014)

* 1 US$ = ₹ 53.60 (Exchange Rate as on December 31, 2012)

Previous year figures have been regrouped/restated wherever necessary to make them comparable with those of the current year.

2. BUSINESS OVERVIEW

The year 2013-14 was very eventful at Strides. We successfully completed the Agila sell-off to Mylan and distributed value among shareholders and employees. Our continued pharmaceutical business demonstrated improvements in EBITDA margins and cash flows.

Your Company operates in two major segments namely pharmaceuticals and Biogenerics.

Pharma Generics

- Contributed 37% of group revenue for the period ended March 31, 2014
- Leading generics platform focused on the regulated markets with strong partnerships and front – ending presence
- Two State-of-the-art manufacturing facilities approved by key global regulatory authorities including US FDA
- Strong R&D capabilities with pipeline focused on high entry barriers products.

Branded Generics

- Contributed 24% of group revenue for the period ended March 31, 2014
- Regional player in Africa with manufacturing, sales and marketing platform for branded generic pharmaceuticals and OTC medicines
- Established regional player in Southern India in niche branded pharmaceutical products
- "Renerve" is the flagship brand with leading market position

Institutional Business

- Contributed 39% of group revenue for the period ended March 31, 2014
- Sales of antiretroviral and anti-Malaria medicines to African government programmes backed by large donor agencies providing highly visible and reliable funding
- Key supplier to programs funded by Global fund, PFSCM, USAID, UNITAID, WHO, UNICEF, PEPFAR & Clinton Foundation

Bio Generics

- Biotech business has been branded as 'Stelis Biopharma'. R&D initiatives have commenced at our state-of-the-art R&D facility in Bangalore, which is dedicated to bio-pharmaceuticals, catering to an internal pipeline as well as partnering activities.

3. SHARE CAPITAL

The Authorised share capital of the Company as at March 31, 2014 is ₹ 1,517,500,000.00 divided into 89,750,000 equity shares of ₹ 10.00 each and 620,000 Cumulative Redeemable Preference shares of ₹ 1,000.00 each.

The Issued, Subscribed and Paid-Up Capital of the Company as at March 31, 2014 is ₹ 595,656,210.00 divided into 59,565,621 equity shares of ₹ 10.00 each.

During the period under review there has been an increase in the equity Paid-Up Capital of the Company on account of allotment of 761,900 shares consequent to exercise of stock options.

4. DIVIDENDS

Your Directors are pleased to recommend a Final Dividend of ₹ 5.00 per equity share of face value of ₹ 10.00 each for the year ended 31st March, 2014.

During the period under review , a Special Dividend of ₹ 500.00 per equity share was declared on December 10, 2013 and paid to shareholders as on record date of December 20, 2013.

Your Company operates in two major segments namely pharmaceuticals and Biogenerics.

The total dividend for the 15 months period, including the proposed Final Dividend, amounts to ₹ 505.00 per equity share and will absorb ₹ 3,289.42 Crores, including Dividend Distribution Tax of ₹ 281.30 Crores.

5. FIXED DEPOSITS

The Company has not accepted any fixed deposits and accordingly no amount is outstanding as on the balance sheet date.

6. DIVESTMENT OF ENTITIES IN SPECIALTIES BUSINESS (AGILA) & CRYSTALLIZING SIGNIFICANT VALUE CREATED AT AGILA

In February 2013, the Company and its wholly-owned subsidiary, Strides Pharma Asia Pte. Limited, Singapore (then known as Agila Specialties Asia Pte. Limited), had entered into definitive agreements with Mylan Inc. USA for hiving off entities in Specialties Business.

The hive off of the Specialties Business was by way of sale of shares (a) held by Strides Arcolab, India in its wholly-owned subsidiary, Agila Specialties Private Limited, India; and (b) held by Strides Pharma Asia Pte Ltd., Singapore in its wholly-owned subsidiary, Agila Specialties Global Pte Ltd, Singapore.

Vide Share Purchase Agreement dated December 5, 2013, the Company and Strides Pharma Asia Pte Ltd completed the sale of shares in Agila Specialties Private Limited to Mylan Laboratories Limited, India a subsidiary of Mylan Inc and that of Agila Specialties Global Pte Ltd to Mylan Institutional Inc., USA. a subsidiary of Mylan Inc respectively.

The Enterprise Value for the Specialties Business was US$ 1,750 (including a hold back of US$ 250 Million).

The proceeds of the transaction was used to:

- Reduce debt and incur costs related to the satisfaction of certain contingent conditions
- Pay out a special dividend of ₹ 500.00 per share, resulting in a pre-tax distribution of US$ 525 Million, thus returning 88% of the free cash available with the company
- Retained US$75 Million for growth capital.

The Company's transaction with Mylan received the M&A Atlas Global Major Markets Award as one of the top Cross Border Deal of the Year.

7. CREDIT RATING

During the year under review, Rating Agencies reaffirmed/issued credit ratings to Strides as under:

- Fitch: from BBB+ to A+ on the overall company performance. The Outlook is Stable.
- ICRA: Long term debt: A+ and Short term debt: from A2 + to A1+ which is the highest in its category.

8. RESEARCH & DEVELOPMENT

Detailed write-up on Research & Development activity forms part of the annexure to the Directors' report.

9. CHANGE OF FINANCIAL YEAR

Board of directors of the Company in their meeting held on December 10, 2013 approved change of financial year of the Company from *January-December* to that of *April-March*. Consequently, the current financial year is for a period of 15 months i.e., from January 1, 2013 to March 31, 2014. The change in financial year is in line with the requirement of Companies Act, 2013.

10. SUBSIDIARY COMPANIES

The Company has 25 subsidiaries overseas and 3 subsidiaries in India as on March 31, 2014

In accordance with Accounting Standard AS-21 on consolidated financial statements read with Accounting Standard AS-27 on Accounting for Joint Ventures, the audited consolidated financial statements are provided in this Annual report.

New entities incorporated during the year under Strides Group

1) Strides Pharma Inc., USA
2) Strides Actives Private Limited, India

Entities wound up in Strides Group

1) Strides Pharmaceuticals (Holdings) Limited, Mauritius
2) Strides Pharmaceuticals (Mauritius) Limited, Mauritius

Entities divested from Strides Group

Pursuant to the sale of shares in Agila Specialties Private Limited to Mylan Laboratories Limited, India a subsidiary of Mylan Inc., and that of Agila Specialties Global Pte Ltd to Mylan Inc., respectively, the following entities ceased to be subsidiaries of the Company:

1) Agila (NZ) Pty Ltd, New Zealand
2) Agila Australia Pty Ltd, Australia
3) Agila Especialidades Farmaceuticas Ltda, Brazil
4) Agila Farmaceutica Participacoes Ltd, Brazil
5) Agila Jamp Canada Inc., Canada
6) Agila Marketing e Distribuicao De Producos Hospitalares Ltda, Brazil
7) Agila Specialties (Holdings) Cyprus Limited, Cyprus
8) Agila Specialties Americas Ltd, Cyprus
9) Agila Specialties Global Pte Ltd, Singapore
10) Agila Specialties Inc, USA
11) Agila Specialties Investments Limited, UK
12) Agila Specialties Pharma Corporation, Canada
13) Agila Specialties Polska Sp.Z.o.o, Poland
14) Agila Specialties Private Limited, India
15) Agila Specialties UK Limited, UK
16) Catalist Pty Ltd, Australia
17) Farma Plus AS, Norway
18) Onco Laboratories Ltd, Cyprus
19) Onco Therapies Limited, India
20) Sagent Agila LLC, USA

Accounts of Subsidiaries

A statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies, is attached to the Accounts. In terms of General Exemption, under Section 212 (8) of the Companies Act, 1956, granted by Ministry of Corporate Affairs vide its circular no. 02/2011 dated February 8, 2011, and in compliance with the conditions enlisted therein, the Audited Statement of Accounts, Auditors' Reports thereon and the Reports of the Board of Directors of the Company's subsidiaries for the financial year ended March 31, 2014, have not been annexed.

The Annual Accounts and related documents of the Subsidiary Companies shall be kept open for inspection at the Registered Office and Corporate Office of the Company. The Company will also make available these documents upon request by any Member of the Company interested in obtaining the same. However, as directed by the said circular, the financial data of the subsidiaries have been furnished under 'subsidiary companies particulars' forming part of the Annual Report.

11. CORPORATE GOVERNANCE

The Company has complied with all the mandatory requirements of Corporate Governance specified by the Securities & Exchange Board of India through clause 49 of the Listing Agreement. As required by the said clause, a separate "Report on Corporate Governance" forms part of the Annual Report of the Company. A certificate from the Statutory Auditors of the Company regarding compliance with the conditions of Corporate Governance also forms part of this Report.

12. MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to clause 49 of the Listing Agreement entered into with the Stock Exchanges, "Management Discussion and Analysis" is given separately forming part of this Report.

13. EMPLOYEE STOCK OPTION SCHEME

The Company has granted ESOPs to eligible employees under the Strides Arcolab ESOP 2006, Strides Arcolab ESOP 2008, Strides Arcolab ESOP 2011 and to Directors under Strides Arcolab ESOP 2008 (Directors) Schemes.

No employee has been issued stock options during the year equal to or exceeding 1% of the issued capital of the company at the time of grant.

Statement giving additional information in terms of Regulation 12 of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is annexed to this Report.

14. BOARD OF DIRECTORS

- The term of office of Mr. Arun Kumar, Managing Director expired on May 23, 2014. The Board of Directors of the Company in their meeting held on May 23, 2014 approved reappointment of Mr. Arun Kumar for a further period of 5 years. In accordance with Section 196, 197, 198 and other applicable provisions of the Companies Act, 2013, approval of the members will be sought at the ensuing Annual General Meeting of the Company for his reappointment for a further term of 5 years, i.e., upto May 23, 2019. Your directors recommend his reappointment as Managing Director.

- Mr. M R Umarji ceased to be an Independent Director with effect from April 1, 2014 in terms of Clause 49 of the Listing Agreement and Section 149 (6) of the Companies Act, 2013. He continues to be on the Board of Strides as Non-Executive Director.

  Mr. Umarji retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

  Your directors recommend his re-appointment as Non-Executive Director, liable to retire by rotation.

- Mr. Deepak Vaidya was appointed as a Director in January 1998 and as Chairman of the Board of Directors (Board) in February 2006. He became an Independent Director in February 2010. Mr. Vaidya has served as a member of the Board of Directors for over 16 years. Considering his long tenure in office and as a measure of good corporate governance, Mr. Vaidya has opted to be considered as Non-Independent Director with effect from July 25, 2014 and he will continue to be the Chairman of the Board.

  Mr. Vaidya retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment. Your directors recommend his re-appointment to the Board.

- Ms. Sangita Reddy was appointed to the Board of the Company as an Additional Director on February 7, 2014. Being appointed as an Additional Director in the Board, Ms. Sangita Reddy will hold office till the conclusion of the ensuing Annual General Meeting of the Company.

  The requisite notices together with necessary deposits have been received from a member pursuant to Section 160 of the Companies Act, 2013 proposing the election of Ms. Sangita Reddy as a Director of the Company.

  Your directors recommend her appointment as Independent Director, not liable to retire by rotation, for five consecutive years from the date of passing of the resolution by the members approving her appointment.

- Mr. Bharat Shah was appointed to the Board of the Company as an Additional Director on July 25, 2014. Being appointed as an Additional Director in the Board, Mr. Bharat Shah will hold office till the conclusion of the ensuing Annual General Meeting of the Company.

  The requisite notices together with necessary deposits have been received from a member pursuant to Section 160 of the Companies Act, 2013 proposing the election of Mr. Bharat Shah as a Director of the Company.

  Your directors recommend his appointment as Non-Executive Director, liable to retire by rotation.

- As per the provisions of the Companies Act, 2013, Independent Directors are required to be appointed for a term of five consecutive years and shall not be liable to retire by rotation. Accordingly, resolutions proposing appointment of Mr. S. Sridhar, Mr. P.M. Thampi and Mr. A.K. Nair as Independent Directors form part of the Notice of the Annual General Meeting.

- Mr. K R Ravishankar, Promoter and Non-Executive Director of the Company vacated office pursuant to Section 283

(1) (g) of the Companies Act, 1956 w.e.f February 7, 2014. The Board places on record its appreciation for the distinguished service and contribution made by Mr. K R Ravishankar as Promoter and Director of the Company.

15. PERSONNEL

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the Provisions of Section 219(1) (b)(iv) of the Act, the Report and Accounts are being sent excluding the statement containing the particulars to be provided under Section 217(2A) of the Act. Any member interested in obtaining a copy of such particulars may write to the Company Secretary.

16. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your company knowing its responsibility towards the society and environment in which it operates and accordingly had been working towards CSR initiatives. In terms of Section 135 of the Companies Act, 2013, the Company has constituted Corporate Social Responsibility Committee to monitor the CSR activities of the Company in terms of the provisions of the Act.

17. INSURANCE

The assets / properties of the Company are adequately insured against loss due to fire, riots, earthquake, terrorism, etc., and against other perils that are considered necessary by the management.

18. DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies Act 1956, the Directors state that they have:

a) followed the applicable accounting standards in the preparation of annual accounts have been followed and no material departure have been made from the same.

b) selected such accounting policies and applied them consistently and made adjustments 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 of the Company for that period.

c) 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 preventing and detecting fraud and other irregularities and

d) prepared the annual accounts on a going concern basis.

19. AUDITORS REPORT

Refer Paragraph 4 of the Auditor's Report on Consolidated Financial Statements:

The unaudited financial information included in the consolidated financial statements primarily relate to entities which are part of the discontinued operations of the Group.

The Company is of the view that the operations of other entities which were not subjected to audit is not material to the Consolidated Financial Statement for the period ended March 31, 2014

20. CONSERVATION OF ENERGY, R&D, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/ OUTGO

The particulars as prescribed 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 are set out in the Annexure to the Directors' Report.

21. STATUTORY AUDITORS

The Statutory Auditors viz., Deloitte Haskins & Sells, Chartered Accountants, Bangalore (Registration Number 008072S) retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

The Company has received a letter from Deloitte Haskins and Sells to the effect that their appointment, if made, would be in accordance with Section 139 of the Companies Act, 2013 and that, they are not disqualified for such appointment within the meaning of Section 141 of the Companies Act, 2013.

Pursuant to the provisions of Section 139 of the Companies Act, 2013 and Rules framed thereunder, it is proposed to appoint Deloitte Haskins & Sells as statutory auditors of the Company for a period of three (3) years from the conclusion of the forthcoming AGM till the conclusion of Twenty-Sixth Annual General Meeting to be held in the year 2017, subject to ratification of their appointment at every Annual General Meeting. Your Directors recommend their reappointment.

22. DEPOSITORY SYSTEM

As the Members are aware, your Company's shares are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories, i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the numerous advantages offered by the Depository system, members are requested to avail the facility of dematerialisation of the Company's shares on either of the Depositories as aforesaid.

23. ACKNOWLEDGEMENT

Your Directors place on record their sincere appreciation for the significant contribution made by the employees through their dedication, hard work and commitment and the trust and confidence reposed on us by the medical profession and trade.

We also acknowledge the support and wise counsel extended to us by the bankers, financial institutions, Government agencies, analysts, shareholders and investors at large.

For and on behalf of the Board of Directors

Place: Bangalore, India
Date: July 25, 2014

Deepak Vaidya – Chairman
Arun Kumar – Executive Vice Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Particulars required by the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988, forming part of the Directors' Report for the period ended March 31, 2014

1. CONSERVATION OF ENERGY

a) Measures taken during the period for conservation of energy

- Close monitoring and modification of condensate lines resulted in reduction of about 250 KL of Soft water usage in Boiler due to improved condensate recovery
- Close monitoring and controlling of water consumption resulted in reduction of 4300 KL raw water consumption.
- Carbon foot print reduction achieved was 45 Tons due to existing and plantations, gelatin net recycling and reduction in water consumption
- Steam / Fuel ratio maintained at 14 kg / ltr consecutively for last 6 years.
- About 5500 KL condensate recovered (60% of steam consumed) and reused for steam generation
- 31750 KL process water treated by the Waste Water Treatment Plant and reused for garden/lawns in the plant premises
- About 750 KL Rain water harvested and used to recharge the ground water table.
- 575 Fluorescent lamps are replaced with energy efficient LED lights

b) Plans for the future for conservation of energy

- Utilisation of harvested rain water for non-core process applications
- Reduction of carbon print by replacing CFL / Fluorescent lamps with energy efficient LED lights
- Evaluation of geothermal energy for cooling applications

2. RESEARCH & DEVELOPMENT (R&D)

The vision of Strides Research and Development is to create value to support organisational growth through the development of high-end value generics with focus on specialised, tough to develop pharmaceutical dosage forms. With vast experience in developing complex generic products for global markets, Strides R&D offers solutions across the entire product development value chain including strategic sourcing, identification and characterisation of the reference drug, patent and regulatory review, formulation development, analytical method development and validation, stability and bioequivalence studies, packaging development, regulatory filings and technology transfer. The focus of the team at Strides R&D is on high-end value products that are niche in terms of development complexity and formulation design and characterised by high entry barriers. Strides R&D is actively engaged in the development of a wide variety of dosage forms including novel delivery systems for solid orals, soft gelatin capsules, liquid orals, effervescent sachets, topical and suppository formulations for both regulated and emerging markets.

With innovative formulation development skill sets and competitive development cost, Strides R&D delivers value to customers. Our strong R&D capabilities will focus on development of IP-led, high-value complex generics. Platform technologies are a part of growth strategy to aid value stream at Strides. Strong technical leadership and global talent pool are in place to take the future growth initiatives of the organisation. Research and development hub in Bangalore provides critical support for all our manufacturing and new product launches. Research activity supports & ensures that we have robust pipeline to feed the short, medium and long term business needs of the company, in India and all the other markets that company operates/invests in.

Execution Excellence

- Strides emerged as a leader in soft gelatin capsules space with strong technical leadership and research capabilities. We are also among the world's largest soft gelatin capsule manufacturers.
- Intellectual property creation by filing maximum number of dossiers in USA, Europe, ANZ and Rest of the World markets.
- Strides have created an exhaustive pipeline of generics across varied formats and domains including oral dosage forms and topicals.

- With business interests in differentiated pharma generics, branded generics, and biopharma, we are a valued player in the global healthcare industry.
- Capability to manufacture varied dosage formats including combi-packs, bi-layered tablets, sachets, soft and hard-gel caps

We have developed and filed products in the newer domains like Semi-solids and Oral solutions. Many new initiatives in various domains like semi-solids and suppositories have been taken up which will be rolled out for execution and filings in the coming years.

Strides have filed over 555 dossiers of Institutional products globally [Global Procurement Agencies like UNITAID, Global Drug Facility (GDF), PEPFAR (The US President's Emergency Plan for AIDS Relief) and Clinton Foundation], with 360 product registrations obtained in more than 50 countries in Africa, Latin America and Asia.

The focus on the differentiated delivery formats, sustainable generic business and end-to-end customer support for their business needs, continue to be the other key areas of Research and Development throughout. Our domain strategy includes development of comprehensive product portfolio in complex therapeutic segments such as immune-suppressants, anti-virals, high-end antibiotics. Our research team specialises in finished dosage form development, process & analytical development, bio-equivalence and clinical study and technology transfer. Value chain functions encompass product development, manufacturing, marketing and quality compliance of regulatory requirements. We regularly update ourselves with the changing regulations across different countries and adopt the norms accordingly

Future Plan

Focus on the development and filing of niche complex generic formulations with value added intellectual property in the areas of platform technologies, patent challenge/invalidations, and differentiated products. Introduction of products in new domains viz topicals, sachets, oral solutions, suppositories & line extensions. Major thrust on introducing globally accepted products, penetrating new markets, and strengthening the research and development pipeline. Special focus will be on use of high end technology platforms to augment development process and deliver high quality, niche and tough to develop products with limited market competition.

Portfolio maximisation, cost reduction through alternate API source identification and filing of already developed dossiers to other potential markets will be an additional key focus area. With a substantial value created in terms of dossier approvals and capacities, Research and Development continues to remain the growth engine for the organisation.

Expenditure on R&D

₹ In Million

Particulars	Year end March 31, 2014* (15 Months period)	Year end December 31, 2012* (12 Months period)
Capital	143.94	194.73
Revenue	380.69	107.04
TOTAL	**524.63**	**301.77**

* Nos. not comparable

For and on behalf of the Board of Directors

Place: Bangalore, India
Date: July 25, 2014

Deepak Vaidya – Chairman
Arun Kumar – Executive Vice Chairman & Managing Director

FORM A

Form of disclosure of particulars with respect to Conservation of Energy

A. POWER AND FUEL CONSUMPTION	March 31, 2014 * (15 Months period)	December 31, 2012 * (12 Months period)
1. Electricity		
(a) Purchased		
Units	9,491,130	2,812,500
Total Amount (₹ in Million)	55.93	16.93
Rate / Unit (₹)	5.89	6.02
(b) Own generation		
Through diesel generator		
Units	1,363,561	126,626
Diesel consumed in litres	420,380	37,430
Unit per ltr., of diesel oil	3.24	3.38
Cost / Unit (₹)	16.50	17.26
2. Furnace Oil		
Quantity (k. ltrs)	605.71	185.46
Total amount (₹ in Million)	25.61	8.19
Average Rate	42.28	44.00
B. CONSUMPTION PER UNIT OF PRODUCTION		
a) Softgel & Tablets Division		
Electricity units per Million (BESCOM units / Prodn Mn.)	4,992 Kwh	5,408 Kwh
Furnace oil units per Million (Steam generated from Boiler / Prodn Mn.)	4460 Kgs	4993Kgs
Diesel units per Million (Units generated from DG / Prodn Mn.)	717 Kwh	243Kwh

* Nos. not comparable

For and on behalf of the Board of Directors

Place: Bangalore, India
Date: July 25, 2014

Deepak Vaidya – Chairman
Arun Kumar – Executive Vice Chairman & Managing Director

FORM B

Form of Disclosure of Particulars with respect to absorption

1. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION AND BENEFITS DERIVED

- Installed sachet filling capacity enhanced to 960 packs / min with the commissioning of 3rd Mespack line
- OEE (Overall equipment effectiveness) concept implemented for 100 critical equipments with improved focus to capture number of incidences and repeat incidences of key equipments and to ensure improved up time.
- Sachet Packing Primary Optical Character Reader commissioned to inspect on line batch print details for the improved cGMP compliance.
- Continuous monitoring of environmental conditions in all storage areas implemented to improve GMP compliance level.
- Grid power and backup power interruptions are captured through a centralised data acquisition system to analyze power failures trend and response time
- Calibration schedule tracking and implementation is included in SAP plant maintenance module as a continual improvement in the plant maintenance approach

2. POLLUTION CONTROL MEASURES

- Waste Water Treatment Plant up graded to treat combined effluent of 125 KLPD and to improve the statutory compliance levels
- Fume hoods are installed in quality control laboratory to comply with American Conference of Industrial Hygienists (ACGIH) norms

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

₹ in Million

	March 31, 2014 * (15 Months period)	December 31, 2012 * (12 Months period)
Foreign exchange earned on FOB Basis	8,511.29	5,606.11
Foreign exchange used	3,087.99	1,825.93

* Nos. not comparable

For and on behalf of the Board of Directors

Deepak Vaidya – Chairman

Arun Kumar – Executive Vice Chairman & Managing Director

Place: Bangalore, India

Date: July 25, 2014

ANNEXURE TO THE DIRECTORS' REPORT

Details as per SEBI (Employees Stock Options Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 forming part of the Directors' Report for the period ended March 31, 2014

	Description	Strides Arcolab ESOP 2006	Strides Arcolab ESOP 2008	Strides Arcolab ESOP 2008 (Directors)	Strides Arcolab ESOP 2011
A	Options available under the Scheme	1,000,000	1,500,000	500,000	1,500,000
B	Pricing formula	Decided by the Compensation Committee from time to time, which shall be not less than 85% of the market price of the shares on the date of grant of option.			
C	Outstanding options as at January 1, 2013	366,000	403,300	50,000	-
D	Options granted during the 15 month period ending March 31, 2014	-	-	-	400,000
E	Options vested during the 15 month period ending March 31, 2014	366,000	403,300	50,000	-
F	Options exercised during the 15 month period ending March 31, 2014	326,000	385,900	50,000	-
G	Total number of shares arising as a result of exercise of options	326,000	385,900	50,000	-
H	Options lapsed / surrendered during the 15 month period ending March 31, 2014	40,000	17,400	-	-
I	Variation of terms of options	NONE	NONE	NONE	NONE
J	Money realised by exercise of options	₹ 107,954,900	₹ 121,049,335	₹ 30,490,000	-
K	Total number of options in force at the end of the period ending March 31, 2014	-	-	-	400,000
L	Available for further grant	80,500	169,950	190,000	1,100,000

Description			Strides Arcolab ESOP 2006	Strides Arcolab ESOP 2008	Strides Arcolab ESOP 2008 (Directors)	Strides Arcolab ESOP 2011
M	Employee-wise details of options granted during the 15 month period ending March 31, 2014					
	(i)	Vice Presidents and above	NONE	NONE	NONE	400,000
	(ii)	Other identified employees	NONE	NONE	NONE	NONE
	(iii)	Any other employee who received grant in any one year of option amounts to 5% of more of options during the year	NONE	NONE	NONE	NONE
	(iv)	Identified employees who were granted options, during any one year, equal or exceeding 1% of the issued capital (excluding outstanding warrants and conversion) of the Company at the time of grant	NONE	NONE	NONE	NONE
N	Diluted Earnings Per Share (DEPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard - 20 – Earnings Per Share		March 31, 2014 ₹ 591.14		December 31, 2012 ₹ 5.84	

	Description	Strides Arcolab ESOP 2006	Strides Arcolab ESOP 2008	Strides Arcolab ESOP 2008 (Directors)	Strides Arcolab ESOP 2011
O	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the option, shall be disclosed. The impact of the difference on profits and EPS of the Company shall be disclosed.	Impact on profit ₹ 3.56 million Impact on EPS ₹ 0.06 per share			
P	Weighted Average exercise price of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	₹ 331.15	₹ 313.68	₹ 609.80	--
Q	A description of the method and significant assumptions used during the year to estimate the fair value of options, including the following weighted average information:		March 31, 2014		December 31, 2012
	Risk free interest rate		8.75%		8.85% pa
	Expected life		3 years		3 years
	Expected annual volatility of shares		38.64%		52.17%
	Expected dividend/ yield		0.52%		0.14%
	The price of the underlying share in market at the time of option grant		₹ 382.42 per share		₹ 533.46 per share

For and on behalf of the Board of Directors

Deepak Vaidya – Chairman

Arun Kumar – Executive Vice Chairman & Managing Director

Place: Bangalore, India

Date: July 25, 2014

CORPORATE GOVERNANCE REPORT

For the fifteen month period ending March 31, 2014 (Pursuant to Clause 49 of Listing Agreement with Stock Exchanges)

1. OUR APPROACH TO CORPORATE GOVERNANCE

For Strides, Governance is about making sure:

- Taking the business in the right strategic direction;
- Initiating appropriate actions to proactively manage the change;
- Reviewing and strengthening the internal controls in line with future strategies;
- Doing the right thing for all stakeholders.

Further, the Company considers accountability and transparency as pillars of Corporate Governance. The Company has adopted objective disclosure practices. Management has shown responsiveness and quality of "Leading from the Front" which has further strengthened the governance fabric of the Company. The Company has ensured robust corporate health through effective control system to monitor and execute corporate actions and a strong management team to address complex matters.

2. THE BOARD OF DIRECTORS

The Board of Directors guide, direct and oversee the management and protect the interests of shareholders, employees and the other stakeholders.

2.1 Composition

The Board comprises of adequate number of Non-Executive, Executive and Independent Directors as required under applicable legislations.

As on date of this Report, the Board comprises of 9 Directors comprising of One Executive Director, Four Independent Directors and Four Non-Executive Directors. Chairman of the Board is a Non-Executive Director.

The Board represents an optimal mix of professionalism, knowledge and experience. All the directors on the Board are highly experienced in their respective fields and known personalities in the corporate world. A detailed profile of the members of the Board of Directors is attached as Annexure 1.

The details of each member of the Board along with the number of Directorship(s)/ Committee Memberships(s) and date of joining the Board are provided herein below.

#	Name	Category of Directorship	Date of Joining the Board	No. of other Directorships held	No. of other Committees of which Member	Chairmanship of Committees of other Companies
1	Deepak Vaidya (Chairman)	NED**	January 16, 1998	4	3	2
2	Arun Kumar (Executive Vice Chairman & Managing Director)	P & ED	June 28, 1990	3	-	-
3	S Sridhar	NED & ID	July 27, 2012	7	2	1
4	M.R. Umarji	NED*	October 27, 2005	3	3	-
5	A.K. Nair	NED & ID	October 27, 2005	6	2	1
6	P.M. Thampi	NED & ID	December 21, 2005	2	2	-
7	Mukul Sarkar	ND***	August 31, 2010	2	1	-
8	Sangita Reddy	NED & ID	February 7, 2014	18	-	-
9	Bharat Shah	NED	July 25, 2014	4	-	-

P = Promoter; NED = Non-Executive Director; ED = Executive Director; ID = Independent Director; ND = Nominee Director

During the period under review:

(a) Ms. Sangita Reddy joined the Board of Strides as Independent Director on February 7, 2014.

(b) Mr. K R Ravishankar, Promoter and Non-Executive Director of the Company vacated office pursuant to Section 283 (1) (g) of the Companies Act, 1956 w.e.f February 7, 2014.

(c) *In terms of Clause 49 of the Listing Agreement and Section 149 (6) of the Companies Act, 2013, Mr. M R Umarji ceased to be an Independent Director with effect from April 1, 2014. Mr. Umarji continues to be on the Board of Strides as Non-Executive Director.

(d) ** Mr. Deepak Vaidya ceased to be Independent Director with effect from July 25, 2014.

(e) ***In terms of clause 49 of the Listing Agreement & Section 149(6) of the Companies Act, 2013, Mr. Mukul Sarkar ceased to be an Independent Director with effect from April 1, 2014. Mr. Mukul Sarkar continues to be on the Board of Strides as Nominee Director.

(f) Mr. Bharat Shah joined the Board of Strides as Non–Executive Director on July 25, 2014.

Note:

In terms of the relevant provisions of the Companies Act, 1956 and the Listing Agreement:

- None of the Directors is a member of the Board of more than fifteen companies or a member of more than ten Board-level Committees or Chairman of more than five such Committees.
- While considering the total number of directorships,the directorship in Private Companies, Foreign Companies, Section 25 Companies and Alternate Directorships, if any, have been excluded.
- While considering the position held as Member/ Chairman in Committees, only Audit Committee and Shareholders'/ Investors' Grievance Committee is considered.
- Position held in the Company as Director and/or Member/ Chairman has been excluded in the above table.
- None of Directors are related to any other Director.

2.2 Board Meetings during the period ended March 31, 2014

The Board meets at regular intervals to discuss and decide on Company's business, policy and strategy. The Board meetings are pre-scheduled and a tentative annual calendar of Board meetings is circulated to the Directors to facilitate them to plan their schedules and to ensure meaningful participation. However, in case of a special and urgent business needs the Board's approval is obtained by circulating the resolution, which is ratified by the Board in its next meeting.

During the 15 month period ended March 31, 2014, Strides' Board met 8 times. These meetings were held on February 27, 2013, February 28, 2013, April 25, 2013, July 25, 2013, November 14, 2013, December 04, 2013, December 10, 2013 and February 07, 2014. Further, the Twenty-Second Annual General Meeting (AGM) of the Company was held on June 10, 2013.

Attendance of Directors at the Meetings of the Board and AGM is as under:

Name	No. of Board meetings attended during the year	AGM Attended
Deepak Vaidya	8	YES
Arun Kumar	8	YES
M.R. Umarji	6	-
A.K. Nair	7	YES
P.M. Thampi	8	YES
Mukul Sarkar	7	-
S Sridhar	5	YES
K.R. Ravishankar	-	-

The Company Secretary is responsible for collation, review and distribution of all papers submitted to the Board for consideration. The Company Secretary is also responsible for the preparation of the agenda, convening of the Board Meetings and ensures appropriate recording of minutes of the meetings.

The Company Secretary of the Company attends all the meetings of the Board and updates the Board on all key Compliance and Governance matters. The Company also seeks professional advice on key corporate actions to ensure adherence to compliance and governance matters.

2.3 Board Induction

Every newly appointed Director is taken through a formal induction program.

Chief Executive Officer of the Company provides an overview of the operating model and financial performance of the Company and the Company Secretary provides new Directors with a briefing on their legal and regulatory responsibilities as Directors.

The induction process for Directors includes interactive sessions with Senior Management.

In addition, new Directors also receive a comprehensive Directors' Induction Manual which includes Company's historical background, business profile, organisation structure, codes and policies, internal controls and risk management systems and their roles and responsibilities as Directors of the Company.

2.4 Committees of the Board

The Board Committees focus on specific areas and make informed decisions within the authority delegated. Each such Committee is guided by its Charter, which defines the composition, scope and powers. The Committees also make specific recommendations to the Board on various matters when required. All observations, recommendations and decisions of the Committees are placed before the Board for information or for approval.

The Board has constituted four Board-level Committees, namely:

- Audit Committee
- Nomination and Remuneration Committee (earlier known as Remuneration Committee)
- Stakeholders Relationship Committee (earlier known as Shareholders'/ Investors' Grievances Committee)
- Management Committee
- Corporate Social Responsibility Committee (constituted on May 23, 2014)

3 AUDIT COMMITTEE

3.1 Composition

The Audit Committee comprises of majority of Independent Directors. During the period under review members of the Committee were Mr. M.R. Umarji, Mr. Mukul Sarkar, Mr. A.K. Nair, Mr. P.M. Thampi, Mr. Deepak Vaidya an Mr. S. Sridhar.

With effect from April 1, 2014, Mr. Umarji ceased to be an Independent Director in terms of Clause 49 of the Listing Agreement and Section 149 (6) of the Companies Act, 2013. Consequently Mr. Sridhar S was appointed as the Chairman of the Audit Committee w.e.f May 23, 2014.

Composition of the Audit Committee as at the date of this Report is as under:

#	Name	Designation
1	Sridhar S	Chairman
2	Deepak Vaidya	Member
3	A K Nair	Member
4	P M Thampi	Member
5	Sangita Reddy	Member
6	M R Umarji	Member
7	Bharat Shah	Member
8	Mukul Sarakar	Member

3.2 Audit Committee Meetings during the period ended March 31, 2014

The Audit Committee met 5 times during the period ended March 31, 2014, i.e., on February 27, 2013, April 25, 2013, July 25, 2013, November 14, 2013 and February 07, 2014.

The meetings of the Audit Committee are also attended by Managing Director, Chief Financial Officer, Statutory Auditors and Internal Auditors as special invitees. The Company Secretary acts as the secretary of the Committee.

Attendance of Members at the Audit Committee meetings is as under:

#	Name	Designation	No. of Meetings attended
1	M.R. Umarji	Chairman*	5
2	Deepak Vaidya	Member	5
3	A.K. Nair	Member	5
4	P.M. Thampi	Member	5
5	Mukul Sarkar	Member	5
6	S Sridhar	Member	4
7	Sangita Reddy**	Member	NA
8	Bharat Shah ***	Member	NA

* Ceased to be Chairman of the Committee with effect from May 23, 2014

** Date of appointment February 7, 2014

*** Date of appointment July 25, 2014

3.3 Brief terms of Reference of the Audit Committee during the period under review:

- Oversight
  - the Group's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending to the Board
  - the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
  - approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing with the management
  - the annual financial statements before submission to the board for approval, with particular reference to:

a. matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.

b. changes, if any, in Group's accounting policies and practices and reasons for the same.

c. group's major accounting entries involving estimates based on the exercise of judgment by the management.

d. significant adjustments made in the financial statements arising out of audit findings,

e. compliance with listing and other legal requirements relating to financial statements,

f. disclosure of any related party transactions

g. qualifications in the draft audit report.

- quarterly financial statements before submission to the Board for approval.
- 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 public or rights issues, and making appropriate recommendations to the

Board to take up steps in this matter.

- performance of statutory and internal auditors, adequacy of the internal control systems.

- 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.
  - 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 across the group.
  - functioning of the Whistle Blower mechanism, in case the same is existing.
- Discussion
  - with internal auditors any significant findings and follow up thereon.
  - 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.
- Looking into
  - the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- Others
  - carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
  - to investigate any activity within its terms of reference.
  - to seek information from any employee.
  - to obtain outside legal or other professional advice.
  - to secure attendance of outsiders with relevant expertise, if it considers necessary.
- Subsidiary Companies

  The Audit Committee of the Company reviews the financial statements of the subsidiary companies.

  The Audit Committee also reviews investment made by subsidiary companies, minutes of their Board meetings, and the statement of all significant transactions and arrangements entered into by the subsidiary companies.

3.4 CEO and CFO Certification

A certificate of the Chief Executive Officer as well as the Chief Financial Officer of the Company on financial statements and applicable internal controls as stipulated under Clause 49 of the Listing Agreement is enclosed as part of this report.

4. NOMINATION AND REMUNERATION COMMITTEE

4.1 Brief description of terms of reference

The Company has constituted a Remuneration Committee which was renamed as Nomination and Remuneration Committee in line with the provisions of the Companies Act 2013.

The terms of reference of the Committee during the period under review was to recommend the remuneration by way of salary, perquisites, allowances and commission for executive directors including pension rights and any compensation payment.

The Committee also functioned as the Compensation Committee as prescribed under SEBI (Employees Stock Option Scheme and Employees Stock Purchase

Scheme) Guidelines, 1999 and Long Term Incentive Plan of the Company and determines eligibility of employees for the same.

4.2 Composition and attendance details

During the period under review members of the Nomination & Remuneration Committee were Mr. M R Umarji, Mr. Deepak Vaidya, Mr. P M Thampi and Mr. A K Nair.

The Committee met 3 times during the period ended March 31, 2014 .i.e., on February 27, 2013, April 25, 2013 and February 07, 2014.

Attendance of Members at the Nomination & Remuneration Committee Meetings are as under:

#	Name	Designation	No. of Meetings attended
1	M.R. Umarji *	Chairman	3
2	Deepak Vaidya	Member	3
3	P M Thampi	Member	3
4	A K Nair	Member	3

* Ceased to be Chairman with effect from May 23, 2014

The Committee was reconstituted on May 23, 2014 as under:

#	Name	Designation
1	P M Thampi	Chairman
2	Deepak Vaidya	Member
3	A K Nair	Member
4	M R Umarji	Member

4.3 Remuneration Policy

The remuneration of the employees consists of fixed pay i.e., Basic pay, allowances, perquisites etc. and a variable pay and the remuneration varies with different grades and is related to the industry pattern, qualification, experience and responsibilities handled by the employee. The objectives of the remuneration policy are to motivate employees and recognise their contribution, reward merit and to attract and retain talent in the organisation.

4.4 Details of remuneration to directors

The appointment and remuneration of Executive Director is by virtue of shareholder approval. Components of remuneration to the Executive Director is fixed and in line with the Company's policies.

The remuneration of the Executive Director is recommended by the Nomination and Remuneration Committee to the Board for consideration, based on net profits of the Company. The remuneration paid to the Executive Director is within the limits approved by the shareholders.

The Non- Executive/ Independent Directors receive sitting fees of ₹ 20,000.00 (revised to ₹ 50,000.00 w.e.f May 23, 2014) for attending meetings of the Board and Audit Committee and do not receive any other form of remuneration.

Details of Remuneration paid/ payable to directors for the period January 1, 2013 to March 31, 2014 is as follows:

Executive Director

Name of the Director	Salary and Allowances (₹)	PF (₹)	Bonus (₹)	Total (₹)
Arun Kumar (Executive Vice Chairman & Managing Director)	35,195,308.00	1,836,000.00	18,750,000.00	55,781,308.00

Non-Executive & Independent Directors

#	Name of the Director	Sitting fee	Commission/ Bonus (₹)	Total (₹)
1	Deepak Vaidya	260,000	-	260,000
2	M.R. Umarji	220,000	-	220,000
3	A.K. Nair	240,000	-	240,000
4	P.M. Thampi	260,000	-	260,000
5	Mukul Sarkar	240,000	-	240,000
6	S Sridhar	180,000	-	180,000
7	Sangita Reddy*	-	-	-
8	Bharat Shah **	-	-	-

* Date of appointment - February 7, 2014

** Date of appointment - July 25, 2014

During the year there were no pecuniary relationships or transactions between the Company and any of its Non-Executive Directors / Independent Directors.

Stock options granted to Non-Executive Directors:

1. The Company did not grant any stock options to Directors during the period under review.
2. Mr. Sridhar was granted 50,000 options on July 27, 2012 at Rs. 609.80 per option. These options were exercised by Mr. Sridhar during the year.
3. As on the date of this report, Directors of the Company do not hold any stock options.

5. STAKEHOLDERS RELATIONSHIP COMMITTEE

5.1 Brief description of terms of reference

The Shareholders'/ Investors' Grievances Committee has been constituted in terms of the provisions related thereto in the Listing Agreements with the Stock Exchanges. The Committee was renamed as Stakeholders Relationship Committee in line with the provisions of the Companies Act, 2013 and the Listing Agreement.

The Committee is empowered to perform the functions of the Board in relation to handling of shareholders' complaints and grievances. During the period under review the primary function of the Committee were:

- Review of investor complaints and their redressal.
- Review of queries received from investors.
- Review of work done by the share transfer agent.
- Review of corporate actions related to shareholder issues.

5.2 Composition

The Committee comprises of Mr. Deepak Vaidya as the Chairman, and Mr. M.R. Umarji and Mr. K.R. Ravishankar as its Members.

The Committee met 5times during the period ended March 31, 2014 i.e on February 27, 2013, April 25, 2013, July 25, 2013, November 14, 2013 and February 07, 2014. The Company Secretary officiates as the secretary of the Committee.

Attendance of the Members at Stakeholders Relationship Committee Meetings during the year was as under:

#	Name	Designation	No. of Meetings attended
1	Deepak Vaidya	Chairman	5
2	M R Umarji	Member	5
3	K R Ravishankar	Member	-

The Stakeholders Relationship Committee was reconstituted on May 23, 2014 as under:

#	Name	Designation
1	A K Nair	Chairman
2	Deepak Vaidya	Member
3	P M Thampi	Member
4	M R Umarji	Member

5.3 Investor / Shareholder Complaints

During the period under review, there were 523 complaints from shareholders. About 400 complaints were in the quarter ending March 31, 2014 which related to Special Dividend declared and paid by the Company in December 2013.

All the above Complaints were resolved within the time-line stipulated by the Statute.

5.4 Reconciliation of Share Capital Audit

The Company conducts a share capital audit on a quarterly basis in accordance with requirements of Securities and Exchange Board of India (Depositories and Participants) Regulations 1996 & SEBI Circular No. D&CC/FITTC/CIR-16/2002 dated December 31, 2002.

The Reconciliation of Share Capital Audit Report obtained from a Company Secretary in Whole time Practice, which has been submitted to the Stock Exchanges within the stipulated period, certifies that the equity shares of the Company held in the dematerialised form and in the physical form confirms to the issued and paid up equity shares capital of the Company.

5.5 Secretarial Compliance Certificate

As per provisions of the clause 47(c) of the Listing Agreement entered with the National Stock Exchange of India Limited and Bombay Stock Exchange Limited, the Company has obtained the Secretarial Compliance Certificate on half yearly basis from a Company Secretary in Whole time Practice to the effect that all transfer of shares are effected within stipulated time. The certificate has been submitted to the Stock Exchanges within the prescribed time.

6. MANAGEMENT COMMITTEE

The Management Committee is headed by the Independent Director and authorises officers of the Company to deal with day-to-day business operations such as banking, treasury, insurance, excise, customs, administration and dealing with other government / non-government authorities.

During the year the Management Committee comprised of Mr. Deepak Vaidya, Mr. P. M Thampi, Mr. Arun Kumar and Mr. K.R. Ravishankar as its Members. The Company Secretary officiates as the secretary of the Committee.

Management Committee was reconstituted on May 23, 2014 as under:

#	Name	Designation
1	Deepak Vaidya	Chairman
2	Arun Kumar	Member
3	P M Thampi	Member
4	M R Umarji	Member

7. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

In line with the provisions of the Companies Act, 2013 and the Rules made thereunder, the Company has constituted the "Corporate Social Responsibility Committee" (CSR Committee) on May 23, 2014.

Members of the CSR Committee are:

#	Name	Designation
1	Sangita Reddy	Chairman
2	Deepak Vaidya	Member
3	P M Thampi	Member
4	Arun Kumar	Member

A detailed report on CSR Policy monitoring and expenditure will form part of the Board's Report commencing from FY 2014-15.

8. GENERAL BODY MEETINGS

Details of the Annual General Meetings held in the last three years and summary of Special Resolutions passed therein:

Financial Year ended	Date and Time	Venue	Special Resolutions passed
December 31, 2010	May 30, 2011 11.30 AM	The Regenza by Tunga, Plot No. 37, Sector 30-A, Vashi, Navi Mumbai 400 703	- Approval of Strides Arcolab ESOP 2011 Scheme - Extension of Strides Arcolab ESOP 2011 scheme to employees of subsidiaries of the Company
December 31, 2011	May 25, 2012 11.30 AM	The Regenza By Tunga, Plot no. 37, Sector 30–A, Vashi, Navi Mumbai – 400 703	Nil
December 31, 2012	June 10, 2013 11.30 AM	The Regenza By Tunga, Plot no. 37, Sector 30–A, Vashi, Navi Mumbai – 400 703	- Appointment of Mr. Mohana Kumar Pillai as CEO- Pharma - Appointment of Mr. S Sridhar as Director

9. DISCLOSURES

i) There are no materially significant related party transactions with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

Transactions with the related parties are disclosed in Note 45 to the financial statements in the Annual Report.

ii) The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on matters relating to capital markets during the last 3 years. No penalties or strictures have been imposed on the Company by the Stock Exchange or SEBI or any statutory authorities relating to the above.

iii) The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement.

iv) As regards the adoption of non-mandatory requirements as contained in Annexure I-D to clause 49 of the Listing Agreement, the Company has implemented the requirements with relation to constitution of Nomination & Remuneration Committee and matters related therewith.

10. APPOINTMENT/ REAPPOINTMENT OF DIRECTORS

The Directors of the Company are appointed by shareholders at the General Meetings. In accordance with the Articles of Association of the Company, the Nominee Director and the Executive Director of the Company do not retire by rotation.

As regards the appointment and tenure of Independent Directors, the Company has adopted the provisions with respect to appointment and tenure of Independent Directors which is consistent with the Companies Act, 2013 and the Listing Agreement.

The Independent Directors will serve a maximum of two terms of five years each. However, as per the revised clause 49 (which is effective October 1, 2014), those Independent Directors who have already served for ten or more years will serve for a maximum period of one term of five years. In effect, the transition will be managed by re-appointing such Independent Directors for a period of one more term that does not exceed five years.

All other Directors, except the Managing Director and Nominee Director, retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-election.

The following appointments are being proposed at the ensuing Annual General Meeting of the Company:

1) Re-appointment of Mr. Arun Kumar as Managing Director;

2) Appointment of Ms. Sangita Reddy as Independent Director;

3) Appointment of Mr. Bharat Shah as Non-executive Director;

4) Re-appointment of Mr. M R Umarji and Mr. Deepak Vaidya, Non-executive directors, who are retiring by rotation;

5) Re-appointment of the existing Independent Directors – Mr. Sridhar S, Mr. A K Nair and Mr. P M Thampi.

10.1 Re-appointment of Mr. Arun Kumar as Managing Director

Mr. Arun Kumar was appointed as Managing Director of the Company for a period of 5 years with effect from May 24, 2009 by the shareholders of the Company at the Postal Ballot held on May 4, 2009. Remuneration as approved by the Shareholders in May 2009 was as follows:

a) Monthly salary of ₹ 25 lakhs including all allowances/ perquisites (excluding car for use on Company's business and telephone facility at residence and encashment of earned leave at the end of the tenure as part of his perquisites); and

b) Bonus & performance evaluation payment of upto 50% of the salary as may be approved by the Board

Mr. Arun Kumar's appointment was due for renewal in May 2014.

Board of Directors in their meeting held on May 23, 2014 have recommended the re-appointment of Mr. Arun Kumar as the Managing Director of the Company on the following terms:

a) Effective date of re-appointment: May 24, 2014;

b) Term of appointment: Five (5) years;

c) Remuneration as under:
- Maximum fixed salary of ₹ 4 Crores per annum (inclusive of all allowances and perquisites except chauffer driven car for use on Company's business and telephone facility at residence);
- Bonus/ Performance based payout of upto 50% of the fixed salary as may be approved by the Board of Directors;
- Encashment of un-availed leave as per the rules of the Company;
- Annual increment in fixed salary not exceeding 30% of the immediately preceding annual fixed salary as may be approved by the Board of Directors.

The profile of Mr. Arun Kumar in terms of clause 49 of the Listing Agreement is provided in Annexure 1.

10.2 Appointment of Ms. Sangita Reddy as Independent Director

Ms. Sangita Reddy was appointed to the Board of the Company as an Additional Director on February 7, 2014 and holds office till the conclusion of the ensuring Annual General Meeting of the Company.

The requisite notice together with necessary deposits have been received from a member pursuant to Section 160 of the Companies Act, 2013 proposing the election of Ms. Sangita Reddy as an Independent Director of the Company for a period of 5 years.

The profile of Ms. Sangita Reddy in terms of clause 49 of the Listing Agreement is provided in Annexure 1.

10.3 Appointment of Mr. Bharat Shah as Non – Executive Director

Mr. Bharat Shah was appointed to the Board of the Company as an Additional Director on July 25, 2014 and holds office till the conclusion of the ensuring Annual General Meeting of the Company.

The requisite notice together with necessary deposits have been received from a member pursuant to Section 160 of the Companies Act, 2013 proposing the election of Mr. Bharat Shah as an Non - Executive Director of the Company for a period of 5 years.

The profile of Mr. Bharat Shah in terms of clause 49 of the Listing Agreement is provided in Annexure 1.

10.4 Re-appointment of Mr. M R Umarji as Non-executive director

Mr. Umarji was appointed to the Board of the Company as an Independent Director on October 27, 2005.
Mr. Umarji ceased to be an Independent Director of the Company with effect from April 1, 2014 in terms of Clause 49 of the Listing Agreement and Section 149 (6) of the Companies Act, 2013.
Mr. Umarji continues to be on the Board of Strides as Non-Executive Director who is retiring by rotation and offers himself for re-appointment.

The requisite notice together with necessary deposits have been received from a member pursuant to Section 160 of the Companies Act, 2013 proposing the election of Mr. M R Umarji as Non-executive Director of the Company liable to retire by rotation.

The profile of Mr. Umarji in terms of clause 49 of the Listing Agreement is provided in Annexure 1.

10.5 Re-Appointment of Mr. Deepak Vaidya as Non-executive director

Mr. Deepak Vaidya was appointed as a Director in January 1998 and as Chairman of the Board of Directors (Board) in February 2006. He became an Independent Director in February, 2010. Mr. Deepak Vaidya has served as a member of the Board of Directors for over 16 years.

Considering his long tenure in office and as a measure of good corporate governance, Mr. Deepak Vaidya has opted to be considered as Non-Independent Director with effect from July 25, 2014.

Mr. Vaidya being a Non-Executive Director is retiring by rotation and offers himself for re-appointment.

The requisite notice together with necessary deposits have been received from a member pursuant to Section 160 of the Companies Act, 2013 proposing the election of Mr. Deepak Vaidya as Non-executive Director of the Company liable to retire by rotation.

The profile of Mr. Deepak Vaidya in terms of clause 49 of the Listing Agreement is attached as Annexure 1.

10.6 Re-appointment of Independent Directors

In terms of Section 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, read with Schedule IV to the Companies Act, 2013, the Company proposes to re-appointment Mr. Sridhar S, Mr. P M Thampi and Mr. A K Nair as Independent Directors of the Company for a period of 5 years with effect from the date of the AGM of the Company, not liable to retire by rotation.

In terms of clause 49 of the Listing Agreement, a brief profile of the Independent Directors being appointed in the ensuing AGM is attached as Annexure 1.

11. DISCLOSURE OF SHAREHOLDING OF NON-EXECUTIVE DIRECTORS

In terms of Clause 49(E) (iv) of the Listing Agreement, the shares held by Non-Executive Directors in the Company are as under:

#	Non-Executive Directors	No. of Shares held
1	Deepak Vaidya	150,000
2	P M Thampi	53,000
3	M R Umarji	14,000
4	A K Nair	25,000
5	Sridhar. S	48,750
6	Sangita Reddy	Nil
7	Mukul Sarkar	Nil
8	Bharat Shah	30,000

12. COMPANY'S POLICIES

12.1 Policy on Insider Trading

The Company has a policy prohibiting Insider Trading in conformity with applicable regulations of the SEBI in India. Necessary procedures have been laid down for Directors and designated employees for trading in the securities of the Company. The policy and procedures are periodically communicated to the employees covered under the Policy. Trading window closure / blackouts / quiet periods, when the Directors and employees are not permitted to trade in the securities of the Company, are intimated to all Directors and employees, in advance, whenever required.

The objective of this Code is to protect the interest of shareholders at large, to prevent misuse of any price sensitive information and to prevent any insider trading activity by dealing in shares of the Company by its Directors and employees. The Code also prescribes sanction framework and any instance of breach of code is dealt with in accordance with the same. A copy of the Insider Trading Policy of the Company is made available to all the employees of the Company and the compliance of the same is ensured.

12.2 Policy on Prevention of Sexual Harassment

The core principle of Strides is to ensure gender equality and justice through all our interventions and practices. The Company has implemented a Prevention of Sexual Harassment Policy with the goals of promoting a workplace that is free of sexual harassment. A mechanism is in place for employees to report any issues, abuse, etc., to a committee formed for this purpose.

13. OBSERVANCE OF SECRETARIAL STANDARDS ISSUED BY THE INSTITUTE OF COMPANY SECRETARIES OF INDIA

The Institute of Company Secretaries of India (ICSI) has issued secretarial standards on important aspects like board meetings, general meetings, payment of dividend, maintenance of registers and records, minutes of meetings, transmission of shares and debentures, passing of resolution by circulation, affixing of common seal, forfeiture of shares and board's report.

Although these standards are optional in nature, the Company however substantially adheres to the standards voluntarily.

14. MEANS OF COMMUNICATION

The Company regularly communicates to its stakeholders through multiple channels of communications such as results announcement, annual report, media releases and hosting information in Company's website.

Quarterly and Annual results

Quarterly and annual results of the Company are published in widely circulated national newspapers such as The Business Standard and the Financial Express and the local vernacular daily, Lokmath.

The quarterly and half-yearly results of the Company were also submitted to the Stock Exchanges where the Company's shares are listed.

These are also disseminated through our PR Agency and made available on the Company's website: www.stridesarco.com.

News releases, presentations, etc.

The Company has established systems and procedures to disseminate relevant information to its stakeholders, including shareholders, analysts, suppliers, customers, employees and the society at large.

The Company also conducts earnings calls with analysts and investors and their transcripts are published on the website thereafter.

Corporate Filing and Dissemination System (CFDS)

In compliance with Clause 52 of the Listing Agreement, the Quarterly Results, Shareholding Pattern and all other corporate communication to the Stock Exchanges have also been filed under CFDS.

Website

The primary source of information regarding the operations of the Company is the corporate website: www.stridesarco.com.

It contains a separate dedicated section for 'Shareholders', 'Investors' and 'Media' where the latest and updated information about financials/ activities of the Company are available.

The website of the Company also displays official news releases and presentations made to the institutional investors and analysts from time to time.

Annual report

The Company's annual report containing the Directors' Report, Corporate Governance Report, Management's Discussion and Analysis (MD&A), Audited Annual Accounts, Consolidated Financial Statements, Auditors' Report and other important information is circulated to members and other stakeholders. Annual Reports are also emailed to the shareholders who have registered their email IDs with the Company.

The annual report is also available on the Company's corporate website in a user-friendly and downloadable form.

15. GENERAL SHAREHOLDERS INFORMATION

a) Annual General Meeting 2014

Day / Date	Tuesday, September 9, 2014
Time	11.00 AM
Venue	The Regenza By Tunga, Plot no. 37, Sector 30–A, Vashi, Navi Mumbai – 400 703.

b) Financial Calendar for the Year 2014

Financial Reporting for Quarter / Half Year ended	During
September 30, 2014	November, 2014
December 31, 2014	February, 2015
March 31, 2015	May, 2015

c) **Date of Book closure:** September 3, 2014 to September 9, 2014 (inclusive of both days)

d) **Dividend**

In December 2013, the Board of Directors recommended and paid a Special Dividend of ₹ 500.00 per share on equity share of face value of ₹ 10.00 each. Record date for the same was December 20, 2013.

The Board of Directors at their meeting held on May 23, 2014 recommended a dividend of ₹ 5.00 per share on equity share of face value of ₹ 10.00 each for the financial year ended March 31, 2014, subject to the approval of the shareholders at the Annual General Meeting.

Dividend, if approved by shareholders, will be paid within 30 days from the date of declaration of dividend.

e) **Unclaimed Dividends**

As per the Companies Act, 1956, dividends that are unclaimed for a period of seven years, statutorily get transferred to the Investor Education and Protection Fund (IEPF) administered by the Central Government and thereafter cannot be claimed by investors. To ensure maximum disbursement of unclaimed dividend, the Company sends reminders to the concerned investors, before transfer of dividend to IEPF.

f) **Transfer to IEPF**

An amount of ₹ 356,032.00 was transferred to Investor Education and Protection Fund (IEPF) during the year 2013-14.

The unpaid/ unclaimed dividends upto Final Dividend 2006 has been transferred to IEPF. Due dates for transfer of unpaid/ unclaimed dividend to IEPF is as follows:

Financial Year Ending	Dividend Rate	Date of declaration	Due date
December 31, 2006	20%	June 20, 2007	August 25, 2014
December 31, 2007	NIL	NA	NA
December 31, 2008	NIL	NA	NA
December 31, 2009	15%	May 31, 2010	August 05, 2017
December 31, 2010	15%	May 30, 2011	August 04, 2018
December 31, 2011	20%	May 25, 2012	July 30, 2019
December 31, 2012	20%	June 10, 2013	August 15, 2020
March 31, 2014 (Special Dividend)	5000%	December 10, 2013	February 14, 2021

The Members of the Company, who have not yet encashed their divided warrant(s), may write to the Company/ Registrar and Share Transfer Agents immediately.

g) **Listing on Stock Exchanges and Stock Codes**

The names of the Stock Exchanges at which the securities of the Company are listed and the respective stock codes are as under:

#	Name of Stock Exchange	Security Listed	ISIN	Stock Code
1	Bombay Stock Exchange Limited	Equity Shares	INE939A01011	532531
2	National Stock Exchange of India Limited	Equity Shares	INE939A01011	STAR

The Company has paid listing fees to all the above stock exchanges and there is no outstanding payment as on date.

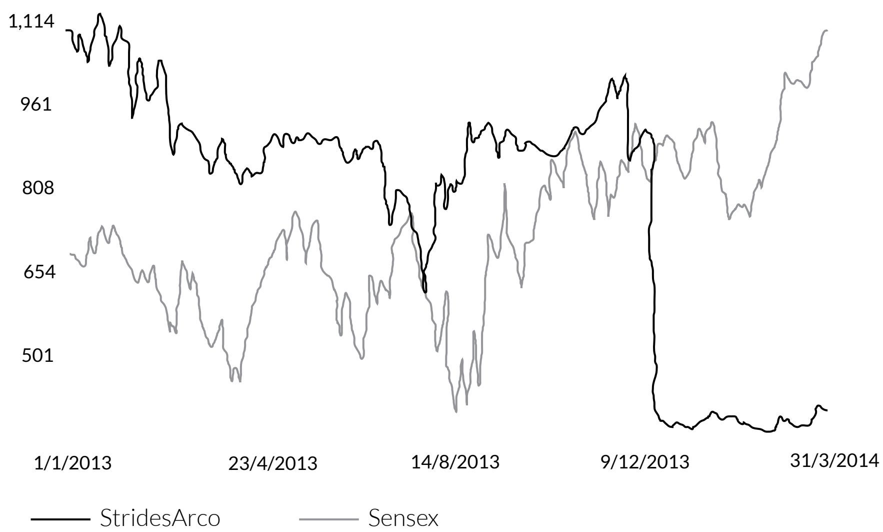
h) Market Price Data

The High and Low prices of the shares of the Company at National Stock Exchange of India Limited, Mumbai (NSE) and The Bombay Stock Exchange Limited, Mumbai (BSE) for the period ended March 31, 2014 is as under:

Month	NSE			BSE		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
January, 2013	1,138.70	1,014.00	10,524,336	1,138.00	1,003.10	3,723,632
February, 2013	1,115.00	866.60	19,225,965	1,125.00	865.00	6,779,034
March, 2013	935.45	815.10	10,626,710	935.95	815.30	3,451,204
April, 2013	908.45	785.25	15,147,956	908.00	786.50	1,464,725
May, 2013	910.00	870.00	3,929,315	909.00	844.10	1,281,819
June, 2013	923.70	833.00	6,820,965	923.00	833.00	516,757
July, 2013	926.95	562.00	6,435,250	927.85	562.05	2,013,128
August, 2013	924.00	552.50	15,215,796	924.85	552.65	2,436,920
September, 2013	958.00	838.95	18,363,575	955.00	835.00	808,929
October, 2013	890.00	842.00	19,399,249	890.90	845.00	232,606
November, 2013	1,015.00	870.05	22,305,832	1,015.80	873.00	653,066
December, 2013*	1,045.00	351.20	38,294,282	1,050.00	354.85	4,406,464
January, 2014	391.95	350.00	4,403,838	391.85	351.00	1,414,943
February, 2014	389.00	310.15	6,593,993	390.00	343.80	622,611
March, 2014	401.85	333.10	11,019,627	401.70	346.70	1,375,380

* Shares became ex-dividend on December 19, 2013 consequent to declaration of special dividend of ₹ 500.00 per share on equity share of face value of ₹ 10.00 each.

i) Performance of Strides Arcolab Limited Share Price to Broad Based Index (BSE Sensex)



j) Registrar and Transfer Agents

Karvy Computershare Private Limited,
Plot No.17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad – 500 081.
Tel. No. 91-40-2342 0815 to 824
Fax No. 91-40-2342 0814
e-mail id: svraju@karvy.com; mohan.a@karvy.com

k) Share Transfer System

The Company has appointed Karvy Computershare Private Limited, Hyderabad, as its Registrar and Share Transfer Agents to expedite the process of share transfers. The share transfers lodged are being processed on a day-to-day basis and Memorandum of Transfers is generated on a fortnightly basis.

l) Distribution of Shareholding as on March 31, 2014

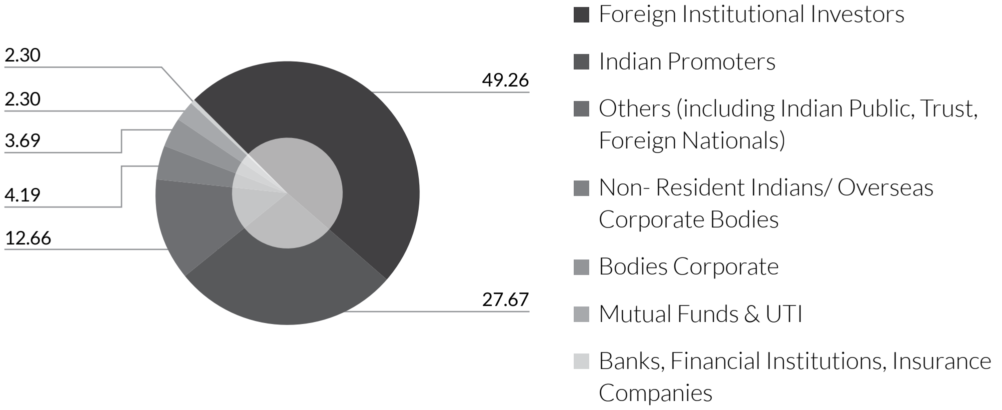
Slab of Shareholding	No. of Shareholders	% to Total Number of Shareholder	Amount (₹)	% to paid up capital
1 – 5,000	51,733	96.49	28,090,790.00	4.72
5,001 - 10,000	936	1.75	7,419,020.00	1.25
10,001 - 20,000	405	0.76	6,033,960.00	1.01
20,001 - 30,000	154	0.29	3,883,790.00	0.65
30,001 - 40,000	56	0.10	2,013,960.00	0.34
40,001 - 50,000	50	0.09	2,344,690.00	0.39
50,001 - 100,000	89	0.17	6,702,100.00	1.13
100,001 & Above	192	0.36	539,167,900.00	90.52
Total	**53,615**	**100.00**	**595,656,210.00**	**100.00**

m) Shareholding Pattern as at March 31, 2014

#	Category	No. of shares held	% to total shareholding
1.	Indian Promoters	16,484,202	27.67%
2.	Mutual Funds & UTI	1,372,429	2.30%
3.	Banks, Financial Institutions, Insurance Companies	131,940	0.22%
4.	Foreign Institutional Investors	29,343,041	49.26%
5.	Bodies Corporate	2,198,471	3.69%
6.	Non-Resident Indians/ Overseas Corporate Bodies	2,496,289	4.19%
7.	Others (including Indian Public, Trust, Foreign Nationals)	7,539,249	12.66%
	Total	**59,565,621**	**100.00**

SHAREHOLDING PATTERN AS AT MARCH 31, 2014

(%)



n) Dematerialisation of Shares & Liquidity

The Company shares are compulsorily traded in dematerialised form. The Company has established connectivity with both the Depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through the Registrars, Karvy Computershare Private Limited.

As at March 31, 2014, 99.59% of the paid-up share capital of the Company representing 59,324,286 shares has been dematerialised.

To enable us to serve our investors better, we request investors whose shares are in physical mode to dematerialise their shares and update their bank account with the respective depository participants.

o) Employee Stock Options

Statement giving detailed information in terms of Regulation 12 of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is annexed to the Directors' Report.

p) Plant Locations

India	Overseas
Oral Dosage Facility I KRS Gardens, Suragajakkanahalli, Kasaba Hobli, Anekal Taluk, Bangalore – 562 106	Beltapharm SpA 20095 Cusano MIL Via Stelvio, 66, Italy
Oral Dosage Facility II No. 9-12, Dewan & Sons Industrial Area, Veroor, Palghar, Dist. Thane 401 404	Strides Vital Nigeria Limited Gate No. 02, LadipoOluwole, Avenue, Opposite Cocia Warehouse, Off ObaAkran Road, Ikeja Industrial Area, Nigeria
Oral Dosage Facility III No. 121, Sipcot Industrial Complex, Hosur 635 126.	

q) Investors Correspondence

Regd. Office :	No. 201, 'Devavrata' Sector 17, Vashi, Navi Mumbai - 400 705. Tel. No. +91-22-2789 5247 Fax No. +91-22-2789 2924
Corporate Office :	'Strides House', Bilekahalli, Bannerghatta Road, Bangalore – 560 076 Tel. No.: +91 80 6784 0000 Fax No. +91 80 6784 0800 e-mail id. : badree.komandur@stridesarco.com investors@stridesarco.com www.stridesarco.com CIN: L24230MH1990PLC057062
Compliance Officer under Listing Agreement	Mr. Badree Komandur CFO & Company Secretary Tel. No.: +91 80 6784 0747 Fax No. +91 80 6784 0800 e-mail id. : badree.komandur@stridesarco.com; investors@stridesarco.com
Registrars & Share Transfer Agents	Karvy Computershare Private Limited (Karvy) Plot No. 17 to 24, Vittalrao Nagar, Madhapur, Hyderabad 500 081 Tel: +91 40 2342 0815 to 824, Fax +91 40 2342 0814
Contact Persons :	Mr. S.V. Raju (svraju@karvy.com) or Mr. Mohan Kumar A (mohan.a@karvy.com)

14. CODE OF CONDUCT

Board has adopted Code of Conduct ('Code') for all Board Members and Senior Management of the Company. A copy of the said Code is available on the website of the Company www.stridesarco.com.

The Code provides that members of the Board are required to avoid any interest in contracts entered into by the Company. If such an interest exists, the members are required to make disclosure to the Board and to abstain from discussion, voting or otherwise influencing on any matter in which the concerned Director has or may have such interest. The Code also restricts the Directors from accepting any gifts or incentives in their capacity as Director of the Company, except what is duly authorised under the Code.

All Board Members and Senior Management Personnel have confirmed compliance with the Code for the period 2013-14.

A declaration to this effect signed by the CEO of the Company is given below:

"I confirm that the Company has in respect of the period ended March 31, 2014, received from its Board Members as well as senior management personnel affirmation as to compliance with the Code of Conduct."

Arun Kumar

Executive Vice Chairman & Managing Director

CEO AND CFO CERTIFICATE IN TERMS OF CLAUSE 49 (V) OF THE LISTING AGREEMENT

In terms of Clause 49 (V) of the Listing Agreement, we hereby certify to the Board of Directors that:

a) We have reviewed the financial statements and the cash flow statement of the Company for the year ended 2013-14 and 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 is 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.

Arun Kumar	Badree Komandur
Executive Vice Chairman & Managing Director	Chief Financial officer

To the Members of

Strides Arcolab Limited

We have examined the compliance of conditions of Corporate Governance by Strides Arcolab Limited ('the Company'), for the fifteen month period ended on March 31, 2014 as stipulated in clause 49 of the Listing Agreement of the said Company with the said stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring 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, and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above-mentioned Listing Agreement.

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

For Deloitte Haskins & Sells
Chartered Accountants
(Firm Registration No. 008072S)

V. Srikumar
Partner
(Membership No.84494)

Place: Bangalore, India
Date: July 25, 2014

ANNEXURE 1
PROFILE OF DIRECTORS

Name of the Director	Brief Profile	Companies in which Director	Committee Membership
EXECUTIVE DIRECTOR			
1  **Arun Kumar** Executive Vice Chairman and Managing Director (DIN: 00084845)	Mr. Arun is the Founder and Promoter Director of the Company and has been on the Board as Managing Director since its inception in 1990. His in-depth knowledge of the pharmaceutical industry and astute business acumen has seen Strides make path breaking forays in the industry. Mr. Arun was earlier General Manager of British Pharmaceuticals Limited. Mr. Arun holds 6,70,797equity shares representing 1.13% of the paid up share capital of the Company and is not related to any other Director of the Company.	1. Alivira Animal Health Ltd	--
		2. Agnus Holdings Private Ltd	--
		3. Mobme Wireless Solutions Ltd	--
		4. Patsys Consulting Private Ltd	--
		5. Santo Properties Private Ltd	--
		6. Skanray Healthcare Pvt Ltd	--
		7. Strides Actives Pvt Ltd	--
		8. Agnus Global Holdings Pte. Ltd., Singapore	--
		9. Plus Farmaehf., Iceland	--
		10. Strides Pharmaceuticals (Holdings) Limited, Cyprus	--
NON-EXECUTIVE DIRECTORS			
2  **Deepak Vaidya** Chairman and Non-Executive Director (DIN: 00337276)	Mr. Deepak Vaidya was appointed as a Board member in January 1998 and was appointed as Chairman of the Board in February, 2006. In his previous stint, Mr. Vaidya was the country head of Schroder Capital Partners (Asia) Pte. Ltd., for over 12 years. Mr. Vaidya is currently the Chairman of Arc Advisory Services Pvt. Ltd. Mr. Vaidya is a fellow member of Institute of Chartered Accountants in England and Wales. He has immense experience in the corporate financial services Industry in India and abroad. Mr. Vaidya holds 1,50,000 equity shares representing 0.25% of the paid up share capital of the Company and is not related to any other Director of the Company.	1. Apollo Gleneagles Hospital Ltd	Audit Committee (Chairman)
		2. Apollo Hospitals Enterprise Ltd	Audit Committee
		3. Arc Advisory Services Private Ltd	--
		4. Capricorn Securities India Pvt Ltd	--
		5. Chaityadeep Investments Pvt Ltd	--
		6. Indraprastha Medical Corporation Ltd	--
		7. PPN Power Generating Company Pvt Ltd	--
		8. Suntec Business Solutions Pvt Ltd	Audit Committee
		9. UTI Capital Pvt Ltd	--
3  **M R Umarji** Non-executive Director (DIN: 00307435)	Mr. M.R. Umarji was appointed to the Board of the Company in October 2005. Mr. Umarji is a consummate banking professional. In his earlier stints, he held key positions at the Indian Banks Association, Reserve Bank of India, Corporation Bank and Dena Bank. He holds 14,000 equity shares representing 0.02% of the paid up share capital of the Company and is not related to any other Director of the Company.	1. Unit Trust Of India Investment Advisory Services Ltd	--
		2. Itz Cash Card Ltd	Audit Committee
		3. JM Financial Products Ltd	Audit Committee
		4. Central Registry Of Securitisation Asset Reconstruction And Security Interest Of India	--
		5. Uniparts India Ltd	Audit Committee & Remuneration Committee (Chairman)

4

Bharat D Shah
Non – Executive Director
(DIN: 00136969)

Mr. Bharat D Shah was appointed to the Board of the Company as an Additional Director in July, 2014.

Mr. Bharat has extensive experience and expertise in the field of banking, finance and securities market.

Mr. Bharat is the Chairman of HDFC Securities Limited. He has been one of the founder members of HDFC Bank Limited and has played a key role in the establishment and consistent growth of the Bank. He is also on the Board of various prominent companies including Hexaware Technologies Limited, Computer Age Management Services Private Limited, Hill Properties Limited etc.

He has received his Bachelors in Science degree from the University of Mumbai and also holds a Degree in Applied Chemistry from Borough Polytechnic, London.

Mr. Bharat holds 30,000 equity shares representing 0.05% of the paid up share capital of the Company and is not related to any other Director of the Company.

1.	Atlas Documentary Facilitators Company Pvt Ltd	--
2.	Computer Age Management Services Pvt Ltd	--
3.	HDFC Securities Ltd	Audit Committee Compensation Committee
4.	Hill Properties Ltd	--
5.	Hexaware Technologies Ltd	Remuneration & Compensation Committee
6.	Salisbury Investments Pvt Ltd	--
7.	Faering Capital Trustee Company Pvt Ltd	--
8.	IDFC Alternatives Ltd	--

INDEPENDENT DIRECTORS

5

Sangita Reddy
Independent Director
(DIN: 00006285)

Ms. Sangita Reddy was appointed to the Board of the Company as an Additional Director in February, 2014.

Ms. Sangita is Joint Managing Director of Apollo Hospitals Enterprise Limited. A member of the founding family, Sangita Reddy actively participated in the inception of Apollo Hospitals. Sangita steers Apollo's thrust on research, innovation and healthcare initiatives. She is also the Chairperson of Apollo Knowledge, the education vertical of the group

Ms. Sangita is also a Member of prestigious World Economic Forum's Global Agenda Council on Digital Health. Ms. Sangita is the Head of Andhra Pradesh State for the Federation of Indian Chambers of Commerce, and she is also its National Head of Healthcare. She has also been elected Member of the Steering Committee on Health for the Twelfth Five Year Plan (2012–2017) by the Planning Commission, Government of India.

Ms. Sangita is graduated in Science with Honors from the Women's Christian College, Chennai. She has taken post-graduate and executive courses in Hospital Administration from Rutgers University and Harvard University in the U.S. and National Singapore University in Singapore.

Ms. Sangita does not hold any equity shares in the Company and is not related to any other Director of the Company

1.	AMG Healthcare Destination Pvt Ltd	--
2.	Apollo Clinical Excellence Solutions Ltd	--
3.	Apollo Cosmetic Surgical Center Pvt Ltd	--
4.	Apollo Educational Infrastructure Services Ltd	--
5.	Apollo Gleneagles Pet-Ct Pvt Ltd	--
6.	Apollo Health And Lifestyle Ltd	--
7.	Apollo Home Healthcare Ltd	--
8.	Apollo Hospitals Enterprises Ltd	--
9.	Apollo Med Skills Ltd	--
10.	Apollo Mumbai Hospital Ltd	--
11.	Apollo Reach Hospitals Enterprises Ltd	--
12.	Apollo Telehealth Services Pvt Ltd	--
13.	Elixir Communities Pvt Ltd	--
14.	Family Health Plan [TPA] Ltd	--
15.	Health Superhiway Pvt Ltd	--
16.	Healthnet Global Ltd	--
17.	Imperial Hospital And Research Centre Ltd	--
18.	Kurnool Hospital Enterprises Ltd	--

6	 **P M Thampi** Independent Director (DIN: 00114522)	Mr. Thampi was appointed to the Board of the Company as an Independent Director in December 2005. Mr. Thampi has over 44 years of working experience in the Indian chemical industry. Mr. Thampi worked in ICI India for 29 years, before assuming the position of Chairman and Managing Director with BASF India for 14 years. Currently, Mr. Thampi is the Chairman of Pioneer Balloon India Pvt. Limited and Director of several leading companies including HDFC Asset Management Company Limited. He is an active member of Indo German Chamber of Commerce, and he has served as its Vice President and President. Mr. Thampi holds 53,000 equity shares representing 0.09% of the paid up share capitalof the Company and is not related to any other Director of the Company.	1.	Brigade Enterprises Limited	Audit Committee & Remuneration Committee (Chairman)
			2.	HDFC Asset Management Company Ltd	Audit Committee &Remuneration Committee (Chairman
			3.	Pioneer Balloon India Pvt Ltd	--
7	 **A K Nair** Independent Director (DIN: 00009148)	Mr. A K Nair was appointed to the Board of the Company as an Independent Director in October 2005. Mr. Nair is an Engineer by profession and a Management Graduate from Cochin University. Mr. Nair is a Director of Nitta Gelatin India Limited., a joint venture of Kerala State Industrial Development Corporation (KSIDC) and Nitta Gelatin Inc. & Mitsubishi Corporation, Japan. In his earlier stints, Mr. Nair was the Executive Director & Managing Director of KSIDC and was also Managing Director of Nitta Gelatin India Limited. Mr. Nair holds 25,000 equity shares representing 0.04% of the paid up share capital of the Company and is not related to any other Director of the Company	1.	Nitta Gelatin India Ltd	Audit Committee Share Holders Grievance Committee
			2.	CII Guardian International Ltd	Audit Committee (Chairman) Remuneration Committee (Chairman)
			3.	Geojit Credits Pvt Ltd	--
			4.	Kerala Balers Pvt Ltd	--
			5.	William Goodacre And Sons India Pvt Ltd	--
			6.	The Alleppey Company Ltd	--
			7.	Guardian Controls Ltd	--
			8.	V Guard Industries Ltd	Audit Committee & Remuneration Committee
			9.	Seabird Seaplane Pvt Ltd	--

8	 **Sridhar S** Independent Director (DIN: 00004272)	Mr. Sridhar. S was appointed to the Board of the Company as an Independent Director in July 2012. Mr. Sridhar is a banker with about 38 years of experience in commercial and development banking of which 10 years was at the CEO/ Board level. He was on the Managing Committee of the Indian Banks' Association, and continues to be a member of the Board of Management of the Indian Institute of Foreign Trade. Mr. Sridhar was awarded the Lord Aldington Banking Research Fellowship for the year 1984 by the Indian Institute of Bankers. He has received many awards/ honours, particularly for his innovative business models and institution building. Mr. Sridhar holds 48,750 equity shares representing 0.08% of the paid up share capital of the Company and is not related to any other Director of the Company.	1. Centbank Financial Services Ltd 2. JP Morgan Mutual Fund India Pvt Ltd 3. Ferro Alloys Corporation Ltd 4. Binani Cement Ltd 5. Incube Trustee Company Pvt Ltd 6. DCB Bank Ltd 7. SewaGrihRin Pvt Ltd 8. Land Interactive Media Ltd 9. Jubilant Life Sciences Ltd 10. Strategic Research And Information Capital Services Private Limited 11. Frontier Leasing And Finance Limited 12. India Infoline Housing Finance Limited	-- Audit Committee -- -- -- -- -- -- Audit Committee (Chairman) -- -- --
NOMINEE DIRECTOR				
9	 **Mukul Sarkar** Nominee Director (DIN: 00893700)	Mr. Mukul Sarkar was appointed to the Board of the Company as Nominee Director on August, 2010 by Exim Bank. Mr. Sarkar possesses 24 years of investment banking and banking experience and holds directorship of two other Indian companies. Presently, Mr. Sarkar is the Chief General Manager and Group Head, Loan Administration Group of Exim Bank, handling credit proposals of large corporate clients in overseas investments including acquisitions, export credit, working capital, project finance, import finance and financing joint ventures, among others. Mr. Sarkar does not hold any shares of the Company and is not related to any other Director of the Company	1. Bombay Rayon Fashions Limited 2. Welspun Corp Limited	-- --

71-197

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

to the Board of Directors of Strides Arcolab Limited

1. REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of STRIDES ARCOLAB LIMITED (the "Company"), its subsidiaries and jointly controlled entities (the Company, its subsidiaries and jointly controlled entities constitute "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2014, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the fifteen months period then ended, and a summary of the significant accounting policies and other explanatory information.

2. MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's Management is responsible for the preparation of the consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. 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.

3. AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

4. BASIS FOR QUALIFIED OPINION

(a) In respect of Continuing Operations, the consolidated financial statements include unaudited financial information relating to 25 subsidiaries and 1 jointly controlled entity (Previous year ended December 31, 2012: 29 subsidiaries and 1 jointly controlled entity), whose financial statements/financial information reflect total assets (net) of ₹ 2,348.99 Million as at March 31, 2014 (As at December 31, 2012: ₹ 648.52 Million), total revenues of ₹ 1,188.55 Million (Previous year ended December 31, 2012: ₹ 640.39 Million) and net cash flows amounting to ₹ 82.07 Million (Previous year ended December 31, 2012: ₹ 493.89 Million), as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit/ loss of ₹ Nil for the period ended March 31, 2014, as considered in the consolidated financial statements, in respect of 1 associate (Previous year ended December 31, 2012: ₹ Nil), based on its unaudited financial information. Our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, jointly controlled entity and associate, is based solely on such unaudited financial statements/financial information.

(b) In respect of Discontinuing Operations, the consolidated financial statements include unaudited financial information relating to 10 subsidiaries and 1 jointly controlled entity (Previous year ended December 31, 2012: 7 subsidiaries and 1 jointly controlled entity), whose financial statements/ financial information reflect total revenues of ₹ 2,355.07 Million (Previous year ended December 31, 2012: ₹ 493.15 Million) and net cash out flows amounting to ₹ 31.12 Million (Previous year ended December 31, 2012: ₹ 59.12 Million), as considered in the consolidated financial statements. Our opinion, in so far as it relates to the amounts included in respect of these subsidiaries and jointly controlled entity, is based solely on such unaudited financial statements/ financial information.

INDEPENDENT AUDITORS' REPORT

to the members of Strides Arcolab Limited

5. QUALIFIED OPINION

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph above, and based on the consideration of the reports of the other auditors on the financial statements / financial information of the subsidiaries and jointly controlled entities referred to in paragraph 6(a) below, 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 Group as at March 31, 2014;

(b) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the period ended on that date; and

(c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the period ended on that date.

6. OTHER MATTERS

(a) We draw attention to Note 33 to the consolidated financial statements regarding sale of investments in Specialties business. As explained in the Note 33 (vii), the Company and the buyer are currently in discussions with regard to certain claims raised, both by the buyer and the Company, on each other. Pending conclusion of these discussions, no adjustments relating to these claims have been made in these financial statements.

(b) The Company has early adopted Accounting Standard (AS) 30 'Financial Instruments: Recognition and Measurement', AS 31 'Financial Instruments: Presentation' and AS 32 'Financial Instruments: Disclosure', to the extent such standards do not conflict with the standards notified under section 211(3C) of the Companies Act.

(c) In respect of Continuing Operations, we did not audit the financial information relating to 7 subsidiaries whose financial statements / financial information reflect total assets (net) of ₹ 2,524.10 Million as at March 31, 2014, total revenues of ₹ 2,933.04 Million and net cash outflows amounting to ₹ 191.64 Million for the period ended on that date, as considered in the consolidated financial statements.

In respect of Discontinuing Operations, we did not audit the financial information relating to 5 subsidiaries and 1 jointly controlled entity whose financial statements / financial information reflect total revenues of ₹ 3,799.71 Million and net cash outflows amounting to ₹ 5.98 Million for the period ended on that date, as considered in the consolidated financial statements.

The financial statements / financial information referred in the above paragrahs have been audited by other auditors, and where applicable, their conversion based on accounting principles generally accepted in India have been reported upon by other accountants. These reports have been furnished to us by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and jointly controlled entities, is based solely on the reports of the other auditors/accountants.

Our opinion is not qualified in respect of the matters stated in paragraph 6 (a), 6 (b) and 6 (c) above.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No.008072S)

V. Srikumar
Partner
(Membership No.84494)

Bangalore, May 23, 2014

CONSOLIDATED BALANCE SHEET
as at March 31, 2014

₹ In Million

					Note No.	March 31, 2014	December 31, 2012
A	**EQUITY AND LIABILITIES**						
	1	**Shareholders' funds**					
		(a)	Share capital		3	595.66	588.04
		(b)	Reserves and surplus		4	9,472.60	19,674.39
						10,068.26	**20,262.43**
	2	**Minority Interest**				**756.68**	**718.54**
	3	**Non-current liabilities**					
		(a)	Long-term borrowings		5	420.04	7,311.48
		(b)	Deferred tax liabilities (net)		6	43.90	287.43
		(c)	Other long-term liabilities		7	103.52	850.14
		(d)	Long-term provisions		8	165.59	572.50
						733.05	**9,021.55**
	4	**Current liabilities**					
		(a)	Short-term borrowings		9	2,245.58	5,998.95
		(b)	Trade payables		10	2,678.60	4,630.80
		(c)	Other current liabilities		11	3,575.83	6,516.55
		(d)	Short-term provisions		12	932.19	826.59
						9,432.20	**17,972.89**
	Total					**20,990.19**	**47,975.41**
B	**ASSETS**						
	1	**Non-current assets**					
		(a)	Fixed assets				
			i)	Tangible assets	13	3,741.25	9,923.45
			ii)	Intangible assets	13	770.06	3,340.60
			iii)	Capital work in progress		641.94	639.40
			iv)	Intangible assets under development		352.75	1,775.05
						5,506.00	**15,678.50**
		(b)	Goodwill on Consolidation			1,033.95	16,903.11
		(c)	Non-current investments		14	418.04	-
		(d)	Deferred tax assets (net)		6	27.38	15.63
		(e)	Long-term loans and advances		15	915.38	1,257.09
		(f)	Other non-current assets		16	-	11.72
						7,900.75	**33,866.05**
	2	**Current assets**					
		(a)	Current investments		17	4,012.37	0.57
		(b)	Inventories		18	1,759.90	4,423.30
		(c)	Trade receivables		19	3,639.95	4,832.32
		(d)	Cash and cash equivalents		20	2,311.45	1,657.42
		(e)	Short-term loans and advances		21	1,229.91	1,335.34
		(f)	Other current assets		22	135.86	1,860.41
						13,089.44	**14,109.36**
Total						**20,990.19**	**47,975.41**

See the accompanying notes forming part of the Consolidated Financial Statements

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

V. Srikumar
Partner

Bangalore, May 23, 2014

For and on behalf of the Board of Directors

Arun Kumar
Executive Vice Chairman & Managing Director

P M Thampi
Independent Director

Badree Komandur
CFO & Company Secretary
Bangalore, May 23, 2014

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the period ended March 31, 2014

₹ In Million

				Note No.	For the period ended March 31, 2014	For the year ended December 31, 2012
A.	**CONTINUING OPERATIONS:**					
	1	Revenue from operations		23	13,468.14	9,639.30
		Less: Excise duty			58.53	21.68
		Revenue from operations (net)			**13,409.61**	**9,617.62**
	2	Other income		24	602.35	341.95
	3	**Total revenue (1+2)**			**14,011.96**	**9,959.57**
	4	**Expenses**				
		(a)	Cost of materials consumed	25	5,626.40	3,392.01
		(b)	Purchases of stock in trade	26	1,577.59	1,442.92
		(c)	(Increase) / Decrease in inventories of finished goods, work-in-progress and stock-in-trade	27	(57.33)	83.29
		(d)	Employee benefits expenses	28	1,571.77	1,202.99
		(e)	Other expenses	29	2,456.97	2,490.55
	Total				**11,175.40**	**8,611.76**
	5	**Earnings before exceptional items, finance costs, tax, depreciation and amortisation (3-4)**			**2,836.56**	**1,347.81**
	6	Finance costs		30	1,088.76	794.46
	7	Depreciation and amortisation expenses		13 (iii)	564.81	308.58
	8	**Profit/(Loss) before exceptional items and taxes (5-6-7)**			**1,182.99**	**244.77**
	9	Exceptional items - net gain / (loss)		31	(265.50)	7,001.08
	10	**Profit before tax (8+9)**			**917.49**	**7,245.85**
	11	Tax expenses		32	408.56	111.49
	12	**Profit/(Loss) before tax on subsidiary dividend income (10-11)**			**508.93**	**7,134.36**
	13	Tax on dividend received from subsidiaries			2,836.81	-
	14	**Profit for the year/ period (12-13)**			**(2,327.88)**	**7,134.36**
	15	Less: Share of Profit of Minority Interest (net)			(0.05)	10.54
	16	**Profit after minority interest from continuing operations (14-15)**			**(2,327.83)**	**7,123.82**
B.	**DISCONTINUED OPERATIONS:**					
	17	Profit / (Loss) from discontinued operations from ordinary activities		33 (vi)	(4,241.59)	2,249.05
	18	Gain on disposal of assets / settlement of liabilities attributable to the discontinued operations		33 (vi)	32,222.81	-
	19	**Profit before tax from discontinued operations (17+18)**			**27,981.22**	**2,249.05**
	20	Tax expense on discontinued operations		33 (vi)	7,979.94	909.96
	21	**Profit after tax from discontinued operations (19-20)**			**20,001.28**	**1,339.09**
	22	Less: Share of Profit of Minority Interest (net)			5.99	0.54
	23	**Profit after minority interest from discontinued operations (21-22)**			**19,995.29**	**1,338.55**
C.	**Total operations**					
	24	**Profit after minority interest (16+23)**			**17,667.46**	**8,462.37**
	25	**Earnings per share (of ₹ 10/- each)**				
		a)	**Basic**	44 (i)		
			i) Continuing operations		(39.34)	121.47
			ii) Total operations		298.56	144.30
		b)	**Diluted**	44 (ii)		
			i) Continuing operations		(39.34)	110.50
			ii) Total operations		297.30	131.85

See accompanying notes forming part of the Consolidated Financial Statements

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

V. Srikumar
Partner

Bangalore, May 23, 2014

For and on behalf of the Board of Directors

Arun Kumar
Executive Vice Chairman & Managing Director

P M Thampi
Independent Director

Badree Komandur
CFO & Company Secretary
Bangalore, May 23, 2014

CONSOLIDATED CASH FLOW STATEMENT
for the period ended March 31, 2014

₹ In Million

			For the period ended March 31, 2014	For the year ended December 31, 2012
A.	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net profit before tax from:			
	Continuing operations		917.49	7,245.85
	Discontinuing operations		27,981.22	2,249.05
			28,898.71	**9,494.90**
	Adjustments for:			
	- Depreciation and amortisation		1,539.03	1,094.83
	- Provision for doubtful trade and other receivables, loans and advances		366.72	210.68
	- Interest costs		2,132.35	1,832.27
	- Impairment of goodwill		133.19	-
	- Write-off of intangible assets under development		102.28	-
	- Write-off of inventory		177.14	-
	- Loss on sale of assets (Net)		60.08	(4.75)
	- Amortisation of deferred revenue expenditure		41.27	44.69
	- (Profit)/loss on sale / disposal of investments (net)		-	(7,262.61)
	- Gain on disposal of discontinued operations		(32,222.81)	-
	- Income from interest and dividend		(297.16)	(309.50)
	- Liability / provision no longer required written back		(493.86)	(163.30)
	- Rental income from operating leases		(41.68)	-
	- Net loss on option contracts		106.93	132.85
	- Expenses on Employee Stock Option Plans		12.77	-
	- Changes in fair value of embedded derivatives in FCCBs		-	(2.09)
	- Net Unrealised exchange (gain) / loss		898.26	267.64
	- Net gain on forward contract for receivable from sale of investments in subsidiaries		(264.57)	-
	Operating profit before working capital changes		**1,148.65**	**5,335.61**
	Changes in working capital			
	(Increase)/Decrease in trade and other receivables		(4,345.89)	(2,233.89)
	(Increase)/Decrease in inventories		219.40	(1,056.54)
	Increase/(Decrease) in trade and other payables		1,353.32	49.64
	(Increase)/Decrease in margin money		166.42	135.22
	Net change in working capital		**(2,606.75)**	**(3,105.57)**
	Cash generated from operations		**(1,458.10)**	**2,230.04**
	Direct taxes paid and others (Refer note (ii) below)		(1,258.71)	(887.47)
	Net cash from Operating Activities	**(A)**	**(2,716.81)**	**1,342.57**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**			
	Capital expenditure on fixed assets, including capital advances		(4,879.73)	(3,376.66)
	Proceeds from sale of fixed assets		240.27	46.19
	Purchase of long-term investments		(661.29)	(187.56)
	Proceeds from sale of investments in Ascent Pharmahealth Limited (net)		-	11,241.26
	Proceeds from sale of investments in Specialty products business (net)		48,996.32	-
	Expenses relating to hive-off of investments in Specialty products business		(2,669.78)	-
	Tax relating to sale of Specialty product business		(7,943.67)	-
	Refund received of loans given to entities of Specialty products business		9,691.14	-
	Purchase of current investments not considered as cash and cash equivalents		(400.00)	-
	Realised exchange gain on dividends paid by subsidiaries		608.16	-
	Net gain on forward contract for receivable from sale of investments in subsidiaries		264.57	-
	Rent deposit received		36.00	-
	Rental income from operating leases		26.90	-
	Interest / dividends received		298.86	342.13
	Tax paid on dividends from subsidiaries		(2,836.81)	-
	Net cash used in Investing Activities	**(B)**	**40,770.94**	**8,065.36**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Proceeds from issue of equity shares		259.49	88.66
	Proceeds from investment by minority holders		-	701.01
	Redemption of FCCBs		-	(6,063.60)

CONSOLIDATED CASH FLOW STATEMENT
for the period ended March 31, 2014

₹ In Million

		For the period ended March 31, 2014	For the year ended December 31, 2012
Net loss on option contract for FCCBs		-	(95.33)
Proceeds from long-term borrowings		3,628.34	2,052.10
Repayment of long-term borrowings		(4,247.91)	(3,855.04)
Net increase / (decrease) in working capital borrowings		2,055.45	(615.65)
Dividends paid		(29,900.87)	(117.43)
Dividend distribution taxes paid		(2,781.54)	(19.04)
Dividend paid to minority shareholders		(6.49)	-
Interest paid on borrowings (Refer note (iii) below)		(2,191.75)	(1,975.94)
Net cash generated from Financing Activities	**(C)**	**(33,185.28)**	**(9,900.26)**
Net Increase /(Decrease) in cash and cash equivalents	**(A+B+C)**	**4,868.85**	**(492.33)**
Cash and cash equivalents at the beginning of the year		1,320.23	2,119.25
Effect of exchange differences on restatement of foreign currency cash and cash equivalents		(13.15)	44.95
Cash and cash equivalents on account of acquisition / (disposal) of subsidiaries		(315.88)	(351.64)
Cash and cash equivalents at the end of the year		**5,860.05**	**1,320.23**
Reconciliation of cash and cash equivalents with the Balance Sheet:			
Cash and cash equivalents as per Balance Sheet (Refer note 20)		2,311.45	1,657.42
Less: Balances in earmarked accounts not considered as cash and cash equivalents as defined in AS 3 'Cash Flow Statements'		(63.77)	(337.76)
Net cash and cash equivalents included in note 20		**2,247.68**	**1,319.66**
Add: Current investments considered as part of cash and cash equivalents as defined in AS 3 'Cash Flow Statements' (Refer note 17)		3,612.37	0.57
Net cash and cash equivalents at the end of the year*		**5,860.05**	**1,320.23**
*** Comprises:**			
Cash on hand		2.56	1.85
Balance with banks:			
- In current accounts		828.35	837.55
- In EEFC accounts		-	16.10
- In deposit accounts		1,416.77	464.16
Current investments considered as part of cash and cash equivalents		3,612.37	0.57
Total		**5,860.05**	**1,320.23**

Notes:

(i) The Consolidated Cash Flow Statement reflects the combined cash flows pertaining to continuing and discontinuing operations.

(ii) Direct tax paid and others in the Cash Flow Statement includes outflows on account of permitted utilisation from the BRR of Nil (Previous Year ₹ 218.43 Million) and direct taxes of ₹ 1,258.71 Million (Previous Year ₹ 669.04 Million).

(iii) Interest paid is inclusive of borrowing cost capitalised on fixed assets ₹ 3.71 Million (Previous year ₹ 38.87 Million).

See accompanying notes forming part of the Consolidated Financial Statements.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

V. Srikumar
Partner

Bangalore, May 23, 2014

For and on behalf of the Board of Directors

Arun Kumar
Executive Vice Chairman & Managing Director

P M Thampi
Independent Director

Badree Komandur
CFO & Company Secretary
Bangalore, May 23, 2014

NOTES forming part of the consolidated financial statements

Note No. 1

CORPORATE INFORMATION

Strides Arcolab Limited (the 'Company' or 'Strides') and its subsidiaries and joint ventures (together referred to as the 'Group') are into the development and manufacture of Pharmaceutical products. The Group is headquartered in Bangalore, India and operates across many countries spreading across developed and emerging markets. Strides is listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

Note No. 2

BASIS OF CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES

A Basis of consolidation

The Consolidated Financial Statements ('CFS') relate to the Group. The Financial Statements of the entities in the Group used in the consolidation are drawn up to the same reporting date as of the Company, i.e. March 31, 2014.

1. Principles of consolidation:

The CFS have been prepared on the following basis:

(a) The CFS of the Group have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expense. The intra-group balances, intra-group transactions and unrealized profits or losses have been eliminated fully.

(b) Share of profit / loss, assets and liabilities in the jointly controlled entities have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, incomes and expenses on a proportionate basis to the extent of the Group's equity interest in such entity. The intra-group balances, intra-group transactions and unrealized profits or losses have been eliminated to the extent of the Group's share in the entity.

(c) The excess of cost to the Group of its investments in the subsidiary companies over its share of the equity of the subsidiary companies, at the dates on which the investments in the subsidiary companies were made, is recognized as 'Goodwill on consolidation', being an asset in the CFS. Alternatively, where the share of the equity in the subsidiary companies as on the date of investment is in excess of cost of investment of the Group, it is recognized as 'Capital Reserve on Consolidation' and shown under the head 'Reserves & Surplus' in the CFS.

(d) Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the date they made investments in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments. Net profit / loss for the year of the subsidiaries attributable to minority interest is identified and adjusted against the profit after tax of the Group in order to arrive at the income attributable to the shareholders of the Company.

2. Information on subsidiary companies, associates and joint ventures:

(a) The following companies are considered in the consolidated financial statements:

Sl. No	Name of the entity	Country of incorporation	Ownership at March 31, 2014 held by	Status	% ownership held either directly or through subsidiaries as at March 31, 2014	% ownership held either directly or through subsidiaries as at December 31, 2012
1	African Pharmaceutical Development Company	Cameroon	Strides Pharma (Cyprus) Limited	Subsidiary	90%	90%
2	Agila (NZ) Pty Limited	New Zealand	Agila Australasia Pty Limited	Subsidiary	-	100%
3	Agila Australasia Pty Limited	Australia	Agila Specialties Global Pte. Limited	Subsidiary	-	100%
4	Stelis Biopharma (Malaysia) SDN. BHD (formerly Agila Biotech (Malaysia) SDN BHD)	Malaysia	Stelis Biopharma Private Limited (formerly Agila Biotech Private Limited)	Subsidiary	100%	100%

NOTES forming part of the consolidated financial statements

Sl. No	Name of the entity	Country of incorporation	Ownership at March 31, 2014 held by	Status	% ownership held either directly or through subsidiaries as at March 31, 2014	% ownership held either directly or through subsidiaries as at December 31, 2012
5	Stelis Biopharma Private Limited (formerly Agila Biotech Private Limited)	India	Inbiopro Solutions Private Limited	Subsidiary	100%	100%
6	Agila Especialidades Farmaceuticas Ltda.	Brazil	Agila Farmaceutica Participacoes Ltda (formerly Strides Farmaceutica Participacoes Ltda)	Subsidiary	-	99.99%
7	Agila Jamp Canada Inc.	Canada	Agila Pharma Canada Corporation	Joint Venture	-	70%
8	Agila Marketing e Distribuição de Productos Hospitalares Ltda.	Brazil	Agila Specialties Americas Limited	Subsidiary	-	76%
9	Agila Pharma Canada Corporation	Canada	Agila Specialties Inc (formerly Strides Inc.)	Subsidiary	-	100%
10	Agila Specialties Americas Limited	Cyprus	Agila Specialties Global Pte. Limited	Subsidiary	-	100%
11	Strides Pharma Asia Pte. Limited (formerly Agila Specialties Asia Pte. Limited)	Singapore	Strides Arcolab Limited	Subsidiary	100%	100%
12	Agila Specialties Global Pte. Limited	Singapore	Strides Pharma Asia Pte. Limited (formerly Agila Specialties Asia Pte. Limited)	Subsidiary	-	100%
13	Strides Pharmaceuticals (Holdings) Limited (formerly Agila Specialties Limited)	Cyprus	Strides Arcolab Limited	Subsidiary	100%	100%
14	Agila Specialties Polska Sp. Z.o.o.	Poland	Agila Specialties (Holdings) Cyprus Limited (formerly Strides Specialties (Holdings) Cyprus Limited)	Subsidiary	-	100%
15	Agila Specialties Private Limited	India	Strides Arcolab Limited	Subsidiary	-	100%
16	Agila Specialties UK Limited	UK	Agila Specialties (Holdings) Cyprus Limited (formerly Strides Specialties (Holdings) Cyprus Limited)	Subsidiary	-	100%
17	Akorn Strides LLC	USA	Strides Pharma Inc	Joint Venture	50%	50%
18	Arcolab Limited SA	Switzerland	Strides Arcolab Limited	Subsidiary	-	100%
19	Beltapharm S.p.A	Italy	Strides Pharma Limited	Subsidiary	96.57%	96.57%
20	Congo Pharma SPRL	Congo	Strides Pharma (Cyprus) Limited	Subsidiary	85%	85%
21	Co-Pharma Limited	UK	Strides Pharma Limited	Subsidiary	100%	100%

NOTES forming part of the consolidated financial statements

Sl. No	Name of the entity	Country of incorporation	Ownership at March 31, 2014 held by	Status	% ownership held either directly or through subsidiaries as at March 31, 2014	% ownership held either directly or through subsidiaries as at December 31, 2012
22	Farma Plus AS	Norway	Agila Specialties (Holdings) Cyprus Limited (formerly Strides Specialties (Holdings) Cyprus Limited)	Subsidiary	-	100%
23	Inbiopro Solutions Private Limited	India	Strides Arcolab Limited	Subsidiary	100%	96.71%
24	Onco Laboratories Limited (OLL)	Cyprus	Agila Specialties (Holdings) Cyprus Limited (formerly Strides Specialties (Holdings) Cyprus Limited)	Subsidiary	-	100%
25	Onco Therapies Limited (OTL)	India	Agila Specialties Private Limited	Subsidiary	-	100%
26	Plus Farma e.h.f	Iceland	Strides Arcolab International Limited	Subsidiary	100%	100%
27	Sagent Agila LLC (formerly Sagent Strides LLC)	Wyoming, USA	Agila Specialties Inc. (formerly Strides Inc.)	Joint Venture	-	50%
28	Scentia Pharmaceuticals Pty Limited	Australia	Strides Pharma Limited	Subsidiary	-	100%
29	Sorepharma SA	Burkino Faso	79% held by Strides Pharma (Cyprus) Limited & 1% held by Strides Arcolab International Limited	Subsidiary	80%	80%
30	SPC Co. Limited	Sudan	Strides Pharma (Cyprus) Limited	Subsidiary	51%	51%
31	Strides Africa Limited	British Virgin Islands	Strides Pharmaceuticals (Holdings) Limited (formerly Agila Specialties Limited)	Subsidiary	100%	100%
32	Strides Arcolab International Limited	UK	Strides Arcolab Limited	Subsidiary	100%	100%
33	Strides Australia Pty Limited	Australia	Strides Arcolab International Limited	Subsidiary	100%	100%
34	Strides CIS Limited	Cyprus	Strides Pharma Limited	Subsidiary	51%	51%
35	Strides Emerging Markets Private Limited	India	Strides Pharma (Cyprus) Limited	Subsidiary	100%	100%
36	Agila Farmaceutica Participacoes Ltda (formerly Strides Farmaceutica Participacoes Ltda)	Brazil	Agila Specialties Americas Limited	Subsidiary	-	99.99%
37	Agila Specialties Inc. (formerly Strides Inc.)	USA	Agila Specialties Americas Limited	Subsidiary	-	100%
38	Strides Pharma Cameroon Limited	Cameroon	Strides Pharma (Cyprus) Limited	Subsidiary	85%	85%

NOTES forming part of the consolidated financial statements

Sl. No	Name of the entity	Country of incorporation	Ownership at March 31, 2014 held by	Status	% ownership held either directly or through subsidiaries as at March 31, 2014	% ownership held either directly or through subsidiaries as at December 31, 2012
39	Strides Pharma (Cyprus) Limited	Cyprus	Strides Pharma International Limited	Subsidiary	80%	80%
40	Strides Pharma International Limited	Cyprus	Strides Arcolab Limited	Subsidiary	100%	100%
41	Strides Pharma Limited	Cyprus	Strides Pharma International Limited	Subsidiary	100%	100%
42	Strides Pharma Botswana (Pty) Limited	Botswana	Strides Pharma (Cyprus) Limited	Subsidiary	70%	-
43	Strides Pharma Namibia Pty Limited	Namibia	Strides Pharma (Cyprus) Limited	Subsidiary	70%	70%
44	Strides Pharmaceuticals (Holdings) Limited	Mauritius	Strides Pharma Limited	Subsidiary	-	100%
45	Strides Pharmaceutical (Mauritius) Limited	Mauritius	Strides Pharmaceuticals (Holdings) Limited (formerly Agila Specialties Limited)	Subsidiary	-	100%
46	Strides Pharma Inc.	USA	Strides Pharma Limited	Subsidiary	100%	-
47	Strides S.A. Pharmaceuticals Pty Limited	Republic of South Africa	Strides Pharma Limited	Subsidiary	100%	100%
48	Agila Specialties (Holdings) Cyprus Limited (formerly Strides Specialties (Holdings) Cyprus Limited)	Cyprus	Agila Specialties Global Pte. Limited	Subsidiary	-	100%
49	Strides Specialties (Holdings) Limited	Mauritius	Strides Pharmaceuticals (Holdings) Limited (formerly Agila Specialties Limited)	Subsidiary	100%	100%
50	Strides Vital Nigeria Limited	Nigeria	Strides Pharma (Cyprus) Limited	Subsidiary	74%	74%
51	Catalist Pty Limited	Australia	Agila Australasia Pty Limited	Subsidiary	-	-
52	Strides Actives Private Limited	India	Strides Arcolab Limited	Associate	40%	-
53	Strides Pharma Global Pte Limitied	Singapore	Strides Pharma Asia Pte Limited	Subsidiary	100%	-
54	Agila Specialties Investments Limited	UK	Agila Specialties UK Limited	Subsidiary	100%	-

(b) In respect of entities in Sl. No. 19, 21, 23, 50 (previous year 6, 8, 15, 19, 21, 22, 23, 24, 25, 26, 33, 36, 37, 47, 50) the Group's cost of investment is in excess of its share of equity on the date of investment and the difference has been recognised as goodwill. In respect of entity in Sl. No. 1 (previous year 1 and 14), the Group's share is in excess of the cost of investment on the date of acquisition and the difference has been recognised as capital reserve.

(c) The following entities have been renamed during the period:

- Agila Specialties Limited, Cyprus has been renamed as Strides Pharmaceuticals (Holdings) Limited, Cyprus
- Agila Biotech (Malaysia) SDN. BHD has been renamed as Stelis Biopharma (Malaysia) SDN. BHD

NOTES forming part of the consolidated financial statements

- Agila Biotech Private Limited has been renamed as Stelis Biopharma Private Limited
- Agila Specialties Asia Pte. Ltd has been renamed as Strides Pharma Asia Pte. Ltd
- Sagent Strides LLC has been renamed as Sagent Agila LLC.
- Strides Farmaceutica Participacoes Ltda has been renamed as Agila Farmaceutica Participacoes Ltda
- Strides Inc. USA has been renamed as Agila Specialties Inc., USA
- Strides Specialties (Holdings) Cyprus Limited, Cyprus has been renamed as Agila Specialties (Holdings) Cyprus Limited, Cyprus

(d) During the period, as part of corporate restructuring, certain entities within the Group were reorganized. The summary of the same are as follows:

- Agila Australasia Pty Limited, Australia has acquired 100% stake in Catalist Pty Limited with effect from January 1, 2013
- Agila Specialties Private Limited has acquired balance 3.29% stake in Inbiopro Solutions Private Limited, making Inbiopro Solutions Private Limited a wholly owned subsidiary of the group
- Agila Specialties Global Pte Limited, Singapore has acquired balance 49% stake in Agila Australasia Pty Limited from JNZ Tango Pty Limited, Australia, making Agila Australasia Pty Limited a wholly owned subsidiary of the group
- Akorn Strides LLC has been transferred from Strides Inc, USA to Strides Pharma Inc, USA
- Inbiopro Solutions Private Limited, India has been transferred from Agila Specialties Private Limited, India to Strides Arcolab Limited, India
- Stelis Biopharma Private Limited has been transferred from Strides Arcolab Limited, India to Inbiopro Solutions Private Limited, India
- Strides Specialties (Holdings) Limited, Mauritius has been transferred from Agila Specialties Private Limited, India to Strides Pharmaceuticals (Holdings) Limited, Cyprus.

(e) The following subsidiaries/ associates were incorporated during the period:

- Agila Specialties Investments Limited, UK
- Strides Pharma Inc, USA
- Strides Actives Private Limited, India
- Strides Pharma Botswana (Pty) Limited, Botswana
- Strides Pharma Global Pte Limtied, Singapore

(f) The following subsidiaries were wound up during the period:

- Arcolab Limited SA, Switzerland
- Strides Pharmaceuticals (Holdings) Limited, Mauritius
- Strides Pharmaceuticals (Mauritius) Limited, Mauritius

(g) The CFS include the Group's share of assets, liabilities, income and expenses, which are included on the basis of un-audited financial statements, in respect of the following subsidiaries / joint venture:

- African Pharmaceutical Development Company
- Agila (NZ) Pty Limited
- Agila Australasia Pty Limited
- Agila Especialidades Farmaceuticas Ltda.
- Agila Farmaceutica Participacoes Ltda
- Agila Jamp Canada Inc.
- Agila Marketing e Distribuição de Productos Hospitalares Ltda.
- Agila Pharma Canada Corporation
- Agila Specialties (Holdings) Cyprus Limited
- Agila Specialties Americas Limited
- Agila Specialties Investments Limited
- Agila Specialties UK Limited
- Akorn Strides LLC
- Arcolab Limited SA
- Catalist Pty Limited
- Congo Pharma SPRL
- Co-Pharma Limited
- Inbiopro Solutions Private Limited
- Plus Farma e.h.f
- Scentia Pharmaceuticals Pty Limited
- Sorepharma SA
- SPC Co. Limited
- Stelis Biopharma (Malaysia) SDN. BHD
- Stelis Biopharma Private Limited
- Strides Actives Private Limited

NOTES forming part of the consolidated financial statements

- Strides Africa Limited
- Strides Australia Pty Limited
- Strides CIS Limited
- Strides Emerging Markets Private Limited
- Strides Pharma Botswana (Pty) Limited
- Strides Pharma Cameroon Limited
- Strides Pharma Global Pte Limtied
- Strides Pharma Inc.
- Strides Pharma International Limited
- Strides Pharma Namibia Pty Limited
- Strides Pharmaceutical (Mauritius) Limited
- Strides Pharmaceuticals (Holdings) Limited
- Strides S.A. Pharmaceuticals Pty Limited
- Strides Specialties (Holdings) Limited

The Group's share in these subsidiaries/joint venture (for the period and as at March 31, 2014) are as follows:

Particulars	₹ In Million
Assets	2,348.99
Liabilities	896.70
Income	3,543.62
Expenses	6,058.70

(h) Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the Company's financial statements.

B Significant accounting policies used in preparation of the financial statements of the Company, its subsidiaries and joint ventures (severally referred to as the 'Components' and together referred to as the 'Group').

1.1 Basis for preparation of financial statements

The consolidated financial statements of the Group have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act / 2013 Act, as applicable. The financial statements have been prepared on accrual basis under the historical cost convention except for certain:

(i) fixed assets which were fair valued in earlier years based on the Scheme of Arrangement approved by the Honorable High Courts of Judicature (the 'Scheme') or,

(ii) financial assets and liabilities which were fair valued as permitted by Accounting Standard (AS) 30: 'Financials Instruments: Recognition and Measurement' read with AS 31 'Financial Instruments: Presentation' and AS 32 'Financials Instruments: Disclosure' issued by the Institute of Chartered Accountants of India, to the extent such standards do not conflict with other standards notified under Companies (Accounting Standards) Rules, 2006 (as amended).

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

1.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known/materialise.

1.3 Inventories

Inventories comprise raw materials, packing materials, consumables, work in progress and finished goods. These are valued at the lower of cost and net realisable value after providing for obsolescence and other losses, where considered necessary. Cost is determined as follows:

Raw materials, packing materials and consumables	weighted average basis
Work in progress	at material cost and an appropriate share of production overheads
Finished Goods	material cost and an appropriate share of production overheads and excise duty, wherever applicable
Stock in trade	weighted average basis

NOTES forming part of the consolidated financial statements

1.4 Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities are segregated based on the available information.

Cash and cash equivalents (for the purpose of cash flow statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

1.5 Revenue

(a) Revenue from sales is recognized on transfer of significant risks and rewards to the purchaser as per terms of the arrangement with the purchaser. Sales include excise duty and are stated net of discounts, other taxes, and sales returns.

(b) Revenue from product development services:

(i) In respect of contracts where the Group undertakes to develop products for its customers (on an end-to end basis), revenues are recognized based on technical estimates of the stage of work completed under the contracts.

(ii) In respect of other contracts where the Group performs specifically identified services in the development of the products, revenues are recognized on the basis of the performance milestones provided in the contract.

(c) Revenue from contract manufacturing is recognised based on the services rendered in accordance with the terms of the contract.

(d) Export incentives are accrued for based on fulfillment of eligibility criteria for availing the incentives and when there is no uncertainty in receiving the same. These incentives include estimated realisable values/benefits from special import licenses and benefits under Duty Entitlement Pass Book Schemes, Focus Market Schemes, and Market-Linked Focus Product Schemes wherever applicable.

(e) Income from rendering advisory services is recognized based on contractual terms.

(f) Share of Profits and Royalty incomes under manufacturing and supply agreements with Customers are accrued based on confirmation received from customers.

1.6 Other income

Dividends are recognised whenever the right to receive dividends is established. Interest income is recognized on accrual basis.

1.7 Tangible fixed assets

Fixed assets, except to the extent permitted to be fair valued under the Scheme, are carried at cost less accumulated depreciation and impairment losses, if any. The cost of fixed assets includes interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use and other incidental expenses incurred up to that date. Machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the useful life of the principal item of the relevant assets. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Fixed assets acquired in full or part exchange for another asset are recorded at the fair market value or the net book value of the asset given up, adjusted for any balancing cash consideration. Fair market value is determined either for the assets acquired or asset given up, whichever is more clearly evident.

The Company fair valued certain land and machineries upon the Scheme becoming effective (December 31, 2009) and such assets are carried at the fair value less accumulated depreciation and impairment losses, if any.

Capital work-in-progress

Projects under which assets are not ready for its intended use and other Capital Work-in-Progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

1.8 Intangible assets

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other

NOTES forming part of the consolidated financial statements

than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset. In-house product development costs are capitalised in accordance with paragraph 1.21 in this section.

1.9 Depreciation/ Amortisation

Depreciation/Amortisation is provided under the straight-line method based on the following useful lives

Sl.No.	Nature of Asset	Useful life (range)
1	Building	4 to 65 years
2	Plant and Machinery	3 to 25 years
3	Furnitures & Fixtures	5 to 16 years
4	Office Equipment	5 to 12 years
5	Motor Vehicles	5 to 12 years
6	Software licenses	5 years
7	Registration & Brands	Not exceeding 10 years
8	Early-to-market	5 years

With respect to assets carried at fair value cost as permitted under the Scheme, depreciation / amortization is recorded under the straight line method over the balance useful life of the respective assets.

Individual assets costing less than ₹ 5,000 are depreciated in full in the year of purchase.

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation is revised to reflect the changed useful life.

1.10 Deferred Revenue Expenditure

The Group operates in an environment which requires the manufacturing facilities to be approved by industry regulators in certain territories prior to manufacture and sale of products in such territories. If the interval between the date the facility is ready to commence commercial production and the date at which commercial production is expected to commence is prolonged, all expenses incurred during this period are treated as deferred revenue expenditure and amortised over a period not exceeding 3 years from the date of receipt of approvals.

1.11 Foreign currency transactions and translations

Initial recognition

Transactions in foreign currencies are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement of foreign currency monetary items at the balance sheet date

Foreign currency monetary items (other than derivative contracts) at the balance sheet date are restated at year end rates.

In the case of integral operations, assets and liabilities (other than non-monetary items), are translated at the exchange rate prevailing on the balance sheet date. Non-monetary items are carried at historical cost. Revenue and expenses are translated at yearly average exchange rates prevailing during the year.

In the case of non-integral operations, assets and the liabilities are translated at the exchange rates prevailing on the balance sheet date. Revenue and expenses are translated at yearly average exchange rates prevailing during the year.

Treatment of exchange differences

Exchange differences arising on settlement/ restatement of foreign currency monetary assets and liabilities of the entities and their integral foreign operations are recognized as income or expense in the Statement of Profit and Loss. The exchange differences on restatement/settlement of loans to non-integral foreign operations that are considered as net investment in such operations are accumulated in the Exchange reserve (on consolidation), until disposal / recovery of the net investment.

Exchange differences arising out of translation of Non-integral foreign operations are considered in the 'Exchange reserve (on consolidation)' until disposal of the operations.

Accounting of forward contracts

Premium/discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortized over the period of the contracts, if such contracts relate to monetary items as at the balance sheet date. Refer paragraph 1.24(c)

NOTES forming part of the consolidated financial statements

in this Section for accounting for forward exchange contracts relating to firm commitments and highly probable forecast transactions.

1.12 Exceptional items

The Group classifies the following as exceptional items in the Statement of Profit and Loss:

(a) Exchange gain / loss arising on account of restatement and settlement of (i) long term foreign currency loans and advances (ii) intra-group loans and advances

(b) Changes in fair value of embedded derivatives in FCCBs and option contracts;

(c) Profit / loss on disposal of non-current investments and provision for / reversals of provision for diminution in non-current investments, goodwill and other assets

(d) Profit / loss arising on account of discontinuance of products / development activities.

1.13 Investments

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Costs of investments include acquisition charges such as brokerage, fees and duties.

1.14 Employee benefits

Employee benefits include provident fund, gratuity fund and compensated absences.

Defined contribution plans

Contribution to provident fund are considered defined contribution plans and are charged as an expense as they fall due based on the amount of contribution required to be made and when services are rendered by the employees.

Defined benefit plans

Gratuity expenses for the year are accounted based on actuarial valuation carried out as at the end of the fiscal year using the Projected Unit Credit method, with actuarial valuation being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of the scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the period when the employees render the service. These benefits include performance incentives and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non - accumulating compensated absences, when the absences occur

Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation as at the balance sheet date less the fair value of the plan assets out of which the obligations are expected to be settled.

Long-term incentive plan (LTIP)

Under the LTIP, certain employees are eligible for retention and performance linked payouts. These payouts are accrued as and when services are rendered and or when the specific performance criteria are met.

In respect of subsidiaries operating outside India, liabilities in the respect to employees benefits are accrued based on laws applicable in those countries.

1.15 Employee share based payments

The Company has formulated Employee Stock Option Plans (ESOP) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Plans provide for grant of options to employees of the Company and its

NOTES forming part of the consolidated financial statements

subsidiaries to acquire equity shares of the Company that vest in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines, the excess, if any, of the closing market price on the day prior to the grant of the options (under ESOP) over the exercise price is amortized on a straight line basis over the vesting period in the Statement of Profit and Loss /Reserve for Business Restructure.

Employee stock options granted under the above ESOP on after April 01, 2005 are accounted under the 'Intrinsic Value Method' stated in the Guidance Note on Employee Share Based Payments issued by the Institute of Chartered Accountants of India.

Options with a cash settlement feature are fair valued at the time of the grant and at each reporting date. Changes in the fair value of the Options at each reporting date are recognised in the Statement of Profit and Loss.

1.16 Borrowing costs

Borrowing costs includes interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset are added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

1.17 Segment reporting

The Group identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

The accounting policies adopted for segment reporting are in line with the accounting policies of the Group. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Inter-segment revenue is accounted on the basis of transactions which are primarily determined based on market / fair value factors.

Revenue, expenses, assets and liabilities which relate to the Group as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities".

1.18 Leases

Where the Group as a lessor leases assets under finance leases, such amounts are recognized as receivables at an amount equal to the net investment in the lease and the finance income is based on a constant rate of return on the outstanding net investment.

Assets leased by the Group in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Group are classified as finance leases. Such leases are capitalized at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vests with the lessor are recognized as operating leases. Lease rentals under operating leases are recognized in the Statement of Profit and Loss on a straight-line basis.

1.19 Earnings per share

Basic earnings per share is computed by dividing the profit/ (loss) after tax (including the post-tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax (including the post-tax effect of any extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

NOTES forming part of the consolidated financial statements

Potential equity shares are deemed to be dilutive if only their conversion to equity shares would decrease the net profit per share. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

1.20 Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income-tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the entity will pay normal income tax. Accordingly, MAT is recognized as an asset in the balance sheet when it is probable that future economic benefit associated with it will flow to the entity.

Deferred tax is recognized on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognized for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized only if there is virtual certainty that there will be sufficient future taxable income available to realize such assets. Deferred tax assets are recognized for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realized. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the entity has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance sheet date for their realisability.

Current and deferred tax relating to items directly recognised in equity and not in the Statement of Profit and Loss.

1.21 Research & Development Expenditure

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss / Reserve for Business Restructure unless a product's technological feasibility and commercial viability has been established, in which case such expenditure is capitalized. The amount capitalized comprises expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use. Fixed assets utilized for research and development are capitalized and depreciated in accordance with the policies stated for tangible fixed assets and intangible fixed assets.

1.22 Impairment of Assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognized, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognized for an asset in prior accounting periods no longer exists or may have decreased such reversal of impairment loss is recognized in the Statement of Profit and Loss.

1.23 Provisions and Contingencies

A provision is recognised when the Group has a present obligation as a result of past events 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 (excluding retirement benefits) are not discounted to their present value and are determined based on best 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 best estimates. Contingent liabilities are not recognised but are disclosed in the notes to the financial statement.

NOTES forming part of the consolidated financial statements

1.24 Financial Assets, Financial Liabilities, Financial Instruments, Derivatives and Hedge Accounting

(a) The Group classifies its financial assets into the following categories: financial instruments at fair value through Statement of Profit and Loss, loans and receivables, held to maturity investments and available for sale financial assets.

Financial assets of the Group mainly include cash and bank balances, sundry debtors, loans and advances and derivative financial instruments with a positive fair value.

Financial liabilities of the Group mainly comprise secured and unsecured loans, sundry creditors, accrued expenses and derivative financial instruments with a negative fair value.

Financial assets/ liabilities are recognized on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when all of risks and rewards of the ownership have been transferred. The transfer of risks and rewards is evaluated by comparing the exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred assets.

Available for sale financial assets (not covered under the notified Accounting Standards) are carried at fair value, with changes in fair value being recognised in Equity, unless they are designated in a fair value hedge relationship, where such changes are recognised in the Statement of Profit and Loss. Loans and receivables, considered not to be in the nature of short-term receivables, are discounted to their present value. Short-term receivables with no stated interest rates are measured at original invoice amount, if the effect of discounting is immaterial. Non-interest-bearing deposits, meeting the criteria of financial asset, are discounted to their present value.

Financial liabilities held for trading and liabilities designated at fair value, are carried at fair value through Statement of Profit and Loss.

Other financial liabilities are carried at amortized cost using the effective interest method. The Group measures the short-term payables with no stated rate of interest at original invoice amount, if the effect of discounting is immaterial.

Financial liabilities are derecognized when extinguished.

(b) Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial markets pricing models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value.

(c) Hedge accounting

Cash flow hedge

The Group uses foreign currency forward contracts to hedge their risks associated with foreign currency fluctuations relating to firm commitments and highly probable forecast transactions. The Group designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in Accounting Standard 30 'Financial Instruments: Recognition and Measurement' issued by the Institute of Chartered Accountants of India. These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated as hedges of future cash flows are recognized directly in 'Hedge reserve account' under Reserves and surplus, net of applicable deferred income taxes, if any, to the extent such hedges are considered effective and the ineffective portion is recognized immediately in the Statement of Profit and Loss. Amounts accumulated in the Hedge reserve account are reclassified to the Statement of Profit and Loss in the same periods during which the forecasted transaction affects profit and loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognized in 'Hedge reserve account' is retained until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative exchange gain or loss recognized in Hedge reserve account is immediately transferred to the Statement of Profit and Loss.

NOTES forming part of the consolidated financial statements

Net Investments hedge

Hedges of net investments in foreign operations, including monetary items that are accounted for as part of net investment are accounted as follows:

- the effective portion of the gain or loss on the hedging instrument is recognized in Reserves and Surplus and the ineffective portion recognized in the Statement of Profit and Loss. The cumulative gain or loss previously recognized in equity is recognized in the Statement of Profit and Loss on the disposal / partial disposal of the foreign operations.

Hedges of net investments may include non-derivative liabilities as well as derivative financial instruments although for a non-derivative financial liability only the foreign exchange risk is designated as the hedged risk.

(d) Derivative contracts

The Group enters into derivative contracts in the nature of foreign currency swaps, currency options, forward contracts with an intention to hedge their existing assets and liabilities, firm commitments and highly probable transactions. Such derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the accounting policy stated for foreign currency transactions and translations.

Derivative contracts designated as a hedging instrument for highly probable forecast transactions are accounted as per the policy stated for Hedge accounting.

All other derivative contracts are marked-to-market and losses / gains are recognized in the Statement of Profit and Loss.

1.25 Service tax input credit

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing / utilising the credits

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 3 **SHARE CAPITAL**		
Authorised		
89,750,000 (Previous year 89,750,000) Equity shares of ₹ 10/- each with voting rights	897.50	897.50
620,000 (Previous year 620,000) 6% Cumulative redeemable preference shares of ₹ 1,000/- each	620.00	620.00
Total	**1,517.50**	**1,517.50**
Issued, subscribed and fully paid-up		
59,565,621 (Previous Year 58,803,721) Equity shares of ₹10/- each with voting rights	595.66	588.04
Total	**595.66**	**588.04**

3(a) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	March 31, 2014		December 31, 2012	
	No. of Shares	₹ In Million	No. of Shares	₹ In Million
Equity share of ₹ 10/- each				
Opening balance	58,803,721	588.04	58,380,171	583.80
Issued pursuant to Employee stock option plans (Refer note 39)	761,900	7.62	423,550	4.24
Closing balance	**59,565,621**	**595.66**	**58,803,721**	**588.04**

NOTES forming part of the consolidated financial statements

3(b) Detail of the rights, preferences and restrictions attaching to each class of shares Equity shares of ₹ 10/- each outstanding:

The Company has only one class of equity shares, having a par value of ₹ 10/-. The holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to approval by the shareholders at the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive any of the remaining assets of the Company, after distribution to all other parties concerned. The distribution will be in proportion to number of equity shares held by the shareholders.

3(c) Details of equity shares held by each shareholder holding more than 5% of shares:

Particulars	March 31, 2014		December 31, 2012	
	No. of Shares	%	No. of Shares	%
Pronomz Ventures LLP	12,665,000	21.26%	12,665,000	21.54%
Morgan Stanley Asia (Singapore) Pte Limited	3,965,140	6.66%	-	-
DVI Fund Mauritius Limited	3,118,378	5.24%	-	-

3(d) Details of aggregate number of equity shares allotted as fully paid-up pursuant to contract without payment being received in cash for the period of five year immediately preceding the Balance Sheet date:

Particulars	No. of Shares	
	March 31, 2014	December 31, 2012
Equity shares of ₹ 10/- issued pursuant to a scheme of amalgamation in 2009	13,524	13,524

3(e) Details of equity shares of ₹ 10/- each reserved for issuance:

Particulars	No. of Shares	
	March 31, 2014	December 31, 2012
Towards Employee stock options under the various Strides stock option plans (Refer Note 39)	1,940,450	2,702,350
Total	**1,940,450**	**2,702,350**

NOTES forming part of the consolidated financial statements

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 4 RESERVES AND SURPLUS		
Capital redemption reserve	**551.61**	**551.61**
Capital reserve on consolidation	**0.25**	**74.29**
Capital reserve (on forfeiture of Monies received towards Share Warrants)	**225.60**	**225.60**
Securities premium account:		
Opening Balance	5,697.63	6,063.85
Add: Premium on shares issued during the year	297.65	99.91
Less: Amortisation of premium on redemption of FCCB's and issue expenses (net) (Refer Note 36 & 50.1)	-	400.97
Less: Transferred to Reserve for Business Restructure (Refer note 35)	-	65.16
Closing Balance	**5,995.28**	**5,697.63**
Share options outstanding account		
Opening balance	49.09	55.48
Add: Amounts recorded on grants / (cancellations) during the year	19.43	9.08
Less: Transferred to Securities premium account	(45.78)	(15.47)
	22.74	**49.09**
Less: Deferred stock compensation expense	(20.78)	(14.12)
Closing Balance	**1.96**	**34.97**
Reserve for Business Restructure (BRR) - Refer note 35		
Opening Balance	-	1,784.18
Add: transferred from Securities premium account during the year	-	65.16
Less: Utilisation during the year (net)	-	(1,849.34)
Closing Balance	**-**	**-**
Hedge reserve (refer Note 50.2)		
Opening Balance	(1,484.51)	(1,731.52)
Effect of foreign exchange rate variations on hedging instruments outstanding during the year	83.86	(605.43)
Transferred to Statement of Profit and Loss	1,481.83	852.44
Closing Balance	**81.18**	**(1,484.51)**
Exchange reserve (on consolidation)		
Opening Balance	1,300.99	1,194.64
Add: Transactions during the year	2,560.22	831.20
Add/(Less): Transferred to Statement of Profit and Loss on disposal of investments	716.25	(724.85)
Closing Balance	**4,577.46**	**1,300.99**
General reserve		
Opening Balance	534.06	491.06
Add: Transfer from Statement of Profit and Loss	3,512.92	43.00
Closing Balance	**4,046.98**	**534.06**
Surplus in Statement of Profit and Loss		
Opening Balance	12,739.75	4,457.53
Add: Profit for the year/ period	17,667.46	8,462.37
Less: Special dividend on equity shares (₹ 500 per share)	(29,783.30)	(117.99)
Proposed dividend on equity shares (₹ 5 per share, previous year ₹ 2 per share)	(297.83)	-
Dividend issued by subsidiary company outside the Group	(7.80)	-
Tax on dividends (refer Note (ii) below)	(2,762.46)	-
Tax on proposed dividend	(50.62)	(19.16)
Transferred to General reserve	(3,512.92)	(43.00)
Closing Balance	**(6,007.72)**	**12,739.75**
Total	**9,472.60**	**19,674.39**

Note:

(i) Equity dividend accrued in 2013 includes ₹ 0.49 Million being dividends relating to the year ended 31 December, 2012 on the incremental number of shares that were issued between 31 December, 2012 and the date of the Annual General Meeting of the Company held on June 10, 2013. Tax on dividends accrued in 2013 includes tax on such dividends of ₹ 0.08 Million paid for 2012.

(ii) Tax on special dividend is net of taxes paid on dividend income from wholly-owned foreign subsidiaries of ₹ 2,300.12 Million (for the year ended December 31, 2012: ₹ Nil)

NOTES forming part of the consolidated financial statements

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 5 **LONG-TERM BORROWINGS**		
Secured		
- Term Loans from banks and others	420.04	7,311.48
Total	**420.04**	**7,311.48**

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 6 **DEFERRED TAX LIABILITIES (NET)**		
Tax effect on items constituting deferred tax liability:		
- On difference between book balance and tax balance of fixed assets	111.40	386.03
Tax effect on items constituting deferred tax asset:		
- Provision for compensated absences, gratuity, other employee benefits and provision for doubtful debts / advances	(67.50)	(43.07)
- Unabsorbed depreciation carried forward / brought forward business losses (refer Note below)	-	(55.53)
Deferred tax liability	**43.90**	**287.43**

Note:

As at December 31, 2012, recognition of deferred tax assets with respect to unabsorbed depreciation and tax losses has been done in cases where there is corresponding timing difference creating deferred tax liabilities in the same entity and the amount of such assets recognised is restricted to the extent of such liabilities.

Deferred tax asset (net)

₹ In Million

	March 31, 2014	December 31, 2012
Tax effect on items constituting deferred tax asset:		
- Provision for compensated absences, gratuity, other employee benefits and provision for doubtful debts / advances	27.38	15.63
Deferred tax asset	**27.38**	**15.63**

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 7 **OTHER LONG-TERM LIABILITIES**		
Others:		
- Payable on purchase of fixed assets	-	661.96
- Trade security deposits received	45.65	9.85
- Gratuity and other benefits	57.87	140.81
- Option cost (Refer note. 37)	-	37.52
Total	**103.52**	**850.14**

NOTES forming part of the consolidated financial statements

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 8 LONG-TERM PROVISIONS		
Provision for employee benefits:		
- Compensated absence	47.95	83.50
- Long-term Incentive plan	-	274.45
Provision - Others:		
- Provision for tax (net of taxes paid)	117.64	214.55
Total	**165.59**	**572.50**

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 9 SHORT-TERM BORROWINGS		
Loans repayable on demand from banks and others		
Secured loans	2,006.61	5,960.84
Unsecured loans	238.97	38.11
Total	**2,245.58**	**5,998.95**

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 10 TRADE PAYABLES		
Trade Payables	2,678.60	4,630.80
Total	**2,678.60**	**4,630.80**

NOTES forming part of the consolidated financial statements

₹ In Million

Note No. 11 OTHER CURRENT LIABILITIES	March 31, 2014	December 31, 2012
Current maturities of secured term loans from banks	2,800.54	2,634.18
Interest accrued but not due on borrowings	26.93	164.27
Unclaimed dividends	51.41	2.31
Other payables:		
- Statutory remittances	71.11	206.90
- Payables on purchase of fixed assets	51.77	679.40
- Advances received from customers	113.31	2,722.91
- Trade deposits received	17.71	91.53
- Gratuity	-	15.05
- Option cost (Refer note 37)	144.45	-
- Others	298.60	-
Total	**3,575.83**	**6,516.55**

₹ In Million

Note No. 12 SHORT-TERM PROVISIONS	March 31, 2014	December 31, 2012
Provision for employee benefits:		
- Compensated absences	40.52	92.30
- Payables to employees under incentive plan	148.81	90.71
Provision - Others:		
- Provision for tax (net of advance tax)	394.41	500.30
- Estimated loss on forward exchange contracts	-	6.59
- Proposed equity dividend	297.83	117.61
- Tax on proposed dividends	50.62	19.08
Total	**932.19**	**826.59**

NOTES forming part of the consolidated financial statements

₹ In Million

	Gross block							Depreciation / amortisation						Net block	
	As at January 1, 2013	Consolidation adjustment / reclassifications	Additions during the year	Other adjustments (Refer note (viii) below)	Disposal: On sale of subsidiary (Refer note 33 & 34)	Disposal: Others	As at March 31, 2014	Upto December 31, 2012	Consolidation adjustment / reclassifications	For the year	Withdrawals: On sale of subsidiary	Withdrawals: Others	Upto March 31, 2014	As at March 31, 2014	As at December 31, 2012
Note No. 13 FIXED ASSETS															
Tangible assets:															
Land															
- Freehold	846.30	3.75	201.92	-	120.04	-	931.93	-	-	-	-	-	-	931.93	846.30
	813.68	*3.83*	*28.79*	-	-	-	*846.30*	-	-	-	-	-	-	*846.30*	*813.68*
- Leasehold	255.97	0.95	14.11	-	133.84	48.84	88.35	10.28	0.24	3.95	2.41	-	12.06	76.29	245.69
	271.78	*(3.51)*	*128.13*	-	*140.43*	-	*255.97*	*59.73*	*(2.51)*	*3.86*	*50.80*	-	*10.28*	*245.69*	*212.05*
Buildings	3,503.45	87.94	1,599.74	776.40	2,751.06	46.29	1,617.38	678.37	22.71	156.53	468.69	4.27	384.65	1,232.73	2,825.08
	3,139.89	*25.81*	*345.88*	-	*3.10*	*5.03*	*3,503.45*	*544.49*	*6.97*	*129.85*	*0.61*	*2.33*	*678.37*	*2,825.08*	*2,595.40*
Plant and equipments	8,251.92	141.40	750.70	-	6,015.04	238.84	2,890.14	2,556.93	80.17	600.77	1,542.79	107.90	1,587.18	1,302.96	5,694.99
	7,837.05	*(19.64)*	*742.63*	-	*275.19*	*32.93*	*8,251.92*	*2,255.41*	*(1.81)*	*496.64*	*185.34*	*7.97*	*2,556.93*	*5,694.99*	*5,581.64*
Furniture and fixtures	267.96	7.71	128.54	-	207.49	20.27	176.45	86.04	2.46	23.94	53.96	8.06	50.42	126.03	181.92
	505.38	*(7.22)*	*27.27*	-	*244.35*	*13.12*	*267.96*	*285.78*	*(6.86)*	*20.36*	*202.69*	*10.55*	*86.04*	*181.92*	*219.60*
Vehicles	84.58	3.02	26.50	-	23.10	12.66	78.34	51.06	2.12	17.40	12.26	11.34	46.98	31.36	33.52
	83.79	*(0.11)*	*25.86*	-	*8.81*	*16.15*	*84.58*	*49.21*	*0.75*	*15.03*	*1.89*	*12.04*	*51.06*	*33.52*	*34.58*
Office equipments	197.96	2.70	35.02	-	90.57	21.83	123.28	102.01	2.31	23.61	30.08	14.52	83.33	39.95	95.95
	158.38	*9.08*	*37.43*	-	*0.80*	*6.13*	*197.96*	*61.73*	*2.83*	*47.05*	*0.16*	*9.44*	*102.01*	*95.95*	*96.65*
Total	**13,408.14**	**247.47**	**2,756.53**	**776.40**	**9,341.14**	**388.73**	**5,905.87**	**3,484.69**	**110.01**	**826.20**	**2,110.19**	**146.09**	**2,164.62**	**3,741.25**	**9,923.45**
	12,809.95	***31.50***	***1,335.99***	**-**	***672.68***	***73.36***	***13,408.14***	***3,256.35***	***(0.63)***	***712.79***	***441.49***	***42.33***	***3,484.69***	***9,923.45***	***9,553.60***
Intangible assets:															
- Internally generated:															
- Registrations	36.77	-	14.92	-	-	-	51.69	36.77	-	3.08	-	-	39.85	11.84	-
	36.77	-	-	-	-	-	*36.77*	*36.77*	-	-	-	-	*36.77*	-	-
- Others:															
- Registration and brands	3,846.15	52.02	5,808.72	-	7,811.13	100.65	1,795.11	1,218.65	29.39	630.33	672.26	47.87	1,158.24	636.87	2,627.50
	3,277.98	*(33.37)*	*1,442.81*	-	*832.26*	*9.01*	*3,846.15*	*1,049.90*	*13.97*	*405.86*	*249.64*	*1.44*	*1,218.65*	*2,627.50*	*2,228.08*
- Software licenses	301.85	2.05	134.11	-	145.21	6.13	286.67	142.73	1.40	79.42	57.03	1.20	165.32	121.35	159.12
	497.61	*(5.71)*	*75.70*	-	*265.75*	-	*301.85*	*228.86*	*(3.42)*	*53.30*	*133.73*	*2.28*	*142.73*	*159.12*	*268.75*
- Early-to-Market	646.84	-	-	-	646.84	-	-	92.86		-	92.86	-	-	-	553.98
	-	-	*646.84*	-	-	-	*646.84*	-	-	*92.86*	-	-	*92.86*	*553.98*	-
Total	**4,831.61**	**54.07**	**5,957.75**	**-**	**8,603.18**	**106.78**	**2,133.47**	**1,491.01**	**30.79**	**712.83**	**822.15**	**49.07**	**1,363.41**	**770.06**	**3,340.60**
	3,812.36	***(39.08)***	***2,165.35***	**-**	***1,098.01***	***9.01***	***4,831.61***	***1,315.53***	***10.55***	***552.02***	***383.37***	***3.72***	***1,491.01***	***3,340.60***	***2,496.83***

Notes:

(i) Figures in italics relates to previous year.

(ii) Current year additions to fixed assets includes ₹ 3.71 Million (Previous year ₹ 38.87 Million) relating to interest expense capitalised as per Accounting Standard 16 'Borrowing Costs'.

NOTES forming part of the consolidated financial statements

(iii) Reconciliation to Statement of Profit and Loss

₹ In Million

Particulars	March 31, 2014	December 31, 2012
Depreciation on tangible assets	826.20	712.79
Amortisation on intangible assets	712.83	552.02
Sub-total	**1,539.03**	**1,264.81**
Less: Amounts charged to BRR per Scheme	-	(169.98)
Amount charged in the Statement of Profit and Loss	**1,539.03**	**1,094.83**
- under continuing operations	564.81	308.58
- under discontinuing operations	**974.22**	**786.25**

(iv) Details of sums added on revaluation of assets during the preceding 5 years:

In the year ended December 31, 2009, pursuant to a Court approved Scheme of Arrangement, the Company fair valued certain land and plant and machinery (refer note 35). The excess of fair value over the carrying values (at December 31 ,2009) of the respective assets are as follows:

- Land ₹ 754.32 Million
- Plant and machinery ₹ 281.25 Million

There were no other sums added on account of revaluation during the preceding 5 years.

(v) Details of assets acquired under hire purchase agreements:

₹ In Million

Particulars	Gross block		Net block	
	March 31, 2014	December 31, 2012	March 31, 2014	December 31, 2012
Vehicles	16.97	21.06	14.39	14.61
Total	**16.97**	**21.06**	**14.39**	**14.61**

(vi) Details of capital commitment

₹ In Million

Particulars	March 31, 2014	December 31, 2012
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances):		
- Tangible assets	213.60	637.53
Total	**213.60**	**637.53**

(vii) Details of assets given under an operating lease

₹ In Million

	Gross block of assets as at March 31, 2014	Accumulated depreciation of assets as at March 31, 2014	Net block
Freehold Land	115.96	-	115.96
Buildings	785.73	49.97	735.76
Plant and equipments	49.55	12.34	37.21
Furniture and fixtures	38.82	12.72	26.10
Office equipments	0.79	0.51	0.28
Total	**990.85**	**75.54**	**915.31**

As at December 31, 2012, there were no asset leasing arrangements.

NOTES forming part of the consolidated financial statements

(viii) As part of the hive off of the entities into the manufacture of Specialties products business referred in note 33, the Group also entered into a long term lease arrangement with Agila Specialties Private Limited for certain land and buildings (along with the related infrastructure). Consequent to the above, the difference between the present value of the lease rentals under the lease and the carrying value of the said assets has been considered as transaction related expenditure referred in note 33 (vi).

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 14 **NON-CURRENT INVESTMENTS**		
Investments: Trade		
Investments in equity shares		
- 1,050 (As at December 31, 2012: 1,050) shares of AUD 1 each in Red Vault Investments Pty Limited, Australia	150.87	150.87
Less: Provision for diminution in value of investments	(150.87)	(150.87)
- 286,900 (As at December 31, 2012: 286,900) shares of EUR 1 each in Strides Italia S.r.L, Italy	68.88	68.88
Less: Provision for diminution in value of investments	(68.88)	(68.88)
- 4,000,000 (As at December 31, 2012: Nil) shares of USD 1.75 each in Oncobiologics Inc, US	418.04	-
Total	**418.04**	**-**

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 15 **LONG-TERM LOANS AND ADVANCES**		
Unsecured, considered good		
- Capital advances	110.47	297.50
- Security deposits	62.08	198.92
- Loans and advances to employees	-	6.44
- Prepaid expenses	3.10	60.70
- MAT credit entitlement	402.63	487.30
- Taxes paid (net of provisions)	-	52.68
Balances with government authorities:		
- VAT credit receivable	1.81	2.46
- Taxes paid under protest	328.85	144.65
- Receivable from KIADB	6.44	6.44
Unsecured, considered doubtful		
- Other loans and advances	11.09	1,301.11
Less: Provision for doubtful loans and advances	(11.09)	(1,301.11)
	-	-
Total	**915.38**	**1,257.09**

NOTES forming part of the consolidated financial statements

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 16 OTHER NON-CURRENT ASSETS		
Unamortised expenses		
- Unamortised deferred revenue expenditure (Refer note (i) below)	-	11.72
Total	**-**	**11.72**

Note:

(i) In 2010, the Group had capitalised its new manufacturing facility (the Plant) set up for manufacturing products to USA market. However, pending United Stated Food and Drug Administration ('USFDA') approval, the Company had not started commercial production and all the expenses incurred to maintain the Plant were deferred as per the accounting policy followed by the Company. The Group received the USFDA approval for the Plant in April 2011 and the total expense deferred upto March 31, 2011 was being amortised as per the accounting policy followed by the Company.

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 17 CURRENT INVESTMENTS		
Investment in Strides Actives Pharma Limited (an associate)	0.04	-
Investment in mutual funds:	-	
- Reliance Liquid Fund - Treasury Plan - Daily dividend option (Units 85,669.868 (Previous Year 249.271))	130.89	0.57
- Reliance Floating Rate Fund - Short Term Plan - Growth Plan (Units 20,332,228.616 (Previous Year Nil))	400.00	-
- Reliance Fixed Horizon Fund - XXV - Series 17 - Direct Plan Growth Plan (Units 75,000,000 (Previous Year Nil))	750.00	-
- Reliance Fixed Horizon Fund - XXVI - Series 5 - Direct Plan Growth Plan (Units 30,000,000 (Previous Year Nil))	300.00	-
- Tata Liquid Fund Direct Plan - Daily dividend (Units 38.388 (Previous Year Nil))	0.04	-
- Tata Fixed Maturity Plan Series 46 Scheme K - Direct Plan - Growth (Units 25,000,000 (Previous Year Nil))	250.00	-
- Tata Fixed Maturity Plan Series 47 Scheme D - Direct Plan - Growth (Units 15,000,000 (Previous Year Nil))	150.00	-
- IDFC Fixed Term Plan Series 88 Direct Plan -Growth (372 Days) (Units 20,000,000 (Previous Year Nil))	200.00	-
- L&T Fixed Maturity Plan Series 10 - Plan S - Direct Growth (Units 50,000,000 (Previous Year Nil))	500.00	-
- Religare Invesco Fixed Maturity Plan- Sr. 23 - Plan G (376 Days) - Direct Plan Growth (Units 10,000,000 (Previous Year Nil))	100.00	-
- SBI Premier Liquid Fund - Direct Plan - Daily dividend option (Units 89,838.195 (Previous Year Nil))	90.13	-
- ICICI Prudential Fixed Maturity Plan series 73 - (378 Days) Plan O Direct Plan Cumulative (Units 50,000,000 (Previous Year Nil))	500.00	-
- HDFC Fixed Maturity Plan (378 Days) Mar 2014-1-Direct-GR (Units 25,000,000 (Previous Year Nil))	250.00	-
- Birla Sun Life Fixed Term Plan-Series KW-Gr. Direct - Reinvestment (Units 25,000,000 (Previous Year Nil))	250.00	-
- Reliance Liquid Fund - Treasury Plan - Daily dividend option (Units 62,840.965 (Previous Year Nil))	96.07	-
- SBI Premier Liquid Fund - Direct Plan - Daily dividend option (Units 45,049.198 (Previous Year Nil))	45.20	-
Total	**4,012.37**	**0.57**
Aggregate net asset value of investment in mutual funds	4,012.37	0.57
Current investments offered as security towards short term borrowings	400.00	-
Current investments in the nature of 'Cash and cash equivalents' considered as part of cash and cash equivalents in the Cash Flow Statement	3,612.37	0.57

NOTES forming part of the consolidated financial statements

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 18 INVENTORIES		
Raw materials	1,085.44	2,424.98
- Goods-in-transit	77.64	289.98
Work-in-progress	117.68	343.31
Finished goods (other than those acquired for trading)	300.93	944.39
- Goods-in-transit	58.19	146.28
Stock-in-trade (acquired for trading)	107.74	232.78
Stores and spares	12.28	41.58
Total	**1,759.90**	**4,423.30**

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 19 TRADE RECEIVABLES		
Unsecured considered doubtful	130.24	164.01
Less: Provision for doubtful trade receivables	(130.24)	(164.01)
	-	-
Unsecured considered good	3,639.95	4,832.32
Total	**3,639.95**	**4,832.32**

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 20 CASH AND CASH EQUIVALENTS		
Cash on hand	2.56	1.85
Balances with banks:		
- In current accounts	828.35	837.55
- In EEFC accounts	-	16.10
- In deposit accounts	1,416.77	464.16
- In earmarked accounts:		
- Unpaid dividend accounts	50.23	2.35
- Group gratuity accounts	0.43	2.11
- Balances held as margin money	13.11	333.30
Total	**2,311.45**	**1,657.42**
Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 'Cash Flow Statements' is	2,247.68	1,319.66

NOTES forming part of the consolidated financial statements

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 21 **SHORT-TERM LOANS AND ADVANCES**		
Unsecured, considered good		
Security deposits	23.93	0.86
Loans and advances to employees	29.03	28.67
Loans and advances to suppliers	700.06	353.66
Prepaid expenses	111.19	255.10
Advance income tax (net of provisions)	38.08	60.58
Balances with government authorities:		
- CENVAT credit receivable	24.44	35.94
- VAT credit receivable	106.32	230.23
- Service Tax credit receivable	121.22	269.07
- Incentives receivables	75.64	101.23
Total	**1,229.91**	**1,335.34**

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 22 **OTHER CURRENT ASSETS**		
Unbilled revenue (Refer note (i) below)	47.77	1,803.41
Unamortised deferred revenue expenditure (Refer note 16(i) above)	-	44.57
Interest accrued on deposit	5.34	7.05
MTM receivable on hedged forward contracts	81.18	-
Others:		
- Gratuity receivable	1.57	5.38
Total	**135.86**	**1,860.41**

Note:

(i) Unbilled revenue includes income recognised on development service contracts and contracts for production of dossiers, against which invoices are not due to be raised and are net of advances received against the respective contracts.

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 23 **REVENUE FROM OPERATIONS**		
Sale of products	12,278.91	7,985.88
Sale of services	355.75	955.18
Other operating revenue	833.48	698.24
Total	**13,468.14**	**9,639.30**
Less: Excise duty	58.53	21.68
Total	**13,409.61**	**9,617.62**

NOTES forming part of the consolidated financial statements

₹ In Million

Note No. 24 OTHER INCOME	March 31, 2014	December 31, 2012
Dividend income from current investments	131.24	6.88
Profit on sale fixed assets	-	2.35
Interest income	133.73	252.91
Rental income from operating leases	41.68	-
Provision/liabilities no longer required written back	205.36	76.58
Reimbursement of expenses	82.80	-
Others	7.54	3.23
Total	**602.35**	**341.95**

₹ In Million

Note No. 25 COST OF MATERIALS CONSUMED	March 31, 2014	December 31, 2012
Opening stock	889.34	1,126.58
Consolidation adjustment	46.57	(164.08)
Add: Purchases	5,865.84	3,318.85
Less: Closing stock	1,175.35	889.34
Total	**5,626.40**	**3,392.01**

₹ In Million

Note No. 26 PURCHASES OF STOCK-IN-TRADE	March 31, 2014	December 31, 2012
Traded goods	1,577.59	1,442.92
Total	**1,577.59**	**1,442.92**

₹ In Million

Note No. 27 (INCREASE) / DECREASE IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE	March 31, 2014	December 31, 2012
Opening stock		
- Work-in-progress	69.48	277.99
- Stock-in-trade	99.61	61.41
- Finished goods	419.53	1,611.35
	588.62	**1,950.75**
Consolidation adjustment		
- Work-in-progress	1.53	(22.32)
- Stock-in-trade	-	-
- Finished goods	(62.94)	(1,256.52)
	(61.41)	**(1,278.84)**
Closing stock		
- Work-in-progress	117.68	69.48
- Stock-in-trade	107.74	99.61
- Finished goods	359.12	419.53
	584.54	**588.62**
Total	**(57.33)**	**83.29**

NOTES forming part of the consolidated financial statements

₹ In Million

Note No. 28 EMPLOYEE BENEFITS EXPENSES	March 31, 2014	December 31, 2012
Salaries and wages	1,324.12	1,021.98
Contribution to provident and other funds	128.74	116.15
Expense on employee stock option scheme	12.77	-
Staff welfare expenses	106.14	64.86
Total	**1,571.77**	**1,202.99**

₹ In Million

Note No. 29 OTHER EXPENSES	March 31, 2014	December 31, 2012
Power, fuel & water	185.60	128.40
Consumables	173.91	333.47
Conversion & processing charges	44.81	31.02
Freight & forwarding	394.91	235.46
Rent	49.10	38.10
Rates & taxes	73.83	75.24
Communication charges	36.16	17.46
Repairs & maintenance		
- Buildings	20.49	6.53
- Machinery	56.92	39.92
- Others	63.58	33.33
Insurance	40.49	25.11
Travelling & conveyance	118.97	105.47
Advertisement & selling expenses	172.43	75.62
Sales commission	99.41	88.28
Legal and professional fees	331.13	320.24
Loss on sale of fixed assets (net)	14.81	-
Unbilled revenue written off	2.70	187.47
Provision for doubtful debts	79.19	21.07
Exchange fluctuation loss	269.76	500.07
Miscellaneous expenses	228.77	228.29
Total	**2,456.97**	**2,490.55**

₹ In Million

Note No. 30 FINANCE COSTS	March 31, 2014	December 31, 2012
Bank charges & commission	343.18	52.97
Interest on borrowings	669.25	741.49
Interest on delayed payment of income tax	76.33	-
Total	**1,088.76**	**794.46**

NOTES forming part of the consolidated financial statements

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 31 EXCEPTIONAL ITEMS		
Profit/(loss) on sale / disposal of investments (net) (refer note 34)	-	7,262.61
Exchange gain/ (loss) on long-term foreign currency loans, intra-group loans and advances	566.71	(130.77)
Changes in fair value options embedded derivatives in FCCB's	-	2.09
Impairment of Goodwill (refer note 46)	(133.19)	-
Write-off/provision for assets (refer note (i) below)	(592.09)	-
Other option costs (Refer Note 37)	(106.93)	(132.85)
Total	**(265.50)**	**7,001.08**

(i) Write-off/provision for assets comprises: [also refer note 46(i)(b)]

₹ In Million

Particulars	March 31, 2014	December 31, 2012
Write-off of intangible assets under development	102.28	-
Write-off of inventory	177.14	-
Provision for deposits with Bank	312.67	-
Total	**592.09**	**-**

₹ In Million

	March 31, 2014	December 31, 2012
Note No. 32 TAX EXPENSES		
Current tax	497.11	230.40
MAT credit entitlement	(111.13)	(720.45)
Deferred tax	22.58	601.54
Total	**408.56**	**111.49**

Note No. 33

SALE OF SPECIALTY BUSINESS:

(i) In February 2013, the Company and its subsidiary, Strides Pharma Asia Pte. Limited (Strides Pharma Asia), had entered into definitive agreements with Mylan Inc ("the Buyer") for hiving off its Specialty products business subject to receipt of regulatory approvals. The hive off of the Specialty business was by way of sale of shares of (i) Agila Specialties Private Limited ("ASPL", which was then a wholly owned subsidiary of the Company) and (ii) Agila Specialties Global Pte Limited, ("Agila Global"), which was then a wholly owned subsidiary of Strides Pharma Asia Pte Limited, ("Strides Asia"), Singapore, a wholly owned subsidiary of the Company)

(ii) The transactions were recorded through Share Purchase Agreements dated December 4, 2013 for (i) the sale of shares of ASPL to Mylan Laboratories Limited (MLL, a subsidiary of the Buyer) (the India SPA) for a consideration of USD 693.03 Million (₹ 43,010.04 Million) as computed under the India SPA, which was received in full on that date and (ii) the sale of shares of Agila Global to Mylan Institutional Inc (a Mylan group company) under the Global SPA for a consideration of USD 485.79 Million as computed under the Global SPA. Out of the total consideration of USD 485.79 Million, the Group received an amount of USD 95.79 Million (₹ 5,986.27 Million) on closing of the transaction, after the deduction of an aggregate amount of USD 390 Million as detailed in (iv) below.

(iii) The India SPA envisages that an amount of ₹ 850 Million and USD 60 Million be transferred by Mylan Laboratories Limited (MLL) to two separate Escrow accounts (which are jointly controlled by both MLL and the Company) respectively for payment to certain specified senior management personnel of ASPL and its subsidiary, and for incurring certain Regulatory expenses as defined under the agreements entered into between the Company and MLL. Unutilized amounts in the Escrow accounts, if any,

NOTES forming part of the consolidated financial statements

would be paid to the Company from the Escrow accounts in accordance with the terms of the agreements with MLL.

(iv) The Global SPA envisages that (a) an amount of USD 250 Million is held back towards costs and expenses that may be incurred by ASPL under certain specified events during the Regulatory Contingent Period (b) USD 40 Million towards certain Regulatory expenses (c) USD 100 Million towards potential tax contingencies. These amounts would be released by the Buyer subject to satisfactory compliance of the conditions specified under the Global SPA.

(v) Consequent to the above, with effect from December 5, 2013, following entities would also cease to be the subsidiaries of the Strides Group:

- Agila Jamp Canada Inc., Canada
- Agila (NZ) Pty Limited, New Zealand
- Agila Australia Pty Limited, Australia
- Agila Especialidades Farmaceuticas Ltda, Brazil
- Agila Farmaceuticas Participacoes Ltda, Brazil
- Agila Marketing e Distribuicao De Producos Hospitalares Ltda, Brazil
- Agila Specialties (Holdings) Limited, Cyprus
- Agila Specialties Americas Limited, Cyprus
- Agila Specialties Global Pte Limited, Singapore
- Agila Specialties Inc., USA
- Agila Specialties Investments, UK
- Agila Specialties Polska Sp. Z.o.o., Poland
- Agila Specialties Pharma Corporation, Canada
- Agila Specialties Private Limited, India
- Agila Specialties UK Limited, UK
- Catalist Pty Limited, Australia
- Farma Plus, Norway
- Onco Laboratories Limited, Cyprus
- Onco Therapies Limited, India
- Sagent Agila LLC, USA

(vi) The Group has considered the hive off of the Specialty business as discontinued operations in these consolidated financial statements. Included under the discontinued operations in the Statement of Profit and Loss is an amount of ₹ 32,222.81 Million, being profits (before related taxes) recognised on the disposal of assets / settlement of liabilities attributable to the specialty business, after netting off the following:

Particulars	₹ In Million
- Contract Termination costs incurred (including write-offs of unbilled revenues on R&D contracts)	6,319.53
- Professional fees	1,672.56
- Special bonus to employees of the Group	781.58
- Impairment losses	1,098.46
- Other costs	482.26
Accumulated exchange losses relating to net assets of non-integral operations charged-off on disposal of discontinued operations [refer Note 38 and 50.2(a)]	2,746.32
Total	**13,100.71**

The results of the discontinued operations were as under:

₹ In Million

Profit / (Loss) from ordinary activities	For the period ended December 4, 2013	For the year ended December 31, 2012
Sale of products	9,021.75	10,344.41
Sale of services	1,375.74	2,791.33
Other operating revenue	1,289.76	319.91
Total revenue from operations	**11,687.25**	**13,455.65**
Other income	381.74	241.48
Total revenue	**12,068.99**	**13,697.13**

NOTES forming part of the consolidated financial statements

₹ In Million

Profit / (Loss) from ordinary activities	For the period ended December 4, 2013	For the year ended December 31, 2012
Cost of materials consumed	3,972.60	4,103.34
Purchases of stock-in-trade	1,064.97	1,467.38
Changes in inventories of finished goods, work-in-progress and stock-in-trade	192.34	(508.88)
Employee benefits expense	1,871.33	1,605.71
Finance costs	1,816.79	1,139.95
Depreciation and amortisation expense	974.22	786.25
Other expenses	6,418.33	2,854.33
Total expenses	**16,310.58**	**11,448.08**
Profit / (Loss) before tax from ordinary activities	**(4,241.59)**	**2,249.05**
Add: Gain on disposal of assets / settlement of liabilities attributable to the discontinued operations (net)	32,222.81	-
Profit before tax from discontinued operations	**27,981.22**	**2,249.05**
Tax expense		
- on ordinary activities attributable to the discontinued operations	7.27	909.96
- on gain / (loss) on disposal of assets / settlement of liabilities relating to discontinued operations	7,972.67	-
	7,979.94	**909.96**
Profit after tax of discontinued operations	**20,001.28**	**1,339.09**

₹ In Million

Particulars	As at December 4, 2013	As at December 31, 2012
Carrying amount of assets relating to the discontinued operations	42,599.87	36,420.95
Carrying amount of liabilities relating to the discontinued operations	(38,927.08)	(25,147.88)
Net assets / (liabilities) relating to the discontinued operations	**3,672.79**	**11,273.07**

₹ In Million

Particulars	For the period ended December 4, 2013	For the year ended December 31, 2012
Net cash flow attributable to the discontinued business		
Cash flows from operating activities	140.93	773.38
Cash flows from investing activities	(1,512.78)	(3,816.27)
Cash flows from financing activities	1,241.06	2,782.51

NOTES forming part of the consolidated financial statements

(vii) Subsequent to the transaction, Mylan group has been in discussions with the Group with regard to matters relating to the assets and liabilities taken over and has raised certain claims on the Group under the India SPA and the Global SPA. The Group has also claimed certain additional amounts from the Mylan group and as on date, is in discussions with them to resolve these matters. Based on the nature of the claims involved, the Group does not expect the profit recognised on the hive of the Specialties business would be materially impacted and any adjustments required will be recorded on conclusion of these discussions.

(viii) The Company has given a corporate guarantee for USD 200 Million (₹ 12,028 Million) to the Buyer towards future claims / liabilities, if any, relating to the period prior to December 4, 2013.

Note No. 34

SALE OF INVESTMENT IN ASCENT PHARMAHEALTH LIMITED (‘APH’)

(a) In the year 2012, the Group had entered into Share Sale Agreement (‘SSA’) dated January 24, 2012 with Watson Pharmaceuticals Inc., USA (‘Watson’) under which it has sold its investments in APH to Watson for a total enterprise value of AUD 375 Million and profits from the sale of such investments in APH of ₹ 7,262.61 Million was accounted under Exceptional items in the Statement of Profit and Loss.

(b) In connection with the sale of investments in APH, the Company has given a guarantee to the Watson in respect of certain matters to the extent of AUD 352.61 Million. As at March 31, 2014, the Group has evaluated the possible exposure on the guarantee and believes that it is more likely that there is no present obligation under the Guarantee.

Note No 35

SCHEME OF ARRANGEMENT UNDER SECTION 391 – 394 OF THE COMPANIES ACT, 1956

35.1 The shareholders of the Company, in their meeting held on April 13, 2009 approved the Scheme of Restructuring that envisaged interalia a Scheme of Arrangement (the ‘Scheme’) to be filed under Sections 391 to 394 of the Companies Act, 1956 covering the merger of some of the subsidiaries (Transferor companies) of the Company with itself (Transferee company), fair valuation of some of the assets of the Company and creation of a Reserve for Business Restructure (‘BRR’) out of any surpluses arising from these, to be utilized as specified in the Scheme.

35.2 The Scheme filed by the Company had been approved by the High Courts of Judicature with an appointed date of January 1, 2009 and an effective date of December 31, 2009 (‘the Effective Date’), being the date on which the all requirements under the Companies Act had been completed.

In terms of the Scheme and upon the Scheme becoming effective, amongst other things:

- expenses incurred by the Company or its subsidiaries in the nature of impairment, diminution, loss, amortization and/ or write-off of assets/ investments/ intangibles, interest on borrowings for acquisitions, employee compensation expenses, additional depreciation charged or suffered by the Transferee Company on account of fair valuation, scheme expenses and other expenses or arising in the future as may be determined by the Board of Directors of the Transferee Company, shall be debited to the BRR. The maximum amount that can be written off against the BRR instead of being debited to the Statement of Profit and Loss on or at any time after January 1, 2009 would be restricted to the balance in the BRR or upto December 31, 2012 and not beyond that. Any unutilized balance in the BRR is required to be transferred to Securities premium account by December 31, 2012.
- the balance in the Securities premium account, as appearing in the books of the Transferee Company may be transferred to BRR, to such extent as determined by the Board.

Accordingly, the following accounting treatment was given effect:

(a) The fair value of net assets acquired from the Transferor Companies in excess of the carrying value of investment in the subsidiaries and the value of equity shares issued to minority shareholders, amounting to ₹ 146.77 Million was credited to BRR during the year ended December 31, 2009.

(b) Upon the Scheme becoming effective, and based on legal advice received, the assets and liabilities of the Transferee Company had been fair valued as determined by the Board of Directors of the Company and the net surplus arising out of such fair valuation (over the carrying value of the respective assets and liabilities prior to the fair valuation) was credited to the BRR as follows during the year ended December 31, 2009.

NOTES forming part of the consolidated financial statements

(₹ In Million)

Particulars of assets and liabilities fair valued	Amount credited to BRR
(i) Investment in Agila Specialties Private Limited (ASPL) (then, a Wholly Owned Subsidiary ['WOS'] of the Company)	5,856.20
(ii) Land	754.32
(iii) Machineries	281.25
Net amount credited to BRR	**6,891.77**

Consequent to the above referred fair valuation of investments in ASPL, the Goodwill as at December 31, 2012 and the Goodwill included in the "Carrying amount of assets relating to the discontinued operations'' [refer note 33(vi)] are higher to the extent of ₹ 5,856.20 Million.

Had the Scheme not prescribed the above accounting treatment, in terms of the Group's accounting policies, these assets would continue to have been carried at cost. Accordingly, the "Gain on disposal of assets / settlement of liabilities attributable to the discontinued operations" for the current period would have been higher by ₹ 5,856.20 Million.

(c) During the year ended December 31, 2012, in accordance with the Scheme;

(i) an amount of ₹ 65.16 Million has been transferred from Securities premium account to the BRR during 2012.

(ii) the following expenses have been adjusted against the BRR:

Particulars	₹ In Million
Inventories written off	35.47
Amortisation of brands / depreciation	169.98
Employee benefits expenses (including cost under ESOP)	20.87
Interest on fixed loans	396.96
Others expenses (net)	278.20
Reversal of impairment provisions[Refer note 46(ii)(a)]	(336.49)
Provision for long term advances [Refer note 46(ii)(b)]	1,284.35
Total expense (net) debited to BRR	**1,849.34**

(iii) Had the Scheme not provided for the above accounting treatment, the effect of accounting as per the Accounting Standards notified under the Section 211(3C) of the Companies Act, 1956, would have been as under:

In the Statement of Profit and Loss for the year ended December 31, 2012:

Particulars	(Increase)/Decrease (₹ in Million)
Cost of materials consumed	(35.47)
Employee benefits expense	(20.87)
Finance costs	(396.96)
Depreciation and amortisation	(169.98)
Reversal of impairment provisions[Refer note 46(ii)(a)]	336.49
Provision for long term advances [Refer note 46(ii)(b)]	(1,284.35)
Other expenses	(278.20)
Impact on Profit after tax	**1,849.34**

After considering the above adjustments, the basic earnings per share would have been ₹ 112.76 and diluted earnings per share would have been ₹ 102.36 for the year ended December 31, 2012.

In the Balance sheet as at December 31, 2012:

Particulars	Increase/(Decrease) (₹ in Million)
Capital Reserve (as per AS 14 "Accounting for Amalgamations")	146.77
Securities Premium	65.16
Revaluation reserve	870.93
Statement of Profit and Loss	(7,103.70)
Goodwill on consolidation	(5,856.20)

NOTES forming part of the consolidated financial statements

Note No. 36

FOREIGN CURRENCY CONVERTIBLE BONDS

The Group had issued zero coupon Foreign Currency Convertible Bonds (FCCB's) (listed in the Singapore Exchange Securities Trading Limited, Singapore) to the extent of USD 100 Million (FCCB 100 Million) during the year ended December 31, 2007 which were redeemable on June 27, 2012. In 2009, as permitted by RBI, the Company had bought back FCCB's with a face value aggregating to USD 20 Million. During the year ended December 31, 2012, payments were made towards redemption of zero coupon Foreign Currency Convertible Bonds (FCCBs) of face value amounting USD 80 Million with an effective premium of USD 36.05 Million.

Note No. 37

During the year ended 2012, Société De Promotion Et De Participation Pour La Coopération Economique ('Proparco') vide Shareholders Agreement dated June 28, 2012 had invested USD 12.50 Million into Strides Pharma (Cyprus) Limited ('SPCL'), a subsidiary of the Group against which SPCL issued fresh equity shares resulting in Proparco holding 20% interest in SPCL.

Strides Pharma International Limited ('SPIL'), a subsidiary of the Group and the immediate holding Company of SPCL also entered into an Option Agreement dated June 28, 2012 with Proparco, which entitles Proparco to sell its 20% interest (in SPCL) to SPIL, at any time between 5 years to 10 years from the date of investment, at a price that guarantees them a return of 11% or 16% depending on occurrence of certain specified performance milestones. The option cost amounting to USD 2.42 Million (previous year USD 0.70 Million) [equivalent ₹ 144.45 Million (as at December 31,2012: ₹ 37.52 Million)] has been accrued for in the balance sheet.

Considering the above Option arrangement under which the Group has committed to buy back Proparco's shareholding at a guaranteed return as referred above and on grounds of conservatism, the monies received from Proparco of USD 12.5 Million in 2012 has been considered as minority interest.

Note No. 38

During the year ended 2012, certain intra-group loans amounting to BRL 276.59 Million given by Strides Pharmaceuticals (Holdings) Limited (formerly Agila Specialties Limited) to Agila Farmaceutica Participacoes Ltda, Brazil (formerly Strides Farmaceutica Participacoes Ltda) and Agila Especialidades Farmaceuticas Ltda, Brazil, were recognised as net investment in non-integral foreign operations in accordance with AS 11 'The Effect of Changes in Foreign Exchange Rates', the exchange fluctuation losses arising out of reinstatement at December 31, 2012 of ₹ 1,268.40 Million were accumulated in Exchange Reserve (on consolidation) in the Balance Sheet. In the current period, due to disposal of Specialty business by the Group, such exchange fluctuation losses have been charged to the Statement of Profit and Loss in arriving at gain on disposal of discontinued operations.

Note No. 39

EMPLOYEE STOCK OPTION SCHEME (ESOP)

(a) In the extraordinary general meeting held on January 25, 2007, the shareholders approved the issue of 1,000,000 options under the Plan titled "Strides Arcolab ESOP 2006" (ESOP 2006). The ESOP 2006 allows the issue of options to employees of the Company and its subsidiaries (whether in India or abroad). Each option comprises one underlying equity share. As per the Plan, the Compensation committee grants the options to the employees deemed eligible. The exercise price of each option shall not be less than 85 per cent of the "Market Price" as defined in the Scheme. The options granted vest over a period of 3 years from the date of the grant in proportions specified in the Plan. Options should be exercised within 30 days of vesting. No options are granted under this plan during the current period.

(b) The ESOP titled "Strides Arcolab ESOP 2008" (ESOP 2008) was approved by the shareholders through postal ballot on June 18, 2008. 1,500,000 options are covered under the scheme for 1,500,000 shares. The options allotted under ESOP 2008 are convertible into equal number of equity shares. The vesting period of these options range over a period of three years. The options must be exercised with in a period of 30 days from the date of vesting. No options are granted under this plan during the current period.

(c) The ESOP titled "Strides Arcolab ESOP 2008 (Directors)" (ESOP 2008 Directors Plan) was approved by the shareholders through postal ballot on January 12, 2009. 500,000 options are covered under the scheme for 500,000 equity shares. The options allotted under ESOP 2008 are convertible into equal number of equity shares. The vesting period of these options range over a period of three years. The options must be exercised with in a period of 30 days from the date of vesting. No options are granted under this plan during the current period.

(d) The ESOP titled "Strides Arcolab ESOP 2011" (ESOP 2011) was approved by the shareholders on May 30, 2011. 1,500,000 options are covered under the scheme for 1,500,000 shares. The options allotted under ESOP 2011 are convertible into equal number of equity shares. The vesting period of these options range over a period of three years. The options must be exercised with in a period of 30 days from the date of vesting. During the current period, the Remuneration Committee in its meetings held

NOTES forming part of the consolidated financial statements

on November 20, 2013 has granted 400,000 options under the ESOP 2011 to eligible employees of the Company.

(e) In respect of the ESOP 2006 and all the other Employee Stock Option Plans detailed above, (i) the difference between the fair price of the share underlying the options granted, on the date of grant of option and the exercise price of the option, (being the intrinsic value of the option) representing Stock compensation expense, is expensed over the vesting period, (ii) all unvested options will vest immediately in the case of merger, dissolution or change in management of the Company. Accordingly, due to sale of investments in Agila Specialties Private Limited, the Remuneration Committee in its meeting held on November 20, 2013 has approved for early vesting of all options outstanding prior to that date. Upon early vesting of these options, the balance unrecognised expense of the intrinsic value of option in respect of these outstanding options has been recognised in the Statement of Profit and Loss.

(f) Employee compensation costs of ₹ 12.77 Million relating to the above referred various Employee Stock Option Plans have been charged to the Statement of Profit and Loss. Such expense for the year ended December 31, 2012 amounting to ₹ 20.87 Million has been debited to BRR in accordance with the terms of the Scheme of arrangement.

₹ In Million

Particulars	ESOP 2006	ESOP 2008	ESOP 2008 (D)	ESOP 2011	**Total**
Expenses during the period	4.88	5.18	3.99	1.96	**16.01**
Reversal due to lapse	(2.34)	(0.90)	-	-	**(3.24)**
Total	**2.54**	**4.28**	**3.99**	**1.96**	**12.77**

Employee stock options details as on the balance sheet date are as follows:

Particulars	During the period 2013-14		During the year 2012	
	Options (No's)	Weighted average exercise price per option (₹)	Options (No's)	Weighted average exercise price per option (₹)
Option outstanding at the beginning of the year:				
- ESOP 2006	366,000	331.15	472,500	331.15
- ESOP 2008	403,300	313.51	531,250	285.07
- ESOP 2008 (Director)	50,000	609.80	125,000	59.00
- ESOP 2011	-	-	-	-
Granted during the year:				
- ESOP 2006	-	-	-	-
- ESOP 2008	-	-	100,000	323.50
- ESOP 2008 (Director)	-	-	50,000	609.80
- ESOP 2011	400,000	322.30	-	-
Exercised during the year:				
- ESOP 2006	326,000	331.15	93,500	331.15
- ESOP 2008	385,900	313.68	205,050	245.43
- ESOP 2008 (Director)	50,000	609.80	125,000	59.00
- ESOP 2011	-	-	-	-

NOTES forming part of the consolidated financial statements

Particulars	During the period 2013-14		During the year 2012	
	Options (No's)	Weighted average exercise price per option (₹)	Options (No's)	Weighted average exercise price per option (₹)
Lapsed during the year:				
- ESOP 2006	40,000	331.15	13,000	331.15
- ESOP 2008	17,400	309.68	22,900	307.11
- ESOP 2008 (Director)	-	-	-	-
- ESOP 2011	-	-	-	-
Options outstanding at the end of the year:				
- ESOP 2006	-	-	366,000	331.15
- ESOP 2008	-	-	403,300	313.51
- ESOP 2008 (Director)	-	-	50,000	609.80
- ESOP 2011	400,000	322.30	-	-
Options available for Grant:				
- ESOP 2006	80,500	-	40,500	-
- ESOP 2008	169,950	-	152,550	-
- ESOP 2008 (Director)	190,000	-	190,000	-
- ESOP 2011	1,100,000	-	1,500,000	-

The impact on Earnings per Share if the 'fair value' of the options (on the date of the grant) were considered instead of the 'intrinsic value' is as under:

Particulars	For the period ended March 31, 2014	For the year ended December 31, 2012
	(₹ in Million)	(₹ in Million)
STRIDES ARCOLAB ESOP:		
Net Profit after minority interest as per Statement of Profit and Loss (Total operations)	17,667.46	8,462.37
Add: stock based employee compensation (intrinsic value)	12.77	Refer note below
Less: stock based compensation expenses determined under fair value method for the grants issued	(16.33)	
Net Profit (proforma total operations)	17,663.90	8,462.37
	₹	₹
Basic earnings per share (as reported for total operations)	298.56	144.30
Basic earnings/ (loss) per share (proforma total operations)	298.50	Refer note below
Diluted earnings per share (as reported total operations)	297.30	131.85
Diluted earnings/ (loss) per share (proforma total operations)	297.24	Refer note below

Note: As per the Scheme approved by the Honorable High Courts of Judicature, expenses under employee stock option plans were recorded in the BRR during the year ended December 31, 2012. Accordingly, there was no impact on Earnings per Share if the options were accounted at fair values instead of intrinsic value during 2012.

NOTES forming part of the consolidated financial statements

(g) The fair values of the options have been determined under the Black-Scholes model. The assumptions used in this model for calculating fair value are as below:

Assumptions	March 31, 2014	December 31, 2012
Risk Free Interest Rate	8.75%	8.85%
Expected Life	3 years	3 years
Expected Annual Volatility of Shares	38.64%	52.00%
Expected Dividend Yield	0.52%	0.14%

Note No. 40

Employee benefits pertaining to overseas subsidiaries have been accrued based on their respective local labour laws.

The Company and its Indian subsidiaries offers gratuity under its employee benefit scheme to its employees. The following table sets out the funded status of the defined benefit and the amount recognised in the financial statements.

₹ In Million

Sl. No.	Particulars	March 31, 2014	December 31, 2012
I	**Components of employer expense**		
1	Current service cost	27.50	22.42
2	Interest cost	29.56	6.21
3	Expected return on plan assets	(3.51)	(2.88)
4	Curtailment cost/ (credit)	-	-
5	Settlement cost/ (credit)	-	-
6	Past service Cost	-	-
7	Actuarial losses/ (gains)	(11.07)	56.40
8	Total expense recognised in the Statement of Profit & Loss	42.48	82.15
II	**Actual contribution and benefits payments**		
1	Actual benefit payments	19.35	11.14
2	Actual contributions	40.54	4.45
III	**Net asset/ (liability) recognised in balance sheet**		
1	Present value of defined benefit obligation (DBO)	105.29	183.76
2	Fair value of plan assets	50.03	38.15
3	Funded status [surplus/ (deficit)]	(55.26)	(145.61)
4	Unrecognized past service costs	-	-
5	Net asset/ (liability) to be recognised in balance sheet	(55.26)	(145.61)
	Non-current portion	(55.26)	(130.56)
	Current portion	-	(15.05)
IV	**Change in defined benefit obligations**		
1	Present value of DBO at beginning of period	183.76	112.61
2	Current service cost	27.50	22.42
3	Interest cost	29.56	6.21
4	Curtailment cost/ (credit)	-	-
5	Settlement cost/ (credit)	-	-
6	Plan amendments	-	-

NOTES forming part of the consolidated financial statements

₹ In Million

Sl. No.	Particulars	March 31, 2014	December 31, 2012
7	Acquisitions / (divestments)	(104.46)	
8	Actuarial (gains)/ losses	(11.72)	53.66
9	Benefits paid	(19.35)	(11.14)
10	Present Value of DBO at the end of the period	105.29	183.76
V	**Change in fair value of assets**		
1	Plan assets at beginning of period	38.15	39.76
2	Acquisition/ (divestment) adjustment	(13.47)	(0.52)
3	Expected return on plan assets	3.51	2.88
4	Actual Company contributions	40.54	4.43
5	Actuarial gains/ (losses)	0.65	2.74
6	Benefits paid	(19.35)	(11.14)
7	Plan assets at the end of the period	50.03	38.15
8	Actual return on plan assets	4.16	5.62
VI	**Assumptions**		
1	Discount Rate	8.80%	8.00%
2	Expected Return on plan assets	8.00%	8.00%
3	Salary escalation	10.00%	10.00%
4	Attrition	10.00%	10.00%
5	Mortality tables	Indian Assured Lives Mortality (2006-08) (Ultimate Table)	Indian Assured Lives Mortality(1994-96) (Ultimate Table)
	Estimate of amount of contribution in the immediate next year	20.00	4.15

Actuarial valuation experience adjustment:

₹ In Million

Particulars	2013-14	2012	2011	2010	2009
Present value of DBO	105.29	183.76	112.61	96.41	91.41
Fair value of plan assets	50.03	38.15	39.76	42.61	46.12
Funded status surplus / (deficit)	**(55.26)**	**(145.61)**	**(72.85)**	**(53.80)**	**(45.29)**
Experience gain / (loss) adjustment on plan liabilities	8.99	39.76	(6.46)	(14.19)	-
Experience (gain) / loss adjustment on plan assets	(0.65)	(2.74)	(5.76)	13.89	-

NOTES forming part of the consolidated financial statements

Composition of the plan assets as made available by the fund manager:

Category of Investments	As at March 31, 2014	As at December 31, 2012
Central Government Securities	23.86%	31.35%
State Government Securities	16.14%	10.71%
Other approved securities (Government guaranteed securities)	1.21%	1.35%
Debentures and bonds	39.32%	42.86%
Equity Shares	4.67%	5.22%
Fixed Deposits	14.20%	8.35%
CBLO (Money market instruments)	0.60%	0.16%

Actuarial assumptions for long-term compensated absences

Sl. No.	Particulars	March 31, 2014	December 31, 2012
1	Discount Rate	9.10%	8.10%
2	Expected Return on plan assets	8.00%	8.00%
3	Salary escalation	10.00%	10.00%
4	Attrition	10.00%	10.00%

Note:

(a) The discount rate is based on the prevailing market yields of Government of India securities as at the balance sheet date for the estimated term of the obligations.

(b) The estimate of future salary increases considered, takes into account the inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

(c) The above disclosure on gratuity and compensated absences is to the extent of information available with the Group and as per the actuarial valuation reports for gratuity and compensated absences.

NOTES forming part of the consolidated financial statements

Note No. 41

RELATED PARTY TRANSACTIONS: LIST OF THE RELATED PARTIES

Joint Ventures (JV):	Akorn Strides LLC, USA
	Sagent Agila LLC, (upto December 04, 2013)
	Agila Jamp Canada Inc., Canada (upto December 04, 2013)
Associates:	Strides Actives Private Limited (w.e.f June 17, 2013)
Key Management Personnel (KMP):	Arun Kumar (Executive Vice Chairman & Managing Director)
Relatives of Key Management Personnel (KMP):	Rajeshwari Amma
	Deepalakshmi Arun Kumar
	Aditya Arun Kumar
	Tarini Arun Kumar
	Padmakumar Karunakaran Pillai
	Hemalatha Pillai
	Sajitha Pillai
	Rajitha Gopalkrishnan
	Vineetha Mohana Kumar
	Mohana Kumar Pillai
Enterprises owned or significantly influenced by key management personnel and relative of key management personnel:	Atma Enterprises LLP, India
	Atma Projects, India
	Agnus Capital LLP, India
	Agnus Holdings Private Limited, India
	Agnus Global Holdings Pte Limited, Singapore
	Agnus IPCO Limited, BVI
	Chayadeep Properties Private Limited, India (upto February 7, 2014)
	Chayadeep Ventures LLP, India (upto February 7, 2014)
	Mandala Valley Vineyards Private Limited, India
	Mobme Wireless Solutions Limited
	Nous Infosytems Private Limited, India
	Patsys Consulting Private Limited, India
	Santo Properties Private Limited, India
	Sequent Scientific Limited, India
	Sequent Research Limited , India
	Sequent Penems Private Limited, India
	Sequent Global Holdings Limited, Mauritius
	Sequent Antibiotics (P) Limited, India
	Sequent Oncolytics (P) Limited, India
	Skanray Healthcare Private Limited, India
	Karuna Ventures Private Limited, India
	Paradime Infrastructure Development Company
	Deesha Properties, India
	Qualichem Remedies LLP, India
	Triumph Venture Holdings LLP, India
	Tulp Foods Private Limited
	Keerthapathi Ravishankar – HUF
	Pronomz Ventures LLP, India

NOTES forming part of the consolidated financial statements

Related Party Balances as at March 31, 2014

₹ In Millions

Sl No.	Nature of Transactions	Joint Ventures		Key Management Personnel (KMP)/ Relatives of KMP		Enterprises owned or significantly influenced by key management personnel or their relatives	
		As at March 31, 2014	As at December 31, 2012	As at March 31, 2014	As at December 31, 2012	As at March 31, 2014	As at December 31, 2012
	Advances Receivable/(Payable) as at:						
1	Mr. Arun Kumar			(18.75)	(20.89)		
2	Chayadeep Properties Private Limited					-	90.00
	Balance of deposits paid						
1	Atma Projects					6.29	40.00
	Balance of deposits received						
1	Sequent Scientific Limited					(2.27)	-
	Balance of trade payables (net of advance paid) as at:						
1	Atma Projects					(0.43)	-
2	Chayadeep Properties Private Limited					-	(8.65)
3	Sequent Research Limited					-	(2.38)
4	Sequent Scientific Limited					(242.43)	(8.41)
	Balance of trade receivables (net of advance received) as at:						
1	Agila Jamp Canada Inc	-	2.45				
2	Akorn Strides LLC	-	(3.80)				
3	Sagent Agila LLC	-	59.34				
4	Sequent Scientific Limited					-	5.54

NOTES forming part of the consolidated financial statements

Related Party Transactions for the period ended March 31, 2014

₹ In Millions

Nature of Transactions		Joint Ventures		Key Management Personnel (KMP)/ Relatives of KMP		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Period Ended March 31, 2014	Year Ended December 31, 2012	Period Ended March 31, 2014	Year Ended December 31, 2012	Period Ended March 31, 2014	Year Ended December 31, 2012
Sales of materials/services							
1	Agila Jamp Canada Inc	26.07	4.34				
2	Akorn Strides LLC		-				
3	Sagent Strides LLC	313.26	480.54				
4	Sequent Scientific Limited					-	0.08
Rental income from operating leases							
1	Sequent Scientific Limited					0.59	-
Income from write-back of payables to							
1	Akorn Strides LLC	7.60	-				
Purchase of materials/services							
1	Sequent Research Limited					32.49	31.23
2	Sequent Scientific Limited					375.09	9.31
Sale of fixed assets to							
	Sequent Scientific Limited					-	0.09
Purchase of fixed assets from							
1	Chayadeep Properties Private Limited					1,500.00	-
2	Sequent Scientific Limited					18.05	-
Managerial Remuneration							
1	Arun Kumar			55.78	45.00		
2	V.S. Iyer			-	13.52		
Salary to							
1	Mohana Kumar Pillai			13.72	-		
2	Aditya Arun Kumar			0.43	-		
Reimbursement of Expenses Incurred by							
	Sequent Scientific Limited					0.23	-
Reimbursement of Expenses Incurred on behalf of							
	Sequent Scientific Limited					4.95	-
Rent Paid							
1	Atma Projects					31.42	32.23
2	Chayadeep Properties Private Limited					1.94	75.93
3	Hemalatha Pillai					0.12	0.26
Loans / advances given / repaid by Company							
1	Akorn Strides LLC	-	-				
2	Sagent Agila LLC	-	4.87				
Loans / advances taken by Company / repaid to Company							
1	Sagent Agila LLC	-	0.50				
2	Sequent Scientific Limited	-				0.31	-
Lease deposit received							
1	Atma Projects					33.71	-
2	Sequent Scientific Limited					2.27	-
Lease deposit paid							
1	Chayadeep Properties Private Limited					7.35	-

NOTES forming part of the consolidated financial statements

Note No 42

SEGMENT INFORMATION

During the current period, the Group has identified business segments as its primary segment and geographical segments as its secondary segment. Business segments are primarily "Pharmaceutical" & "Biotech" businesses. Revenues and expenses directly attributable to segments are reported under each reportable segment. Segment expenses which are not directly identifiable to each reportable segment have been allocated on the basis of associated revenues of the segment and manpower efforts. Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. Geographical segments of the Group are Africa, Australasia, North America & Europe, South & Central America, India and Others.

₹ In Million

Particulars	For the period ended March 31, 2014			For the year ended December 31, 2012		
	Business segments		Total	Business segments		Total
	Pharmaceutical business	Biotech business		Pharmaceutical business	Biotech business	
Revenue	25,096.53	0.33	25,096.86	23,073.22	0.05	23,073.27
Segment result	(1,826.32)	(36.10)	(1,862.42)	3,861.34	(16.54)	3,844.80
Unallocable expenses (net)			2,905.55			1,934.41
(Loss)/Profit before exceptional items and other income			**(4,767.97)**			**1,910.39**
Exceptional items						
Profit on disposal of Specialities Business			32,222.81			7,262.61
Exchange (loss) / gain on long-term foreign currency loans, intra-group loans			566.71			(130.77)
Changes in fair value options embedded			-			2.09
Other option costs			(106.93)			(132.85)
Other income (net)			**984.09**			**583.43**
Profit before taxes			**28,898.71**			**9,494.90**
Tax expense			11,225.31			1,021.45
Profit for the year/ period before allocation to minority interest			**17,673.40**			**8,473.45**
Share of profit of minority interest (net)			5.94			11.08
Profit for the year/ period			**17,667.46**			**8,462.37**
Segment assets	13,586.52	1,122.02	14,708.54	46,190.56	549.88	46,740.44
Unallocable assets	-	-	6,281.65	-	-	1,234.97
Total assets			**20,990.19**			**47,975.41**
Segment liabilities	3,204.83	68.47	3,273.30	9,689.45	17.31	9,706.76
Unallocable liabilities			6,891.95			17,287.68
Total liabilities			**10,165.25**			**26,994.44**

NOTES forming part of the consolidated financial statements

₹ In Million

Particulars	For the period ended March 31, 2014			For the year ended December 31, 2012		
	Business segments		Total	Business segments		Total
	Pharmaceutical business	Biotech business		Pharmaceutical business	Biotech business	
Other information						
Capital expenditure (allocable)	9,469.31	343.38	9,812.69	3,010.81	55.53	3,066.34
Depreciation and amortisation (allocable)	1,539.03	-	1,539.03	1,094.83	-	1,094.83
Other significant non-cash expenses (allocable):						
- Provision for doubtful trade and other receivables	366.72	-	366.72	210.68	-	210.68
- Expenses on Employee Stock Option Plans	12.77	-	12.77	-	-	-
- Net Unrealised exchange (gain) / loss	898.26	-	898.26	267.64	-	267.64
- Amortisation of deferred revenue expenditure	41.27	-	41.27	44.69	-	44.69
- Impairment of goodwill	133.19	-	133.19	-	-	-
- Write-off of intangible assets under development & inventory	279.42	-	279.42	-	-	-
- Loss on sale of assets (Net)	60.08	-	60.08	-	-	-
Other significant non-cash expenses (unallocable):						
- Net loss on option contracts			106.93			132.85

Disclosures regarding secondary segment: The geographical segments individually contributing 10 percent or more of the Group's revenues and segment assets are shown separately in the table below. Segment revenues has been disclosed based on geographical location of the customers. Segment assets has been disclosed based on the geographical location of the respective assets.

₹ In Million

Geographical Segment	Revenues for the period ended March 31, 2014	Segment assets As at March 31, 2014	Capital expenditure during the period ended March 31, 2014	Revenues For the year ended December 31, 2012	Segment assets As at December 31, 2012	Capital expenditure during the year ended December 31, 2012
Africa	6,498.25	2,678.74	191.67	2,406.48	1,509.53	50.47
Australasia	3,562.18	1,384.72	5,885.10	4,385.02	831.60	-
North America & Europe	10,335.17	1,870.82	447.79	11,543.91	8,647.38	511.74
South & Central America	2,651.64	38.49	95.87	2,935.47	10,020.13	-
India	2,003.73	8,715.60	3,192.26	1,324.40	25,731.80	2,504.13
Others	45.89	20.17	-	477.99	-	-
Total	**25,096.86**	**14,708.54**	**9,812.69**	**23,073.27**	**46,740.44**	**3,066.34**

NOTES forming part of the consolidated financial statements

Note No. 43

DETAILS OF LEASING ARRANGEMENTS

The group's significant leasing arrangements are mainly in respect of factory buildings, residential and office premises. The aggregate lease rentals payable on these leasing arrangements charged to the Statement of Profit and Loss (including charge on lease rentals related to discontinuing operations) is ₹ 192.24 Million (Previous year ₹ 236.69 Million).

During the current period, the Group has cancelled certain lease arrangements which were originally entered for the non-cancellable term of 3 years to 15 years and entered into new lease contracts for its office premises. The tenure of such lease is 6 years with non-cancellable period of 3 years. The said lease arrangements have an escalation clause wherein lease rental is subject to an annual increment of 6%. Details of the lease commitment at the period-end are as follows::

₹ In Million

Particulars	March 31, 2014	December 31, 2012
Up to one year	16.23	110.88
From one year to five years	29.12	503.16
Above five years	-	375.39
Total	**45.35**	**989.43**

During the current period, the Company has entered into operating lease arrangement for lease of factory building for a term of 18 years with non-cancellable lease period of 8 years. Details relating to these assets and minimum lease rentals receivable are as follows:

₹ In Million

Particulars	March 31, 2014
Gross carrying amount of assets leased	710.23
Accumulated depreciation	10.95
Future minimum lease income:	
Not later than one year	47.09
Later than one year but not later than 5 years	218.34
Later than 5 years	141.04

		For the period ended March 31,2014		For the year ended December 31,2012	
		Continuing operations	Total operations	Continuing operations	Total operations
Note No. 44	**EARNINGS PER SHARE**				
(i)	**Basic:**				
	Net profit for the year/ period attributable to the equity shareholders (₹ In Million)	(2,327.83)	17,667.46	7,123.82	8,462.37
	Weighted Average number of equity shares	59,174,698	59,174,698	58,646,080	58,646,080
	Par value per share	₹ 10/-	₹ 10/-	₹ 10/-	₹ 10/-
	Earnings per share – Basic	**₹ (39.34)**	**₹ 298.56**	**₹ 121.47**	**₹ 144.30**

NOTES forming part of the consolidated financial statements

		For the period ended March 31,2014		For the year ended December 31,2012	
		Continuing operations	Total operations	Continuing operations	Total operations
Note No. 44	**EARNINGS PER SHARE**				
(ii)	**Diluted:**				
	Net profit for the year/ period (₹ In Million)	(2,327.83)	17,667.46	7,123.82	8,462.37
	Exchange fluctuation, interest expenses on Foreign Currency Convertible Bonds (FCCBs) and option cost / (gain)- (Net) (₹ In Million)	-	-	(193.71)	(193.71)
	Net profit attributable to equity shareholders (₹ In Million)	**(2,327.83)**	**17,667.46**	**6,930.11**	**8,268.66**
	Weighted Average number of Shares for Basic EPS	59,174,698	59,174,698	58,646,080	58,646,080
	Add: Effect of outstanding warrants, employee stock options & FCCBs as applicable	Refer note 1	251,039	4,066,924	4,066,924
	Weighted Average Number of equity shares for diluted EPS	**59,174,698**	**59,425,737**	**62,713,004**	**62,713,004**
	Par value per share	**₹ 10/-**	**₹ 10/-**	**₹ 10/-**	**₹ 10/-**
	Earnings per share – Diluted	**₹ (39.34)**	**₹ 297.30**	**₹ 110.50**	**₹ 131.85**

Notes:

1) Due to loss from continuing operations for the period ended March 31, 2014, the effect of outstanding employee stock options are anti-dilutive and hence ignored for the purpose of computing diluted earnings per share

2) For the purpose of computing diluted earnings per share for the year ended December 31, 2012, the existence of FCCB's until the date of redemption has been considered in accordance with AS 20 ('Earnings per Share').

₹ In Million

	For the period ended March 31, 2014	For the year ended December 31, 2012
Note No. 45 **DETAILS OF RESEARCH AND DEVELOPMENT EXPENDITURE INCURRED DURING THE PERIOD**		
Materials	206.31	224.60
Salaries	293.32	252.40
Bio study expenses	47.14	31.74
Professional fees	109.39	47.01
Consumables	426.70	198.70
Travelling expenses	6.96	7.51
Rent	26.65	27.38
Depreciation	58.48	44.93
Others	236.45	283.39
Total	**1,411.40**	**1,117.66**

The above are as certified by the management and relied upon by the auditors and include costs associated with the development services undertaken for customers.

NOTES forming part of the consolidated financial statements

Note No. 46

IMPAIRMENT OF INVESTMENTS / GOODWILL AND OTHER ASSETS:

(i) During the current period, the Group has accounted for the following impairment losses under exceptional items in the Statement of Profit and Loss:

(a) The Group has carried out impairment assessment of goodwill relating to its wholly owned subsidiaries viz., Plus Farma, Iceland, Strides Australia Pty Limited, Australia and Strides S.A. Pharmaceuticals Pty Limited, South Africa and based on such assessments the Group has accounted for impairment losses amounting to ₹ 133.19 Million.

(b) The Group has written-off/ provided for certain other assets including (i) inventories and intangible assets pertaining to discontinued products amounting to ₹ 279.42 Million and (ii) uninsured deposits with Bank based in Cyprus ₹ 312.67 Million.

(ii) During the year ended December 31, 2012:

(a) The Group had reassessed the impairment losses recorded on assets relating to Brazilian operations and accordingly, reversed the provisions for impairment losses amounting ₹ 336.49 Million from the BRR to which it was debited earlier.

(b) The Group had cancelled the Joint Venture agreement with Instituto Biochimico Industria Farmaceutica Ltda, Brazil ('Biochimico') and as a consequence, the Group has provided for the entire advances receivable from Biochimico for an amount of BRL 45.35 Million (₹ 1,284.35 Million) which was charged to the BRR.

Note No. 47

COMMITMENTS

The Group has entered into a Share Purchase Agreement (SPA) with the promoters of Beltapharm S.p.A, under which a put option has been granted to promoters of Beltapharm S.p.A, where in the Group has a maximum capital commitment of Euro 0.13 Million (₹ 10.71 Million) in respect of such shares.

Note No. 48

CONTINGENT LIABILITIES

(a) The Group has given corporate guarantees upto ₹ 20,745.40 Million (As at December 31, 2012: ₹ 26,298.57 Million) to financial institutions and other parties. Further, refer note 33 (viii) above.

(b) As at March 31, 2014, the Group has disputed tax liabilities arising from assessment proceedings relating to earlier years from the income tax authorities amounting to ₹ 1,259.80 Million(Previous year ₹ 741.31 Million). The outflow on account of disputed taxes is dependent on completion of assessments.

(c) The Company has preferred an appeal with the CESTAT against the order of the Commissioner of Central Excise disallowing transfer of CENVAT credit of ₹ Nil (Previous year ₹ 3.86 Million) as on the date of conversion of one of the units of the Company into a 100% EOU.

(d) Bills discounting facilities availed in subsidiaries – Nil (Previous year ₹ 784.64 Million).

(e) Claims against the Company not acknowledged as debts ₹ 2,274.73 Million (Previous year Nil).

Note No. 49

TRANSFER PRICING

The detailed Transfer Pricing regulations ('regulations') for computing the income from "domestic transactions" with specified parties and international transactions between 'associated enterprises' on an 'arm's length' basis is applicable to the Group. These regulations, inter alia, also require the maintenance of prescribed documents and information including furnishing a report from an Accountant which is to be filed with the Income tax authorities.

The Group has undertaken necessary steps to comply with the Transfer Pricing regulations. The Management is of the opinion that the transactions with associated enterprises and domestic transactions are at arm's length, and hence the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

Note No. 50

EARLY ADOPTION OF AS-30: FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT, ISSUED BY INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

The Company has chosen to early adopt AS-30: 'Financial Instruments: Recognition and Measurement', (as announced by the Institute of Chartered Accountants of India (ICAI)) during the year ended December 31, 2008, with effect from January 1, 2008. However, pursuant to a notification issued by the ICAI on February 11, 2011, the Company has adopted AS-30 only to the extent they do not conflict with the other mandatory accounting standards notified under Section 211(3C) of the Companies Act, 1956.

NOTES forming part of the consolidated financial statements

The impact of adoption of AS30 as mentioned above is as follows:

50.1 Foreign Currency Convertible Bonds (the 'FCCBs' or the 'Bonds') which were redeemed during the year ended December 31, 2012:

The FCCBs were split into two components comprising (a) option component which represents the value of the option in the hands of the FCCB-holders to convert the bonds into equity shares of the Company and (b) debt component which represents the debt to be redeemed if the conversion option was not exercised by FCCB-holder, net of issuance costs.

The debt component was recognized and measured at amortized cost while the fair value of the option component was determined using a valuation model using the following assumptions.

Assumptions used to determine fair value of the options:

Valuation and amortization method — The Company estimates the fair value of stock options granted using the Black Scholes Merton Model and the principles of the Roll-Geske-Whaley extension to the Black Scholes Merton model. The Black Scholes Merton model along with the extensions above requires the following inputs for valuation of options:

Stock Price as at the date of valuation — The Company's share prices as quoted in the National Stock Exchange Limited (NSE), India have been converted into equivalent share prices in US Dollar terms by applying currency rates as at valuation dates. Further, stock prices have been reduced by continuously compounded stream of dividends expected over time to expiry as per the principles of the Black-Scholes Merton model with Roll Geske Whaley extensions.

Strike price for the option — has been computed in dollar terms by computing the redemption amount in US dollars on the date of redemption (if not converted into equity shares) divided by the number of shares which shall be allotted against such FCCBs.

Expected Term — The expected term represents time to expiry, determined as number of days between the date of valuation of the option and the date of redemption.

Expected Volatility — Management establishes volatility of the stock by computing standard deviation of the simple exponential daily returns on the stock. Stock prices for this purpose have been computed by expressing daily closing prices as quoted on the NSE into equivalent US dollar terms. For the purpose of computing volatility of stock prices, daily prices for the last one year have been considered as on the respective valuation dates.

Risk-Free Interest Rate — The risk-free interest rate used in the Black-Scholes valuation method is the risk free interest rate applicable to the Company.

Expected Dividend — Dividends have been assumed to continue, for each valuation rate, at the rate at which dividends were earned by shareholders in the last preceding twelve months before the date of valuation.

Measurement of Amortized cost of debt component:

For the purpose of recognition and measurement of the debt component, the effective yield has been computed considering the amount of the debt component on initial recognition, origination costs of the FCCB and the redemption amount if not converted into Equity Shares. To the extent the effective yield pertains to redemption premium and the origination costs, the effective yield has been amortized to the Securities Premium Account (along with related exchange fluctuations) as permitted under section 78 of the Companies Act, 1956. The balance of the effective yield is charged to the Statement of Profit and Loss.

Consequent to the above method of accounting of FCCBs, the following adjustments were made:

During the year ended 31December, 2012:

(a) Amortization of interest (net) ₹ 84.98 Million and redemption premium (net) on FCCBs amounting to ₹ 164.13 Million have been recorded in the Statement of Profit and Loss and in the Securities premium account respectively.

(b) Change in the fair values of option component in the FCCBs, being a gain of ₹ 2.09 Million has been recorded in the Statement of Profit & Loss under exceptional items.

50.2 Hedge accounting

Net investment in foreign operations:

(a) The Company had designated certain portions of its net investments in the consolidated operations of Strides Pharmaceuticals (Holdings) Limited, Cyprus, whose functional currency is US dollars, as hedged items, and certain borrowings payable in foreign currency (US dollars) amounting to USD 50 Million as hedging instruments, to hedge the foreign exchange risk arising out of fluctuations between the Indian Rupee and the US Dollar. During the current period, the designated portion of net investment has been divested by the Group as part of sale of Specialty business [refer note 33 (vi)]. As a result, the accumulated exchange fluctuation losses recorded in the hedge reserve in respect of the net investment hedge amounting to ₹ 1,477.92 Million is transferred

NOTES forming part of the consolidated financial statements

to the Statement of Profit & Loss and grouped under gain on disposal of discontinued operations [Refer note 33(vi)].

(b) The Company has designated certain highly probable forecasted US dollar denominated sales transactions and certain forward contracts to sell US dollars as hedged items and hedging instruments respectively, in a Cash Flow Hedge to hedge the foreign exchange risk arising out of fluctuations between the India rupee and the US dollar. The exchange fluctuations arising from marking to market of the hedging instruments, to the extent relatable to the hedge being effective has been recognised in a Hedge reserve in the Balance sheet. Accordingly exchange fluctuations gains/ (losses) amounting to ₹ 81.18 Million as at March 31, 2014 [At December 31, 2012: ₹ (6.59 Million)] have been recognized in the Hedge Reserve account. These exchange differences are considered in Statement of Profit and Loss as and when the forecasted transactions occur.

50.3 The financial assets and liabilities arising out of issue of corporate financial guarantees to third parties are accounted at fair values on initial recognition. Financial assets continue to be carried at fair values. Financial liabilities are subsequently measured at the higher of the amounts determined under AS 29 “Provisions, Contingent Liabilities and Contingent Assets” or the fair values on the measurement date. At March 31, 2014 and December 31, 2012, the fair values of such financial assets and financial liabilities amount to ₹ Nil.

50.4 There are no open derivative positions as on March 31, 2014 not designated as hedging instruments and accordingly there is no gain / loss on fair valuation of such derivatives recognized in the Statement of Profit and Loss for the current period.

50.5 The Company has availed bill discounting facilities from Banks which do not meet the de-recognition criteria for transfer of contractual rights to receive cash flows from the respective trade receivables since they are with recourse to the Company. Accordingly, as at March 31, 2014, trade receivables balances include ₹ 792.56 Million (As at December 31, 2012: ₹ 515.99 Million) and the corresponding financial liability to the Banks is included as part of working capital loans under short-term borrowings (secured).

Note No. 51

DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS TO THE EXTENT NOT DISCLOSED ELSEWHERE IN NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

51.1 Breakup of Allowance for Credit Losses is as under:

₹ In Million

Particulars	March 31, 2014	December 31, 2012
Opening balance of provision for doubtful trade and other receivables	1,465.12	212.75
Additional provision during the period	142.59	1,344.93
Consolidation adjustment	2.30	(27.13)
Utilisation/ reversal of provision during the period	(24.30)	(65.43)
Provision relating to discontinued business disposed-off	(1,444.38)	-
Closing balance of provision for doubtful trade and other receivables	**141.33**	**1,465.12**

51.2 Details on Derivatives Instruments & Un-hedged Foreign Currency Exposures:

The following derivative positions are open as at March 31, 2014. These transactions have been undertaken to act as economic hedges for the Company’s exposures to various risks in foreign exchange markets. These instruments are therefore classified as held for trading and gains/ losses recognized in the Statement of Profit and Loss except to the extent they qualified as Cashflow hedges in the context of the rigor of such classification under Accounting Standard 30.

I. The Company has entered into the following derivative instruments

(a) Forward Exchange Contracts [being a derivative instrument], which are not intended for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.

NOTES forming part of the consolidated financial statements

The following are the outstanding Forward Exchange Contracts entered into by the Company:

Particulars	Currency	Amount	Buy/Sell	Cross Currency
March 31, 2014	USD	31,000,000	Sell	Rupees
December 31, 2012	USD	9,000,000	Sell	Rupees

(b) Interest Rate Swaps to hedge against fluctuations in interest rate changes: No. of contracts: Nil (Previous year : Nil)

(c) Currency Swaps (other than forward exchange contracts stated above) to hedge against fluctuations in changes in exchange rate. No. of contracts: Nil (Previous Year: Nil)

II. The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

(Figures in Million)

Receivable/(Payable) in INR	Receivable/ (Payable) in Foreign currency		Receivable/(Payable) in INR	Receivable/ (Payable) in Foreign currency	
At March 31, 2014			At December 31, 2012		
(9,621.95)	USD	(161.12)	(8,076.35)	USD	(147.51)
1,235.70	EUR	14.99	1,078.04	EUR	14.84
340.59	AUD	6.17	142.06	AUD	2.49
1.02	CAD	0.02	27.45	CAD	0.50
(4,116.96)	GBP	(41.47)	(3,516.41)	GBP	(39.74)
(2.86)	BRL	(0.11)	5,480.03	BRL	205.32
-	JPY	-	(6.21)	JPY	(9.76)
-	CHF	-	(4.73)	CHF	(0.08)

III. There were no outstanding option contracts as at March 31, 2014 and as at December 31, 2012.

51.3 Categories of Financial Instruments

(a) Loans and Receivables:

The following financial assets in the Balance Sheet have been classified as Loans and Receivables as defined in Accounting Standard 30. These are carried at amortized cost less impairment if any.

The carrying amounts are as under:

₹ In Million

Particulars	March 31, 2014	December 31, 2012
Trade receivables	3,639.95	4,832.32
Unbilled revenue	47.77	1,803.41
Advance recoverable in cash	457.82	892.69
Cash and cash equivalents	2,311.45	1,657.42
Investments in mutual funds	4,012.37	0.57

In the opinion of the management, the carrying amounts above are reasonable approximations of fair values of the above financial assets.

NOTES forming part of the consolidated financial statements

(b) Financial Liabilities Held at Amortized Cost

The following financial liabilities are held at amortized cost. The Carrying amounts of Financial Liabilities are as under:

₹ In Million

Particulars	March 31, 2014	December 31, 2012
Secured borrowings:		
Long-term (including current maturities)	3,220.58	9,945.66
Short-term	2,006.61	5,960.84
Unsecured borrowings:		
Short-term loans	238.97	38.11
Other long-term liabilities:		
Payable on purchase of fixed assets	-	661.96
Gratuity and other benefits	57.87	140.81
Other liabilities	45.65	9.85
Current liabilities		
Trade payables	2,678.60	4,630.80
Interest accrued but not due	26.93	164.27
Unclaimed dividends	51.41	2.35
Payable on purchase of fixed assets	51.77	679.40
Gratuity	-	15.05
Other Liabilities	387.42	298.43
Provision for:		
Compensated absences	88.47	175.80
Payable to employees under long-term incentive plan	148.81	365.16
Equity Dividend (including dividend distribution tax thereon)	348.45	136.69

(c) Financial Liabilities Held for Trading are as follows:

i. During the year ended December 31, 2012, the option component of FCCBs had been classified as held for trading, being a derivative under AS 30. The carrying amount of the option component was ₹ Nil as at December 31, 2012 (since the FCCB's were redeemed during 2012) and ₹ 2.09 Million as at December 31, 2011. The difference in carrying value between the two dates, amounting to ₹ 2.09 Million was considered as a gain in the Statement of Profit and Loss of the year ended December 31, 2012 in accordance with provisions of AS 30.

The fair value of the option component has been determined using a valuation model. Refer to Note 50.1 above on FCCBs for detailed disclosure on the valuation method.

ii. Provisions / receivable carried towards mark to market losses / gains on forward exchange contracts ₹ 81.18 Million gain as at March 31, 2014 (₹ 6.59 Million losses as at December 31, 2012)

iii. Liabilities under option contracts – ₹ 144.45 Million as at March 31, 2014 and ₹ 37.52 as at December 31, 2012.

NOTES forming part of the consolidated financial statements

51.4 Financial assets pledged

The following financial assets have been pledged:

₹ In Million

Financial Asset	Carrying value March 31, 2014	Carrying value December 31, 2012	Liability/ Contingent Liability for which pledged as collateral	Terms and conditions relating to pledge
I. Investments				
Investment in Subsidiary	17.27	11,374.79	Loan from Banks	The Shares have been pledged against specific Borrowing, the charge will be extinguished on repayment of the Loan.
Investment in mutual funds	400.00	-	Loan from Banks	Short-term loans are secured by pledge over debt mutual funds.
II. Margin Money with Banks				
A. Margin Money for Letter of Credit	13.11	308.39	Letter of Credit	The Margin Money is interest bearing deposit with Banks. These deposits can be withdrawn on the maturity of all Open Letters of Credit.
B. Margin Money for Bank Guarantee	-	24.91	Bank Guarantee	The Margin Money is interest bearing deposit with Banks. These Deposits are against Performance Guarantees. These can be withdrawn on the satisfaction of the purpose for which the Guarantee is provided.
III. Trade receivables	792.56	515.99	Bills discounted	The Bills discounted with Banks are secured by the Receivable

51.5 Nature and extent of risks arising from financial instruments

The main financial risks faced by the Company relate to fluctuations in interest and foreign exchange rates, the risk of default by counterparties to financial transactions, and the availability of funds to meet business needs. The Balance Sheet as at December 31, 2012 is representative of the position through the year. Risk management is carried out by a central treasury department under the guidance of the Management.

NOTES forming part of the consolidated financial statements

Interest rate risk

Interest rate risk arises from long term borrowings. Debt issued at variable rates exposes the Company to cash flow risk. Debt issued at fixed rate exposes the Company to fair value risk. In the opinion of the management, interest rate risk during the year under report was not substantial enough to require intervention or hedging through derivatives or other financial instruments. For the purposes of exposure to interest risk, the Company considers its net debt position evaluated as the difference between financial assets and financial liabilities held at fixed rates and floating rates respectively as the measure of exposure of notional amounts to interest rate risk. This net debt position is quantified as under:

Financial assets / (liabilities)

₹ In Million

Particulars	March 31, 2014	December 31, 2012
Fixed		
Financial Assets	10,550.54	9,186.41
Financial Liabilities	(4,119.03)	(7,341.21)
	6,431.51	**1,845.20**
Floating		
Financial Assets	-	-
Financial Liabilities	(5,376.96)	(15,928.08)
	(5,376.96)	**(15,928.08)**

Credit risk

Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions. Credit risk also arises from trade receivables and other financial assets.

The credit risk arising from receivables is subject to concentration risk in that the receivables are predominantly denominated in USD and any appreciation in the INR will affect the credit risk. Further, the Company is not significantly exposed to geographical distribution risk as the counterparties operate across various countries across the Globe.

Liquidity risk

Liquidity risk is managed using short term and long term cash flow forecasts.

The following is an analysis of contractual cash flows payable under financial liabilities and derivatives as at December 31, 2012. (Figures in brackets relates to Previous Year).

₹ in Million

	Due within (years)					
Financial Liabilities	**1**	**1 to 2**	**2 to 3**	**3 to 4**	**4 to 5**	**Beyond 5**
Banks & other Borrowings	5,046.12 (8,633.13)	56.84 (1,942.44)	90.75 (2,031.42)	106.61 (1,586.06)	121.27 (1,348.04)	44.57 (403.52)
Interest payable on borrowings	26.93 (164.27)	- -	- -	- -	- -	- -
Trade and other payables not in net debt	3,706.98 (5,945.69)	21.16 (1,033.71)	21.16 (16.31)	21.16 (15.05)	21.16 (15.05)	66.83 (90.49)
Fair value of Forward exchange / option contracts	144.45 (44.11)	- -	- -	- -	- -	- -
Total	**8,924.48** **(14,787.20)**	**78.00** **(2,976.15)**	**111.91** **(2,047.73)**	**127.77** **(1,601.11)**	**142.43** **(1,363.09)**	**111.40** **(494.01)**

For the purposes of the above table, foreign currency liabilities have been computed applying spot rates on the Balance Sheet date.

NOTES forming part of the consolidated financial statements

Foreign exchange risk

The Group is exposed to foreign exchange risk principally via:

- Debt availed in foreign currency
- Net investments in subsidiaries and joint ventures that are in foreign currencies
- Exposure arising from transactions relating to purchases, revenues, expenses etc., to be settled (within and outside the Group) in currencies other than the functional currency of the respective entities.

51.6 Sensitivity analysis as at March 31, 2014:

Financial instruments affected by interest rate changes include Secured Long term loans from banks, Secured Long term loans from others, Secured Short term loans from banks and Unsecured Short term loans from banks and others. The impact of a 1% change in interest rates on the profit of an annual period will be ₹ 53.77 Million (Previous year ₹ 159.28 Million) assuming the loans as of March 31, 2014 continue to be constant during the annual period. This computation does not involve a revaluation of the fair value of loans as a consequence of changes in interest rates. The computation also assumes that an increase in interest rates on floating rate liabilities will not necessarily involve an increase in interest rates on floating rate financial assets.

Financial instruments affected by changes in foreign exchange rates include FCCBs (until redemption in 2012) External Commercial Borrowings (ECBs), loans in foreign currencies to erstwhile subsidiaries and joint ventures. The Company considers US Dollar and the Euro to be principal currencies which require monitoring and risk mitigation. The Company is exposed to volatility in other currencies including the Great Britain Pounds (GBP) and the Australian Dollar (AUD).

Particulars	Increase/ (Decrease) in Equity	
	March 31, 2014	December 31, 2012
A 5% appreciation in the USD	(481.10)	(403.82)
A 5% depreciation in the USD	481.10	403.82
A 5% appreciation in the EUR	61.79	53.90
A 5% depreciation in the EUR	(61.79)	(53.90)
A 5% appreciation in the AUD	17.03	7.10
A 5% depreciation in the AUD	(17.03)	(7.10)
A 5% appreciation in the GBP	(205.85)	(175.82)
A 5% depreciation in the GBP	205.85	175.82
A 5% appreciation in the BRL	(0.14)	274.00
A 5% depreciation in the BRL	0.14	(274.00)

For the purposes of the above table, it is assumed that the carrying value of the financial assets and liabilities as at the end of the respective financial years remains constant thereafter. The exchange rate considered for the sensitivity analysis is the exchange rate prevalent as at March 31, 2014.

Note No. 52

The Board of Directors of the Company in the Meeting held on December 10, 2013 have approved change of financial year of the Company from January-December to that of April-March. Consequently, the current financial year is for a period of 15 months i.e., from January 1, 2013 to March 31, 2014.

Note No. 53

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

For and on behalf of the Board of Directors

Arun Kumar Executive Vice Chairman & Managing Director	P M Thampi Independent Director	Badree Komandur CFO & Company Secretary

Bangalore, May 23, 2014

Key Information Pertaining to Subsidiary Companies Financial Statements as at March 31, 2014

₹ in Million

Sl No.		Name of the Subsidiary	Country of incorporation	Reporting Currency	Exchange Rate	(a) Capital (Includes Monies pending allotment)	(b) Reserves	(c) Total Assets	(d) Total liabilities (other than Capital & reserves)	(e) Investments- other than in subsidiaries	(f) Turnover	(g) Profit before taxation	(h) Provision for taxation	(i) Profit after taxation	(j) Proposed dividend
A		**Subsidiaries Entities**													
	1	African Pharmaceutical Development Company	Cameroon	XAF	0.12	6.26	41.98	242.42	194.18	-	463.41	54.61	30.09	24.53	12.60
	2	Akorn Strides LLC	USA	USD	58.74	-	-	-	-	-	-	(26.05)	-	(26.05)	-
	3	Beltapharm SpA	Italy	EUR	78.26	120.00	(58.47)	644.35	582.82	-	807.12	(14.64)	(1.47)	(13.16)	-
	4	Co Pharma Ltd.	UK	GBP	92.39	1.43	(141.22)	318.15	457.95	-	659.02	28.68	-	28.68	-
	5	Congo Pharma SPRL	Congo	CDF	0.06	-	-	-	-	-	-	-	-	-	-
	6	Inbiopro Solutions Private Limited	India	INR	1.00	1.80	352.65	521.60	167.15	-	0.22	(31.03)	0.85	(31.89)	-
	7	Plus Farma ehf	Iceland	EUR	78.26	49.90	(49.90)	-	-	-	85.62	71.17	-	71.17	-
	8	Sorepharma SA	Burkino Faso	XAF	0.12	1.25	(5.52)	16.89	21.17	-	38.74	(5.27)	-	(5.27)	-
	9	SPC Co. Limited	Sudan	USD	58.74	-	(0.06)	176.51	176.56	-	-	(0.04)	-	(0.04)	-
	10	Stelis Biopharma (Malaysia) SDN. BHD.	Malaysia	MYR	18.57	138.14	(0.18)	194.41	56.45	-	-	-	-	-	-
	11	Stelis BioPharma Pvt Ltd	India	INR	1.00	0.24	(31.60)	502.22	533.58	141.26	1.58	(40.86)	-	(40.86)	-
	12	Strides Actives Private Limited	India	INR	1.00	-	-	-	-	-	-	-	-	-	-
	13	Strides Africa Limited	British Virgin Islands	USD	58.74	270.11	(288.28)	(17.08)	1.09	-	-	(29.11)	-	(29.11)	-
	14	Strides Arcolab International Limited	UK	GBP	92.39	1,227.27	(32.98)	1,528.44	334.15	-	192.93	(189.60)	-	(189.60)	-
	15	Strides Australia Pty Limited	Australia	AUD	56.36	0.01	(0.01)	-	-	-	72.39	72.39	-	72.39	-
	16	Strides CIS Limited	Cyprus	USD	58.74	0.17	(0.86)	1.58	2.26	-	20.90	0.62	1.28	(0.66)	-
	17	Strides Emerging Market Pvt Ltd	India	INR	1.00	56.27	219.95	311.79	35.57	-	67.26	13.34	4.50	8.84	-
	18	Strides Pharma (Cyprus) Limited	Cyprus	USD	58.74	0.17	1,468.61	2,052.59	583.81	-	1,819.52	116.68	57.96	58.72	-
	19	Strides Pharma Asia Pte Ltd	Singapore	AUD	56.36	1,819.46	(6,548.45)	236.65	4,965.64	-	188.12	(6,729.92)	1.69	(6,731.61)	-
	20	Strides Pharma Botswana [Pty] Ltd	Botswana	BWP	6.72	-	-	-	-	-	-	-	-	-	-
	21	Strides Pharma Cameroon Limited	Cameroon	XAF	0.12	-	-	-	-	-	-	-	-	-	-
	22	Strides Pharma Global Pte. Limited	Singapore	SGD	46.88	0.00	23.55	23.56	-	-	-	-	-	-	-
	23	Strides Pharma Inc	USA	USD	58.74	5.97	(95.51)	449.85	539.39	418.04	4.25	(93.93)	-	(93.93)	-
	24	Strides Pharma International Limited	Cyprus	USD	58.74	26.16	82.75	7,698.77	7,589.86	-	5,873.23	5,721.55	-	5,721.55	5,582.55
	25	Strides Pharma Limited	Cyprus	USD	58.74	1,148.80	532.57	6,457.72	4,776.34	-	390.10	(112.30)	111.04	(223.34)	5,873.23
	26	Strides Pharma Mozambique, SA, Mozambique	Mozambique	MZN	1.91	-	-	-	-	-	-	-	-	-	-
	27	Strides Pharma Namibia Pty Limited	Namibia	NAD	5.65	-	-	-	-	-	-	-	-	-	-
	28	Strides Pharmaceuticals (Holdings) Limited	Cyprus	USD	58.74	0.91	5,731.97	11,969.30	6,236.42	(0.00)	-	(4,211.24)	47.88	(4,259.12)	7,343.38

₹ in Million

Sl No.		Name of the Subsidiary	Country of incorporation	Reporting Currency	Exchange Rate	(a) Capital (Includes Monies pending allotment)	(b) Reserves	(c) Total Assets	(d) Total liabilities (other than Capital & reserves)	(e) Investments- other than in subsidiaries	(f) Turnover	(g) Profit before taxation	(h) Provision for taxation	(i) Profit after taxation	(j) Proposed dividend
	29	Strides SA Pharmaceuticals Pty Ltd	Republic of South Africa	ZAR	6.04	0.01	(0.01)	0.00	(0.00)	-	1.31	(5.95)	0.03	(5.98)	-
	30	Strides Specialties (Holdings) Limited	Mauritius	USD	58.74	0.00	(0.19)	0.07	0.26	-	2.78	2.39	-	2.39	-
	31	Strides Vital Nigeria Limited	Nigeria	NGN	0.37	3.58	(262.92)	483.63	742.98	-	528.32	(102.06)	(25.50)	(76.56)	-
B	**Entities Wounded Up during the period**														
	1	Arcolab Limited SA	Switzerland	CHF	63.62	-	-	-	-	-	34.64	23.19	-	23.19	-
	2	Strides Pharmaceuticals (Holdings) Limited	Mauritius	USD	58.74	0.00	-	0.00	-	-	-	1.88	-	1.88	-
	3	Strides Pharmaceuticals (Mauritius) Limited	Mauritius	USD	58.74	-	-	-	-	-	-	2.62	-	2.62	-
C	**Entities Divested during the period**														
	1	Agila Australasia Pty Ltd, Australia	Australia	AUD	56.36	-	0.00	0.00	(0.00)	-	10.81	6.68	-	6.68	-
	2	Agila Especialidades Farmaceuticas Ltda	Brazil	BRL	27.04	-	0.00	0.00	(0.00)	-	911.03	1,031.20	-	1,031.20	-
	3	Agila Farmaceutica Participacoes Ltda	Brazil	BRL	27.04	-	(0.00)	(0.00)	0.00	-	-	1,429.64	-	1,429.64	-
	4	Agila JAMP Canada Inc	Canada	CAD	56.70	-	-	-	-	-	102.11	9.36	11.65	(2.29)	-
	5	Agila Marketing e Distribuição de Productos Hospitalares Ltda.	Brazil	BRL	27.04	-	0.00	0.00	(0.00)	-	2,204.83	439.48	-	439.48	-
	6	Agila Pharma Canada Corporation	Canada	CAD	56.70	-	-	-	-	-	-	40.89	-	40.89	-
	7	Agila Specialities Americas Limited, Cyprus	Cyprus	USD	58.74	-	-	-	-	-	-	2.57	2.13	0.44	-
	8	Agila Specialties (Holdings) Cyprus Limited	Cyprus	USD	58.74	-	(0.00)	(0.00)	0.00	-	5,017.68	(22.48)	-	(22.48)	-
	9	Agila Specialties Global Pte Ltd,Singapore	Singapore	SGD	46.88	-	-	-	-	-	245.78	9.59	9.01	0.58	-
	10	Agila Specialties Inc.	USA	USD	58.74	-	-	-	-	-	70.42	449.78	63.48	386.31	-
	11	Agila Specialties Polska Sp.Z.o.o	Poland	PLN	18.65	-	0.00	0.00	(0.00)	-	945.14	494.07	(4.83)	498.90	-
	12	Agila Specialties Private Limited	India	INR	1.00	-	-	-	-	-	6,426.25	(665.48)	38.69	(704.17)	-
	13	Catalist Pty Ltd	Australia	AUD	56.36	-	-	-	-	-	-	-	-	-	-
	14	Farma Plus AS	Norway	EUR	78.26	-	0.00	0.00	(0.00)	-	522.56	(62.01)	11.52	(73.53)	77.69
	15	Onco Laboratories Limited	Cyprus	USD	58.74	-	0.00	0.00	(0.00)	-	1,763.95	1,541.41	74.05	1,467.37	4,992.49
	16	Onco Therapies Limited	India	INR	1.00	-	(0.00)	(0.00)	0.00	-	1,422.57	35.85	87.90	(52.05)	-
	17	Sagent Agila LLC	USA	USD	58.74	-	0.00	0.00	(0.00)	-	489.94	(90.76)	-	(90.76)	70.04
	18	Scentia Pharmaceuticals Pty Ltd	Australia	AUD	56.36	-	-	-	-	-	3.14	17.54	-	17.54	-

INDEPENDENT AUDITORS' REPORT

to the members of Strides Arcolab Limited

1. REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **STRIDES ARCOLAB LIMITED** ("the Company") which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the fifteen months period then ended, and a summary of the significant accounting policies and other explanatory information.

2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Management is responsible for the preparation of the financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs) and 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

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

4. 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 March 31, 2014;

(b) in the case of the Statement of Profit and Loss, of the profit of the Company for the period ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows of the Company for the period ended on that date

5. EMPHASIS OF MATTER

(a) The Company has early adopted Accounting Standard (AS) 30 'Financial Instruments: Recognition and Measurement', AS 31 'Financial Instruments: Presentation' and AS 32 'Financial Instruments: Disclosure', to the extent such standards do not conflict with the standards notified under section 211(3C) of the Act.

(b) We draw attention to Note 40.A to the financial statements regarding sale of investments in Agila Specialties Private Limited. As explained in the note 40.A(d), the Company and the buyer are currently in discussions with regard to certain claims raised, both by the buyer and the Company, on each other. Pending conclusion of these discussions, no adjustments relating to these claims have been made in these financial statements.

Our opinion is not qualified in respect of the matters stated in paragraph 5(a) and 5(b) above.

6. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

(a) As required by the Companies (Auditor's Report) Order, 2003("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

(b) As required by Section 227(3) of the Act, we report that:

(i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

INDEPENDENT AUDITORS' REPORT
to the members of Strides Arcolab Limited

(ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

(iii) 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.

(iv) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs).

(v) On the basis of the written representations received from the directors as on March 31, 2014 taken on record by the Board of Directors, none of these directors are disqualified as on March 31, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No.008072S)

V. Srikumar
Partner
(Membership No.84494)

Bangalore, May 23, 2014

ANNEXURE TO THE AUDITORS' REPORT
(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Having regard to the nature of the Company's business activities during the period, clauses vi, xii, xiii, xiv, xix & xx of CARO are not applicable.

(i) In respect of its fixed assets:

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

(b) The Company has a programme of verification of fixed assets to cover all the items in a phased manner over a period of 2 years which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Pursuant to the programme, certain fixed assets were physically verified by the management. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off during the period, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(ii) In respect of its inventory:

(a) As explained to us, the inventories were physically verified during the period by the Management at reasonable intervals.

(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, to/ from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature

ANNEXURE TO THE AUDITORS' REPORT

and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.

(v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

(a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.

(b) Where each of such transactions is in excess of ₹ 5 lakhs in respect of any party, having regard to our comments in paragraph (iv) above with regard to purchases of certain items of inventory for which comparative quotes are not available, the other transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time.

(vi) In our opinion, the internal audit functions carried out during the period by an external agency appointed by the Management have been commensurate with the size of the Company and the nature of its business.

(vii) We have broadly reviewed the books of account maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.

(viii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Income-Tax, Sales Tax, Service Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at March 31, 2014 for a period of more than six months from the date they became payable.

ANNEXURE TO THE AUDITORS' REPORT

(c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on March 31, 2014 on account of disputes are given below:

Name of statute	Nature of the dues	Amount (₹ In Million)	Period to which the amount relates	Forum where dispute is pending
The Income - tax Act, 1961	Income Tax	0.75	AY 2005-06	Income Tax Appellate Tribunal
The Income - tax Act, 1961	Income Tax	24.70	AY 2007-08	Income Tax Appellate Tribunal
The Income - tax Act, 1961	Income Tax	212.26	AY 2008-09	Income Tax Appellate Tribunal
The Income - tax Act, 1961	Income Tax	510.29	AY 2009-10	Income Tax Appellate Tribunal
The Karnataka Value Added Tax Act, 2003	Sales Tax	1.29	FY 2006-07	Deputy Commissioner of Commercial Taxes

(ix) The Company does not have accumulated losses at the end of the financial period and the Company has not incurred cash losses during the financial period covered by our audit and in the immediately preceding financial year.

(x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and financial institutions. The Company has not issued any debentures.

(xi) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by wholly owned subsidiaries companies from banks and financial institutions, are not *prima facie* prejudicial to the interests of the Company.

(xii) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.

(xiii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the period for long-term investment.

(xiv) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

(xv) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the period.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No.008072S)

V. Srikumar
Partner
(Membership No.84494)

Bangalore, May 23, 2014

BALANCE SHEET
as at March 31, 2014

₹ in Million

				Note No.	March 31, 2014	December 31, 2012
A	**EQUITY AND LIABILITIES**					
	1	**Shareholders' funds**				
		(a)	Share capital	3	595.66	588.04
		(b)	Reserves and surplus	4	15,713.55	13,126.10
					16,309.21	**13,714.14**
	2	**Non-current liabilities**				
		(a)	Long-term borrowings	5	3.52	2,846.61
		(b)	Other long-term liabilities	6	99.51	79.94
		(c)	Deferred tax liabilities (net)	7	43.90	-
		(d)	Long-term provisions	8	94.31	504.29
					241.24	**3,430.84**
	3	**Current liabilities**				
		(a)	Short-term borrowings	9	1,937.12	2,935.81
		(b)	Trade payables	10	2,170.79	1,429.37
		(c)	Other current liabilities	11	3,086.26	1,104.26
		(d)	Short-term provisions	12	657.16	373.39
					7,851.33	**5,842.83**
	Total				**24,401.78**	**22,987.81**
B	**ASSETS**					
	1	**Non-current assets**				
		(a)	Fixed assets			
			- Tangible assets	13	3,088.64	2,285.87
			- Intangible assets	13	719.78	776.74
			- Capital work-in-progress		114.23	81.20
			- Intangible assets under development (net)		257.17	214.47
					4,179.82	**3,358.28**
		(b)	Non-current investments	14	6,594.36	12,953.23
		(c)	Long-term loans and advances	15	1,497.43	922.58
					12,271.61	**17,234.09**
	2	**Current assets**				
		(a)	Current investments	16	3,871.06	0.38
		(b)	Inventories	17	1,368.01	1,043.54
		(c)	Trade receivables	18	2,732.86	1,930.96
		(d)	Cash and cash equivalents	19	1,749.63	293.30
		(e)	Short-term loans and advances	20	2,277.96	2,343.17
		(f)	Other current assets	21	130.65	142.37
					12,130.17	**5,753.72**
Total					**24,401.78**	**22,987.81**

See accompanying notes forming part of the Financial Statements

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

For and on behalf of the Board of Directors

V. Srikumar
Partner

Arun Kumar
Executive Vice Chairman &
Managing Director

P M Thampi
Independent Director

Badree Komandur
CFO & Company Secretary
Bangalore, May 23, 2014

Bangalore, May 23, 2014

STATEMENT OF PROFIT AND LOSS
for the period ended March 31, 2014

₹ in Million

		Note No.	For the period ended March 31, 2014	For the year ended December 31, 2012
1	Revenue from operations	22	10,697.35	7,141.75
	Less: Excise duty		58.89	21.68
	Revenue from operations (net)		**10,638.46**	**7,120.07**
2	Other income	23	1,209.35	1,189.08
3	**Total revenue (1+2)**		**11,847.81**	**8,309.15**
4	**Expenses**			
	(a) Cost of materials consumed	24	5,118.30	2,815.42
	(b) Purchase of stock-in-trade	25	1,182.08	1,003.07
	(c) (Increase) / Decrease in inventories of finished goods, work-in-progress and stock-in-trade	26	(82.18)	66.76
	(d) Employee benefits expenses	27	1,113.74	709.19
	(e) Other expenses	28	1,822.03	1,568.57
	Total		**9,153.97**	**6,163.01**
5	**Earning before exceptional items, interest, tax, depreciation and amortisation (EBITDA) (3-4)**		**2,693.84**	**2,146.14**
6	Finance costs	29	1,050.31	712.20
7	Depreciation and amortisation expense	13	472.49	190.99
8	**Profit before exceptional items and taxes (5-6-7)**		**1,171.04**	**1,242.95**
9	Exceptional items gain / (loss) (net)	30	44,948.42	(644.09)
10	**Profit before tax (8±9)**		**46,119.46**	**598.86**
11	Tax expenses	31	10,990.21	39.00
12	**Profit for the period / year (10-11)**		**35,129.25**	**559.86**
13	**Earnings per share (of ₹ 10/- each)**	47		
	- Basic		593.65	9.55
	- Diluted		591.14	5.84

See accompanying notes forming part of the Financial Statements

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

V. Srikumar
Partner

Bangalore, May 23, 2014

For and on behalf of the Board of Directors

Arun Kumar
Executive Vice Chairman & Managing Director

P M Thampi
Independent Director

Badree Komandur
CFO & Company Secretary
Bangalore, May 23, 2014

CASH FLOW STATEMENT
for the period ended March 31, 2014

₹ in Million

		For the period ended March 31, 2014	For the year ended December 31, 2012
CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before tax		**46,119.46**	**598.86**
Adjustments for:			
- Depreciation and amortisation		472.49	190.99
- Liabilities/ provisions no longer required written back		(94.35)	(71.99)
- Bad debts written off / provision for doubtful trade and other receivables		67.38	20.56
- Loss on sale of assets / assets written off (net)		14.09	1.38
- Unbilled revenue written off		2.70	187.47
- Interest expense on borrowings		663.21	540.69
- Interest on delayed payment of Income tax		76.33	-
- Interest received from banks / recovered from group companies		(169.90)	(569.28)
- Dividend income		(13,663.98)	(7.00)
- Rental income from operating leases		(48.84)	(8.85)
- Net unrealized exchange (gain) / loss		302.11	(180.43)
- Net loss on option contract for FCCBs		-	95.33
- Net gain on forward contract for sale of investments in subsidiaries		(264.57)	-
- Profit on sale of investment (net)		(31,607.92)	(0.35)
- Expenses on Employee Stock Option Plans		12.77	-
- Write-off of Intangible assets under development		79.85	-
- Write-off of inventory		177.14	-
- Changes in fair value of embedded derivatives in FCCBs		-	(2.09)
Operating profit before working capital changes		**2,137.97**	**795.29**
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(1,451.02)	186.88
(Increase)/decrease in inventories		(501.62)	259.66
Increase/(decrease) in trade and other payables		349.47	(806.88)
(Increase)/decrease in margin money		91.28	19.53
Net change in working capital		**(1,511.89)**	**(340.81)**
Cash generated from operations		**626.08**	**454.48**
Direct taxes paid and others (Refer note (i) below)		(659.53)	(343.11)
Net cash flow from operating activities	**(A)**	**(33.45)**	**111.37**
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure on fixed assets including capital advance		(2,249.59)	(430.36)
Proceeds from sale of fixed assets		32.27	6.35
Short-term investments in mutual funds (to the extent not considered as cash and cash equivalents)		(400.00)	-
Long-term investments in subsidiaries / joint ventures		(1,186.56)	(26.94)
Proceed from sale of long term investments		43,027.81	0.48
Expenses relating to sale of long term investments		(1,326.16)	-
Capital gain tax paid on the sale of long term investments		(7,943.67)	-
Net gain on forward contract for sale of Investments in subsidiaries		264.57	-
Redemption of investments in preference shares (Refer note (ii) below)		200.00	-
Advance/loan to subsidiaries		(5,422.12)	(5,039.92)
Advance/loan from subsidiaries		5,045.47	4,455.83
Rent deposit received		69.72	-
Rent deposit paid		(7.35)	-
Rental income from operating leases		34.06	8.85
Share application money paid to subsidiaries		(1,444.89)	(511.14)
Share application money refunded from subsidiaries		294.60	9,929.92
Interest and dividends received		13,834.01	595.81
Taxes paid on dividends from subsidiaries		(2,836.81)	-
Net cash flow from investing activities	**(B)**	**39,985.36**	**8,988.88**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of equity shares		259.49	88.66

CASH FLOW STATEMENT

for the period ended March 31, 2014

₹ in Million

	For the period ended March 31, 2014	For the year ended December 31, 2012
Redemption of FCCBs (including withholding taxes) (Refer note 38)	-	(6,063.60)
Loss on option contract for FCCBs (net)	-	(95.33)
Repayment of short-term borrowings	(995.59)	(1,268.94)
Proceeds from long-term borrowings	4.95	7.20
Repayment of long-term borrowings	(854.01)	(1,496.78)
Dividends paid	(29,900.87)	(117.43)
Dividend distribution taxes paid (net of applicable taxes paid on dividend income from foreign subsidiaries)	(2,781.54)	(19.04)
Interest paid on borrowings	(712.25)	(656.63)
Net cash generated from financing activities (C)	**(34,979.82)**	**(9,621.89)**
Net Increase/(Decrease) in cash and cash equivalents during the year (A+B+C)	**4,972.09**	**(521.64)**
Effect of exchange differences on restatement of foreign currency cash and cash equivalents	-	19.24
Cash and cash equivalents at the beginning of the year	184.83	687.23
Cash and cash equivalents at the end of the year	5,156.92	184.83
Reconciliation of cash and cash equivalents with the Balance Sheet:		
Cash and cash equivalents as per Balance Sheet (Refer note 19)	1,749.63	293.30
Less: Balances in earmarked accounts not considered as cash and cash equivalents as defined in AS 3 'Cash Flow Statements'	(63.77)	(108.85)
Net cash and cash equivalents included in note 19	**1,685.86**	**184.45**
Add: Current investments considered as part of cash and cash equivalents as defined in AS 3 'Cash Flow Statements' (Refer note 16)	3,471.06	0.38
Net cash and cash equivalents at the end of the year*	**5,156.92**	**184.83**
* Comprises:		
Cash on hand	1.15	0.86
Balance with banks:		
- In current accounts	287.58	74.46
- In EEFC accounts	-	16.10
- In deposit accounts	1,365.02	88.32
- Funds-in-transit	32.11	4.71
Current investments considered as part of cash and cash equivalents	3,471.06	0.38
Total	**5,156.92**	**184.83**

Notes:

(i) Direct tax paid and others includes outflow on account of permitted utilizations from the BRR of ₹ Nil (Previous year ₹ 118.83 Million) and direct taxes of ₹ 659.53 Million (Previous year ₹ 224.28 Million)

(ii) During the period ended March 31, 2014, non-current investments in preference shares of Agila Specialties Private Limited, India (a subsidiary of the Company) were redeemed and the Company had realised ₹ 200 Million, towards cost of such non-current investments.

See accompanying notes forming part of the Financial Statements.

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

V. Srikumar
Partner

Bangalore, May 23, 2014

For and on behalf of the Board of Directors

Arun Kumar
Executive Vice Chairman & Managing Director

P M Thampi
Independent Director

Badree Komandur
CFO & Company Secretary
Bangalore, May 23, 2014

NOTES forming part of the financial statements

Note No. 1

CORPORATE INFORMATION

Strides Arcolab Limited (the 'Company' or 'Strides') is a pharmaceutical company headquartered in Bangalore, India. Strides develops and manufactures a wide range of IP-led niche pharmaceutical products. The Company is listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

Note No. 2

SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis for preparation of financial statements

(a) The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Section 211(3C) of the Companies Act, 1956 (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable. The financial statements have been prepared on accrual basis under the historical cost convention except for certain:

(i) Fixed assets which were fair valued in earlier years based on the Scheme of Arrangement approved by the Honourable High Courts of Judicature (the 'Scheme') or,

(ii) Financial assets and Liabilities which have been fair valued as permitted by Accounting Standard (AS) 30: 'Financials Instruments: Recognition and Measurement' read with AS 31 'Financial Instruments: Presentation' and AS 32 'Financials Instruments: Disclosure' issued by the Institute of Chartered Accountants of India, to the extent such standards do not conflict with other standards notified under Companies (Accounting Standards) Rules, 2006(as amended).

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

2.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported incomes and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known/materialise.

2.3 Inventories

Inventories comprise raw materials, packing materials, consumables, work in progress and finished goods. These are valued at the lower of cost and net realisable value after providing for obsolescence and other losses, where considered necessary. Cost is determined as follows:

Raw materials, packing materials and consumables	weighted average basis
Work in progress	at material cost and an appropriate share of production overheads
Finished Goods	material cost and an appropriate share of production overheads and excise duty, wherever applicable
Stock in trade	weighted average basis

2.4 Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

Cash and cash equivalents (for the purpose of cash flow statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

NOTES forming part of the financial statements

2.5 Revenue

(a) Revenue from sales is recognized on transfer of significant risks and rewards to the purchaser as per the terms of the arrangement with the purchaser. Sales include excise duty and are stated net of discounts, other taxes, and sales returns.

(b) Revenue from product development services:

(i) In respect of contracts where the Company undertakes to develop products for its customers (on an end-to end basis), revenues are recognised based on technical estimates of the stage of work completed under the contracts.

(ii) In respect of other contracts where the Company performs specifically identified services in the development of the products, revenues are recognized on the basis of the performance milestones provided in the contract.

(c) Revenue from contract manufacturing is recognised based on the services rendered in accordance with the terms of the contract.

(d) Export incentives are accrued for based on fulfilment of eligibility criteria for availing the incentives and when there is no uncertainty in receiving the same. These incentives include estimated realisable values/ benefits from special import licenses and benefits under Duty Entitlement Pass Book Schemes, Focus Market Schemes, and Market-Linked Focus Product Schemes wherever applicable.

(e) Income from rendering advisory services is recognized based on contractual terms.

(f) Share of profits and royalty incomes under manufacturing and supply agreements with customers are accrued based on confirmation received from customers.

2.6 Other income

Dividends are recognised whenever the right to receive dividends is established. Interest income is recognized on accrual basis.

The Company provides corporate guarantees to subsidiaries and charges a commission for providing such guarantees. Such incomes are accrued in terms of the agreements with the parties.

2.7 Tangible fixed assets

Fixed assets, except to the extent permitted to be fair valued under the Scheme, are carried at cost less accumulated depreciation and impairment losses, if any. The cost of fixed assets includes interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use and other incidental expenses incurred up to that date. Machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the useful life of the principal item of the relevant assets. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Fixed assets acquired in full or part exchange for another asset are recorded at the fair market value or the net book value of the asset given up, adjusted for any balancing cash consideration. Fair market value is determined either for the assets acquired or asset given up, whichever is more clearly evident.

The Company fair valued land and machineries upon the Scheme becoming effective (December 31, 2009) and such assets are carried at the fair value less accumulated depreciation and impairment losses, if any.

Capital work-in-progress

Projects under which assets are not ready for its intended use and other Capital Work-in-Progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

2.8 Intangible assets

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset. In-house product development costs are capitalised in accordance with paragraph 2.20 below.

2.9 Depreciation/ Amortisation

The following assets are depreciated / amortised over the useful lives under the straight line method.

Registrations and Brands	:	5 to 10 years
Software Licenses	:	5 years

NOTES forming part of the financial statements

In respect of all other assets, depreciation is provided under the straight-line method at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956, based on technical estimates that indicate the useful lives would be comparable with or higher than those arrived at using these rates.

With respect to assets carried at fair value as permitted under the Scheme, depreciation / amortization is recorded under the straight line method over the balance useful life of the respective assets.

Individual assets costing less than ₹ 5,000 are depreciated in full in the year of purchase.

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation method is revised to reflect the changed useful life.

2.10 Deferred Revenue Expenditure

The Company operates in an environment which requires the manufacturing facilities to be approved by industry regulators in certain territories prior to manufacture and sale of products in such territories. If the interval between the date the facility is ready to commence commercial production and the date at which commercial production is expected to commence is prolonged, all expenses incurred during this period are treated as deferred revenue expenditure and amortised over a period not exceeding 3 years from the date of receipt of approvals.

2.11 Foreign currency transactions and translations

Initial recognition

Transactions in foreign currencies are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement of foreign currency monetary items at the balance sheet date

Foreign currency monetary items (other than derivative contracts) at the balance sheet date are restated at year end rates.

In the case of integral operations, assets and liabilities (other than non-monetary items), are translated at the exchange rate prevailing on the balance sheet date. Non-monetary items are carried at historical cost. Revenue and expenses are translated at yearly average exchange rates prevailing during the year.

In the case of non-integral operations, assets and the liabilities are translated at the exchange rates prevailing on the balance sheet date. Revenue and expenses are translated at yearly average exchange rates prevailing during the year.

Treatment of exchange differences

Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Company and their integral foreign operations are recognized as income or expense in the Statement of Profit and Loss. The exchange differences on restatement/ settlement of loans to non-integral foreign operations that are considered as net investment in such operations are accumulated in the Exchange reserve (on consolidation), until disposal / recovery of the net investment.

Accounting of forward contracts

Premium/discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortized over the period of the contracts, if such contracts relate to monetary items as at the balance sheet date. Refer paragraph 2.23 in this Section for accounting for forward exchange contracts relating to firm commitments and highly probable forecast transactions.

2.12 Exceptional items

The Company consistently classifies the following as exceptional items in the Statement of Profit and Loss:

(a) Exchange gain / loss arising on account of restatement and settlement of (i) long term foreign currency loans, (ii) foreign currency loans and advances given to (or received from) subsidiaries of the Company, (iii) Foreign Currency Convertibles Bonds (FCCBs);

(b) Changes in fair value of embedded derivatives in FCCBs and option contracts;

(c) Profit / loss on sale of non-current investments and provision for diminution in non-current investments and other assets;

(d) Profit / loss arising on account of discontinuance of products / development activities.

2.13 Investments

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Costs of investments include acquisition charges such as brokerage, fees and duties.

2.14 Employee benefits

Employee benefits include provident fund, gratuity fund and compensated absences.

NOTES forming part of the financial statements

Defined contribution plans

The Company's contribution to provident fund and employee state insurance scheme are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees.

Defined benefit plans

Liability for gratuity is funded with SBI Life Insurance Company Limited and Life Insurance Corporation of India. Gratuity expenses for the year are accounted based on actuarial valuation carried out as at the end of the fiscal year using the Projected Unit Credit method, with actuarial valuation being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of the scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the period when the employees render the service. These benefits include performance incentives and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non - accumulating compensated absences, when the absences occur

Long term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation as at the balance sheet date less the fair value of the plan assets out of which the obligations are expected to be settled.

Long Term Incentive Plan ('Plan')

Under the Plan, certain employees are eligible for retention and performance linked payouts. These payouts are accrued as and when services are rendered and / or when the specific performance criteria are met.

2.15 Employee share based payments

The Company has formulated Employee Stock Option Plans (ESOP) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Plans provide for grant of options to employees of the Company and its subsidiaries to acquire equity shares of the Company that vest in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines, the excess, if any, of the closing market price on the day prior to the grant of the options (under ESOP) over the exercise price is amortized on a straight line basis over the vesting period in the Statement of Profit and Loss / Reserve for Business Restructure.

Employee stock options granted under the above ESOP on or after April 01, 2005 are accounted under the 'Intrinsic Value Method' stated in the Guidance Note on Employee Share Based Payments issued by the Institute of Chartered Accountants of India.

Options with a cash settlement feature are fair valued at the time of the grant and at each reporting date. Changes in the fair value of the Options at each reporting date are recognised in the Statement of Profit and Loss.

2.16 Borrowing costs

Borrowing costs includes interest; amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Borrowing costs, related to acquisition for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset are added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

2.17 Leases

Where the Company as a lessor leases assets under finance leases, such amounts are recognized as receivables at an amount equal to the net investment in the lease and the finance income is based on a constant rate of return on the outstanding net investment.

Assets leased by the Company in its capacity as lessee where substantially all the risks and rewards of ownership

NOTES forming part of the financial statements

vest in the Company are classified as finance leases. Such leases are capitalized at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vests with the lessor are recognized as operating leases. Lease rentals under operating leases are recognized in the Statement of Profit and Loss on a straight-line basis.

2.18 Earnings per share

Basic earnings per share is computed by dividing the profit/(loss) after tax (including the post-tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax (including the post-tax effect of any extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive if only their conversion to equity shares would decrease the net profit per share. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

2.19 Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income-tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognized as an asset in the balance sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognized on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognized for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized only if there is virtual certainty that there will be sufficient future taxable income available to realize such assets. Deferred tax assets are recognized for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realized. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance sheet date for their realisability.

Current and deferred tax relating to items directly recognised in reserves, are recognised in reserves and not in the Statement of Profit and Loss.

2.20 Research & Development Expenditure

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss unless a product's technical feasibility has been established, in which case such expenditure is capitalised. The amount capitalised comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis to creating, producing and making the asset ready for its intended use. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for Tangible Fixed Assets and Intangible Fixed Assets.

2.21 Impairment of Assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognized, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognized for an asset in prior accounting periods no longer exists or may have decreased such reversal of impairment loss is recognized in the Statement of Profit and Loss.

NOTES forming part of the financial statements

2.22 Provisions and Contingencies

A provision is recognized when the Company has a present obligation as a result of past events 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 (excluding retirement benefits) are not discounted to their present value and are determined based on best 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 best estimates. Contingent liabilities are not recognised but are disclosed in the notes to the financial statement.

2.23 Financial Assets, Financial Liabilities, Financial Instruments, Derivatives and Hedge Accounting

(a) The Company classifies its financial assets into the following categories: financial instruments at fair value through Statement of Profit and Loss, loans and receivables, held to maturity investments and available for sale financial assets.

Financial assets of the Company mainly include cash and bank balances, trade receivables, loans and advances and derivative financial instruments with a positive fair value.

Financial liabilities of the Company mainly comprise secured and unsecured loans, trade payables, accrued expenses and derivative financial instruments with a negative fair value.

Financial assets / liabilities are recognized on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when all of risks and rewards of the ownership have been transferred. The transfer of risks and rewards is evaluated by comparing the exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred assets.

Available for sale financial assets (not covered under the notified Accounting Standards) are carried at fair value, with changes in fair value being recognised in Equity, unless they are designated in a fair value hedge relationship, where such changes are recognised in the Statement of Profit and Loss. Loans and receivables, considered not to be in the nature of short-term receivables, are discounted to their present value. Short-term receivables with no stated interest rates are measured at original invoice amount, if the effect of discounting is immaterial. Non-interest-bearing deposits, meeting the criteria of financial asset, are discounted to their present value.

Financial liabilities held for trading and liabilities designated at fair value, are carried at fair value through Statement of Profit and Loss.

Other financial liabilities are carried at amortized cost using the effective interest method. The Company measures the short-term payables with no stated rate of interest at original invoice amount, if the effect of discounting is immaterial.

Financial liabilities are derecognised when extinguished.

(b) Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial markets pricing models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value.

(c) Hedge accounting

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to firm commitments and highly probable forecast transactions. The Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in Accounting Standard 30 'Financial Instruments: Recognition and Measurement' issued by the Institute of Chartered Accountants of India. These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated as hedges of future cash flows are recognized directly in 'Hedge reserve account' under Reserves and surplus, net of applicable deferred income taxes, if any, to the extent such hedges are considered effective and the ineffective portion is recognized immediately in the Statement of Profit and Loss. Amounts accumulated in the Hedge reserve account are reclassified to the Statement of Profit and Loss in the same periods during which the forecasted transaction affects profit and loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative exchange gain or loss on the hedging instrument recognized in 'Hedge reserve account' is retained until the forecasted transaction occurs. If the forecasted transaction is no longer

NOTES forming part of the financial statements

excepted to occur, the net cumulative exchange gain or loss recognized in Hedge reserve account is immediately transferred to the Statement of Profit and Loss.

(d) ***Derivative contracts***

The Company enters into derivative contracts in the nature of foreign currency swaps, currency options, forward contracts with an intention to hedge its existing assets and liabilities, firm commitments and highly probable transactions. Such derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the accounting policy stated for foreign currency transactions and translations.

Derivative contracts designated as a hedging instrument for highly probable forecast transactions are accounted as per the policy stated for Hedge accounting.

All other derivative contracts are marked-to-market and losses / gains are recognized in the Statement of Profit and Loss.

2.24 Service tax input credit

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing / utilising the credits.

2.25 Operating cycle

As mentioned in para 1 above under 'Corporate information', the Company is into development and manufacture of pharmaceutical products. Based on the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 3 years to 5 years and 12 months for the purpose of classification of its assets and liabilities as current and non-current for development and manufacturing of pharmaceutical products respectively.

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 3 SHARE CAPITAL		
Authorised		
89,750,000 (Previous year 89,750,000) Equity shares of ₹ 10/- each with voting rights	897.50	897.50
620,000 (Previous year 620,000) 6% Cumulative redeemable preference shares of ₹ 1,000/- each	620.00	620.00
Total	**1,517.50**	**1,517.50**
Issued, subscribed and fully paid-up		
59,565,621 (Previous Year 58,803,721) Equity shares of ₹ 10/- each with voting rights	595.66	588.04
Total	**595.66**	**588.04**

3(a) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	March 31, 2014		December 31, 2012	
	No. of Shares	₹ In Million	No. of Shares	₹ In Million
Equity share of ₹ 10/- each				
Opening balance	58,803,721	588.04	58,380,171	583.80
Issued pursuant to Employee stock options plan (Refer note 42)	761,900	7.62	423,550	4.24
Closing balance	**59,565,621**	**595.66**	**58,803,721**	**588.04**

NOTES forming part of the financial statements

3(b) Detail of the rights, preferences and restrictions attaching to each class of shares outstanding Equity shares of ₹ 10/- each:

The Company has only one class of equity shares, having a par value of ₹ 10/-. The holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to approval by the shareholders at the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive any of the remaining assets of the Company, after distribution to all other parties concerned. The distribution will be in proportion to number of equity shares held by the shareholders.

3(c) Details of equity shares held by each shareholder holding more than 5% of shares:

Particulars	March 31, 2014		December 31, 2012	
	No. of Shares	%	No. of Shares	%
Pronomz Ventures LLP	12,665,000	21.26%	12,665,000	21.54%
Morgan Stanley Asia (Singapore) Pte Limited	3,965,140	6.66%	-	-
DVI Fund Mauritius Limited	3,118,378	5.24%	-	-

3(d) Details of aggregate number of equity shares allotted as fully paid-up pursuant to contract without payment being received in cash for the period of five year immediately preceding the balance sheet date:

Particulars	No. of Shares	
	March 31, 2014	December 31, 2012
Equity shares of ₹ 10/- issued pursuant to a scheme of amalgamation in 2009	13,524	13,524

3(e) Details of equity shares of ₹ 10/- each reserved for issuance:

Particulars	No. of Shares	
	March 31, 2014	December 31, 2012
Towards Employee stock options under the various Strides stock options plans (Refer note 42)	1,940,450	2,702,350
Total	**1,940,450**	**2,702,350**

NOTES forming part of the financial statements

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 4 RESERVES AND SURPLUS		
Capital reserve (arising on forfeiture of monies received towards share warrants)	**225.60**	**225.60**
Capital redemption reserve	**551.61**	**551.61**
Securities premium account		
Opening balance	5,697.63	6,063.85
Add: Premium on shares issued during the period	297.65	99.91
Less: Amortisation of Premium on redemption of FCCB's and issue expenses (net)	-	(400.97)
Less: Transferred to Reserve for Business Restructure (Refer note 39.2(c))	-	(65.16)
Closing balance	**5,995.28**	**5,697.63**
Share options outstanding account (Refer note 42)		
Opening balance	49.09	55.48
Add/(Less): Amounts recorded on grants / (cancellations) during the year	19.43	9.08
Less: Transferred to Securities premium account on exercise (net)	(45.78)	(15.47)
	22.74	**49.09**
Less: Deferred stock compensation expenses (Refer note 27 & note 42)	(20.78)	(14.12)
Closing balance	**1.96**	**34.97**
Reserve for Business Restructure (BRR) (Refer note 39)		
Opening balance	3,846.38	4,233.03
Add: transferred from Securities premium account during the year (Refer note 39.2(c))	-	65.16
Less: Utilisation during the year (Refer note 39.2(c))	-	451.81
Closing balance	**3,846.38**	**3,846.38**
Reserved for adjustments (relating to subsidiaries) in Consolidated Financial Statements	**3,846.38**	**3,846.38**
Hedge reserve (Refer note 49.5)		
Opening balance	(6.59)	(447.10)
Add / (Less): Effect of foreign exchange rate variations on hedging instruments outstanding during the year	83.86	(411.94)
Add / (Less): Transferred to Statement of Profit and Loss	3.91	852.45
Closing balance	**81.18**	**(6.59)**
General reserve		
Opening balance	412.80	369.80
Add: Surplus transferred from Statement of Profit and Loss	3,512.92	43.00
Closing balance	**3,925.72**	**412.80**
Surplus in Statement of Profit and Loss		
Opening balance	2,363.70	1,983.97
Add: Profit for the period / year	35,129.25	559.86
Less: Special dividend on equity shares (₹ 500 per share)	(29,783.30)	-
Proposed dividend on equity shares (₹ 5 per share, Previous year ₹ 2 per share)	(297.83)	(117.99)
Tax on special dividend (Refer note(ii) below)	(2,762.46)	-
Tax on proposed dividend	(50.62)	(19.14)
Transferred to General reserve	(3,512.92)	(43.00)
Closing balance	**1,085.82**	**2,363.70**
Total	**15,713.55**	**13,126.10**

Note:

(i) Equity dividend accrued in the current year includes ₹ 0.49 Million being dividends relating to the year ended December 31, 2012 on the incremental number of shares that were issued between December 31, 2012 and the date of the Annual General Meeting of the Company held on June 10, 2013. Tax on dividends accrued in 2013 includes tax on such dividends of ₹ 0.08 Million paid for 2012.

(ii) Tax on special dividend is net of taxes paid on dividend income from wholly owned foreign subsidiaries of ₹ 2,300.12 million (for the year ended December 31, 2012 ₹ Nil).

NOTES forming part of the financial statements

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 5 **LONG-TERM BORROWINGS**		
Secured		
Term loan from banks (Refer note (i) to (iv) below)	0.23	244.16
Term loan from others (Refer note (v) below)	3.29	-
Unsecured		
Term loan from bank (Refer note (iv) below)	-	2,602.45
Total	**3.52**	**2,846.61**

Details of security and terms of repayment for the long-term borrowings:

₹ in Million

Terms of repayment and security	March 31, 2014	December 31, 2012
(i) Term loans from banks: Loan 1		
Long-term loan	0.23	4.16
Current maturities of long-term loan	2.91	3.56
Security: Assets hypothecated out of amount financed. Rate of interest: 9.84% p.a to 12.48% p.a. Repayment varies between 33 to 36 monthly installments		
(ii) Term loans from banks: Loan 2		
Long-term loan	-	240.00
Current maturities of long-term loan	-	120.00
Security: First pari passu charge on fixed assets of the Company excluding the property situated at CBD, Belapur, Navi Mumbai - 400 614. Second pari passu charge on the current assets of the Company. **Note:** The Company has prepaid this long-term loan in full in the month of December 2013. However, as per the initial repayment terms, the loan was repayable in equal quarterly installments of ₹ 30 Million per quarter.		
(iii) Long-term loans from banks: Loan 3		
Long-term loan	-	-
Current maturities of long-term loan	-	281.25
Security: First pari passu charge on fixed assets of the Company excluding the property situated at CBD, Belapur, Navi Mumbai - 400 614. Second pari passu charge on the current assets of the Company. **Note:** The Company has repaid this long-term loan in the month of July 2013 as per the repayment terms.		

NOTES forming part of the financial statements

₹ in Million

	March 31, 2014	December 31, 2012
(iv) Long-term loans from banks: External commercial borrowings		
Long-term loan	-	2,602.45
Current maturities of long-term loan	2,780.87	155.55
Security: Charge on fixed assets of Strides Arcolab Limited, (other than land and building situated at Navi Mumbai and Palghar), ensuring 1.2 times security cover for the ECB outstanding. 110% cash margin for the ECB portion which is not covered by tangible assets of Strides Arcolab Limited with 1.20 times coverage. Rate of interest: six month LIBOR + 4.25% p.a. Repayment terms: 20 unequal quarterly installments commencing after 24 months from initial utilization date. The outstanding term as at March 31, 2014 is 16 installments. **Note**: (a) The Company is in the process of pre-paying this loan and has accordingly classified the loan balance as current. (b) The security provided for this loan as mentioned above is effective from October 2013. Until this period, the security offered for this term loan were other than the assets of the Company which included assets of its subsidiaries during that period.		
(v) Long-term loans from others		
Long-term loan	3.29	-
Current maturities of long-term loan	0.88	-
Security: Assets hypothecated out of amount financed. Rate of interest: 9.86% p.a Repayment terms: Repayable in 60 monthly installments commencing from May 2013.		
Total	**2,788.18**	**3,406.97**

Aggregate of long-term borrowings guaranteed by some of the directors of the Company:

₹ in Million

Particulars	March 31, 2014	December 31, 2012
Term loans from banks (secured and unsecured and including current maturities of these loans)	2,780.87	3,399.25
Total	**2,780.87**	**3,399.25**

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 6 **OTHER LONG-TERM LIABILITIES**		
Others:		
- Towards gratuity (Refer note 43)	53.86	70.09
- Security deposits	45.65	9.85
Total	**99.51**	**79.94**

NOTES forming part of the financial statements

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 7 DEFERRED TAX (ASSET) / LIABILITY		
Tax effect on items constituting deferred tax liability:		
On difference between book balance and tax balance of fixed assets	111.40	98.38
Provision for compensated absences, gratuity, other employee benefits and provision for doubtful debts / advances	(67.50)	(58.38)
Unabsorbed depreciation carried forward / brought forward business losses (refer Note below)	-	(40.00)
Deferred tax (asset) / liability (net)	**43.90**	**-**

Note:

As at December 31, 2012, recognition of deferred tax assets with respect to unabsorbed depreciation and tax losses has been done in cases where there is corresponding timing difference creating deferred tax liabilities and the amount of such assets recognised is restricted to the extent of such liabilities.

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 8 LONG-TERM PROVISIONS		
Provision for employee benefits:		
- Compensated absence	42.82	34.45
- Long-term Incentive plan	-	274.45
Provision - Others:		
- Provision for tax (net of advance tax ₹ 1,084.23 Million (Previous year ₹ 718.42 Million))	51.49	195.39
Total	**94.31**	**504.29**

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 9 SHORT-TERM BORROWINGS		
Secured loans repayable on demand from banks: (Refer note (i) below)		
- Working capital loans	1,787.12	2,935.81
- Short-term loans	150.00	-
Total	**1,937.12**	**2,935.81**

Note:

(i) Details of security for the secured loans repayable on demand:

Security: Working capital loans from banks are secured by first pari passu charge over current assets of the Company and second pari passu charge on movable and immovable fixed assets of the Company.

Short-term loans are secured by pledge over current investments in mutual funds to the extent of ₹ 400 Million.

₹ in Million

Particulars	March 31, 2014	December 31, 2012
(ii) Aggregate of short-term borrowings guaranteed by some of the directors of the Company	1,787.12	2,935.81
Total	**1,787.12**	**2,935.81**

NOTES forming part of the financial statements

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 10 **TRADE PAYABLES**		
Trade payables:		
- Acceptances	743.67	630.45
- Other than acceptances (Refer note (i) below)	1,427.12	798.92
Total	**2,170.79**	**1,429.37**

Note:

(i) Disclosure required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

₹ in Million

	Particulars	March 31, 2014	December 31, 2012
(i)	Principal amount remaining unpaid to any suppliers as at the end of the accounting year	22.35	11.67
(ii)	Interest due thereon remaining unpaid to any suppliers as at the end of the accounting year	0.03	0.03
(iii)	The amount of interest paid along with the amounts of the payment made to the suppliers beyond the appointed day	-	-
(iv)	The amount of interest due and payable for the year	0.03	0.03
(v)	The amount of interest accrued and remaining unpaid at the end of the accounting year	0.06	0.03
(vi)	The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 11 **OTHER CURRENT LIABILITIES**		
Current maturities of long-term debts (Refer note 5 above)	2,784.66	560.36
Interest accrued but not due on borrowings	25.11	74.15
Unclaimed dividends (Refer note (i) below)	50.24	2.31
Other payables:		
- Statutory remittances	30.25	33.62
- Payables on purchase of fixed assets	20.79	12.12
- Interest accrued on trade payables (Refer note 10(i) above)	0.03	0.03
- Trade deposits received	17.71	91.53
- Advance received from customers	97.70	221.40
- Advance received from subsidiaries	59.77	101.14
- Gratuity (Refer note 43)	-	7.60
Total	**3,086.26**	**1,104.26**

Note:

(i) During the period ended March 31, 2014, unclaimed dividend of ₹ 0.36 Million (Previous Year ₹ Nil) was transferred to the Investor Education and Protection Fund (IEPF) as required under Section 205(C) of the Companies Act, 1956.

NOTES forming part of the financial statements

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 12 **SHORT-TERM PROVISIONS**		
Provision for employee benefits:		
- Compensated absences	39.39	40.74
- Payable to employees under incentive plan	148.81	90.71
Provision - Others:		
- Provision for income tax (net of advance tax ₹ 10,997.82 Million (previous year ₹ Nil))	120.51	98.66
- Estimated loss on forward exchange contracts	-	6.59
- Proposed equity dividends	297.83	117.61
- Tax on proposed dividends	50.62	19.08
Total	**657.16**	**373.39**

Amounts remitted in foreign currency during the year on account of dividends

Particulars	March 31, 2014	December 31, 2012
Amount of dividends remitted in foreign currency (₹ in Million) (Refer note below)	164.03	1.89
Total number of non-resident shareholders (to whom the dividends were remitted in foreign currency)	6	7
Total number of shares held by them on which dividend was due	516,000	940,000
Year to which the dividend relates **Note:** Out of dividend of ₹ 164.03 Million remitted in foreign currency, ₹ 1.03 Million relates to year ended December 31, 2012 for 516,000 shares and ₹ 163.00 Million relates to the special dividend for the current period ended March 31, 2014 for 326,000 shares	2012 & 2013-14	2011

NOTES forming part of the financial statements

₹ in Million

Note No. 13 FIXED ASSETS

	Gross block					Accumulated depreciation / amortisation				Net block	
	As at January 1, 2013	Additions	Adjustments (Refer note (x) below)	Disposals	As at March 31, 2014	As at December 31, 2012	Depreciation / amortisation expense	Eliminated on disposal of assets	As at March 31, 2014	As at March 31, 2014	As at December 31, 2012
Tangible assets:											
Land:											
- Freehold	770.43	115.96	-	-	886.39	-	-	-	-	886.39	770.43
	(770.43)	-	-	-	*(770.43)*	-	-	-	-	*(770.43)*	*(770.43)*
- Leasehold	48.13	-	-	-	48.13	-	-	-	-	48.13	48.13
	(48.13)	-	-	-	*(48.13)*	-	-	-	-	*(48.13)*	*(48.13)*
Buildings	603.90	1,522.94	776.40	1.25	1,349.19	191.80	47.12	0.32	238.60	1,110.59	412.10
	(589.57)	*(18.30)*	-	*(3.97)*	*(603.90)*	*(166.26)*	*(27.00)*	*(1.46)*	*(191.80)*	*(412.10)*	*(423.31)*
Plant and equipments	2,110.00	185.08	-	117.28	2,177.80	1,144.93	188.23	82.65	1,250.51	927.29	965.07
	(1,998.75)	*(118.08)*	-	*(6.83)*	*(2,110.00)*	*(978.26)*	*(171.86)*	*(5.19)*	*(1,144.93)*	*(965.07)*	*(1,020.49)*
Furniture and fixtures	80.79	31.67	-	9.42	103.04	33.24	6.48	5.24	34.48	68.56	47.55
	(91.62)	*(0.72)*	-	*(11.55)*	*(80.79)*	*(38.03)*	*(5.29)*	*(10.08)*	*(33.24)*	*(47.55)*	*(53.59)*
Vehicles	28.19	11.54	-	5.99	33.74	15.12	6.27	5.34	16.05	17.69	13.07
	(23.10)	*(11.70)*	-	*(6.61)*	*(28.19)*	*(16.92)*	*(4.24)*	*(6.04)*	*(15.12)*	*(13.07)*	*(6.18)*
Office equipments	82.43	14.41	-	10.71	86.13	52.91	12.33	9.10	56.14	29.99	29.52
	(80.83)	*(7.24)*	-	*(5.64)*	*(82.43)*	*(48.60)*	*(8.98)*	*(4.67)*	*(52.91)*	*(29.52)*	*(32.23)*
Total	**3,723.87**	**1,881.60**	**776.40**	**144.65**	**4,684.42**	**1,438.00**	**260.43**	**102.65**	**1,595.78**	**3,088.64**	**2,285.87**
Previous year	***(3,602.43)***	***(156.04)***		***(34.60)***	***(3,723.87)***	***(1,248.07)***	***(217.37)***	***(27.44)***	***(1,438.00)***	***(2,285.87)***	***(2,354.36)***
Intangible assets:											
- Internally generated:											
- Registrations	36.77	14.92	-	-	51.69	36.77	3.08	-	39.85	11.84	-
	(36.77)	-	-	-	*(36.77)*	*(36.77)*	-	-	*(36.77)*	-	-
- Others:											
- Registrations and brands	1,153.94	51.24	-	-	1,205.18	462.64	153.10	-	615.74	589.44	691.30
	(1,153.94)	-	-	-	*(1,153.94)*	*(346.10)*	*(116.54)*	-	*(462.64)*	*(691.30)*	*(807.84)*
- Software licenses	183.50	93.32	-	4.75	272.07	98.06	55.88	0.37	153.57	118.50	85.44
	(147.82)	*(35.68)*	-	-	*(183.50)*	*(71.00)*	*(27.06)*	-	*(98.06)*	*(85.44)*	*(76.82)*
Total	**1,374.21**	**159.48**	**-**	**4.75**	**1,528.94**	**597.47**	**212.06**	**0.37**	**809.16**	**719.78**	**776.74**
Previous year	***(1,338.53)***	***(35.68)***	-	-	***(1,374.21)***	***(453.87)***	***(143.60)***	-	***(597.47)***	***(776.74)***	***(884.66)***

Notes:

(i) Figures in brackets relate to previous year.

(ii) Depreciation and amortisation on tangible and intangible assets, considered in the Statement of Profit and Loss is net of ₹ Nil (Previous Year ₹ 169.98 Million), relating to depreciation and amortisation of certain tangible and intangible assets fair valued under the Scheme, which as per the Scheme were debited to the Reserve for Business Restructure (BRR) (Refer note 39).

NOTES forming part of the financial statements

(iii) In 2008, the Company had entered into a lease cum sale agreement with Karnataka Industrial Area Development Board for purchase of land under a lease cum sale agreement where the lease period extended till year 2018. On completion of the lease period, the leasehold land will be transferred in the name of the Company.

(iv) The above assets are owned and used by the Company and the employees of the Company other than those assets which are given on lease to a step subsidiary of the Company. (Refer note (viii) below).

(v) Details of sums added on revaluation of assets during the preceding 5 years:

In 2009, pursuant to a court approved Scheme of Arrangement, the Company fair valued land and plant and machinery (refer note 40). The excess of fair value over the carrying values of the respective assets on December 31, 2009 were as follows:

- Land ₹ 754.32 Million

- Plant and machinery ₹ 281.25 Million

There were no other sums added to fixed assets on account of revaluation during the preceding 5 years.

(vi) Details of assets acquired under hire purchase agreements:

₹ in Million

Particulars	Gross block		Net block	
	March 31, 2014	December 31, 2012	March 31, 2014	December 31, 2012
Vehicles	16.97	11.53	14.39	9.82
Total	**16.97**	**11.53**	**14.39**	**9.82**

(vii) Details of capital commitment

₹ in Million

Particulars	March 31, 2014	December 31, 2012
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)		
- Tangible assets	114.09	81.82
Total	**114.09**	**81.82**

(viii) Details of assets given under an operating lease

₹ in Million

Particulars	Gross block		Net block	
	March 31, 2014	December 31, 2012	March 31, 2014	December 31, 2012
Freehold Land	115.96	-	115.96	-
Buildings (Refer note (x) below)	785.73	-	735.76	-
Plant and equipments	49.55	44.96	37.21	27.29
Furniture and fixtures	38.82	-	26.10	-
Office equipments	0.79	-	0.28	-
Total	**990.85**	**44.96**	**915.31**	**27.29**

NOTES forming part of the financial statements

(ix) Details of total depreciation and amortisation expense

₹ in Million

Particulars	March 31, 2014	December 31, 2012
Depreciation and amortisation expense:		
- Charged to Statement of Profit and Loss	472.49	190.99
- Charged to BRR	-	169.98
Total	**472.49**	**360.97**

(x) As part of the hive off of the entities into the manufacture of Specialties products business (refer Note 40.A), the Company also entered into a long term lease arrangement with Agila Specialties Private Limited for certain land and buildings (along with the related infrastructure). Consequent to the above, the difference between the present value of the lease rentals under the lease and the carrying value of the said assets has been adjusted against the Profit on sale of investments, as a transaction related expenditure.

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 14 **NON-CURRENT INVESTMENTS**		
Investments: Trade		
Investments in equity shares of subsidiaries:		
- Nil (As at December 31, 2012: 17,197,902) shares of ₹ 10 each fully paid up in Agila Specialties Private Limited, India. (Refer note 40.A)	-	9,282.20
- 12,361,081 (As at December 31, 2012: 10,178,301) shares of GBP 1 each fully paid up in Strides Arcolab International Limited, UK	966.12	784.46
- 11,397 (As at December 31, 2012: 11,150) shares of EUR 1 each fully paid up in Strides Pharmaceuticals (Holdings) Limited, Cyprus (formerly Agila Specialties Limited, Cyprus)	2,956.99	2,659.71
- 438,000 (As at December 31, 2012: 1,000) shares of USD 1 each fully paid up in Strides Pharma International Limited, Cyprus (formerly Strides Specialty (Cyprus) Limited, Cyprus)	23.13	0.05
- Nil (As at December 31, 2012: 9,990) shares of ₹ 10 each fully paid up in Stelis Biopharma Private Limited (formerly Agila Biotech Private Limited), India. (Refer note 40.B)	-	0.13
- 100 (As at December 31, 2012: 100) shares of SGD 1 each fully paid up in Strides Pharma Asia Pte Limited, Singapore (formerly Agila Specialties Asia Pte. Limited, Singapore)	26.68	26.68
- 195,771 (As at December 31, 2012: Nil) shares of ₹ 10 each partly paid up in Inbiopro Solutions Private Limited	760.42	-
- 4,000 (As at December 31, 2012: Nil) shares with differential voting rights of ₹ 10 each fully paid up in Strides Actives Private Limited	0.04	-
Investments in preference shares of subsidiaries:		
- Nil (As at December 31, 2012: 200,000) preference shares of ₹ 100 each fully paid up in Agila Specialties Private Limited, India	-	200.00
- 9,007 (As at December 31, 2012: Nil) preference shares of SGD 1 each fully paid up in Strides Pharma Asia Pte Limited, Singapore (formerly Agila Specialties Asia Pte. Limited, Singapore)	416.09	-
Share application money paid for investment in subsidiary:		
- Strides Pharma Asia Pte Limited, Singapore (formerly Agila Specialties Asia Pte. Limited, Singapore)	1,444.89	-
Total	**6,594.36**	**12,953.23**
Aggregate amount of unquoted investments	6,594.36	12,953.23

NOTES forming part of the financial statements

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 15 **LONG-TERM LOANS AND ADVANCES**		
Unsecured, considered good, unless stated otherwise:		
Capital advances	88.53	26.93
Security deposits	53.15	52.61
Loans and advances to related parties (Refer note 45)	613.37	348.39
Loans and advances to employees	-	3.14
Loans and advances to suppliers:		
- Unsecured, considered good	-	-
- Doubtful	11.09	16.75
- Less: Provision for doubtful advance to suppliers	(11.09)	(16.75)
	-	-
Prepaid expenses	3.10	47.56
MAT credit entitlement	402.63	291.50
Balance with government authorities:		
- CENVAT / VAT/ Sales tax	1.36	1.36
- Taxes paid under protest	328.85	144.65
Others:		
- Receivable from KIADB	6.44	6.44
Total	**1,497.43**	**922.58**

Long-term loans and advances include amounts due from:

₹ in Million

Particulars	March 31, 2014	December 31, 2012
Firms in which any director is a partner		
- Atma Projects	6.29	40.00
Total	**6.29**	**40.00**

NOTES forming part of the financial statements

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 16 CURRENT INVESTMENTS		
Investment in mutual funds:		
- Reliance Liquid Fund - Treasury Plan - Daily dividend option (Units 85,669.868 (Previous Year 249.271))	130.89	0.38
- Reliance Floating Rate Fund - Short Term Plan - Growth Plan (Units 20,332,228.616 (Previous Year Nil))	400.00	-
- Reliance Fixed Horizon Fund - XXV - Series 17 - Direct Plan Growth Plan (Units 75,000,000 (Previous Year Nil))	750.00	-
- Reliance Fixed Horizon Fund - XXVI - Series 5 - Direct Plan Growth Plan (Units 30,000,000 (Previous Year Nil))	300.00	-
- Tata Liquid Fund Direct Plan - Daily dividend (Units 38.388 (Previous Year Nil))	0.04	-
- Tata Fixed Maturity Plan Series 46 Scheme K - Direct Plan - Growth (Units 25,000,000 (Previous Year Nil))	250.00	-
- Tata Fixed Maturity Plan Series 47 Scheme D - Direct Plan - Growth (Units 15,000,000 (Previous Year Nil))	150.00	-
- IDFC Fixed Term Plan Series 88 Direct Plan -Growth (372 Days) (Units 20,000,000 (Previous Year Nil))	200.00	-
- L&T Fixed Maturity Plan Series 10 - Plan S - Direct Growth (Units 50,000,000 (Previous Year Nil))	500.00	-
- Religare Invesco Fixed Maturity Plan- Sr. 23 - Plan G (376 Days) - Direct Plan Growth (Units 10,000,000 (Previous Year Nil))	100.00	-
- SBI Premier Liquid Fund - Direct Plan - Daily dividend option (Units 89,838.195 (Previous Year Nil))	90.13	-
- ICICI Prudential Fixed Maturity Plan series 73 - (378 Days) Plan O Direct Plan Cumulative (Units 50,000,000 (Previous Year Nil))	500.00	-
- HDFC Fixed Maturity Plan (378 Days) Mar 2014-1-Direct-GR (Units 25,000,000 (Previous Year Nil))	250.00	-
- Birla Sun Life Fixed Term Plan-Series KW-Gr. Direct - Reinvestment (Units 25,000,000 (Previous Year Nil))	250.00	-
Total	**3,871.06**	**0.38**
Aggregate amount of un-quoted investments	3,871.06	0.38
Aggregate net asset value of investment in mutual funds	3,899.31	0.38
Current investments offered as security towards short-term borrowings	400.00	-
Current investments in the nature of 'Cash and cash equivalents' considered as part of cash and cash equivalents in the Cash Flow Statement	3,471.06	0.38

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 17 INVENTORIES		
Raw materials	923.93	707.59
- Goods-in-transit	77.64	58.21
Work-in-progress (Refer note (i) below)	116.02	69.48
Finished goods (other than those acquired for trading)	194.56	102.97
Stock-in-trade (acquired for trading)	43.66	99.61
Stores and spares	12.20	5.68
Total	**1,368.01**	**1,043.54**

NOTES forming part of the financial statements

Note:

(i) Details of work-in-progress

₹ in Million

Particulars	March 31, 2014	December 31, 2012
Capsules	23.77	5.56
Tablets	88.69	59.24
Others	3.56	4.68
Total	**116.02**	**69.48**

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 18 **TRADE RECEIVABLES**		
Unsecured, considered good (Refer note (i) below)		
Outstanding for a period exceeding six months from the date they were due for payment:		
- Unsecured considered good	25.08	222.16
- Doubtful	52.03	19.71
	77.11	241.87
Less: Provision for doubtful trade receivables	(52.03)	(19.71)
	25.08	**222.16**
Others		
- Unsecured considered good	2,707.78	1,708.80
- Doubtful	28.10	-
	2,735.88	1,708.80
Less: Provision for doubtful trade receivables	(28.10)	-
	2,707.78	**1,708.80**
Total	**2,732.86**	**1,930.96**

Note:

(i) Trade receivables include debts due from:

₹ in Million

	March 31, 2014	December 31, 2012
Private companies in which director of the Company is director or a member:		
- Agila Specialties Private Limited (Refer note 45)	-	63.52

NOTES forming part of the financial statements

₹ in Million

Note No. 19 CASH AND CASH EQUIVALENTS	March 31, 2014	December 31, 2012
Cash on hand	1.15	0.86
Balance with banks:		
- In current accounts	287.58	74.46
- In EEFC accounts	-	16.10
- In deposit accounts	1,365.02	88.32
- Funds-in-transit	32.11	4.71
- In earmarked accounts		
- Unpaid dividend accounts	50.23	2.35
- Group gratuity accounts	0.43	2.11
- Balance held as margin money against working capital facilities with banks	13.11	104.39
Total	**1,749.63**	**293.30**
Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 'Cash Flow Statements' is	1,685.86	184.45

₹ in Million

Note No. 20 SHORT-TERM LOANS AND ADVANCES	March 31, 2014	December 31, 2012
Unsecured, considered good		
Loans and advances to related parties (Refer note 45)	1,721.28	1,965.84
Loans and advances to employees	18.78	10.76
Loans and advances to suppliers	157.35	78.52
Prepaid expenses	65.82	68.38
Balances with government authorities:		
- CENVAT credit receivable	23.64	27.21
- VAT credit receivable	94.99	53.55
- Service tax credit receivable	120.46	74.53
- Incentives receivable	75.64	64.38
Total	**2,277.96**	**2,343.17**

(i) Disclosure as per Clause 32 of the Listing Agreements with the Stock Exchanges

₹ in Million

	March 31, 2014	December 31, 2012
Loans and advances in the nature of loans given to subsidiaries:		
- Strides Arcolab International Limited, UK (Maximum outstanding ₹ 384.49 Million (Previous Years ₹ 242.12 Million))	135.41	242.14
- Agila Specialties Polska Sp. Z.oo, Poland (Maximum outstanding ₹ 22.19 Million (Previous Years ₹ 21.95 Million))	-	21.95
- Stelis Bipoharma Private Limited, India (Maximum outstanding ₹ 171.40 Million (Previous Years ₹ Nil))	10.00	-
- Inbiopro Solutions Private Limited, India (Maximum outstanding ₹ 21.69 Million (Previous Years ₹ Nil))	-	-
Total	**145.41**	**264.09**

NOTES forming part of the financial statements

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 21 OTHER CURRENT ASSETS		
Unbilled revenue (net) (Refer note (i) below)	47.77	141.49
Interest accrued on deposits	0.13	0.14
MTM receivable on hedged forward contracts	81.18	-
Others:		
- Dividends receivable	-	0.12
- Gratuity claim receivables	1.57	0.62
Total	**130.65**	**142.37**

Note:

(i) Unbilled revenue includes income recognised on development service contracts and contracts for production of dossiers, against which invoices are not due to be raised, and are net of advances received against the respective contracts.

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 22 REVENUE FROM OPERATIONS		
Sale of products (Refer note (i) below)	9,907.18	5,961.02
Sale of services (Refer note (ii) below)	91.25	193.55
Other operating revenues (Refer note (iii) below)	698.92	987.18
Total	**10,697.35**	**7,141.75**

Note:

(i) Sale of product comprises:

₹ in Million

Particulars	March 31, 2014	December 31, 2012
Manufactured goods:		
- Tablets	5,852.23	3,261.53
- Capsules	1,179.40	967.56
- Sachets	1,121.60	341.66
- Others	31.99	17.51
Total manufactured goods sold	**8,185.22**	**4,588.26**
Traded goods:		
- Tablets	548.29	861.60
- Capsules	73.63	131.36
- Others	1,100.04	379.80
Total traded goods sold	**1,721.96**	**1,372.76**
Total sale of products (including excise duty)	**9,907.18**	**5,961.02**

NOTES forming part of the financial statements

(ii) Sale of services comprises:

₹ in Million

Particulars	March 31, 2014	December 31, 2012
Development income	75.03	30.17
Facilitation fee	-	132.12
Job-work income	16.22	31.26
Total service income	**91.25**	**193.55**

(iii) Other operating revenue comprises:

₹ in Million

Particulars	March 31, 2014	December 31, 2012
Export incentives	146.86	171.57
Royalty income	552.06	507.15
Advisory fees	-	308.46
Total other operating revenue	**698.92**	**987.18**

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 23 **OTHER INCOME**		
Interest income (Refer note (i) below)	169.90	569.28
Dividend income		
- from current investment (others)	129.90	6.88
- from non-current investments in wholly-owned subsidiaries	-	0.12
Rental income from operating leases	48.84	8.85
Other non-operating income		
- Liabilities / provisions no longer required written back	94.35	71.99
- Guarantee commission	677.52	530.86
- Reimbursement of expenses	82.80	-
- Others	6.04	1.10
Total	**1,209.35**	**1,189.08**

Note:

(i) Interest income comprises:

₹ in Million

Particulars	March 31, 2014	December 31, 2012
Interest from banks on deposits	118.47	244.68
Interest on loans and advances	45.61	321.79
Interest from others	5.82	2.81
Total	**169.90**	**569.28**

NOTES forming part of the financial statements

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 24 **COST OF MATERIALS CONSUMED**		
Opening stock	771.48	964.38
Add: Purchases	5,360.59	2,622.52
Closing stock	1,013.77	771.48
Cost of materials consumed	**5,118.30**	**2,815.42**

Cost of materials consumed comprises:

₹ in Million

Particulars	March 31, 2014	December 31, 2012
Active pharmaceutical ingredients and other raw materials	4,544.92	2,523.09
Primary packing materials	336.66	163.35
Secondary packing materials	236.72	128.98
Total	**5,118.30**	**2,815.42**

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 25 **PURCHASE OF TRADED GOODS**		
Traded goods	1,182.08	1,003.07
Total	**1,182.08**	**1,003.07**
Traded goods comprises:		
- Tablets	335.75	780.48
- Injectable	141.23	78.91
- Capsules	44.24	83.99
- Others	660.86	59.69
Total	**1,182.08**	**1,003.07**

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 26 **(INCREASE) / DECREASE IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE**		
Inventories at the end of the year:		
- Finished goods	194.56	102.97
- Work-in-progress	116.02	69.48
- Stock-in-trade	43.66	99.61
	354.24	**272.06**
Inventories at the beginning of the year:		
- Finished goods	102.97	81.34
- Work-in-progress	69.48	153.22
- Stock-in-trade	99.61	104.26
	272.06	**338.82**
Net (increase) / decrease	**(82.18)**	**66.76**

NOTES forming part of the financial statements

₹ in Million

Note No. 27 EMPLOYEE BENEFITS EXPENSES	March 31, 2014	December 31, 2012
Salaries and wages	970.00	588.41
Contributions to provident and other funds (Refer note 43)	64.69	73.87
Expenses on Employee Stock Option Plans (Refer note 42)	12.77	-
Staff welfare expenses	66.28	46.91
Total	**1,113.74**	**709.19**

₹ in Million

Note No. 28 OTHER EXPENSES	March 31, 2014	December 31, 2012
Subcontracting	41.74	30.66
Power and fuel	141.96	94.04
Water	2.52	1.33
Rent including lease rentals (Refer note 46)	19.25	26.25
Repairs and maintenance:		
- Buildings	18.58	4.72
- Machinery	44.83	30.72
- Others	42.68	23.72
Insurance	25.64	12.39
Rates and taxes	60.68	29.92
Communication	29.40	12.05
Travelling and conveyance	106.20	84.29
Printing and stationery	10.67	6.98
Freight and forwarding	335.99	187.50
Sales commission	60.06	48.31
Business promotion	122.95	67.66
Donations and contributions	2.27	0.12
Legal and professional	157.59	101.70
Payments to auditors (Refer Note (i) below)	21.23	10.70
Bad debts written off / Provision for doubtful trade and other receivables	67.38	20.56
Loss on sale of fixed assets (net)	14.09	1.38
Consumables	126.95	84.23
Biostudy expenses	2.08	16.59
Net loss on foreign currency transactions	310.48	437.30
Unbilled revenue written off	2.70	187.47
Miscellaneous expenses	54.11	47.98
Total	**1,822.03**	**1,568.57**

NOTES forming part of the financial statements

Note:

(i) Payments to the auditors comprises (net of service tax input credit):

₹ in Million

Particulars	March 31, 2014	December 31, 2012
Audit Fee of Standalone and consolidated financial statement (including fees for audit of subsidiaries for purposes of consolidation ₹ 4.40 Million, previous year ₹ Nil)	11.80	5.00
For Limited reviews	2.40	1.50
For Certification fees	6.20	3.20
For taxation matters	0.70	0.80
Reimbursement of expenses	0.13	0.20
Total	**21.23**	**10.70**

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 29 **FINANCE COSTS**		
Interest expense on:		
- Borrowings	663.21	540.69
- delayed payment of income tax	76.33	-
Bank charges and commission	310.77	171.51
Total	**1,050.31**	**712.20**

₹ in Million

	March 31, 2014	December 31, 2012
Note No. 30 **EXCEPTIONAL ITEMS**		
Exchange gain / (loss) net (Refer note (i) below)	63.41	(646.53)
Changes in fair value of embedded derivatives in FCCBs - gain	-	2.09
Dividend income from non-current investments in wholly-owned subsidiaries	13,534.08	-
Net gain on sale of long-term investments (Refer note 40)	31,607.92	0.35
Write-off of intangible assets under development	(79.85)	-
Write-off of inventory	(177.14)	-
Total (net)	**44,948.42**	**(644.09)**

(i) Exchange gain / (loss) net comprises:

₹ in Million

Particulars	March 31, 2014	December 31, 2012
Exchange gain / (loss) on restatement of FCCBs	-	181.27
Exchange gain / (loss) on restatement of long-term foreign currency loans	(412.44)	(180.73)
Exchange gain / (loss) on share application money to the extent considered as monetary items	179.77	(698.07)
Exchange gain / (loss) on restatement of loans and advances to subsidiaries	31.51	3.91
Exchange gain / (loss) on sale of investment in subsidiary (Refer note 40.C)	-	47.09
Exchange gain / (loss) on forward contracts	264.57	-
Total (net)	**63.41**	**(646.53)**

NOTES forming part of the financial statements

₹ in Million

Note No. 31 TAX EXPENSES	March 31, 2014	December 31, 2012
Current tax expenses	11,092.44	206.50
Current tax expense relating to prior years	(35.00)	-
Deferred tax expenses	43.90	-
Less: MAT credit availed	(111.13)	(167.50)
Net tax expense	**10,990.21**	**39.00**

₹ in Million

Note No. 32 DETAILS OF CONSUMPTION OF IMPORTED AND INDIGENOUS MATERIALS	March 31, 2014	December 31, 2012
Imported	2,313.98	1,613.13
- Percentage to the total consumption	45%	57%
Indigenous	2,804.32	1,202.29
- Percentage to the total consumption	55%	43%
Total	**5,118.30**	**2,815.42**

₹ in Million

Note No. 33 VALUE OF IMPORTS CALCULATED ON CIF BASIS	March 31, 2014	December 31, 2012
Raw materials	2,546.10	1,379.15
Capital goods	118.76	69.29
Other goods	86.71	66.07
Total	**2,751.57**	**1,514.51**

₹ in Million

Note No. 34 EXPENDITURE IN FOREIGN CURRENCY	March 31, 2014	December 31, 2012
Travel expenses	0.61	1.09
Sales commission	26.65	1.93
Interest and bank charges (Refer note (i))	219.41	209.79
Legal and professional fees (Refer note (ii))	6.58	57.80
Membership and subscription	21.48	12.50
Product Registration and Renewal Charges	24.88	16.48
Business promotion	12.56	0.05
Others	24.25	11.78
Total	**336.42**	**311.42**

(i) Includes amount debited to Reserve for Business Restructure (BRR) of ₹ Nil (Previous year ₹ 188.65 Million).

(ii) Includes amount debited to Reserve for Business Restructure (BRR) of ₹ Nil (Previous year ₹ 42.31 Million).

NOTES forming part of the financial statements

₹ in Million

Note No. 35 DETAILS OF RESEARCH AND DEVELOPMENT EXPENDITURE INCURRED (CHARGED TO STATEMENT OF PROFIT AND LOSS)	March 31, 2014	December 31, 2012
Salaries and wages	61.07	30.84
Materials	58.63	-
Legal and professional fees	47.45	4.63
Bio Study expenses	45.79	16.59
Consumables	10.72	47.01
Travelling and conveyance	1.39	0.93
Net loss on foreign currency transactions	43.12	-
Depreciation and amortisation expense	13.55	0.02
Write off of Intangible assets under development	79.85	-
Others	19.12	7.02
Total	**380.69**	**107.04**

₹ in Million

Note No. 36 EXPENDITURE DEBITED TO STATEMENT OF PROFIT AND LOSS IS NET OF THE FOLLOWING EXPENSE CROSS CHARGED BY THE COMPANY TO ITS SUBSIDIARIES	March 31, 2014	December 31, 2012
Employee benefit expenses	285.16	150.36
Other expenses	124.57	146.37
Total	**409.73**	**296.73**

₹ in Million

Note No. 37 EARNINGS IN FOREIGN CURRENCY	March 31, 2014	December 31, 2012
FOB value of export of goods	7,959.23	5,098.96
Development income	72.76	30.17
Royalty income	552.06	507.15
Dividend Income from non-current investment in wholly-owned subsidiaries	13,534.08	-
Guarantee Commission	645.15	516.34
Advisory services fees	-	308.46
Interest income	14.74	11.61
Other income	12.54	9.20
Total	**22,790.56**	**6,481.89**

NOTES forming part of the financial statements

Note No. 38

FOREIGN CURRENCY CONVERTIBLE BONDS

The Company had issued zero coupon Foreign Currency Convertible Bonds (FCCB's) (listed in the Singapore Exchange Securities Trading Limited, Singapore) to the extent of USD 100 Million (FCCB 100Million) during the year ended December 31, 2007 which were redeemable on June 27, 2012. In 2009, as permitted by RBI, the Company had bought back FCCB's with a face value aggregating to USD 20 Million. During the year ended December 31, 2012, the Company redeemed the balance zero coupon Foreign Currency Convertible Bonds (FCCBs) of face value amounting USD 80 Million with an effective premium of USD 36.05 Million.

Note No. 39

SCHEME OF ARRANGEMENT UNDER SECTION 391 – 394 OF THE COMPANIES ACT, 1956

39.1 The shareholders of the Company, in their meeting held on April 13, 2009 approved the Scheme of Restructuring that envisaged interalia a Scheme of Arrangement (the 'Scheme') to be filed under Sections 391 to 394 of the Companies Act, 1956 covering the merger of some of the subsidiaries (Transferor companies) of the Company with itself (Transferee company), fair valuation of some of the assets of the Company and creation of a Reserve for Business Restructure ('BRR') out of any surpluses arising from these, to be utilized as specified in the Scheme.

39.2 The Scheme filed by the Company had been approved by the High Courts of Judicature with an appointed date of January 1, 2009 and an effective date of December 31, 2009 ('the Effective Date'), being the date on which requirements under the Companies Act, 1956 had been completed.

In terms of the Scheme and upon the Scheme becoming effective, amongst other things:

- expenses incurred by the Company or its subsidiaries in the nature of impairment, diminution, loss, amortization and/ or write-off of assets/ investments/ intangibles, interest on borrowings for acquisitions, employee compensation expenses, additional depreciation charged or suffered by the Transferee Company on account of fair valuation, scheme expenses and other expenses or arising in the future as may be determined by the Board of Directors of the Transferee Company, shall be debited to the BRR.

  The maximum amount that can be written off against the BRR instead of being debited to the Statement of Profit and Loss on or at any time after January 1, 2009 would be restricted to the balance in the BRR or upto December 31, 2012 and not beyond that. Any unutilized balance in the BRR is required to be transferred to Securities premium account by December 31, 2012.

- the balance in the Securities premium account, as appearing in the books of the Transferee Company may be transferred to BRR, to such extent as determined by the Board.

Accordingly, the following accounting treatment was given effect:

(a) The fair value of net assets acquired from the Transferor Companies in excess of the carrying value of investment in the subsidiaries and the value of equity shares issued to minority shareholders, amounting to ₹ 146.77 Million was credited to BRR during the year ended December 31, 2009.

(b) Upon the Scheme becoming effective, and based on legal advice received, the assets and liabilities of the Transferee Company had been fair valued as determined by the Board of Directors of the Company and the net surplus arising out of such fair valuation (over the carrying value of the respective assets and liabilities prior to the fair valuation) was credited to the BRR as follows during the year ended December 31, 2009.

₹ in Million

Particulars of assets and liabilities fair valued		Amount credited to BRR
(i)	Investment in Agila Specialties Private Limited (a Wholly Owned Subsidiary ['WOS'] of the Company) (Refer note 40.A)	5,856.20
(ii)	Land	754.32
(iii)	Machineries	281.25
Net amount credited to BRR		**6,891.77**

Had the Scheme not prescribed the above accounting treatment, in terms of the Company's accounting policies, these assets would continue to have been carried at cost.

NOTES forming part of the financial statements

(c) During the year ended December 31, 2012, in accordance with the Scheme;

(i) an amount of ₹ 65.16 Million has been transferred from Securities premium account to the BRR.

(ii) The following expenses have been adjusted against the BRR:

	₹ in Million
Amortisation of brands / depreciation	169.98
Employee benefits expenses (including cost under ESOP)	20.87
Finance costs	188.65
Other expenses (net)	72.31
Total expenses (net) debited to BRR	**451.81**

(d) Had the Scheme not provided for the above accounting treatment, the effect of accounting as per the Accounting Standards notified under the Section 211(3C) of the Companies Act, 1956 for the year ended December 31, 2012 would have been as under:

Statement of Profit and Loss for the year ended December 31, 2012

₹ in Million

Particulars	(Increase) / Decrease
Employee benefits expense	(20.87)
Finance costs	(188.65)
Depreciation and amortisation	(169.98)
Other expenses (net)	(72.31)
Impact on Profit after tax	451.81

After considering the above adjustments, the basic earnings per share would have been ₹ 1.84 and diluted loss per share would have been ₹ 1.37 for the year ended December 31, 2012.

In the Balance sheet as at December 31, 2012

₹ in Million

Particulars	Increase / (Decrease)
Capital Reserve (as per AS 14 “Accounting for Amalgamations”)	146.77
Securities Premium	65.16
Revaluation reserve	870.93
BRR	(3,846.38)
Statement of Profit and Loss	(3,257.32)
Investments in equity shares in Agila Specialties Private Limited (earlier, a Wholly Owned Subsidiary) (also refer note 40.A)	(5,856.20)

NOTES forming part of the financial statements

Note No. 40

SALE OF NON-CURRENT INVESTMENTS

A. Sale of investments in Agila Specialties Private Limited

(a) In February 2013, the Company and its wholly owned subsidiary, Strides Pharma Asia Pte. Limited (Strides Pharma Asia), had entered into definitive agreements with Mylan Inc. ("Buyer") for hiving off the entities carrying out Specialty products business subject to receipt of regulatory approvals ('the Transaction'). The hive off of the Specialty products business was by way of sale of shares of (a) Agila Specialties Private Limited ("ASPL", which was then a wholly owned subsidiary of the Company) and (b) Agila Specialties Global Pte Ltd, ("Agila Global", which was then a wholly owned subsidiary of Strides Pharma Asia Pte. Limited, Singapore, a wholly owned subsidiary of the Company).

(b) The sale of the investment in ASPL was recorded in terms of Share Purchase Agreement (the India SPA) dated December 4, 2013 entered into with Mylan Laboratories Limited, ('MLL', a subsidiary of Mylan Inc.), India for a consideration of USD 693.03 Million (₹ 43,010.04 Million) as computed under the India SPA that was received in full on that date. The India SPA envisages that an amount of ₹ 850.00 Million and USD 60.00 Million be transferred by MLL to two separate Escrow accounts (which are jointly controlled by both MLL and the Company) respectively for payment to certain specified senior management personnel of ASPL and its subsidiary, and for incurring certain regulatory expenses pertaining to ASPL as defined under the agreements entered into between the Company and MLL. Unutilized amounts in these Escrow accounts, if any, would be paid to the Company from the Escrow accounts in accordance with the terms of the agreements with MLL.

(c) Exceptional items in the Statement of Profit and Loss include profit from sale of investments in ASPL to the extent of ₹ 31,600.28 Million net of transaction related expenditure amounting to ₹ 1,393.68 Million and special transaction related bonus due to employees of the Strides Group (including employees in the disposed entities and their subsidiaries) amounting to ₹ 733.88 Million.

(d) Subsequent to the transaction, Mylan Inc., USA has been in discussions with the Company with regard to matters relating to the assets and liabilities of the Specialties business taken over and has raised certain claims on the Company under the India SPA. The Company has also claimed certain additional amounts from Mylan Inc., and as on date, is in discussions with them to resolve these matters. Based on the nature of the claims involved, the Company does not expect that the profit recognised on the sale of the investment in ASPL would be materially impacted and any adjustments required will be recorded on conclusion of these discussions.

(e) The Company has given a corporate guarantee for USD 200 Million (₹ 12,028 Million) to the Buyer towards future claims / liabilities, if any, relating to the period prior to December 4, 2013.

(f) Consequent to the above, with effect from December 5, 2013, following entities would also cease to be the subsidiaries of the Strides Group:

a) Agila Jamp Canada Inc., Canada

b) Agila (NZ) Pty Ltd, New Zealand

c) Agila Australia Pty Limited, Australia

d) Agila Especialidades Farmaceuticas Ltda, Brazil

e) Agila Farmaceuticas Participacoes Ltda, Brazil

f) Agila Marketing e Distribuicao De Producos Hospitalares Ltda, Brazil

g) Agila Specialties (Holdings) Limited, Cyprus

h) Agila Specialties Americas Limited, Cyprus

i) Agila Specialties Global Pte Limited, Singapore

j) Agila Specialties Inc., USA

k) Agila Specialties Investments Limited, UK

l) Agila Specialties Polska Sp Zoo, Poland

m) Agila Specialties Pharma Corporation, Canada

n) Agila Specialties Private Limited, India,

o) Agila Specialties UK Limited, UK

p) Catalist Pty Limited, Australia

q) Farma Plus, Norway

r) Onco Laboratories Limited, Cyprus

s) Onco Therapies Limited, India

t) Sagent Agila LLC, USA

NOTES forming part of the financial statements

B. Sale of investments in Stelis Biopharma Private Limited

During the current period, the Company has sold its investment in Stelis Biopharma Private Limited, a wholly owned subsidiary of the Company having a carrying value of ₹ 10.13 Million to Inbiopro Solutions Private Limited, a wholly owned subsidiary of the Company for a consideration of ₹ 17.77 Million. Profit on sale arising on such sale of investment of ₹ 7.64 Million has been recognised in the Statement of Profit and Loss under the Exceptional Items.

C. During the year ended December 31, 2012:

a) The Company incorporated Strides Emerging Markets Private Limited (SEMPL) and transferred shares in SEMPL to Strides Pharma (Cyprus) Limited, Cyprus for total consideration of ₹ 0.47 Million. Profit on sale of such investments aggregating to ₹ 0.35 Million is recognised in the Statement of Profit and Loss under Exceptional Items as detailed in Note 30.

b) The Company sold its investment in Strides Africa Limited to Strides Pharmaceuticals (Holdings) Limited, Cyprus (formerly Agila Specialties Limited, Cyprus), a wholly-owned subsidiary of the Company, at cost of acquisition of USD 4.52 Million. Exchange gain arising on such sale of investment amounting to ₹ 47.09 Million was recognised in the Statement of Profit and Loss under Exceptional Items during the year ended December 31, 2012, as detailed in Note 30.

Note No. 41

CONTINGENT LIABILITIES

41.1 The Company has given corporate guarantees upto ₹ 36,446.06 Million (As at December 31, 2012: ₹ 29,635.75 Million) to financial institutions and other parties, on behalf of its subsidiaries. As at March 31, 2014, the subsidiaries have availed facilities from such financial institutions/ were obligated to the parties referred above for an aggregate amount of ₹ 580.67 Million (As at December 31, 2012: ₹ 4,068.85 Million).

41.2 The Company has disputed income tax liabilities arising from assessment proceedings relating to earlier years amounting to ₹ 1,276.50 Million(Previous year ₹ 741.31 Million). The outflow, if any, on account of disputed taxes is dependent on completion of assessments.

41.3 The Company had preferred an appeal with the CESTAT against the order of the Commissioner of Central Excise disallowing transfer of CENVAT credit of ₹ 5.65 Million (Previous year ₹ 3.86 Million) as on the date of conversion of one of the units of the Company into a 100% EOU.

41.4 Other claims against the Company disputed by the Company ₹ 872.63 Million (Previous year ₹ Nil).

Note No. 42

EMPLOYEE STOCK OPTION PLAN (ESOP)

(a) In the extraordinary general meeting held on January 25, 2007, the shareholders approved the issue of 1,000,000 options under the Plan titled “Strides Arcolab ESOP 2006” (ESOP 2006). The ESOP 2006 allows the issue of options to employees of the Company and its subsidiaries (whether in India or abroad). Each option comprises one underlying equity share. As per the Plan, the Compensation committee grants the options to the employees deemed eligible. The exercise price of each option shall not be less than 85 per cent of the “Market Price” as defined in the Plan. The options granted vest over a period of 3 years from the date of the grant in proportions specified in the Plan. Options should be exercised within 30 days of vesting. No options were granted under this Plan during the current period.

(b) The ESOP titled “Strides Arcolab ESOP 2008” (ESOP 2008) was approved by the shareholders through postal ballot on June 18, 2008. 1,500,000 options are covered under the Plan for 1,500,000 equity shares. The options allotted under ESOP 2008 are convertible into equal number of equity shares. The vesting period of these options range over a period of three years. The options must be exercised with in a period of 30 days from the date of vesting. No options were granted under this Plan during the current period.

(c) The ESOP titled “Strides Arcolab ESOP 2008 (Directors)” (ESOP 2008 Directors Plan) was approved by the shareholders through postal ballot on January 12, 2009. 500,000 options are covered under the Plan for 500,000 equity shares. The options allotted under ESOP 2008 are convertible into equal number of equity shares. The vesting period of these options range over a period of three years. The options must be exercised with in a period of 30 days from the date of vesting. No options were granted under this plan during the current period.

(d) The ESOP titled “Strides Arcolab ESOP 2011” (ESOP 2011) was approved by the shareholders on May 30, 2011. 1,500,000 options are covered under the Plan for 1,500,000 equity shares. The options allotted under ESOP 2011 are convertible into equal number of equity shares. The vesting period of these options range over a period of three years. The options must be exercised with in a period of 30 days from the date of vesting. During the current period, the Remuneration Committee in its meetings held on November 20, 2013 has granted 400,000 options under the ESOP 2011 to eligible employees of the Company.

NOTES forming part of the financial statements

(e) In respect of the ESOP 2006 and all the other Employee Stock Option Plans detailed above, (i) the difference between the fair price of the share underlying the options granted, on the date of grant of option and the exercise price of the option, (being the intrinsic value of the option) representing Stock compensation expense, is expensed over the vesting period, (ii) all unvested options will vest immediately in the case of merger, dissolution or change in management of the Company. Accordingly, due to sale of investments in Agila Specialties Private Limited, the Remuneration Committee in its meeting held on November 20, 2013 has approved for early vesting of all options outstanding prior to that date. Upon early vesting of these options, the balance unrecognised expense of the intrinsic value of option in respect of these outstanding options has been recognised in the Statement of Profit and Loss.

(f) Employee compensation costs of ₹ 12.77 Million relating to the above referred various Employee Stock Option Plans have been charged to the Statement of Profit and Loss. Such expense for the year ended December 31, 2012 amounting to ₹ 20.87 Million had been debited to BRR in accordance with the terms of the Scheme of arrangement (Refer note 39 for details).

₹ in Million

Particulars	ESOP 2006	ESOP 2008	ESOP 2008 (D)	ESOP 2011	**Total**
Expenses during the year	4.88	5.18	3.99	1.96	**16.01**
Reversal due to lapse	(2.34)	(0.90)	-	-	**(3.24)**
Total	**2.54**	**4.28**	**3.99**	**1.96**	**12.77**

Employee stock options details as on the balance sheet date are as follows:

Particulars	During the period 2013-14		During the year 2012	
	Options (No's)	Weighted average exercise price per option (₹)	Options (No's)	Weighted average exercise price per option (₹)
Option outstanding at the beginning of the year:				
- ESOP 2006	366,000	331.15	472,500	331.15
- ESOP 2008	403,300	313.51	531,250	285.07
- ESOP 2008 (Director)	50,000	609.80	125,000	59.00
- ESOP 2011	-	-	-	-
Granted during the year:				
- ESOP 2006	-	-	-	-
- ESOP 2008	-	-	100,000	323.50
- ESOP 2008 (Director)	-	-	50,000	609.80
- ESOP 2011	400,000	322.30	-	-
Exercised during the year:				
- ESOP 2006	326,000	331.15	93,500	331.15
- ESOP 2008	385,900	313.68	205,050	245.43
- ESOP 2008 (Director)	50,000	609.80	125,000	59.00
- ESOP 2011	-	-	-	-

NOTES forming part of the financial statements

Particulars	During the period 2013-14		During the year 2012	
	Options (No's)	Weighted average exercise price per option (₹)	Options (No's)	Weighted average exercise price per option (₹)
Lapsed during the year:				
- ESOP 2006	40,000	331.15	13,000	331.15
- ESOP 2008	17,400	309.68	22,900	307.11
- ESOP 2008 (Director)	-	-	-	-
- ESOP 2011	-	-	-	-
Options outstanding at the end of the year:				
- ESOP 2006	-	-	366,000	331.15
- ESOP 2008	-	-	403,300	313.51
- ESOP 2008 (Director)	-	-	50,000	609.80
- ESOP 2011	400,000	322.30	-	-
Options available for Grant:				
- ESOP 2006	40,500	-	40,500	-
- ESOP 2008	152,550	-	152,550	-
- ESOP 2008 (Director)	190,000	-	190,000	-
- ESOP 2011	1,100,000	-	1,500,000	-

The impact on Earnings per Share if the 'fair value' of the options (on the date of the grant) were considered instead of the 'intrinsic value' is as under:

Particulars	For the period ended March 31, 2014	For the year ended December 31, 2012
	(₹ in Million)	(₹ in Million)
STRIDES ARCOLAB ESOP:		
Net Profit as per Statement of Profit and Loss	35,129.25	559.86
Add: stock based employee compensation (intrinsic value)	12.77	Refer note below
Less: stock based compensation expenses determined under fair value method for the grants issued	(16.33)	
Net Profit (proforma)	35,125.69	559.86
	₹	₹
Basic earnings per share (as reported)	593.65	9.55
Basic earnings/ (loss) per share (proforma)	593.59	Refer note below
Diluted earnings per share (as reported)	591.14	5.84
Diluted earnings/ (loss) per share (proforma)	591.08	Refer note below

Note: As per the Scheme approved by the Honorable High Courts of Judicature, expenses under employee stock option plans were recorded in the BRR during the year ended December 31, 2012. Accordingly, there was no impact on Earnings per Share if the options were accounted at fair values instead of intrinsic value during 2012.

NOTES forming part of the financial statements

(g) The fair values of the options have been determined under the Black-Scholes model. The assumptions used in this model for calculating fair value are as below:

Assumptions	March 31, 2014	December 31, 2012
Risk Free Interest Rate	8.75%	8.85%
Expected Life	3 years	3 years
Expected Annual Volatility of Shares	38.64%	52.00%
Expected Dividend Yield	0.52%	0.14%

Note No. 43

EMPLOYEE BENEFITS PLANS:

Defined contribution plan

The Company makes contributions to Provident Fund and Employee State Insurance Schemes which are defined contribution plans, for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll cost to fund the benefits. The Company recognised ₹ 54.70 Million (for the year ended December 31, 2012: ₹ 35.56 Million) for provident fund contributions and ₹ 3.64 Million (for the year ended December 31, 2012: ₹ 3.84 Million) for Employee State Insurance Scheme contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

Defined benefit plan

The Company offers gratuity under its employee benefit scheme to its employees. The following table sets out the funded status of the defined benefit scheme and the amount recognised in the financial statements:

₹ in Million

Sl. No.	Particulars	March 31, 2014	December 31, 2012
I	**Components of employer expense**		
1	Current service cost	15.46	9.88
2	Interest cost	10.30	5.61
3	Expected return on plan assets	(3.47)	(2.82)
4	Curtailment cost/ (credit)	-	-
5	Settlement cost/ (credit)	-	-
6	Past service Cost	-	-
7	Actuarial losses/ (gains)	(11.30)	22.11
8	Total expense recognised in the Statement of Profit & Loss	10.99	34.78
II	**Actual contribution and benefits payments**		
1	Actual benefit payments	7.67	7.36
2	Actual contributions	16.91	-
III	**Net asset/ (liability) recognised in balance sheet**		
1	Present value of defined benefit obligation (DBO)	103.89	96.87
2	Fair value of plan assets	50.03	19.17
3	Funded status [surplus/ (deficit)]	(53.86)	(77.70)
4	Unrecognized past service costs	-	-
5	Net asset/ (liability) to be recognised in balance sheet	(53.86)	(77.70)
	Non-current portion	(53.86)	(70.09)
	Current portion	-	(7.61)

NOTES forming part of the financial statements

₹ in Million

Sl. No.	Particulars	March 31, 2014	December 31, 2012
IV	**Change in defined benefit obligations**		
1	Present value of DBO at beginning of the period/ year	96.87	63.89
2	Current service cost	15.46	9.88
3	Interest cost	10.30	5.61
4	Curtailment cost/ (credit)	-	-
5	Settlement cost/ (credit)	-	-
6	Plan amendments	-	-
7	Actuarial (gains)/ losses	(11.07)	24.84
8	Benefits paid	(7.67)	(7.36)
9	Present Value of DBO at the end of the period/ year	103.89	96.87
V	**Change in fair value of assets**		
1	Plan assets at beginning of the period/ year	19.17	22.07
2	Acquisition adjustment	17.92	(1.09)
3	Expected return on plan assets	3.47	2.82
4	Actual Company contributions	16.91	-
5	Actuarial (gains)/ losses	0.23	2.73
6	Benefits paid	(7.67)	(7.36)
7	Plan assets at the end of the period/ year	50.03	19.17
8	Actual return on plan assets	3.70	5.55
VI	**Assumptions**		
1	Discount Rate	8.80%	8.00%
2	Expected Return on plan assets	8.00%	8.00%
3	Salary escalation	10.00%	10.00%
4	Attrition	10.00%	10.00%
5	Mortality tables	Indian Assured Lives Mortality (2006-08) (Ultimate Table)	Indian Assured Lives Mortality (1994-96) (Modified Ultimate)
6	Estimate of amount of contribution in the immediate next year	20.00	4.15

Actuarial valuation experience adjustment:

₹ in Million

Particulars	2013-14	2012	2011	2010	2009
Present value of DBO	103.89	96.87	63.89	55.10	85.57
Fair value of plan assets	50.03	19.17	22.07	25.13	46.13
Funded status surplus / (deficit)	(53.86)	(77.70)	(41.82)	(29.97)	(39.44)
Liability transferred on account of merger	-	-	-	-	(18.80)
Funded status net surplus / (deficit)	(53.86)	(77.70)	(41.82)	(29.97)	(39.44)
Experience gain / (loss) adjustment on plan liabilities	(1.07)	10.95	(3.58)	(35.11)	-
Experience gain / (loss) adjustment on plan assets	0.23	(2.73)	5.77	14.75	-

NOTES forming part of the financial statements

Composition of the plan assets as made available by the fund manager:

Category of Investments	As at March 31, 2014	As at December 31, 2012
Central Government Securities	23.86%	31.35%
State Government Securities	16.14%	10.71%
Other approved securities (Government guaranteed securities)	1.21%	1.35%
Debentures and bonds	39.32%	42.86%
Equity Shares	4.67%	5.22%
Fixed Deposits	14.20%	8.35%
CBLO (Money market instruments)	0.60%	0.16%

Actuarial assumptions for long-term compensated absences

Sl. No.	Particulars	March 31, 2014	December 31, 2012
1	Discount Rate	8.80%	8.10%
2	Expected Return on plan assets	8.00%	8.00%
3	Salary escalation	10.00%	10.00%
4	Attrition	10.00%	10.00%

Note:

(a) The discount rate is based on the prevailing market yields of Government of India securities as at the balance sheet date for the estimated term of the obligations.

(b) The estimate of future salary increases considered, takes into account the inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

(c) The above disclosure on gratuity and compensated absences is to the extent of information available with the Company and as per the actuarial valuation reports for gratuity and compensated absences.

Note No. 44

Since the Company prepares consolidated financial statements, segment information has not been provided in these financial statements.

NOTES forming part of the financial statements

Note No. 45

RELATED PARTY TRANSACTIONS : LIST OF THE RELATED PARTIES

Wholly owned subsidiaries	**Direct Holding**
	Inbiopro Solutions Private Limited (w.e.f June 14, 2013)
	Stelis Biopharma Private Limited, India (formerly Agila Biotech Private Limited, India)(upto March 21, 2014)
	Strides Arcolab International Limited, U.K (SAIL)
	Strides Pharma Asia Pte Limited, Singapore (formerly Agila Specialties Asia Pte. Ltd., Singapore)
	Strides Pharma International Limited, Cyprus
	Strides Pharmaceuticals (Holdings) Limited, Cyprus (formerly Agila Specialties Limited)
	Strides Technology & Research Private Limited, India (wound up on June 03, 2013)
	Agila Specialties Private Limited, India (upto December 04, 2013)
	Arcolab Limited SA, Switzerland (wound up in October 2013)
	Indirect Holding
	Co-Pharma Limited, UK
	Plus Farma ehf. Iceland
	Inbiopro Solutions Private Limited (From March 18, 2013 to June 13, 2013)
	Stelis Biopharma Private Limited, India (formerly Agila Biotech Private Limited, India)(w.e.f March 21, 2014)
	Stelis Biopharma (Malaysia) SDN BHD, Malaysia (formerly Agila Biotech (Malaysia) SDN BHD, Malaysia)
	Strides Africa Limited, British Virgin Islands
	Strides Australia Pty Limited, Australia
	Strides Pharma Global Pte Limited, Singapore (w.e.f. August 21, 2013)
	Strides Pharma Inc., USA (w.e.f. June 11, 2013)
	Strides Pharma Limited, Cyprus (formerly Linkace Limited)
	Strides Pharmaceuticals (Holdings) Limited, Mauritius (wound up as on January 30, 2014)
	Strides Pharmaceuticals (Mauritius) Limited, Mauritius (wound up as on January 30, 2014)
	Strides S.A. Pharmaceuticals Pty. Limited, South Africa
	Strides Specialties (Holdings) Limited, Mauritius
	Agila Pharma Canada Corporation, Canada (upto December 04, 2013)
	Agila Specialties (Holdings) Cyprus Limited (formerly Strides Specialties (Holdings) Cyprus Limited, Cyprus) (upto December 04, 2013)
	Agila Specialties Americas Limited, Cyprus (upto December 04, 2013)
	Agila Specialties Global Pte. Limited, Singapore (upto December 04, 2013)

NOTES forming part of the financial statements

	Agila Specialties Inc., USA (previously known as Strides Inc., USA) (upto December 04, 2013)
	Agila Specialties Investments Limited, UK (upto December 04, 2013)
	Agila Specialties UK Limited, UK (upto December 04, 2013)
	Agila Specialties Polska Sp. Z.o.o, Poland (upto December 04, 2013)
	Farma Plus AS, Norway (upto December 04, 2013)
	Onco Laboratories Limited, Cyprus (upto December 04, 2013)
	Onco Therapies Limited, India (upto December 04, 2013)
	Scentia Pharmaceuticals Pty Limited, Australia (formerly Linkace Investments PTY Limited)
Other Subsidiaries:	**Indirect Holding:**
	Strides Pharma (Cyprus) Limited, Cyprus
	African Pharmaceuticals Development Company, Cameroon
	Congo Pharma SPRL, Congo
	Sorepharm SA, Burkinofaso
	SPC Co. Limited, Sudan
	Strides Emerging Markets Private Limited, India
	Strides Pharma Cameroon Limited, Cameroon
	Strides Pharma Namibia (Pty) Limited, Namibia
	Strides Vital Nigeria Limited, Nigeria
	Beltapharm S.p.A., Italy
	Inbiopro Solutions Private Limited, India (upto March 17, 2013)
	Strides CIS Limited, Cyprus
	Agila Australasia Pty Limited, Australia (upto December 04, 2013)
	Agila (NZ) Pty Limited, New Zealand (upto December 04, 2013)
	Catalist Pty Limited, (w.e.f. January 01, 2013 & upto December 04, 2013)
	Agila Farmaceuticas Participacoes Ltda, Brazil (formerly Strides Farmaceuticas Participacoes Ltda, Brazil) (upto December 04, 2013)
	Agila Especialidades Farmaceuticas Ltda, Brazil (upto December 04, 2013)
	Agila Marketing e distribicao de Productos Hospitalaries Ltda., Brazil (upto December 04, 2013)
Joint Ventures (JV):	Akorn Strides LLC, USA
	Sagent Agila LLC, USA (upto December 04, 2013)
	Agila Jamp Canada Inc., Canada (upto December 04, 2013)
Associates	Strides Actives Private Limited (w.e.f June 17, 2013)

NOTES forming part of the financial statements

Key Management Personnel (KMP):	Arun Kumar (Executive Vice Chairman & Managing Director)
Relatives of Key Management Personnel (KMP):	Rajeshwari Amma
	Deepalakshmi Arun Kumar
	Aditya Arun Kumar
	Tarini Arun Kumar
	Padmakumar Karunakaran Pillai
	Hemalatha Pillai
	Sajitha Pillai
	Rajitha Gopalkrishnan
	Vineetha Mohana Kumar
	Mohana Kumar Pillai
Enterprises owned or significantly influenced by key management personnel and relative of key management personnel	Atma Enterprises LLP, India
	Atma Projects, India
	Agnus Capital LLP, India
	Agnus Holdings Private Limited, India
	Agnus Global Holdings Pte Limited, Singapore
	Agnus IPCO Limited, BVI
	Chayadeep Properties Private Limited, India (upto February 7, 2014)
	Chayadeep Ventures LLP, India (upto February 7, 2014)
	Mandala Valley Vineyards Private Limited, India
	Mobme Wireless Solutions Limited
	Nous Infosytems Private Limited, India
	Patsys Consulting Private Limited, India
	Santo Properties Private Limited, India
	Sequent Scientific Limited, India
	Sequent Research Limited, India
	Sequent Penems Private Limited, India
	Sequent Global Holdings Limited, Mauritius
	Sequent Antibiotics (P) Limited, India
	Sequent Oncolytics (P) Limited, India
	Skanray Healthcare Private Limited, India
	Karuna Ventures Private Limited, India
	Paradime Infrastructure Development Company, India
	Deesha Properties, India
	Qualichem Remedies LLP, India
	Triumph Venture Holdings LLP, India
	Tulp Foods Private Limited, India
	Keerthapathi Ravishankar – HUF
	Pronomz Ventures LLP, India

NOTES forming part of the financial statements

Related Party Balances as at March 31, 2014

₹ in Million

Sl No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Joint Ventures		Key Management Personnel (KMP)/ relatives of KMP		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Period ended March 31, 2014	Year ended December 31, 2012	Year ended March 31, 2014	Year ended December 31, 2012	Year ended March 31, 2014	Year ended December 31, 2012	Year ended March 31, 2014	Year ended December 31, 2012	Year ended March 31, 2014	Year ended December 31, 2012
	Advances Receivable/(Payable) as at:										
1	Agila Especialidades Farmaceuticas Ltda			-	14.86						
2	Agila Farmaceutica Participacoes Ltd.			-	43.97						
3	Agila Specialties Inc	-	(74.92)								
4	Agila Specialties Private Limited	-	411.17								
5	Agila Specilaties Polska Sp. Z.o.o,	-	75.68								
6	Beltapharm S.p.A			0.46	0.24						
7	Co-Pharma Limited	-	(0.10)								
8	Inbiopro Solutions Private Limited	(2.60)	-								
9	Onco Laboratories Limited	-	(17.36)								
10	Onco Therapies Limited	-	44.96								
11	Stelis Biopharma (Malaysia) SDN BHD	18.53	-								
12	Stelis Biopharma Private Limited	97.29	51.25								
13	Strides Actives Private Limited			0.03	-						
14	Strides Africa Limited	3.82	3.27								
15	Strides Arcolab International Limited	158.75	513.50								
16	Strides Emerging Markets Private Limited			(1.81)	0.38						
17	Strides Pharma Asia Pte Ltd	71.43	-								
18	Strides Pharma Cyprus Limited			(55.36)	(6.92)						
19	Strides Pharma International Limited	145.38	69.18								
20	Strides Pharma Limited	485.96	195.56								
21	Strides Pharmaceuticals (Holdings) Limited	1,206.46	626.08								
22	Strides S.A. Pharmaceuticals Pty. Limited	-	(1.89)								
23	Strides Vital Nigeria Limited			1.13	0.03						
24	Mr. Arun Kumar							(18.75)	(20.89)		
	Loans receivable as at :										
1	Agila Specilaties Polska Sp. Z.o.o,	-	21.95								
2	Stelis Biopharma Private Ltd	10.00	-								
3	Strides Arcolab International Limited	135.41	242.14								
	Balance of deposits paid										
1	Atma Projects									6.29	40.00

NOTES forming part of the financial statements

₹ in Million

Sl No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Joint Ventures		Key Management Personnel (KMP)/ relatives of KMP		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Period ended March 31, 2014	Year ended December 31, 2012	Year ended March 31, 2014	Year ended December 31, 2012	Year ended March 31, 2014	Year ended December 31, 2012	Year ended March 31, 2014	Year ended December 31, 2012	Year ended March 31, 2014	Year ended December 31, 2012
	Balance of deposits received										
1	Sequent Scientific Limited									(2.27)	-
	Balance of trade payables (net of advance paid) as at:										
1	Atma Projects									(0.43)	-
2	Beltapharm S.p.A			(0.71)	(0.63)						
3	Co-Pharma Limited	(0.03)	(1.62)								
4	Sequent Research Limited									-	(2.36)
5	Sequent Scientific Limited									(242.43)	(0.01)
6	Strides Pharma Cyprus Limited			(0.96)	(0.09)						
	Balance of trade receivables (net of advance received) as at:										
1	Agila Specialties Inc	-	181.19								
2	Agila Specialties Private Limited	-	63.52								
3	Co-Pharma Limited	38.03	72.99								
4	Farma Plus AS	-	4.53								
5	Onco Therapies Limited	-	0.26								
6	Strides Pharma Cyprus Limited			197.20	157.32						
7	Strides Pharma Inc	26.70	-								
8	Strides Pharmaceuticals (Holdings) Limited	(21.12)	(21.12)								
9	Strides Vital Nigeria Limited			36.75	33.32						
	Guarantees given on behalf of										
1	Agila Farmaceutica Participacoes Ltda			-	2,758.00						
2	Agila Specialties Private Limited	-	2,500.00								
3	Agila Specilaties Polska Sp. Z.o.o,	-	751.29								
4	Stelis Biopharma Private Limited	750.00	-								
5	Strides Pharma Asia Pte Limited	12,028.00	-								
6	Strides Pharma Cyprus Limited			360.84	-						
7	Strides Pharma International Limited	2,134.97	1,958.18								
8	Strides Pharma Limited	19,668.75	20,289.28								
9	Strides Pharmaceuticals (Holdings) Limited	1,503.50	1,379.00								

NOTES forming part of the financial statements

Related Party Transactions for the period ended March 31, 2014

₹ in Million

	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Joint Ventures		Key Management Personnel (KMP)/ relatives of KMP		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012
Sales of materials/services											
1	Agila Specialties Private Limited	10.99	202.47								
2	Agila Specialties Inc.	-	297.54								
3	Ascent Pharma Pty Ltd			-	7.73						
4	Co-Pharma Limited	338.94	192.58								
5	Drug Houses of Australia (Asia) Pte Limited			-	1.62						
6	Farma Plus AS	9.79	15.70								
7	Onco Therapies Limited	0.08	0.35								
8	Sequent Scientific Limited									-	0.08
9	Strides Pharma Inc.	27.89	-								
10	Strides Pharma Cyprus Limited			743.45	477.56						
11	Strides Vital Nigeria Limited			53.54	8.18						
Interest received											
1	Agila Specilaties Polska Sp. Z.o.o,	1.37	1.34								
2	Agila Specialties Private Limited	5.49	293.04								
3	Inbiopro Solutions Private Limited	0.70	-								
4	Onco Therapies Limited	10.42	14.33								
5	Stelis Biopharma Private Limited	14.26	-								
6	Strides Arcolab International Limited	13.37	10.26								
Guarantee Commission received											
1	Agila Specialties Private Limited	29.94	14.52								
2	Agila Farmaceutica Participacoes Ltd			42.97	54.34						
3	Stelis Biopharma Private Limited	2.43	-								
4	Strides Pharma Limited	442.85	373.09								
5	Strides Pharma International Limited	47.60	19.77								
6	Strides Pharma Cyprus Limited			1.23	-						
7	Strides Pharma Asia Pte Limited	65.96	-								
8	Strides Pharmaceuticals (Holdings) Limited	44.54	69.14								
Management advisory fees income from											
1	Strides Pharmaceuticals (Holdings) Limited	-	308.46								

NOTES forming part of the financial statements

₹ in Million

	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Joint Ventures		Key Management Personnel (KMP)/ relatives of KMP		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012
Rental income from operating leases											
1	Agila Specilaties Polska Sp. Z.o.o,	7.15	8.85								
2	Sequent Scientific Limited									0.59	-
Income from write-back of payables to											
1	Akorn Strides LLC					7.60	-				
2	Beltapharm S.p.A.			0.19	-						
3	Co-Pharma Limited	0.09	-								
4	Strides S.A. Pharmaceuticals Pty. Limited	4.07	-								
Purchase of materials/services											
1	Agila Specialties Private Limited	59.90	156.57								
2	Beltapharm S.p.A.			3.26	-						
3	Co-Pharma Limited	18.11	-								
4	Onco Therapies Limited	-	29.42								
5	Sequent Research Limited									32.49	26.97
6	Sequent Scientific Limited									375.09	0.07
Sale of fixed assets to											
1	Agila Specialties Private Limited	7.81	0.80								
2	Agila Specilaties Polska Sp. Z.o.o,	12.84	-								
3	Onco Therapies Limited	-	0.03								
4	Sequent Scientific Limited									-	0.09
5	Stelis Biopharma Private Limited	0.06	-								
6	Strides Pharma Cyprus Limited			0.10	-						
Purchase of fixed assets from											
1	Agila Specialties Private Limited	83.26	0.78								
2	Chayadeep Properties Private Limited									1,500.00	-
3	Sequent Scientific Limited									18.05	-
Interest Paid											
1	Agila Specialties Private Limited	48.56	-								
Managerial Remuneration											
1	Arun kumar							55.78	45.00		
2	V.S.Iyer							-	13.52		
Salary to											
1	Mohana Kumar Pillai							13.72	-		
2	Aditya Arun Kumar							0.43	-		

NOTES forming part of the financial statements

₹ in Million

	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Joint Ventures		Key Management Personnel (KMP)/ relatives of KMP		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012
Reimbursement of Expenses Incurred by											
1	Agila Specialties Inc.	9.42	25.47								
2	Agila Farmaceutica Participacoes Ltd			-	10.57						
3	Agila Specilaties Polska Sp. Z.o.o,	1.36	0.99								
4	Agila Specialties Private Limited	21.53	19.37								
5	Co-Pharma Limited	-	9.78								
6	Farma Plus AS	0.98	-								
7	Inbiopro Solutions Private Limited	0.89	-								
8	Onco Therapies Limited	0.43	0.13								
9	Stelis Biopharma Private Limited	0.27	-								
10	Strides Pharma Cyprus Limited			34.47	0.05						
11	Strides S.A. Pharmaceuticals Pty. Limited	-	5.49								
12	Sequent Scientific Limited									0.23	-
Reimbursement of Expenses Incurred on behalf of											
1	Agila Specialties Private Limited	584.69	306.41								
2	Agila Especialidades Farmaceuticas Ltda, Brazil			0.97	2.08						
3	Agila Specilaties Polska Sp. Z.o.o,	0.22	0.12								
4	Agila Specialties Inc.	2.55	1.88								
5	Agila Specialties Global Pte Ltd	9.30	-								
6	Co-Pharma Limited	0.10	-								
7	Inbiopro Solutions Private Limited	0.33	-								
8	Onco Therapies Limited	31.71	19.56								
9	Sequent Scientific Limited									4.95	-
10	Stelis Biopharma Private Limited	65.09	36.25								
11	Strides Vital Nigeria Limited			1.33	0.02						
12	Strides Pharmaceuticals (Holdings) Limited	-	0.13								
13	Strides Pharma Cyprus Limited			9.21	2.81						
14	Strides Emerging Markets Private Limited			1.20	0.38						
15	Strides Pharma International Limited	45.47	-								
16	Strides Pharma Asia Pte Limited	5.45	-								

NOTES forming part of the financial statements

₹ in Million

	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Joint Ventures		Key Management Personnel (KMP)/ relatives of KMP		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012
17	Strides S.A. Pharmaceuticals Pty. Limited	0.23	-								
18	Strides Actives Private Limited			0.03	-						
19	Strides Pharma International Limited	-	26.34								
Rent Paid											
1	Atma Projects									31.42	32.23
2	Chayadeep Properties Private Limited									1.94	4.63
3	Hemalatha Pillai									0.12	0.26
Loans / advances given / repaid by Company											
1	Agila Specialties Private Limited	3,865.44	4,446.81								
2	Agila Specialties Inc.	42.90	-								
3	Inbiopro Solutions Private Limited	19.71	-								
4	Onco Therapies Limited	99.54	578.11								
5	Stelis Biopharma Private Limited	151.57	15.00								
6	Strides Emerging Markets Private Limited			10.12	-						
7	Strides Pharma Cyprus Limited			27.40	-						
8	Strides Pharmaceuticals (Holdings) Limited	987.73	-								
9	Strides S.A. Pharmaceuticals Pty. Limited	2.85	-								
10	Strides Arcolab International Limited	214.86	-								
Loans / advances taken by Company / repaid to Company											
1	Agila Specialties Private Limited	4,466.44	2,819.93								
2	Agila Specialties Inc.	-	12.72								
3	Onco Therapies Limited	316.24	630.22								
4	Onco Laboratories Limited	-	17.71								
5	Inbopro Solutions Private Limited	22.39	-								
6	Sequent Scientific Limited									0.31	-
7	Stelis Biopharma Private Limited	158.58	-								
8	Strides Emerging Markets Private Limited			13.50	-						
9	Strides Pharma International Limited	20.90	-								
10	Strides Pharma Cyprus Limited			42.22	-						
11	Strides Pharmaceuticals (Holdings) Limited	4.89	975.24								

NOTES forming part of the financial statements

₹ in Million

	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Joint Ventures		Key Management Personnel (KMP)/ relatives of KMP		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012	Period ended March 31, 2014	Year ended December 31, 2012
Investments during the period											
1	Agila Specialties Private Limited	-	2,300.00								
2	Inbiopro Solutions Private Limited	760.42	-								
3	Stelis Biopharma Private Limited	10.00	0.13								
4	Strides Arcolab International Limited	-	706.08								
5	Strides Pharmaceuticals (Holdings) Limited	-	2,250.84								
6	Strides Pharma Asia Pte Limited	416.09	26.68								
7	Strides Emerging Markets Private Limited			-	0.13						
8	Strides Actives Private Limited			0.04	-						
9	Strides Pharma International Limited	23.07	-								
Advance paid towards investment											
1	Strides Pharma International Limited	-	23.07								
Investments sold to											
1	Inbiopro Solutions Private Limited	17.77	-								
2	Strides Pharmaceuticals (Holdings) Limited	-	245.77								
3	Strides Pharma Cyprus Limited			-	0.10						
Share application money paid											
1	Strides Arcolab International Limited	-	288.24								
2	Strides Pharmaceuticals (Holdings) Limited	-	222.90								
3	Strides Pharma Asia Pte Limited	1,444.89	-								
Refund of Share application money											
1	Strides Arcolab International Limited	294.60	4,653.90								
2	Strides Pharmaceuticals (Holdings) Limited	-	5,276.03								
Redemption of Preference Shares											
1	Agila Specialties Private Limited	200.00	-								
Lease deposit received											
1	Atma Projects									33.71	-
2	Sequent Scientific Limited									2.27	-
Lease deposit paid											
1	Chayadeep Properties Private Limited									7.35	-

NOTES forming part of the financial statements

Note No. 46

DETAILS OF LEASING ARRANGEMENTS

The Company's leasing arrangements are mainly in respect of factory buildings, residential and office premises. The aggregate lease rentals payable on these leasing arrangements charged to the Statement of Profit and Loss is ₹ 19.25 Million (Previous year ₹ 26.25 Million).

During the current period, the Company has cancelled certain lease arrangements which were originally entered for the non-cancellable term of 3 years to 15 years and entered into new lease contracts for its office premises. The tenure of such lease is 6 years with non-cancellable period of 3 years. The said lease arrangements have an escalation clause wherein lease rental is subject to an annual increment of 6%. Details of the lease commitment at the period-end are as follows:

₹ in Million

Particulars	March 31, 2014	December 31, 2012
Up to one year	16.23	41.42
From one year to five years	29.12	181.08
Above five years	-	34.91
Total	**45.35**	**257.41**

The Company had given on an operating lease for an initial term of 5 years, certain plant and machinery to its step down wholly owned subsidiary Agila Specialties Polska Sp. Z.o.o. Consequent to the sale of Specialty business, such plant and machinery given on lease has been sold during the current period.

During the current period, the Company has entered into operating lease arrangement for lease of factory building for a term of 18 years with non-cancellable lease period of 8 years. Details relating to these assets and minimum lease rentals receivable are as follows:

₹ in Million

Particulars	March 31, 2014	December 31, 2012
Gross carrying amount of assets leased	710.23	44.96
Accumulated depreciation	10.95	17.67
Future minimum lease rental incomes:		
Not later than one year	47.09	8.97
Later than one year but not later than 5 years	218.34	10.46
Later than 5 years	141.04	-

	For the period ended March 31, 2014	For the year ended December 31, 2012
Note No. 47 **EARNINGS PER SHARE**		
Basic:		
Net profit for the year attributable to the equity shareholders (₹ in Million)	35,129.25	559.86
Weighted average number of equity shares	**59,174,698**	**58,646,080**
Par value per share	₹ 10/-	₹ 10/-
Earnings per share – Basic	**₹ 593.65**	**₹ 9.55**
Diluted:		
Net profit for the year	35,129.25	559.86
Exchange fluctuation, interest expenses and option costs / (gains) on Foreign Currency Convertible Bonds (FCCBs) (Net)	-	(193.70)
Net profit attributable to equity shareholders	**35,129.25**	**366.16**
Weighted average number of Shares for Basic EPS	59,174,698	58,646,080
Add: Effect of outstanding Warrants, employee stock options & FCCBs as applicable	251,039	4,066,924
Weighted average number of equity shares for diluted EPS	**59,425,737**	**62,713,004**
Par value per share	₹ 10/-	₹ 10/-
Earnings per share – Diluted	**₹ 591.14**	**₹ 5.84**

Note: For the purpose of computing diluted earnings per share during 2012, the existence of FCCB's until the date of redemption has been considered in accordance with AS 20 ('Earnings per Share').

NOTES forming part of the financial statements

Note No. 48

TRANSFER PRICING

The detailed Transfer Pricing regulations ('regulations') for computing the income from "domestic transactions" with specified parties and international transactions between 'associated enterprises' on an 'arm's length' basis is applicable to the Company. These regulations, inter alia, also require the maintenance of prescribed documents and information including furnishing a report from an Accountant which is to be filed with the Income tax authorities.

The Company has undertaken necessary steps to comply with the Transfer Pricing regulations. The Management is of the opinion that the transactions with associated enterprises and domestic transactions are at arm's length, and hence the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

Note No. 49

EARLY ADOPTION OF AS-30: FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT, ISSUED BY INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

The Company has chosen to early adopt AS 30: 'Financial Instruments: Recognition and Measurement', (as announced by the Institute of Chartered Accountants of India (ICAI)) during the year ended December 31, 2008, with effect from January 1, 2008. However, pursuant to a notification issued by the ICAI on February 11, 2011, the Company has adopted AS30 only to the extent they do not conflict with the other mandatory accounting standards notified under Section 211(3C) of the Companies Act, 1956.

The impact of adoption of AS30 as mentioned above is as follows:

49.1 Foreign Currency Convertible Bonds (the 'FCCBs' or the 'Bonds') which were redeemed during the year ended December 31, 2012:

The FCCBs were split into two components comprising (a) option component which represents the value of the option in the hands of the FCCB-holders to convert the bonds into equity shares of the Company and (b) debt component which represents the debt to be redeemed if the conversion option was not exercised by FCCB-holder, net of issuance costs.

The debt component was recognized and measured at amortized cost while the fair value of the option component was determined using a valuation model using the following assumptions.

Assumptions used to determine fair value of the options:

Valuation and amortization method — The Company estimates the fair value of stock options granted using the Black Scholes Merton Model and the principles of the Roll-Geske-Whaley extension to the Black Scholes Merton model. The Black Scholes Merton model along with the extensions above requires the following inputs for valuation of options:

Stock Price as at the date of valuation — The Company's share prices as quoted in the National Stock Exchange Limited (NSE), India have been converted into equivalent share prices in US Dollar terms by applying currency rates as at valuation dates. Further, stock prices have been reduced by continuously compounded stream of dividends expected over time to expiry as per the principles of the Black-Scholes Merton model with Roll Geske Whaley extensions.

Strike price for the option — has been computed in dollar terms by computing the redemption amount in US dollars on the date of redemption (if not converted into equity shares) divided by the number of shares which shall be allotted against such FCCBs.

Expected Term — The expected term represents time to expiry, determined as number of days between the date of valuation of the option and the date of redemption.

Expected Volatility — Management establishes volatility of the stock by computing standard deviation of the simple exponential daily returns on the stock. Stock prices for this purpose have been computed by expressing daily closing prices as quoted on the NSE into equivalent US dollar terms. For the purpose of computing volatility of stock prices, daily prices for the last one year have been considered as on the respective valuation dates.

Risk-Free Interest Rate — The risk-free interest rate used in the Black-Scholes valuation method is the risk free interest rate applicable to the Company.

Expected Dividend — Dividends have been assumed to continue, for each valuation rate, at the rate at which dividends were earned by shareholders in the preceding twelve months before the date of valuation.

Measurement of Amortized cost of debt component:

For the purpose of recognition and measurement of the debt component, the effective yield has been computed considering the amount of the debt component on initial recognition, origination costs of the FCCB and the redemption amount if not converted into Equity Shares. To the extent the effective yield pertains to redemption premium and the origination costs, the effective yield has

NOTES forming part of the financial statements

been amortized to the Securities Premium Account (along with related exchange fluctuations) as permitted under section 78 of the Companies Act, 1956. The balance of the effective yield is charged to the Statement of Profit and Loss.

Consequent to the above method of accounting of FCCBs, the following adjustments were made:

During the year ended December 31, 2012:

(a) Amortization of interest (net) ₹ 84.98 Million and redemption premium (net) on FCCBs amounting to ₹ 164.13 Million have been recorded in the Statement of Profit and Loss and in the Securities premium account respectively.

(b) Change in the fair values of option component in the FCCBs, being a gain of ₹ 2.09 Million has been recorded in the Statement of Profit & Loss under exceptional items.

49.2 The financial assets and liabilities arising out of issue of corporate financial guarantees to third parties are accounted at fair values on initial recognition. Financial assets continue to be carried at fair values. Financial liabilities are subsequently measured at the higher of the amounts determined under AS 29 or the fair values on the measurement date. At March 31, 2014 and December 31, 2012, the fair values of such financial assets and financial liabilities amount to ₹ Nil.

49.3 There are no open derivative positions as on March 31, 2014 not designated as hedging instruments and accordingly there is no gain / loss on fair valuation of such derivatives recognized in the Statement of Profit and Loss for the current period.

49.4 The Company has availed bill discounting facilities from Banks which do not meet the de-recognition criteria for transfer of contractual rights to receive cash flows from the respective trade receivables since they are with recourse to the Company. Accordingly, as at March 31, 2014, trade receivables balances include ₹ 792.56 Million (As at December 31, 2012: ₹ 515.99 Million) and the corresponding financial liability to the Banks is included as part of working capital loans under short-term borrowings (secured).

49.5 The Company has designated certain highly probable forecasted US dollar denominated sales transactions and certain forward contracts to sell US dollars as hedged items and hedging instruments respectively, in a Cash Flow Hedge to hedge the foreign exchange risk arising out of fluctuations between the India rupee and the US dollar. The exchange fluctuations arising from marking to market of the hedging instruments, to the extent relatable to the hedge being effective has been recognised in a Hedge reserve account in the Balance sheet. Accordingly exchange fluctuations gains / (losses) amounting to ₹ 81.18 Million as at March 31, 2014 (At December 31, 2012: ₹ (6.59 Million)) have been recognized in the Hedge Reserve account. These exchange differences are considered in Statement of Profit and Loss as and when the forecasted transactions occur.

Note No. 50

DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS TO THE EXTENT NOT DISCLOSED ELSEWHERE IN THE FINANCIAL STATEMENTS

50.1 Breakup of Allowance for Credit Losses is as under:

₹ in Million

Particulars	March 31, 2014	December 31, 2012
Opening balance of provision for doubtful trade and other receivables	36.46	42.03
Additional provision during the period	79.06	26.22
Provision reversed/ written off during the period	(24.30)	(31.79)
Closing balance of provision for doubtful trade and other receivables	**91.22**	**36.46**

50.2 Details on Derivatives Instruments & Un-hedged Foreign Currency Exposures:

The following derivative positions are open as at March 31, 2014. These transactions have been undertaken to act as economic hedges for the Company's exposures to various risks in foreign exchange markets. These instruments are therefore classified as held for trading and gains/ losses recognized in the Statement of Profit and Loss except to the extent they qualified as Cashflow hedges in the context of the rigour of such classification under Accounting Standard 30.

NOTES forming part of the financial statements

I. The Company has entered into the following derivative instruments:

(a) Forward Exchange Contracts [being a derivative instrument], which are not intended for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.

The following are the outstanding Forward Exchange Contracts entered into by the Company which qualified as Cashflow hedging instruments.

Particulars	Currency	Amount in Million	Buy/Sell	Cross Currency	₹ in Million
March 31, 2014	USD	31.00	Sell	INR	1,838.30
December 31, 2012	USD	9.00	Sell	INR	489.06

(b) Interest Rate Swaps to hedge against fluctuations in interest rate changes: No. of contracts: Nil (As at December 31, 2012: Nil)

(c) Currency Swaps (other than forward exchange contracts stated above) to hedge against fluctuations in changes in exchange rate. No. of contracts: Nil (As at December 31, 2012: Nil)

II. The period-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

(Figures in Million)

Receivable/ (Payable) ₹	Receivable/ (Payable) in Foreign currency		Receivable/ (Payable) ₹	Receivable/ (Payable) in Foreign currency	
At March 31, 2014			At December 31, 2012		
(705.83)	USD	(10.88)	(3,413.16)	USD	(61.88)
248.39	EUR	3.07	51.64	EUR	0.72
640.17	AUD	11.73	203.39	AUD	3.62
36.68	GBP	0.37	85.28	GBP	0.97
-	ZAR	-	(4.16)	ZAR	(0.64)
-	BRL	-	(10.32)	BRL	(0.38)
-	CHF	-	4.32	CHF	0.07
-	JPY	-	(5.02)	JPY	7.78
-	KRW	-	0.00	KRW	0.10
(0.94)	SEK	(0.09)	(0.76)	SEK	(0.09)
3.66	CAD	0.07	-	CAD	-

III. There were no outstanding option contracts as at March 31, 2014 and as at December 31, 2012.

NOTES forming part of the financial statements

50.3 Categories of Financial Instruments

(a) Loans and Receivables:

The following financial assets in the Balance Sheet have been classified as Loans and Receivables as defined in Accounting Standard 30. These are carried at amortized cost less impairment if any.

The carrying amounts are as under:

₹ in Million

Particulars	March 31, 2014	December 31, 2012
Trade receivables	2,732.86	1,930.96
Unbilled revenues	47.77	141.49
Advance recoverable in cash	396.16	293.50
Loans and advances to subsidiaries	2,334.65	2,314.23
Cash and bank Balances	1,749.63	293.30
Investments in mutual funds	3,871.06	0.38

In the opinion of the management, the carrying amounts above are reasonable approximations of fair values of the above financial assets.

(b) Financial Liabilities Held at Amortized Cost

The following financial liabilities are held at amortized cost. The carrying amount of Financial Liabilities is as under:

₹ in Million

Particulars	March 31, 2014	December 31, 2012
Secured borrowings:		
Long-term (including current maturities)	2,788.18	648.97
Short-term	1,937.12	2,935.81
Unsecured borrowings:		
Long-term (including current maturities)	-	2,758.00
Other long-term liabilities:		
Gratuity	53.86	70.09
Other liabilities	45.65	9.85
Current liabilities		
Trade payables	2,170.79	1,429.37
Interest accrued but not due	25.11	74.15
Unclaimed dividends	50.24	2.31
Payable on purchase of fixed assets	20.79	12.12
Gratuity	-	7.60
Other liabilities	47.99	125.18
Provision for:		
Compensated absences	82.21	75.19
Payable to employees under long-term incentive plan	148.81	365.16
Equity dividends (including dividend distribution tax thereon)	348.45	136.69

Note: Interest expense calculated using effective interest rate method as prescribed in AS 30 for financial liabilities that are carried at amortized cost is ₹ 441.99 Million (for the year ended December 31, 2012: ₹ 298.57 Million)

NOTES forming part of the financial statements

(c) Financial assets / liabilities held for trading are as follows:

i. During the year ended December 31, 2012, the option component of FCCBs has been classified as held for trading, being a derivative under AS 30. The carrying amount of the option component was ₹ Nil as at December 31, 2012 (since the FCCB's were redeemed during 2012) and ₹ 2.09 Million as at December 31, 2011. The difference in carrying value between the two dates, amounting to ₹ 2.09 Million was considered as a gain in the Statement of Profit and Loss of the year ended December 31, 2012 in accordance with provisions of AS 30.

The fair value of the option component has been determined using a valuation model. Refer to Note 49.1 above on FCCBs for detailed disclosure on the valuation method.

ii. Provisions / receivable carried towards mark to market losses / gains on forward exchange contracts ₹ 81.18 Million gain as at March 31, 2014 (₹ 6.59 Million losses as at December 31, 2012).

(d) There are no other financial assets / liabilities in the following categories:

- Financial assets:
  - Carried at fair value through profit and loss designated as such at initial recognition.
  - Held to maturity
  - Available for sale (other than investment in Subsidiaries & Joint Ventures)
- Financial liabilities:
  - Carried at fair value through profit and loss designated as such at initial recognition.

50.4 Financial assets pledged

The following financial assets have been pledged:

₹ in Million

Financial Asset	Carrying value March 31, 2014	Carrying value December 31, 2012	Liability/ Contingent Liability for which pledged as collateral	Terms and conditions relating to pledge
I. Current Investments				
A. Mutual funds	400.00	-	Short-term borrowings	Short-term loans are secured by pledge over debt mutual funds.
II. Margin Money with Banks				
A. Margin Money for Letter of Credit	13.11	84.91	Letter of Credit	The Margin Money is in the form of interest bearing deposit with Banks. These deposits can be withdrawn on the maturity of all Open Letters of Credit.
B. Margin Money for Bank Guarantee	-	19.48	Bank Guarantee	The Margin Money is in the form of interest bearing deposit with Banks. These Deposits are against Performance Guarantees. These can be withdrawn on the satisfaction of the purpose for which the Guarantee is provided.
III. Trade receivables	792.56	515.99	Bills discounted	The Bills discounted with Banks are secured by the Receivable

50.5 Nature and extent of risks arising from financial instruments

The main financial risks faced by the Company relate to fluctuations in interest and foreign exchange rates, the risk of default by counterparties to financial transactions, and the availability of funds to meet business needs. The Balance Sheet as at March 31, 2014 is representative of the position through the period. Risk management is carried out by a central treasury department under the guidance of the Management.

NOTES forming part of the financial statements

Interest rate risk

Interest rate risk arises from long term borrowings. Debt issued at variable rates exposes the Company to cash flow risk. Debt issued at fixed rate exposes the company to fair value risk. In the opinion of the management, interest rate risk during the year under report was not substantial enough to require intervention or hedging through derivatives or other financial instruments. For the purposes of exposure to interest risk, the Company considers its net debt position evaluated as the difference between financial assets and financial liabilities held at fixed rates and floating rates respectively as the measure of exposure of notional amounts to interest rate risk. This net debt position is quantified as under:

Financial assets/ (liabilities) as at:

₹ in Million

Particulars	March 31, 2014	December 31, 2012
Fixed		
Financial Assets	8,878.66	2,659.63
Financial Liabilities	(3,001.21)	(2,322.02)
	5,877.45	**337.61**
Floating		
Financial Assets	2,334.65	2,314.23
Financial Liabilities	(4,717.99)	(6,335.06)
	(2,383.34)	**(4,020.83)**

Credit risk

Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions. Credit risk also arises from trade receivables and other financial assets.

The credit risk arising from receivables is subject to concentration risk in that the receivables are predominantly denominated in USD and any appreciation in the INR will affect the credit risk. Further, the Company is not significantly exposed to geographical distribution risk as the counterparties operate across various countries across the Globe.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Company's reputation. Liquidity risk is managed using short term and long term cash flow forecasts.

The following is an analysis of contractual cash flows payable under financial liabilities and derivatives as at March 31, 2014. (Figures in brackets relates to position as at December 31, 2012)

₹ in Million

Financial Liabilities	Due within (years)					
	1	1 to 2	2 to 3	3 to 4	4 to 5	5 & above
Bank & other borrowings	4,721.78 (3,496.17)	1.19 (485.37)	1.06 (741.46)	1.18 (689.50)	0.09 (741.63)	- (188.65)
Interest payable on borrowings	25.11 (74.15)	- -	- -	- -	- -	- -
Trade and other payables not in net debt	2,826.46 (1,844.73)	19.34 (316.51)	19.34 (7.61)	19.34 (7.61)	19.34 (7.61)	64.97 (49.50)
Fair value of forward exchange derivative contracts	- (6.59)	- -	- -	- -	- -	- -
Total	**7,573.35** **(5,421.64)**	**20.53** **(801.88)**	**20.40** **(749.07)**	**20.52** **(697.11)**	**19.43** **(749.24)**	**64.97** **(238.14)**

For the purposes of the above table, foreign currency liabilities have been computed applying spot rates on the Balance Sheet date.

NOTES forming part of the financial statements

Foreign exchange risk

The Company is exposed to foreign exchange risk principally via:

- Debt availed in foreign currency
- Net investments in subsidiaries and joint ventures in foreign currencies
- Exposure arising from transactions relating to purchases, revenues, expenses etc. to be settled in currencies other than Indian Rupees, the functional currency of the Company.

50.6 Sensitivity analysis as at March 31, 2014

Financial instruments affected by interest rate changes include Secured Long term loans from banks, Secured Long term loans from others, Secured Short term loans from banks and Unsecured Short term loans from banks. The impact of a 1% change in interest rates on the profit of an annual period will be ₹ 47.18 Million (for the year ending December 31, 2012 ₹ 63.35 Million) assuming the loans as of March 31, 2014 continue to be constant during the annual period. This computation does not involve a revaluation of the fair value of loans as a consequence of changes in interest rates. The computation also assumes that an increase in interest rates on floating rate liabilities will not necessarily involve an increase in interest rates on floating rate financial assets.

Financial instruments affected by changes in foreign exchange rates include FCCBs until redemption in 2012, External Commercial Borrowings (ECBs), investments in subsidiaries, and loans to subsidiaries and joint ventures. The Company considers US Dollar to be principal currency which requires monitoring and risk mitigation. The Company is exposed to volatility in other currencies including the Great Britain Pounds (GBP) and the Australian Dollar (AUD).

Particulars	Increase/ (Decrease) in Equity in	
	March 31, 2014	December 31, 2012
A 5% appreciation in the US dollar	(35.29)	170.66
A 5% depreciation in the US dollar	35.29	(170.66)
A 5% appreciation in the Euro	12.42	2.58
A 5% depreciation in the Euro	(12.42)	(2.58)
A 5% appreciation in the Australian Dollar	32.00	10.17
A 5% depreciation in the Australian Dollar	(32.00)	(10.17)
A 5% appreciation in the GBP	1.83	4.26
A 5% depreciation in the GBP	(1.83)	(4.26)

For the purposes of the above table, it is assumed that the carrying value of the financial assets and liabilities as at the end of the respective financial years remains constant thereafter. The exchange rate considered for the sensitivity analysis is the Exchange Rate prevalent as at March 31, 2014.

Note No. 51

The Board of Directors of the Company in the Meeting held on December 10, 2013 has approved change of financial year of the Company from January-December to that of April-March. Consequently, the current financial year is for a period of 15 months i.e., from January 1, 2013 to March 31, 2014 and the figures for the current period are not strictly comparable with that of the previous year ended December 31, 2012.

Note No. 52

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

For and on behalf of the Board of Directors

Arun Kumar
Executive Vice Chairman &
Managing Director

P M Thampi
Independent Director

Badree Komandur
CFO & Company Secretary

Bangalore, May 23, 2014

EQUITY HISTORY OF THE COMPANY

Date	Particulars	Number of Shares Issued	Cumulative Number of Shares Issued	Face Value per share (₹)	Equity Share Capital issued (₹)	Equity Share Capital (Cumulative) (₹)
June 28, 1990	Subscribers to Memorandum of Association	50	50	100	5,000	5,000
January 31, 1991	Preferential Issue	4,010	4,060	100	401,000	406,000
March 29, 1991	Preferential Issue	1,940	6,000	100	194,000	600,000
March 31, 1992	Preferential Issue	4,000	10,000	100	400,000	1,000,000
January 28, 1993	Preferential Issue	15,000	25,000	100	1,500,000	2,500,000
March 11, 1994	Preferential Issue	20	25,020	100	2,000	2,502,000
April 11, 1994	Reclassification of nominal value of shares from ₹ 100 each to ₹ 10 each	-	250,200	10	-	2,502,000
April 30, 1994	Issue of Bonus Shares	1,251,000	1,501,200	10	12,510,000	15,012,000
September 1, 1994	Preferential Issue	1,160,300	2,661,500	10	11,603,000	26,615,000
	Allotment under ESOP	22,950	2,684,450	10	229,500	26,844,500
January 22, 1997	Preferential Issue	918,980	3,603,430	10	9,189,800	36,034,300
December 6, 1997	Preferential Issue	400,000	4,003,430	10	4,000,000	40,034,300
May 13, 1999	Preferential Issue on conversion of Fully Convertible Debentures	4,363,636	8,367,066	10	43,636,360	83,670,660
May 13, 1999	Preferential Issue	221,000	8,588,066	10	2,210,000	85,880,660
July 13, 1999	Preferential Issue	516,500	9,104,566	10	5,165,000	91,045,660
August 24, 1999	Allotment to erstwhile shareholders of Remed Laboratories (India) Limited consequent to its amalgamation with the Company	1,200,000	10,304,566	10	12,000,000	103,045,660
	Preferential Issue	1,702,000	12,006,566	10	17,020,000	120,065,660
	Allotment to erstwhile shareholders of Global Remedies Private Limited consequent to its acquisition by the Company	50,000	12,056,566	10	500,000	120,565,660
September 22, 1999	Preferential Issue	850,000	12,906,566	10	8,500,000	129,065,660
December 7, 1999	Allotment to erstwhile shareholders of Plama Laboratories Limited consequent to its amalgamation with the Company	712,500	13,619,066	10	7,125,000	136,190,660
June 27, 2001	Preferential Issue on conversion of Cumulative Convertible Preference Shares	3,144,445	16,763,511	10	31,444,450	167,635,110
January 24, 2002	Allotment to erstwhile shareholders of Bombay Drugs & Pharmas Limited consequent to its amalgamation with the Company.	210,955	16,974,466	10	2,109,550	169,744,660
February 14, 2002	Preferential Issue	13,714,286	30,688,752	10	137,142,860	306,887,520
December 11, 2003	Preferential Issue on conversion of warrants	3,068,875	33,757,627	10	30,688,750	337,576,270
February 2, 2005	Preferential Issue	1,196,662	34,954,289	10	11,966,620	349,542,890

Date	Particulars	Number of Shares Issued	Cumulative Number of Shares Issued	Face Value per share (₹)	Equity Share Capital issued (₹)	Equity Share Capital (Cumulative) (₹)
July 5, 2007	Preferential Issue on conversion of warrants	50,000	35,004,289	10	500,000	350,042,890
March 8, 2008	Preferential Issue on conversion of Convertible Debentures	4,000,000	39,004,289	10	40,000,000	390,042,890
June 17, 2008	Preferential Issue on conversion of Convertible Debentures	1,045,725	40,050,014	10	10,457,250	400,500,140
August 13, 2009 to December 3, 2009	Allotment under ESOP	165,600	40,215,614	10	1,656,000	402,156,140
January 19, 2010	Allotment to erstwhile shareholders of Grandix Pharmaceuticals Limited consequent to its amalgamation with the Company.	12,822	40,228,436	10	128,220	402,284,360
	Allotment to erstwhile shareholders of Grandix Laboratories Limited consequent to its amalgamation with the Company.	702	40,229,138	10	7,020	402,291,380
February 24, 2010	Preferential Issue on conversion of warrants	2,560,000	42,789,138	10	25,600,000	427,891,380
March 15, 2010	Preferential Issue on conversion of warrants	420,000	43,209,138	10	4,200,000	432,091,380
April 22, 2010 to August 24, 2010	Allotment under ESOP	492,000	43,701,138	10	4,920,000	437,011,380
August 26, 2010	Preferential Issue on conversion of warrants	3,220,000	46,921,138	10	32,200,000	469,211,380
October 1, 2010	Allotment under QIP 2010	10,742,533	57,663,671	10	107,425,330	576,636,710
October 4 ,2010 to November 16, 2010	Allotment under ESOP	81,000	57,744,671	10	810,000	577,446,710
February 24, 2011 to October15, 2011	Allotment under ESOP	635,500	58,380,171	10	6,355,000	583,801,710
February 4, 2012 to October 19, 2012	Allotment under ESOP	423,550	58,803,721	10	4,235,500	588,037,210
February 12, 2013 to December 18, 2013	Allotment under ESOP	761,900	59,565,621	10	7,619,000	595,656,210

Standalone

A HISTORICAL PERSPECTIVE

Financials		Continuing Operations		Operations including Agila			
	FY13-14 USD mn	FY13-14	2012	2011	2010	2009	2008
INCOME, PROFIT & DIVIDEND							
Total Income	**234.05**	**13,746.99**	**9,699.78**	**25,771.52**	**17,655.44**	**13,283.41**	**10,799.14**
EBITDA	43.78	2,571.59	1,088.02	5,177.88	3,963.21	2,105.04	1,292.10
Depreciation & Amortisation	9.62	564.81	308.58	1,043.01	638.98	491.90	400.63
Exceptional Items Gain / (Loss)	(4.52)	(265.50)	7,001.08	494.67	5.99	575.30	(1,409.03)
Profit After Tax (PAT)	-		8,462.37	2,244.75	1,224.47	1,096.83	1,079.63
Equity Dividend	512.15	30,081.13	117.99	117.37	91.59	60.32	-
Dividend Rate %		5050%	20%	20%	15%	15%	-
LIABILITIES & ASSETS							
Liabilities							
Equity Share Capital	9.97	595.66	588.04	583.80	577.45	402.15	400.50
Preference Share Capital	-				-	491.61	491.61
Monies Pending Allotment	-				-	141.50	-
Reserves & surplus	158.58	9,470.64	19,639.42	13,103.37	12,229.51	7,240.92	3,244.10
Total Net Worth	**168.56**	**10,066.30**	**20,227.46**	**13,687.17**	**12,806.96**	**8,276.18**	**4,136.21**
ESOP	0.03	1.96	34.97	27.59	20.86	34.53	17.89
Long Term Loans	53.93	3,220.58	9,945.66	13,724.47	9,335.93	4,668.88	2,822.74
Short Term Loans	37.60	2,245.58	5,998.95	6,846.54	6,189.58	3,558.34	3,012.11
FCCBs	-			5,856.33	4,572.84	6,341.50	7,185.27
Total Borrowings	**91.53**	**5,466.16**	**15,944.61**	**26,427.34**	**20,098.35**	**14,568.72**	**13,020.12**
Minority Interest	12.67	756.68	718.54	464.57	2,724.74	2,585.04	1,802.84
Deferred Tax Liability	0.74	43.90	287.43	93.49	46.36	34.15	87.43
Total Liabilities	**273.53**	**16,335.00**	**37,213.01**	**40,700.16**	**35,697.27**	**25,498.62**	**19,064.49**
ASSETS							
Gross Block	151.27	9,034.03	20,654.20	16,622.31	11,510.70	10,713.26	5,991.11
Net Block incl CWIP	92.20	5,506.00	15,678.50	14,900.73	10,440.84	9,318.76	6,385.41
Goodwill	17.31	1,033.95	16,903.11	19,825.94	14,756.39	10,093.69	5,905.35
Investments	74.19	4,430.41	0.57		17.59	3,413.61	3,464.01
Deferred tax Asset	0.46	27.38	15.63	220.31	15.77	11.13	43.36
Other Assets (Net)	89.37	5,337.26	4,603.48	5,652.19	10,367.50	2,661.43	3,265.39
Miscellaneous Expenditure	-	-	11.72	100.99	99.18	-	0.97
Total Assets	**273.53**	**16,335.00**	**37,213.01**	**40,700.16**	**35,697.27**	**25,498.62**	**19,064.49**
KEY INDICATORS							
Earnings Per Share (EPS)	-		144.30	38.65	26.11	26.49	26.91
Book Value	2.83	169.00	344.91	235.67	273.09	184.59	90.84
Debt : Equity Ratio (Net of Cash)	(0.09)	(0.09)	0.71	1.74	1.30	1.65	3.01
Operating Profit Margin (%)	18.71	18.71	11.22	20.09	22.45	15.85	11.96
Net Profit Margin (%)	-	-	87.24	8.71	6.94	8.26	10.00
Return on Net Worth (RONW %)	-	-	41.84	16.40	9.56	13.25	26.10

1) Figures for the years 2010 and prior have not been restated as per the Revised Schedule VI
2) 1 USD = Rs.58.735 (Exchange rate as on March 31,2014)
3) FY13-14 PAT for Total Operations at INR 17,667 Mn, 2012 includes income on sale of Australasia business
4) FY13-14 EPS for Total Operations at INR 298.56

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CORPORATE INFORMATION

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Grant Thornton India LLP
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Mumbai - 400 013, India.

REGISTRARS

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Madhapur,
Hyderabad - 500 081.
Tel. No. 91-40-2342 0815 to 824
Fax No. 91-40-2342 0814
e-mail id: svraju@karvy.com

BANKERS AND FINANCIAL INSTITUTIONS

Axis Bank Limited
HDFC Bank Limited
Ratnakar Bank Limited
Yes Bank Limited
Export-Import Bank of India

GLOBAL PLANTS

Oral Dosage Forms Facility – I

'KRS Gardens', Suragajakanahalli,
Anekal Taluk, Bangalore 560 106, India.

Oral Dosage Form Facility – II

124, Sipcot Industrial Complex,
Hosur - 635 126, India.

Oral Dosage Form Facility – III

Plot No. 9-12, Dewan& Sons Indl. Area,
Veroor, Palghar, Dist. Thane 401 404
Maharashtra, India.

Oral Dosage Forms Facility – IV

Strides Vital Nigeria Limited
Plot 2, Ladipo Oluwole Street,
Off. Oba Akran Avenue, Ikeja,
Lagos, Nigeria

Semi-solids Facility – V

BeltapharmSpA
20095, Cusano MIL.
(MI) – Via Stelvio, 66 Italy

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Singapore 048424

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CIN: L24230MH1990PLC057062

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