

LACTOSE (INDIA) LIMITED

LACTOSE

21st

ANNUAL REPORT 2011-2012

LACTOSE (INDIA) LIMITED

BOARD OF DIRECTORS

Shri. S. M. Maheshwari	<i>Chairman & Managing Director</i>
Shri. Atul Maheshwari	<i>Executive Director</i>
Shri. G. K. Sarda	<i>Director</i>
Shri. Pramod Kalani	<i>Director</i>
Shri. Mahendra Singhi	<i>Director</i>

AUDITORS

Singrodia Goyal & Co.
Chartered Accountants
4 A, Kaledonia - HDIL,
2nd Floor, Sahar Road, Near Andheri Station
Andheri (East), Mumbai - 400 069

FINANCE MANAGER

Nitesh Kumar Khetan

BANKERS

Oriental Bank of Commerce
Prabhadevi Branch, Aman Chambers,
1st Floor, Veer Savarkar Marg,
(Opp. New Passport Office),
Prabhadevi, Mumbai - 400 025.

REGISTERED OFFICE & WORKS

Survey No. 6,
Village Poicha (Rania),
Savli, Dist. Vadodara,
Gujarat - 391 780.

CORPORATE OFFICE

211, Laxmi Plaza, Laxmi Industrial Estate,
New Link Road, Andheri (West),
Mumbai - 400 053.

REGISTRAR & SHARE TRANSFER AGENT

Big Share Services Pvt. Ltd.
E 2/3, Ansa Industrial Estate,
Saki vihar Road, Saki Naka,
Andheri (East), Mumbai - 400 072.
ISIN No. - INE 0581013
BSE Scrip Code - 524202

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NOTICE

NOTICE is hereby given that the Twenty First Annual General Meeting of the Members of **LACTOSE (INDIA) LIMITED** will be held at the Registered office of the Company, at Village Poicha (Rania), Survey No. 6, Savli, District Vadodara – 391 780 on Friday day the 28th day of **September, 2012** at 11.00 a. m. to transact the following Business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 and Profit and Loss Account for the year ended on that date together with the Report of Directors and Auditors thereon.
2. To appoint a director in place of Mr. G. K. Sarda, who retires by rotation & being eligible offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary Resolution:

“RESOLVED THAT in accordance with the provisions of Section 260 of the Companies Act, 1956, Mr. Mahendra Singhi holds office only up to the date of this meeting, and in respect of whom the Company has received a notice in writing along with a deposit of ₹ 500/- under Section 257 of the said Act from a member signifying his intention to propose Mr. Mahendra Singhi as a candidate for the office of director be and is hereby appointed as a Director of the Company, who shall be liable to retire by rotation.”

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. THE PROXIES IN ORDER TO BE EFFECTIVE MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the special business at item no. 4 is annexed hereto and it is forming a part of the notice.
3. The register of members and share transfer books shall remain closed from Monday, 24th September, 2012 to Friday 28th September, 2012 both days inclusive.
4. The instrument of proxy for use at the meeting must be lodged at the Registered Office of the Company, not less than forty-eight hours before the commencement of the meeting.
5. Members/ Proxies are requested to bring their Attendance Slip duly filled in along with their copy of Annual Report to the Meeting.
6. Members are requested to address all the documents, transfer deeds, demat requests, and other communications with respect to shares in physical mode to the Registrar & Share Transfer Agents of the Company, M/s. Big Share Services Private Limited, directly quoting their full name, Folio No. and Name of the Company.

7. Members are also requested to note that the Company has entered into Tri-partite Agreement with NSDL and CDSL towards Dematerialization of shares. Members are requested to send all their requests towards Dematerialization to their respective DP's.
8. Members are requested to advise immediately about any change of address:
 - a) To their Depository Participants (DPs) in respect of their electronic share accounts.
 - b) To the Company's Registrar & Share Transfer Agents M/s. Big Share Services Private Limited in respect of their physical share folios if, any.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENTS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 4.

Mr. Mahendra Singhi was appointed as an Additional Director w. e. f. 01.02.2012. As per Section 260 of the Companies Act, 1956 he holds office upto the date of Annual General Meeting. Hence this resolution.

None of the Directors except Mr. Mahendra Singhi is concerned or interested in the aforesaid resolution.

The Directors recommend this Resolution for your approval.

Registered Office:

VILLAGE POICHA (RANIA),
SURVEY NO. 6,
SAVLI, DIST.
VADODARA – 391 780.
Place: Mumbai

**By order of the Board of
Lactose (India) Limited**

Managing Director

Date: 24.08.2012

Details of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement)

Name of Director	G. K. Sarda	Mahendra Singhi
Date of Birth	04.04.1949	31.12.1966
Date of Appointment	10.09.2008	01.02.2012
Expertise in specific Functional areas	Vast Experience in CNC aided Machinery Controls & Vast Experience by his long Service in the corporate field	Highly Experienced in Export and Import procedures
Qualifications	Bachelor in Engineering (Hons)	Bachelor in Engineering Diploma In Import Export Management
Directorships held in other companies (Excluding Foreign Companies)	Tunewell Electronics Pvt Ltd	Eurolife Healthcare Private Limited
Committee position held in other companies	NIL	NIL
No. of Shares held	NIL	NIL

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the Twenty First Annual Report of the Company together with the Audited Statement of the Accounts for the year ended on 31st March, 2012.

FINANCIAL STATEMENT:

	(₹ In Lacs)	
	2011-2012	2010-2011
Operating Income	4018.75	2719.21
Expenditure	(3721.57)	(2495.52)
Profit before Depreciation and Tax	297.15	223.69
Depreciation	165.43	159.34
Profit before Tax	131.72	64.34
Prior period Items	(29.12)	12.26
Profit before Tax	102.60	76.60
Provision for Current Tax	(31.00)	(14.46)
Deferred Tax	18.06	(5.60)
Minimum Alternate Tax Credit Entitlement	(19.48)	19.48
Taxation of Earlier Years	(1.18)	(0.75)
Profit After Tax	69.00	75.27

DIVIDENDS:

To conserve the resources for future expansion of business your Directors do not recommend any dividend on Equity Shares for the financial year under review.

REVIEW OF OPERATIONS:

During the year under review, the company achieved sales 4018.72 Lacs, (Previous Year 2719.21 Lacs) showing a growth of 47.80 % compared to the previous year. The Company has earned a profit after tax of ₹ 69.00 Lacs, compared to last year's profit of ₹ 75.27 Lacs. The Company has achieved EPS of ₹ 0.95 against 1.03 in the previous year. A detailed analysis of the performance for the year has been included in the Management Discussion and Analysis, which forms part of the Annual Report.

Your Company has also proposed to increase the production capacity of manufacturing of Lactose Monohydrate to 12,000 mt as compared to current capacity of 3000 mt per year.

Your Company has received approval from UNFCC & will start earning carbon credits in near future.

CORPORATE GOVERNANCE:

The Company has in place a system of Corporate Governance. A separate report on Corporate Governance forms part of this Annual Report and the Management's Discussion and Analysis report forms part of this report.

A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is annexed to the report on Corporate Governance.

DIRECTORS' RESPONSIBILITY STATEMENT:

In compliance with Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that -

- In the preparation of the annual accounts, the applicable accounting standards have been followed.
- The accounting policies selected and applied on a consistently basis give a true and fair view of the state of

affairs of the Company and of the profit for the financial year;

- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the aforesaid Act for safeguarding the assets of the Company and for prevention and detection of fraud and other irregularities;
- The annual accounts have been prepared for the financial year ended 31st March 2012 on an ongoing concern basis.

CASH FLOW STATEMENT:

The cash flow statement for the year 2011 – 2012 is attached to the Balance Sheet.

DIRECTORS:

During the year Mr. Omprakash Singhi has resigned and in his place Mr. Mahendra Singhi was appointed as an Additional Director. Except this there are no changes in the directors of the Company.

FIXED DEPOSITS:

Your Company has not accepted any Fixed Deposits under Section 58A of the Companies Act, 1956 during the year under review.

PERSONNEL:

Information in accordance with sub-section (2A) of Section 217 Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Director's Report is given as Annexure "A" to this Report.

AUDITORS:

M/s. Singrodia Goyal & Co., Chartered Accountants, Mumbai the Statutory Auditors of the Company would retire at the ensuing Annual General Meeting; however, they have shown their willingness to continue as the auditors of the Company. Hence the Company proposes to re-appoint M/s. Singrodia Goyal & Co. Chartered Accountants, Mumbai as the Statutory Auditors of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTFLOW:

(A) CONSERVATION OF ENERGY:

The Company has taken following measures for conservation of Energy

- Regular preventive maintenance of pumps and Air compressors, steam traps, Joints, steam Leakage to reduce transmission loss and to get maximum output
 - Keeping lights and Air conditioning systems off during non-working hours
 - Maintenance of Power factor
 - Reduced use of water by better process and control
- Specific Measures
- Planning to Install Condensate Recovery system to enhance Conservation of energy

(B) TECHNOLOGY ABSORPTION:

The Company has not incurred any expenditure of either capital or of recurring nature on Research and Development.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

The company has earned ₹ 753.20 Lacs foreign exchange and has incurred an expenditure of ₹ 1900.00 Lacs on foreign travel, Commission, import of Crude Lactose and others.

(D) POLLUTION AND ENVIRONMENTAL CONTROL:

The Company has taken adequate steps regarding the disposal of effluent requiring Pollution or Environment control. Looking at Further expansion planning, Company has become members of central Effluent Treatment Plant. Additionally the company is in process to set up State of Art zero discharge Facility for Effluent water processing plant.

APPRECIATION:

Your Directors take this opportunity to convey their deep sense of gratitude for valuable assistance and Co-operation extended to the Company by all valued customers and bankers viz. Oriental

Bank of Commerce.

Your Directors also wish to place on record their sincere appreciation for the valued contribution, unstinted efforts by the employees at all levels which contributed, in no small measure, to the progress and the high performance of the Company during the year under review.

For and on Behalf of the Board

PLACE : MUMBAI

DATE : 28th May, 2012

(CHAIRMAN)

ANNEXURE 'A' TO THE DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND ANNEXED TO AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 2012.

Employed throughout the financial year under review and were in receipt of remuneration aggregating ₹ 60,00,000/- or more.

Sr. no	Name	Age	Remuneration (Rupees)	Designation/ Nature of Duties	Qualification	Exp Years	Date of Commencement Of Employment	Last Employment Held by Such Employees
1	S.M.Maheshwari	69	3000000	ChairmanAnd ManagingDirector	M Pharm	40	11.03.1991	—
2	Atul Maheshwari	45	3000000	ExecutiveDirector	MBAU.S.A	20	11.03.1991	—

ANNEXURE TO DIRECTOR'S REPORT**ANNEXURE – 'B'****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.****A. Power & Fuel Consumption:-**

		2010-12	2010-11
1.	Electricity		
	Purchase Unit (KWH)	2126094	1949046
	Total Amount (₹)	12861285	11491476
	Average Rate Per Unit (₹)	6.05	5.90
2.	Furnance Oil and LSHS		
	Quantity K. Ltrs/ Mt. (KL)	31.410	14.830
	Total Amount (₹)	1425572	522353
	Average Rate / L. of Oil (₹)	45.39	35.22
3.	Agro Waste Briquettes		
	Quantity MTS	1633.290	1341
	Total Amount (Rs)	8250395	5852543
	Average Rate / Ton (Rs)	5051.40	4364

REPORT ON CORPORATE GOVERNANCE:

The detailed report on Corporate Governance as per the format prescribed by SEBI and incorporated in Clause 49 of the listing agreement is set out below:

1. Statement on Company's Philosophy on code of governance:

The Company's philosophy on Corporate Governance is to attain high level of transparency and accountability in the functioning of the Company and in its relationship with employees, shareholders, creditors, consumers, dealers, lenders and ensuring high degree of regulatory compliances.

The company also believes that its systems and procedure will enhance corporate performance and maximize shareholder value in the long term.

2. Board Of Directors:**a) Composition and Category of Directors.**

The Present Board comprises of 5 members consisting of 2 Executive Director and 3 Non-Executive Directors. All the Non-Executive Directors are also independent Directors. The name and category of each Director is given below:

	Name of the Director	Category
1.	Mr. S.M. Maheshwari	Chairman & Managing Director
2.	Mr. Atul Maheshwari	Executive Director
3.	Mr. G. K. Sarda	Non - Executive Director
4.	Mr. Pramod Kalani	Non - Executive Director
5.	Mr. Mahendra Singhi	Non - Executive Director

b) Attendance of each Director at the Board Meetings and the Last Annual General Meeting (AGM)

	Name of the Director	No. of Board Meetings held	No. of Board Meetings Attended	Attendance at last AGM
1.	Mr. S. M. Maheshwari	8	8	Yes
2.	Mr. Atul Maheshwari	8	8	No
3.	Mr. Omprakash Singhi*	8	4	No
4.	Mr. G. K. Sarda	8	8	Yes
5.	Mr. Pramod Kalani	8	8	Yes
6.	Mr. Mahendra Singhi **	8	1	No

* Mr. Omprakash Singhi resigned as a Director on 01.09.2011.

** Mr. Mahendra Singhi appointed as an additional director effective from 01.02.2012.

c) Number of other Directorship and Chairmanship / Membership of committees of each Director

Name of Director	No. of other Directorship in other Companies	No. of Chairmanship/ Membership in other Board Committees
1. Mr. S. M. Maheshwari	Nil	Nil
2. Mr. Atul Maheshwari	Nil	Nil
3. Mr. Omprakash Singhi	Nil	Nil
4. Mr. G. K. Sarda	1	Nil
5. Mr. Pramod Kalani	Nil	Nil
6. Mr. Mahendra Singhi	1	Nil

d) Number of Board Meetings held and the dates of the Board Meeting

Sr. No	Date of Board Meeting
01	20.05.2011
02	30.05.2011
03	12.08.2011
04	24.08.2011
05	01.09.2011
06	14.11.2011
07	01.02.2012
08	14.02.2012

The gap between two board meetings did not exceed four months.

3. Audit Committee Meetings and attendance during the year

Composition of Audit Committee, meetings held and attended during the financial year ended on 31st March, 2012 are as follows:

Member	No. of Meetings held	No. of Meetings attended
1. Mr. Omprakash Singhi	4	2
2. Mr. G. K. Sarda *	4	4
3. Mr. Pramod Kalani	4	4
4. Mr. Mahendra Singhi*	4	1

* Mr. Omprakash Singhi resigned as a Director effective from 01.09.2011 and his position as Chairman to the Audit Committee also got vacated and in his place Mr. G. K. Sarda was appointed as Chairman of the Audit Committee.

Mr. Mahendra Singhi was appointed as an additional director effective from 01.02.2012. and in the Audit Committee meeting dated 14.02.2012 he was co-opted as a member of the Audit Committee.

4 meetings of the Committee were held during the year ended 31st March, 2012. The dates on which the meetings were held are as follows:

30.05.2011, 12.08.2011, 14.11.2011 and 14.02.2012

The terms reference to the Audit Committee are broadly as under:

- Overall assessment of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment of external auditor, fixation of audit fee and also approval for payment for any other service rendered by the Auditors.

- Reviewing with management the annual financial statement before submission to the board, focusing primarily on:

- Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause 2(AA) of Section 217 of the Companies Act, 1956.
- Changes if any, in accounting policies and practice.
- Major accounting entries based on exercise of judgment by management.
- Observations if any, in draft audit report.
- Significant changes/amendments, if any, arising out of audit.
- The going concern assumption.
- Compliance with accounting standards.
- Qualification in the draft audit report.
- Compliance with stock exchange and legal requirements concerning financial statement.
- Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of company at large.

- Review of Quarterly /Half Yearly unaudited financial results before submission to the auditors and the Board.
- Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
- Reviewing the adequacy of internal audit functions, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant finding and follow up thereon.
- Reviewing the findings, if any, of any internal investigation by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of material nature and reporting the matter to the Board.
- Discussions with external auditors before the audit commence nature and scope of audit as well as have post- audit discussion to ascertain any area of concern.
- Reviewing the company's financial and risk management policies.
- To look into the reasons for substantial defaults, if any, in the payment to the shareholders (in case of non-payment of declared dividends) and creditors.
- Financial Statements and Investments made by subsidiaries.

The Audit Committee also reviews:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory Auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

In addition the committee increases its sphere with the amendment in the Companies Act, 1956 and Corporate Governance regulations resulting in more transparency in the accounts of the Company.

4. Investor Grievance Committee:

Composition of **Investor Grievance Committee**, meetings held and attended during the financial year ended on 31st March, 2012 are as follows:

30.05.2011, 12.08.2011, 14.11.2011 and 14.02.2012

Composition, Meetings and attendance during the year:

Members	Designation	Meetings held	Meeting Attended
Mr. S. M. Maheshwari	Chairman	4	4
Mr. Omprakash Singhi	Member	4	2
Mr. G. K. Sarda	Member	4	4
Mr. Pramod Kalani	Member	4	2

5. Queries/Request received during the year ended 31st March 2012

Nature of Queries/request	Received	Cleared
Non receipt of Annual Report	5	5
Registrar of Companies	1	1
Non Receipt of Dividend Warrant	3	3
Non Receipt of Share Certificate after Transfer	11	11
SEBI	2	2
Non Receipt of Demat Credit	3	3
Non Receipt of Demat Rejection Documents	1	1
Total	26	26

Outstanding Complaints as on 31st March, 2012 were NIL
Mr. Ashish Bhatia, employee of the Company continued to act as a Compliance Officer of the Company as per the requirements under the listing Agreement. He supervised all the compliances are made in time.

6. REMUNERATION COMMITTEE

The company set up remuneration committee though the said is not mandatory under Clause 49 of the Listing Agreement. The meeting took place on 01.02.2012 wherein the committee was reframed on account of resignation of Mr. Omprakash Singhi.

The new Committee consists of Mr. G. K. Sarda acting as a Chairman, Mr. Pramod Kalani and Mr. Mahendra Singhi who is recently appointed as director as Members.

The remuneration paid to the Managing Director and Executive Director for the year ended 31st March, 2012 is given below:

a) Managing Director	Mr. S. M. Maheshwari
Salary, contribution to PF, and perquisites	₹ 30,00,000/- p. a.
Sitting Fees	Nil
Total	₹ 30,00,000/-
b) Executive Director	Mr. Atul Maheshwari.
Salary, contribution to PF, and perquisites	₹30,00,000/- p. a.
Sitting Fees	Nil
Total	₹ 30, 00, 000/-

7. General Body Meetings:

Annual General Meeting

Location	Date	Time	No. of Special Resolutions
Survey no: 6, Village Poicha (Rania), Savli, Dist: Vadodara – 391 780.	30.09.2009	3.00 p.m.	4
Survey no: 6, Village Poicha (Rania), Savli, Dist: Vadodara – 391 780.	29.09.2010	3.00 p.m.	1
Survey no: 6, Village Poicha (Rania), Savli, Dist: Vadodara – 391 780.	29.09.2011	11.00 a.m.	1

8. DISCLOSURES :

- Disclosure on materially significant related party transactions, i.e. transaction of the Company of materially nature with its promoters, Directors, relatives, subsidiary is that may have potential conflict with the interest of the Co at large.

Ans : None

- Details of non compliance by the Company i.e. penalties and strictures imposed on the Company by Stock Exchange or SEBI or any statutory Authority related to Capital Market during last 3 years

Ans : None

- The Company has complied with all mandatory requirement as stated in clause 49 of Listing Agreement and the non-mandatory requirement have been complied with to the extent feasible.

9. MEANS OF COMMUNICATION:

- Quarterly results Published in the newspaper in Free Press Journal & Navshakti
- Whether the Management Discussions and Analysis is a part of Annual report Yes

10. General Shareholder Information :

- Date, Time, Venue of AGM: 28th September, 2012, at 11.00 A.M on Friday day, at the Registered Office of the Company.
- Financial calendar:

Particulars	Date
1 st Quarter results	on or before 15 th August 2012
2 nd Quarter results	on or before 15 th November 2012
3 rd Quarter results	on or before 15 th February 2013
4 th Quarter results	on or before 15 th May, 2013

- Date of Book Closure: 24th September, 2012 to 28th September, 2012.

- Stock Code: **524202**

- v) Registrar and Share Transfer Agents: **Bigshare Services Pvt. Ltd.**
- vi) Plant Location : **Survey No 6, Village Poicha (Rania), Taluka Savli, Dist: Vadodara, Gujarat – 391 780.**
- vii) Address for Correspondence:
211, Laxmi Plaza, Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai – 400 053.

viii) Distribution Schedule:

Category	No. of Holders	%age	No. of Shares	%age
1-5000	16,924	95.4002	29426990	40.3939
5001-10000	529	2.9820	4205540	5.7729
10001-20000	182	1.0259	2692700	3.6962
20001-30000	32	0.1804	821400	1.1275
30001-40000	19	0.1071	695270	0.9544
40001-50000	06	0.0338	274000	0.3761
50001-100000	22	0.1240	1592210	2.1856
100001-99999999	26	0.1466	33141890	45.4933
Total :	17,740		7285000	100.0000

Categories of shareholding as on 31st March 2012

CATEGORY	NO.OF SHARES HELD	%OF SHARE HOLDING
A PROMOTER (S) HOLDING		
1. PROMOTER (S) -INDIAN PROMOTERS -FOREIGN PROMOTERS	2102882	28.87
2. PERSONS ACTING IN CONCERT	—	—
SUB-TOTAL	2102882	28.87
B NON-PROMOTERS HOLDING		
3. INSTITUTIONAL INVESTORS	-	-
A. MUTUAL FUNDS AND UTI	-	-
B. BANKS, FINANCIAL INST, INSURANCE COMPANY (CENTRAL / STATE GOVT. INST / NON-GOVERNMENT INST)	77920	1.07
C. FII (S)	-	-
SUB-TOTAL	77920	1.07
4. OTHERS		
A. PRIVATE CORPORATE BODIES	147459	2.02
B. INDIAN PUBLIC	4171218	57.26
C. NRIS / OCBS	785521	10.78
D. ANY OTHER (FOREIGN-COMPANIES) CLEARING MEMBERS	-	-
SUB-TOTAL	5104198	70.06
GRANDTOTAL	7285000	100

ix) **Dematerialization of Shares:**

The shares of the company form a part of the Compulsory demat segment. 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, Big Share Services Pvt Limited

x) **International Securities Identification Number (ISIN)**

The Company's Scrip form a part of the SEBI's Compulsory demat segment bearing ISIN No INE 058I013

xi) **Listing on the Stock Exchange:**

The Equity Shares of the Company is listed on **Bombay Stock Exchange Limited**. The Annual Listing fees for the year 2012-13 are paid. **The stock code at BSE : 524202**

xii) **Secretarial Audit**

A qualified practicing Company Secretary carried out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued capital. These audits confirm that the total issued/paid-up capital of the Company is in agreement with the total number of the shares in Physical form and the total number of the dematerialized shares held with NSDL and CDSL. The same is also placed before the Board of Directors.

Auditor's Certificate on Compliance with the Corporate Governance under clause 49 of the listing Agreement

To the Members of Lactose (India) limited

We have examined the compliance of conditions of corporate governance by Lactose (India) Limited ("the Company") for the year ended on 31st March 2012 as stipulated in clause 49 of the listing agreement of the company with the stock exchanges.

The compliance of conditions of the corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company, for ensuring the compliance of the conditions of the corporate governance. It is neither an auditor nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of the corporate governance as stipulated in the abovementioned listing agreement.

We have been explained that no investor's grievance are pending for a period of exceeding one month as on 31st March 2012, against the Company as per the records maintained by the company.

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

For Singrodia Goyal & Co.
Chartered Accountant

Place: Mumbai
Date: 28th May 2012

K. M. Tulsian
Partner
Membership No. 38430

CHIEF EXECUTIVE OFFICER (CEO)/CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

To,

The Board of Directors,
Lactose (India) Limited.

We the undersigned, in our respective capacities as Chairman & Managing Director and Finance Manager of Lactose (India) Limited ("The Company") to best of our knowledge and belief certify that :

- (a) We have reviewed Financial Statements and the Cash Flow Statement for the year ended 31st March, 2012 and that:
- (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) To the best of my 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) I accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and they have disclosed to the auditors deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- (d) They have indicated to the auditor any
- (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 they 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.

S. M. Maheshwari
Chairman & Managing Director

Nitesh Kumar Khetan
Finance Manager.

Place : Mumbai

Date :- 28th May 2012

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Industry Structure and Development:

The Indian economy has been witnessing a phenomenal growth since the last decade. The country is still holding its ground in the midst of the current global financial crisis. The world Economy has more or less recovered from one of the worst economic downturns in decades.

It is estimated that by 2015, the Indian Pharmaceutical Industry

will rank amongst the top 10 in the world. A healthy competitive structure and international approved facilities have served to encourage the growth of pharmaceutical industry.

Opportunities and Threats:

There is High demand for your company's products.

Outlook:

Growing the Business exponentially would require investing in infrastructure, in people and consolidation our strength.

Your Company has decided to focus on products and markets of higher profitability only. The change in marketing strategy and exposure in the world market will enable us to become a global force to reckon with. We have started exporting new products to Canada, Nigeria etc and the demand for the products is very healthy

Risk and Concerns:

Higher interest rate regimes are bound to stay for a long period thereby effecting expansion plans and profitability

Your company has commissioned Briquettes Fired Boiler for steam generation to offset the rise in fuel prices

Internal Control System and their adequacy:

Being a pharma company and ISO Certified the process parameters are fully documented and are in place. The role and responsibilities of various people are fully defined in all the functional level. There is continuously flow of information at all level and effective internal audit and internal checks are done at regular interval to ensure their adequacy and efficiency.

Additionally, the following measures are taken to ensure proper control:

- Budgets are prepared for all the operational levels.
- Any material variance from budget has to be approved by the Executive director.
- Any major policy change is approved by the managing director.
- Any deficiency in not achieving target is reviewed at management meetings.

Human Resource development / Industrial relations:

The company has made a plan to recruit best talents of industry by providing them long term growth plan and various facilities. Proper job evaluation, merit rating and allocating right job to right person is the basis of our HR policy.

Harmonious industrial relations continued to prevail throughout the year.

AUDITORS' REPORT

To the Members of **Lactose (India) Limited,**

We have audited the attached Balance Sheet of **Lactose (India) Limited** as at 31st March 2012, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

- 1 We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles

used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

2 As required by the Companies (Auditors Report) Order, 2003 and amendments thereto issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in the paragraphs 4 and 5 of the said Order.

3 Further to our comments in the Annexure referred to in paragraph 2 above, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit & Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
- d) In our opinion and to the best of our information and according to the explanation given to us, the said Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement dealt by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
- e) On the basis of written representations received from the directors as on 31st March, 2012 and taken on record by the Board, we report that none of the director is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.
- f) *Attention is invited to Note No. 33, regarding the payments received from Kerry Ingredients Private Limited amounting to ₹ 11,04,53,113 purportedly for the details mentioned in the note as informed to us by the management. The management has not provided us with any corroborative evidences and supporting to substantiate the nature of these receipts. In absence of the same, we are unable to comment on the accounting by the Company and its consequent effect on the Profit/ Loss and Assets / Liabilities for the year including its classification under Revised Schedule VI.*
- g) *Balances of trade receivables, trade payables, loans and advances are subject to confirmation, reconciliation and consequential adjustment, if any. We are unable to comment upon the resultant effect on the assets, liabilities and profit for the year.*
- h) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with notes appearing thereon, subject to Para 3 (f) above give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012,

- ii) In the case of the Statement of Profit and Loss, of the Profit of the Company for the year ended on that date, and
- iii) In the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For Singrodia Goyal & Co.
Chartered Accountants
Firm Regn. No.:112081W

K.M. Tulsian
Partner
Mem. No. : 38430

Place: Mumbai

Date: 28th May 2012

Annexure to Auditors Report

Annexure referred to in Paragraph 2 of the Auditors Report for the year ended 31st March 2012. As required by the Companies (Auditors Report) Order, 2003 and amendments thereto and according to the information and explanations given to us during the course of the audit and on the basis of such checks of the books and records as were considered appropriate we report that:

- (i)
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except quantitative details in respect of Furniture and Fixtures.
 - b) The Company has a programme for physical verification of fixed assets on a rotational basis, which in our opinion is reasonable having regard to the size of the Company and the nature of its business. Accordingly, physical verification of the fixed assets has been carried out by management during the year and no material discrepancies were noticed on such verification.
 - c) During the year, there is no substantial disposal of fixed assets, which affects going concern assumption.
- (ii)
 - a) The inventories have been physically verified by the management at the year end.
 - b) The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The Company has maintained proper records of its inventories. No material discrepancies were noticed on physical verification as compared to book records.
- (iii)
 - a) The Company has granted unsecured loans to one party covered in the register maintained under section 301 of the Companies Act, 1956 on call basis. The maximum amount outstanding during the year was ₹ 35,02,758 and the year-end balance was ₹ 35,02,758
 - b) The rate of interest and other terms & conditions on the basis of which these loans have been granted are prima facie, not prejudicial to the interest of the Company.
 - c) In view of our comments in para (iii) (a) and (b) above, clauses 4 (iii) (c) and (d) of the said Order

- are not applicable.
- d) The Company has taken unsecured loans from three parties covered in the register maintained under Section 301 of the Companies Act, 1956 on call basis. The maximum amount outstanding during the year was ₹ 32,53,050 and the year-end balance was ₹ 24,25,152.
- e) In our opinion, the rate of interest, wherever paid and other terms & conditions of such loans are prima facie, not prejudicial to the interest of the Company.
- f) In view of our comments in Para (iii) (d) and (e) above, clause 4 (iii) (g) of the said Order is not applicable to the Company.
- (iv) There are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control systems.
- (v) a) Based on the audit procedures performed by us, we are of the opinion that particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained in that section.
b) The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) *The Company does not have a formal internal audit system commensurate with its size and nature of business but its financial and other internal checks, ensures proper recording of financial transactions.*
- (viii) *The Company has not maintained the cost records as prescribed under Section 209 (1) (d) of the Companies Act, 1956 for the Company.*
- (ix) a. Accordingly to the records of the Company, the undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess have generally been regularly deposited with the appropriate authorities. There are no undisputed amount payable in respect of such statutory dues, which have remained outstanding as at 31st March, 2012 for a period more than six months from the date they became payable. b. There are no dues of Income Tax, Sales Tax Wealth Tax, Service Tax, Custom duty, excise duty cess which have not been deposited on account of any dispute with the appropriate authorities.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses during the financial year and in the immediately preceding financial year.
- (xi) According to the information & explanations given to us the Company has not defaulted in repayment of dues to banks & financial institutions.
- (xii) The Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments.
- (xv) The Company has not given any guarantee for the loans taken by others from banks or financial institutions.
- (xvi) The Company has applied the term loans during the year for the purpose they were obtained.
- (xvii) On an overall examination of the Balance Sheet of the Company, we report that the no funds raised on short-term basis have been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised money through a public issue during the year.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of any material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For Singrodia Goyal & Co.
Chartered Accountants
Firm Regn. No.:112081W

K.M. Tulsian
Partner
Mem. No. : 38430

Place: Mumbai
Date: 28th May 2012

BALANCE SHEET AS AT 31ST MARCH, 2012

(Amount in ₹)

Particulars	Note No.	As at March 31, 2012	As at March 31, 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	72,850,000	72,850,000
Reserves and Surplus	3	56,675,538	47,275,278
		129,525,538	120,125,278
Non-current liabilities			
Long-Term Borrowings	4	12,900,928	2,011,189
Deferred Tax Liabilities (Net)	5	11,457,755	13,263,982
Other Long Term Liabilities	6	76,772,000	-
Long-Term Provisions	7	2,788,067	-
		103,918,750	15,275,171
Current liabilities			
Short-Term Borrowings	8	34,627,058	53,713,855
Trade Payables	9	44,598,019	69,860,076
Other Current Liabilities	10	73,373,558	50,736,766
Short-Term Provisions	11	3,458,486	2,917,568
		156,057,121	177,228,264
TOTAL		389,501,409	312,628,713
ASSETS			
Non-current Assets			
Fixed Assets	12		
- Tangible assets		149,049,631	133,441,327
Capital work-in-progress	13	6,515,437	-
		155,565,068	133,441,327
Non-Current Investments	14	6,591,550	2,991,550
Long-Term Loans and advances	15	10,856,357	22,741,234
		173,012,975	159,174,111
Current Assets			
Inventories	16	69,284,589	56,609,637
Trade Receivables	17	104,093,532	50,686,622
Cash and Bank Balances	18	4,503,648	2,336,317
Short-Term Loans and Advances	19	38,606,665	43,822,025
		216,488,434	153,454,602
TOTAL		389,501,409	312,628,712

See accompanying notes to the financial statements 1 to 40

In terms of our report of even date

For Singrodia Goyal & Co.
Chartered Accountants

K.M. Tulsian

Partner

Mem. No. 38430

Place : Mumbai

Date : 28th May, 2012

For and on behalf of the Board of Directors of
Lactose (India) Limited

S. M. Maheshwari
Chairman & Managing Director

Atul Maheshwari
Executive Director

Nitesh Kumar Khetan
Finance Manger

Place : Mumbai

Date : 28th May, 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

(Amount in ₹)			
PARTICULAR	Note No.	Year Ended March 31, 2012	Year Ended March 31, 2011
Revenue from operations	20	397,577,092	264,755,742
Other income	21	4,294,973	7,165,191
		401,872,066	271,920,933
Expenses:			
Cost of materials consumed	22	277,491,957	143,307,602
Purchases of stock-in-trade	23	-	5,128,351
Changes in inventories of finished goods, work-in-progress	24	(35,335,126)	2,281,582
Employee benefits expenses	25	41,577,060	38,795,029
Finance costs	26	7,693,684	8,628,468
Depreciation and amortization expense	12	16,543,331	15,934,407
Other expenses	27	80,729,669	51,411,221
		388,700,576	265,486,659
Profit before prior period items and tax		13,171,490	6,434,273
Add / (Less) : Prior Period Income / (Expenses)	28	(2,911,777)	1,225,666
Profit before tax		10,259,713	7,659,939
Tax Expenses:			
Current Tax		3,100,000	1,445,849
Deferred Tax Liability / (Assets)		(1,806,227)	559,625
MAT Credit Entitlement Adjustments		1,948,146	(1,948,146)
Tax of Earlier Years		117,534	75,635
Profit for the year		6,900,260	7,526,977
Earnings per equity share:	29		
(Nominal value of ₹ 10 each)			
- Basic		0.95	1.03
- Diluted		0.95	1.03

See accompanying notes to the financial statements 1 to 40

In terms of our report of even date

For Singrodia Goyal & Co.
Chartered Accountants

K.M. Tulsian
Partner
Mem. No. 38430

Place : Mumbai

Date : 28th May, 2012

For and on behalf of the Board of Directors of
Lactose (India) Limited

S. M. Maheshwari
Chairman & Managing Director

Atul Maheshwari
Executive Director

Nitesh Kumar Khetan
Finance Manager

Place : Mumbai

Date : 28th May, 2012

ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 1 : Significant Accounting Policies:

A Basis of Accounting:

- a) The Financial Statements have been prepared in compliance with the Accounting Standards notified by Companies (Accounting Standard) Rules 2006 and the relevant provisions of the Companies Act, 1956 in all material aspects.
- b) Financial Statements are based on historical cost convention and are prepared on accrual basis.

B Use of Estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the financial statements and the reported amounts of revenues and expenses during the reporting period. Difference between actual results and estimates are recognized in the periods in which the results are known/ materialize.

C Revenue Recognition

- i) Revenue is recognised when it is earned and no significant uncertainty exists as to its realisation or collection,
- ii) Interest is recognised on a time proportion basis taking in to account the amount outstanding and the rate applicable,
- iii) Revenue in respect of export sales is recognised on shipment of products,
- iv) Dividend income is recognised when right to receive the same is established,
- v) Revenue from conversion charges is recognised on completion of particular Job work.

D Purchases are stated inclusive of commission, custom duty, clearing & forwarding charges and net of discounts, returns, VAT and rate differences.

E Sales are inclusive of excise duty & sales tax and are stated net of discounts, returns and rebates

F Fixed Assets:

Fixed Assets are stated at actual cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

G Impairment of Fixed Assets

At the end of each year, the Company determines whether a provision should be made for impairment loss on fixed assets by considering the indication that an impairment loss may have occurred in accordance with Accounting Standard 28 on "Impairment of Assets". Where the recoverable amount of any fixed assets is lower than its carrying amount, a provision for impairment loss on fixed assets is made for the difference.

H Depreciation

Depreciation on Fixed Assets has been provided on 'Straight Line Method' as per the rates and in the manner prescribed in the Schedule XIV of the Companies Act, 1956.

I Inventories

- i) Finished Goods are valued at lower of cost or net realisable value.
- ii) Raw Materials, Stores are valued at lower of cost or net realisable value.
- iii) Work-in-Process is valued at lower of the cost or net realisable value.
- iv) Packing Materials, Store & Spares are valued at cost.

J Investments

Investments that is intended to be held for more than a year from the date of acquisition are classified as long term investments and are carried at cost less any provision for permanent diminution in value. Investments other than long term investments being current investments are valued at cost or fair market value whichever is lower.

K Employee Benefits

- i) Company's contribution to Provident Fund and other Funds for the year is accounted on accrual basis and charged to the Profit & Loss Account for the year.

ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

- ii) Retirement benefits in the form of Gratuity are considered as defined benefit obligations and are provided on the basis of the actuarial valuation, using the projected unit credit method as at the date of the Balance Sheet.

L Provisions and Contingent Liabilities

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

M Foreign Currency Transactions

- i) The transactions in foreign currencies on revenue accounts are stated at the rate of exchange prevailing on the date of transactions.
- ii) The difference on account of fluctuation in the rate of exchange, prevailing on the date of transaction and the date of realisation is charged to the Profit & Loss Account.
- iii) Differences on translation of Current Assets and Current Liabilities remaining unsettled at the year-end are recognised in the Profit and Loss Account.

N Borrowing Cost

Borrowing costs are recognised as an expense in the period in which they are incurred except the borrowing cost attributable to be acquisitions / constructions of a qualifying assets which are capitalised as a part of the cost of the fixed assets, up to the date, the assets are ready for its intended use.

O Accounting for Government Grants

- i) Capital subsidy received from State Government is shown under the head 'Capital Reserve'.
- ii) Subsidy for acquiring certain Plant and Machinery is deducted from the cost of the related plant and machinery.

P Accounting for Taxation of Income

Current Taxes

Provision for current income-tax is recognized in accordance with the provisions of Indian Income- tax Act, 1961 and is made annually based on the tax liability after taking credit for tax allowances and exemptions.

Deferred Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantially enacted at the Balance Sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in the future. Deferred tax assets are reviewed as at each Balance Sheet date.

Q Change in Accounting Policy

- a) During the year ended 31st March, 2012, the revised schedule VI of the Companies Act, 1956, has become applicable to the Company, for preparation & presentation of its financial statements. The adoption of Revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements applicable in the current year. (Refer Note No. 40)
- b) During the year, in order to comply with Accounting Standard (AS) 15 (Revised 2005) "Employee Benefits" as notified by the Companies (Accounting Standard) Rule 2006, the method of accounting of Gratuity has been changed from cash basis to accrual basis of accounting. (Refer Note 32)

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2012**

(Amount in ₹)

Note 2 : Share Capital

a. Details of authorised, issued and subscribed share capital

Particulars	As at March 31, 2012	As at March 31, 2011
Authorised Capital		
10,000,000 Equity Shares of ₹10/- each	100,000,000	100,000,000
Issued Subscribed and Paid up Capital		
72,85,000 Equity Shares of ₹10/- each fully paid up.	72,850,000	72,850,000
	72,850,000	72,850,000

b. Terms & Conditions

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity share is entitled to one vote per share.

In the event of liquidation of the Company, the holder of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholder.

c. Shareholders having more than 5 % shareholding

Name of Shareholder	As at March 31, 2012		As at March 31, 2011	
	No of Equity shares held	Holding (%)	No of Equity shares held	Holding (%)
Madhu Toshniwal	390,640	5.36	390,640	5.36
Madhusa Projects Private Limited	534,832	7.34	534,832	7.34
Sangeeta Maheshwari	673,610	9.25	673,610	9.25
Indu Kasat	780,000	10.71	780,000	10.71

d. Reconciliation of number of shares

Particulars	As at March 31, 2012		As at March 31, 2011	
	Number	Amount (In ₹)	Number	Amount (In ₹)
Shares outstanding at the beginning of the year	7,285,000	72,850,000	7,285,000	72,850,000
Shares Issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	7,285,000	72,850,000	7,285,000	72,850,000

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2012**

(Amount in ₹)

Note 3 : Reserves and Surplus

Particulars	As at March 31, 2012	As at March 31, 2011
Capital Reserves		
Opening Balance	5,000,000	2,500,000
(+) Subsidy received during the year	2,500,000	2,500,000
(-) Written Back in Current Year	-	-
Closing Balance	7,500,000	5,000,000
Securities Premium Account		
Opening Balance	3,868,138	3,934,318
Less : Share Issue Expenses	-	66,180
Closing Balance	3,868,138	3,868,138
Surplus		
Opening balance	38,407,140	30,880,163
(+) Net Profit for the current year	6,900,260	7,526,977
Closing Balance	45,307,400	38,407,140
GRAND TOTAL	56,675,538	47,275,278

During the year, the Company has received balance amount of government grants amounting to ₹ 25,00,000 (PY ₹ 25,00,000) under the scheme for 'Technology Upgradation / Establishment / Modernization of Food Processing Industries' from Ministry of Food Processing Industries for the expansion of Milk Processing Unit of the Company at Vadodara - Gujarat and the same has been credited to Capital Reserves.

Note 4: Long-Term Borrowings

Particulars	As at March 31, 2012 (Amount in ₹)	As at March 31, 2011 (Amount in ₹)
SECURED		
Term Loans		
From Banks	10,203,795	9,177,394
Less : Interest accrued but not due on borrowings	144,730	129,282
Less: Current maturities of long term debt	4,416,000	9,048,112
	5,643,065	-
Vehicle Loans		
From Banks	6,824,146	746,688
From Others	2,130,119	2,971,822
	8,954,265	3,718,510
Less: Current maturities of long term debt	1,696,402	1,707,321
	7,257,863	2,011,189
TOTAL	12,900,928	2,011,189

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2012**

(Amount in ₹)

Other information regarding secured loans :

Term loan from banks :

- a) Term loan from Oriental Bank of Commerce amounting to ₹ 30,59,413 (PY ₹ Nil) is secured against hypothecation of assets to be created at a total cost of ₹ 60,00,000. Loan is taken for the specific purpose of setting up a new Effluent Treatment Plant in the factory. It carries an interest rate of 15.25 % (4.50% + Base Rate of 10.75%). The loan is repayable in 36 equal monthly installments of ₹ 1,25,000 each, after a moratorium of 1 month, starting from the September, 2012. The interest is payable as and when due.
- b) Working Capital Term Loan (WCTL) from Oriental Bank of Commerce amounting to ₹ 71,44,382 (PY ₹ Nil) is secured by hypothecation of raw materials, stock in trade, finished goods, stores & spares and receivables. It carries interest rate of 15.25 % (4.50% + Base Rate of 10.75%). The WCTL is repayable in 35 equal monthly installments of ₹ 2,43,000 each, starting from September, 2012.

Vehicle loans from banks :

- a) Vehicle loan from ICICI Bank amounting to ₹ 2,13,070 (PY ₹ 3,27,563) is secured against respective vehicle. It carries interest rate of 12.99% p.a. and is repayable in 36 equal monthly installment amounting to ₹ 12,533 each, starting from 15th November 2010 to 15th October, 2013.
- b) Vehicle loan from ICICI Bank amounting to ₹ 31,98,880 (PY ₹ Nil) is secured against respective vehicle. It carries interest rate of 10.60% p.a. and is repayable in 60 equal monthly installment amounting to ₹ 74,749 each, starting from 1st November 2011 to 1st September, 2016.
- c) Vehicle loan from ICICI Bank amounting to ₹ 31,98,880 (PY ₹ Nil) is secured against respective vehicle. It carries interest rate of 10.60% p.a. and is repayable in 60 equal monthly installment amounting to ₹ 74,749 each, starting from 1st November 2011 to 1st September, 2016.
- d) Vehicle loan from HDFC Bank amounting to ₹ 2,13,315 (PY ₹ 3,38,596) is secured against respective vehicle. It carries interest rate of 10.14% p.a. and is repayable in 36 equal monthly installment amounting to ₹ 12,825 each, starting from 7th October 2010 to 7th September, 2013.

Vehicle Loan from Others :

- a) Vehicle loan from Kotak Mahindra Prime Limited amounting to ₹ 12,87,149 (PY ₹ 15,75,271) is secured against earmarked vehicle. It carries interest rate of 9.46% p.a. and is repayable in 60 equal monthly installment amounting to ₹ 35,415 each, starting from 1st December 2010 to 1st October, 2015.
- b) Vehicle loan from Tata Capital Limited amounting to ₹ 8,42,970 (PY ₹ Nil) is secured against earmarked vehicle. It carries interest rate of 12.99% p.a. and is repayable in 60 equal monthly installment amounting to ₹ 19,880 each, starting from first advance installment on 14th November 2011 & balance from 9th December 2011 to 9th October, 2016.

Note 5 : Deferred Tax Liabilities (Net)

The major components of deferred tax liability / asset as recognised in the financial statement is as follows:

Particulars	As at March 31, 2012	As at March 31, 2011
Deferred Tax Liability		
Excess of net block of fixed assets as per books of accounts over net block for tax purpose	12,495,188	13,263,982
	12,495,188	13,263,982
Deferred Tax Asset		
Provision for Gratuity	(1,037,433)	-
Net	11,457,755	13,263,982

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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(Amount in ₹)

Note 6 : Other Long term Liabilities

Particulars	As at March 31, 2012	As at March 31, 2011
Others		
Advance for Expansion (Refer Note No. 33 below)	76,772,000	-
	76,772,000	-

Note 7 : Long-Term Provisions

Particulars	As at March 31, 2012	As at March 31, 2011
Provision for Employee Benefits:		
Gratuity Payable	3,123,153	-
Less : Current Portion of Gratuity Payable	335,086	-
	2,788,067	-

Note 8 : Short-Term Borrowings

Particulars	As at March 31, 2012	As at March 31, 2011
SECURED		
Loans repayable on demand		
From Banks	32,201,906	50,646,455
UN-SECURED		
Loans and advances from related parties	2,425,152	3,067,400
	34,627,058	53,713,855

Other Information regarding loans repayable on demands

- a) Cash Credit Facility from Oriental Bank of Commerce amounting to ₹ 2,71,21,906 (PY ₹ 4,68,96,455) is secured against hypothecation of stocks of raw material, stock in process, finished goods, stores & spares and receivables of the Company. It carries interest rate of 15.25% (4.50% + Base Rate of 10.75%).
- b) Packing Credit Facility from Oriental Bank of Commerce amounting to ₹ 50,80,000 (PY ₹ 37,50,000) is secured against hypothecation of paid stock meant for export and advance shall be covered under whole turnover packing credit guarantee obtained by the bank from ECGC. The rate of interest is as per the directives & guidelines issued by the Reserve Bank of India from time to time.

Note 9 : Trade Payables

Particulars	As at March 31, 2012	As at March 31, 2011
Trade Payables		
Due to Micro and Small Enterprises	396,049	-
Others	44,201,970	69,860,076
	44,598,019	69,860,076

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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(Amount in ₹)

Disclosures under Sec 22 of Micro, Small and Medium Enterprises Development Act, 2006

Particulars	As at March 31, 2012	As at March 31, 2011
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of accounting year;	380,699	-
The amount of interest accrued and remaining unpaid at the end of accounting year; and	15,350	-

Note 10 : Other Current Liabilities

Particulars	As at March 31, 2012	As at March 31, 2011
Current maturities of long-term debt	6,112,402	10,755,433
Interest accrued but not due on borrowings	144,730	129,282
Others		
Payable for Capital Goods	2,979,092	3,332,991
Advances from Customer (Refer Note No. 33 below)	35,060,251	1,930,945
Cheques Overdrawn	-	1,366,332
Duties & Taxes Payable	27,441,677	30,250,519
Expenses Payable	1,635,406	2,971,264
Total	73,373,558	50,736,766

Note 11 : Short-Term Provisions

Particulars	As at March 31, 2012	As at March 31, 2011
Provision for employee benefits:		
Current Portion of Gratuity Payable	335,086	-
Others		
Provison for Income Tax	3,100,000	2,917,568
Provison for Wealth Tax	23,400	-
Total	3,458,486	2,917,568

ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 12 : Fixed Assets

Description of Assets	Gross Block			Accumulated Depreciation			Net Block			
	As at April 1, 2011	Additions during the year	Deletions during the year	As at March 31, 2012	Up to April 1, 2011	Depreciation charge for the year	Adjustments On disposals	Up to March 31, 2012	As at March 31, 2012	As at March 31, 2011
Tangible Assets										
Land - Owned	4,819,242	-	-	4,819,242	-	-	-	-	4,819,242	4,819,242
Building - (Factory)	64,229,670	1,748,310	-	65,977,980	18,852,351	2,154,340	-	21,006,691	44,971,289	45,377,319
Building - (Office)	1,281,075	14,205,600	-	15,486,675	146,171	27,861	-	174,032	15,312,643	1,134,904
Plant & Machinery	151,992,989	6,898,867	-	158,891,856	87,110,344	11,517,188	-	98,627,532	60,264,324	64,882,645
Furniture & Fixtures	6,367,254	2,129,179	-	8,496,433	2,143,185	416,511	-	2,559,696	5,936,737	4,224,069
Vehicles	11,387,777	9,377,446	4,358,140	16,407,083	2,699,963	1,350,796	1,479,707	2,571,052	13,836,031	8,687,814
Laboratory, Office Equipment & Air Conditioners	9,853,852	182,387	-	10,036,239	8,556,651	737,934	-	9,294,585	741,654	1,297,201
Computers	2,742,698	283,656	43,693	2,982,661	2,706,474	56,154	3,667	2,758,961	223,700	36,224
Electrical Installations	3,779,018	244,650	-	4,023,668	797,110	282,547	-	1,079,657	2,944,011	2,981,908
Total	256,453,575	35,070,095	4,401,833	287,121,837	123,012,249	16,543,331	1,483,374	138,072,206	149,049,631	133,441,326
Previous Year	247,633,338	11,308,715	2,488,478	256,453,575	110,381,247	15,934,407	3,303,405	123,012,249	133,441,326	-

(Amount in ₹)

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2012**

(Amount in ₹)

Note 13 : Capital work-in-progress

Particulars	As at March 31, 2012	As at March 31, 2011
Opening Balance	-	-
Add : Expenditure during the year		
Equipment Cost	4,809,339	-
Construction Cost	1,675,626	-
Professional Fees	26,472	-
Other Expenses	4,000	-
Closing Balance	6,515,437	-

During the year the Company has started construction of new "Effluent Treatment Plant" (ETP) in the factory.

Note 14 : Non-Current Investments

Particulars	As at March 31, 2012	As at March 31, 2011
(Valued at cost, unless stated otherwise)		
Unquoted, Trade Investments		
Investment in Equity instruments	5,200,000	1,600,000
4,00,000 (PY 160,000) Equity Shares of Eurolife Healthcare Private Limited of ₹ 10 each fully paid up		
(A)	5,200,000	1,600,000
Other Investments		
Quoted		
Investment in Equity instruments		
1,000 (PY 1,000) equity shares of Clio Infotech Limited of ₹ 10 each fully paid up	43,980	43,980
12,800 (PY 12,800) equity shares of Shardul Securities & Finance Limited of ₹ 10 each fully paid up	384,000	384,000
5,000 (PY 5,000) equity shares of Ojas Technochem Limited of ₹ 10 each fully paid up	123,915	123,915
Investments in Mutual Funds		
30,657.92 (PY 30,657.92) units of Kotak Oppurtunities Growth 1,000,000		1,000,000
(B)	1,551,895	1,551,895
TOTAL (A+B)	6,751,895	3,151,895
Less : Provision for dimunition in the value of Investments	160,345	160,345
	6,591,550	2,991,550

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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(Amount in ₹)

Particulars	As at March 31, 2012	As at March 31, 2011
Aggregate market value of quoted investments	2,039,315	2,350,974
Aggregate book value of quoted investments	1,551,895	1,551,895
Aggregate value of unquoted investments	5,200,000	1,600,000

Note 15 : Long-Term Loans and advances

Particulars	As at March 31, 2012	As at March 31, 2011
Capital Advances		
Unsecured, considered good	-	13,500,000
Security Deposits		
Unsecured, considered good	7,353,599	6,079,900
Loans and advances to related parties		
Unsecured, considered good	3,502,758	3,161,334
TOTAL	10,856,357	22,741,234

a) Loans & advances from related parties represents :

Particulars	As at March 31, 2012	As at March 31, 2011
Due from Eurolife Healthcare Private Limited, Company in which director of the Company is interested as director	3,502,758	3,161,334

b) Capital advances in previous year represents, advance given for office premises to a relative of the director. During the year the office premises has been registered in the name of the Company and accordingly the advance amount has been capitalised.

Note 16 : Inventories

Particulars	As at March 31, 2012	As at March 31, 2011
(As Taken, Valued & Certified by Management)		
Raw Materials and components	25,254,915	48,776,238
Work-in-progress	9,078,330	3,035,736
Finished goods	32,833,448	3,540,916
Stores and spares	2,117,896	1,256,746
TOTAL	69,284,589	56,609,636

Inventory of raw material and components includes ₹ 1,99,44,584 (PY ₹ 2,94,01,629), Inventory lying with Custom Bonded Warehouse.

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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(Amount in ₹)

Note 17 : Trade Receivables

Particulars	As at March 31, 2012	As at March 31, 2011
Trade receivables outstanding for a period exceeding six months		
Unsecured, considered good	5,655,256	3,702,113
Doubtful	-	2,189,600
Less: Provision for doubtful debts	-	2,189,600
	5,655,256	3,702,113
Others		
Unsecured, considered good	98,438,276	46,984,509
	98,438,276	46,984,509
	104,093,532	50,686,622

Trade Receivable stated above include debts due by:

Particulars	As at March 31, 2012	As at March 31, 2011
Due from a Private Limited Company in which director of the Company is a director	167,611	62,348

Note 18 : Cash and Bank Balances

Particulars	As at March 31, 2012	As at March 31, 2011
Cash & Cash Equivalents		
Balances with banks		
- Current Account	1,645,546	146,559
Cash on hand	102,287	2,027,260
Fixed Deposits (Three months of original maturity period)	2,501,109	-
Other Bank Balances		
Fixed Deposits (Three to Twelve months of original maturity period) *	254,707	162,498
	4,503,648	2,336,317

* Represents

Particulars	As at March 31, 2012	As at March 31, 2011
Fixed Deposits pledged with banks against Bank Guarantee	254,707	162,498

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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(Amount in ₹)

Note 19 : Short-Term Loans and Advances

Particulars	As at March 31, 2012	As at March 31, 2011
Other Loans & Advances		
Unsecured, considered good		
Advance to Suppliers	2,444,879	923,167
Duties & Taxes Receivable	32,316,091	33,321,329
Advance Tax & TDS	3,227,401	5,524,988
MAT Credit Entitlement	-	1,948,146
Prepaid Expenses	546,444	554,210
Loans to Staff	43,796	48,600
Other Receivables	28,054	1,501,585
	38,606,665	43,822,025

Advances to Supplier includes :

Particulars	As at March 31, 2012	As at March 31, 2011
Advance given to Eurolife Healthcare Private Limited, Company in which director of the Company is interested as director	1,885,231	-

Note 20 : Revenue from operations

Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
Sale of Products		
Gross Sales	376,689,508	226,119,365
Less: Excise Duty	24,378,245	15,682,136
	352,311,263	210,437,229
Other Operating Revenues		
Conversion Charges	44,308,853	53,541,020
Scrap Sales	956,977	777,493
	397,577,092	264,755,742

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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(Amount in ₹)

Note 21 : Other income

Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
Interest Income		
Interest on Fixed Deposits	72,701	117,810
Interest on Income Tax Refund	62,462	172,891
Interest on Loans and Advances	1,090,376	485,688
Other non-operating income		
Dividend Income	15,360	15,360
Gain on Foreign Exchange Fluctuation (Net)	3,015,469	5,375,833
Balance Written Back	-	997,609
Miscellaneous Receipts	38,605	-
	4,294,973	7,165,191

Note 22 : Cost of materials consumed

Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
Raw Materials :		
Opening Stock	48,776,238	3,656,430
Add: Purchases	253,970,634	188,427,410
Less: Closing Stock	25,254,915	48,776,238
	277,491,957	143,307,602

Note 23 : Purchases of stock-in-trade

Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
Opening Stock of Stock in Trade	-	196,031
Add: Purchases of Stock in Trade	-	4,932,320
Less: Closing Stock of Stock in Trade	-	-
	-	5,128,351

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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(Amount in ₹)

Note 24 : Changes in inventories of finished goods, work-in-progress

Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
Opening Inventory		
Finished Goods	3,540,916	8,283,780
Work-In-Progress	3,035,736	574,454
	6,576,652	8,858,234
Closing Inventory		
Finished Goods	32,833,448	3,540,916
Work-In-Progress	9,078,330	3,035,736
	41,911,778	6,576,652
	(35,335,126)	2,281,582

Note 25 : Employee benefits expenses

Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
Salaries and Wages	34,161,174	31,777,305
Directors Remuneration	6,000,000	6,000,000
Gratuity Expenses	416,443	54,086
Contribution to PF & Other Funds	740,063	700,148
Staff welfare expenses	259,380	263,490
	41,577,060	38,795,029

Note 26 : Finance costs

Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
Interest to Banks	6,130,954	7,457,225
Interest to Others	329,056	320,970
Bank Charges	1,233,675	850,273
	7,693,684	8,628,468

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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(Amount in ₹)

Note 27 : Other expenses

Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
Manufacturing Expenses		
Consumption of :		
- Stores and spares	8,193,686	5,351,919
- Power and Fuel	22,748,566	18,006,170
- Laboratory Materials	1,354,260	849,846
Carriage Inwards	7,702,273	3,517,844
ETP Plant Expenses	1,514,570	591,404
Repairs to :		
- Building	219,484	158,353
- Machinery	2,358,971	1,230,027
Administration & Other Expenses		
Rent	288,000	288,000
Rates and Taxes	227,307	64,567
Legal and Professional	3,335,068	1,944,695
Commission & Brokerages	3,013,219	2,035,990
Communication Expenses	791,603	711,549
Electricity Charges	138,639	136,177
Insurance Charges	1,716,410	1,327,485
Freight Outward	4,323,946	3,766,643
Auditor's Remuneration	447,576	253,690
Travelling Expenses	5,398,104	1,158,362
Vehicle Expenses	1,183,510	1,062,614
Printing & Stationery	603,853	353,399
Sales Promotion Charges	1,269,631	967,275
Loss on Sale of Fixed Assets	1,698,459	250,536
Balances Written Off (Net)	3,063,212	-
Sales Tax Paid	7,483,493	4,497,613
Repairs & Maintenance - Others	43,781	211,648
Donation	100,000	1,010,000
Miscellaneous Expenses	1,512,047	1,665,416
	80,729,669	51,411,221

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(Amount in ₹)

a) Auditors Remuneration :

Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
Audit Fees	337,080	220,600
Taxation Matter	19,509	16,545
Other Services	90,987	16,545
TOTAL	447,576	253,690

b) During the year the Company has contributed ₹ 1,00,000 to the Bhartiya Janta Party, a National Political Party as Donation, which is within the limits prescribed u/s. 293A of the Companies Act, 1956.

Note 28 : Prior Period Income / (Expenses)

Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
Prior Period Income		
Reversal of Excess Depreciation Charged in earlier years	-	1,225,666
Prior Period Expenses		
Professional Fees	24,000	
Repairs & Building - Building	34,000	
Postage Expenses	19,031	
Repairs & Building - Others	44,700	
Gratuity Provision (Refer Note 32)	2,790,046	
	2,911,777	1,225,666

Note 29 : Earnings per equity share:

Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
Basic Earnings per Share		
Profit/(Loss) attributable to Equity shareholders	6,900,260	7,526,977
Weighted average number of equity shares	7,285,000	7,285,000
Basic Earnings Per Share	0.95	1.03
Face value per Share	10.00	10.00
Dilutive Earnings per Share		
Profit after adjusting interest on potential equity shares	6,900,260	7,526,977
Weighted average number of equity share after considering potential equity shares	7,285,000	7,285,000
Dilutive Earnings per Share	0.95	1.03

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Note 30 :

In the opinion of the Board the Current Assets and Long Term Loans and advances, are realisable in the ordinary course of business atleast equal to the amount at which they are stated in the Balance Sheet. The provision for all known liabilities is adequate and not in excess of amount reasonably necessary.

Note 31 :

Balances of trade receivables, payables, loans and advances are subject to confirmation, reconciliation and consequential adjustment, if any. Consequently revenue impact, presently is not ascertainable, will be considered as and when determined.

Note 32 :

During the year, in order to comply with the Accounting Standard (AS) 15 (Revised 2005) "Employee Benefits" as notified by the Companies (Accounting Standard) Rules 2006, the method of accounting of Gratuity has been changed from cash basis to accrual basis of accounting. Gratuity has been provided on the basis of actuarial valuation. Due to change in this accounting policy, the profit for the period is lower by ₹ 4,16,443 having consequential effect on the Reserves and Surplus and Current & Non Current Liabilities. As per the Guidance on Implementing Accounting Standard (AS) 15, Employee Benefits (Revised 2005), issued by the Accounting Standard Board of the Institute of Chartered Accountants of India, the liability upto the previous year i.e. 31st March, 2011 amounting to ₹ 27,90,046 has been reflected as a Prior Period Item.

Note 33 :

During the year, based on certain commercial negotiations, the Company has received from Kerry Ingredients Private Limited a sum of ₹ 7,67,72,000 for expansion of production capacity and others measures for strengthening of business and ₹ 3,36,81,113 as an advance against goods to be supplied by the Company. The final terms & conditions of these transactions are still under negotiation. Till then the said amounts have been reflected as "other long term liabilities" and "advance from customers" respectively in the financial statements.

Note 34 : Contingent Liabilities

Particulars	As at March 31, 2012	As at March 31, 2011
Guarantee given by Bank on behalf of the Company	515,750	165,750
TOTAL	515,750	165,750

Note 35 : Disclosure pursuant to Accounting Standard – 15 'Employee Benefits'

Assumptions	Year ended March 31, 2012
Salary Growth *	6.50%
Discount Rate	8.50%
Withdrawal Rate	5% at younger ages and reducing to 1% at older ages according to graduated scale.
Mortality Rate	LIC (1994-96) publised table of mortality Rates.

* The estimates of future salary increases, considered in an actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

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- (i) Changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof:

Particulars	Year ended March 31, 2012
Present value of obligation as at the beginning of the year:	2,790,046
Interest cost	237,154
Current service cost	246,258
Benefits paid	(83,336)
Actuarial (gain) / loss on obligation	(66,969)
Closing Present value of obligation	3,123,153

- (ii) Actuarial gain/ loss recognised in the Statement of Profit and Loss:

Particulars	Year ended March 31, 2012
Actuarial gain/ (loss) for the year obligation	-
Total (gain)/ loss for the year	(66,969)
Actuarial (gain)/ loss recognised during the year.	(66,969)

- (iii) The amounts recognised in the Balance Sheet are as follows:

Particulars	As at March 31, 2012
Present value of obligation as at the end of the year	3,123,153
Funded value of assets (unfunded)	-
Net assets / (liability) recognised in balance sheet	(3,123,153)

- (iv) The amounts recognised in the Statement of Profit and Loss are as follows:

Particulars	Year ended March 31, 2012
Current service cost	246,258
Past service cost	-
Interest cost	237,154
Expected return on plan assets	-
Net actuarial (gain) / loss recognized in the year	(66,969)
Expenses recognised in the statement of profit and loss	416,443
Add : Opening liability provided in Current year on account of change in Accounting Policy (Refer Note No. 31)	2,790,046
Total Liability Provided in Current Year	3,206,489

Note 36 : Segment Reporting

Basis of preparation

In accordance with the requirements of Accounting Standard 17 "Segment Reporting", the Company's business consists of one reportable business segment i.e., "Manufacturing & Trading of Pharmaceutical Products", hence no separate disclosures pertaining to attributable Revenues, Profits, Assets, Liabilities, Capital Employed are given.

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Secondary segment reporting is on the basis of geographical location of the customers. The operation of the Company comprises local sales and export sales. The management views the Indian market and Export market as distinct geographical segments. The following is the distribution of the Company's sales by geographical markets:

Information about Geographical Segments :

i. Revenue from Operation

Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
Domestic Sales	322,256,965	216,925,562
Export Sales	75,320,128	47,830,180
Total	397,577,092	264,755,742

ii. Segment Assets

Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
India	383,520,649	304,905,738
Outside India	5,980,760	7,722,974
Total	389,501,409	312,628,712

Note : Carrying amount of Segment assets outside India represents receivables from Export Sales.

Note 37 : Related Party disclosures

a. List of related parties

Name of the Party	Relationship
Eurolife Healthcare Private Limited	Enterprises having same Key Management Personnel and / or their Relatives (From 1st February, 2012)
Madhusa Projects Private Limited	Enterprises having same Key Management Personnel and / or their Relatives
Mr. SM Maheshwari	Director
Mr. Atul Maheshwari	Director
Mrs. Sangita Maheshwari	Relative of Director

b. Transactions with Related Parties :

Name of Party	Nature of Transaction	Year Ended March 31, 2012	Year Ended March 31, 2011
Mr. SM Maheshwari	Remuneration	3,000,000	3,000,000
	Repayment of Loans Taken	55,092	55,092
	Interest Paid	55,092	55,092
Mr. Atul Maheshwari	Remuneration	3,000,000	3,000,000
	Loan Taken	-	500,000
	Repayment of Loans Taken	375,000	125,000
Mrs. Sangita Maheshwari	Remuneration	1,500,000	548,000
	Rent paid	288,000	288,000
	Share Warrant converted	-	172,500
	Equity Contribution	-	1,552,500
	Purchase of Office Premises	13,500,000	-

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MARCH 31, 2012**

(Amount in ₹)

Name of Party	Nature of Transaction	Year Ended March 31, 2012	Year Ended March 31, 2011
Madhusa Projects Private Limited	Interest Paid	258,614	265,133
	Share Warrant converted	-	172,500
	Equity Contribution	-	1,552,500
	Repayment of Loans Taken	525,862	1,627,574
Eurolife Healthcare Private Limited	Sales	4,512,499	-
	Loan received back	37,936	-
	Received back against Advance given for Purchase	1,100,000	-
	Interest Received	379,360	-

c. Balance Outstanding of Related Parties :

Name of Party	Receivable / Payable	Year Ended March 31, 2012	Year Ended March 31, 2011
Mr. SM Maheshwari	Unsecured Loan Payable	451,429	451,429
Mr. Atul Maheshwari	Unsecured Loan Payable	-	375,000
Mrs. Sangita Maheshwari	Advance for Office Premises	-	13,500,000
Madhusa Projects Private Limited	Unsecured Loan Payable	1,973,723	2,240,971
Eurolife Healthcare Private Limited	Loan Receivables	3,502,758	-
	Advance from Customer	674,144	-
	Trade Receivables	167,611	-
	Advance to Suppliers	1,885,231	-

Note 38 : Information pursuant to para 5(viii) of the General Instructions to the Statement of Profit and Loss

(a) Value of Imports on C.I.F Basis:

Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
Raw Materials	185,157,615	137,199,110
Capital goods	1,654,875	-
TOTAL	186,812,490	137,199,110

(b) Earnings in foreign currency (on accrual basis):

Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
F.O.B. Value of Exports	75,320,128	47,830,180
TOTAL	75,320,128	47,830,180

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2012**

(Amount in ₹)

(c) Expenditure in foreign currency (on accrual basis):

Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
Commision on Exports	227,089	90,974
Tarvelling Expenses	2,960,045	449,412
TOTAL	3,187,134	540,386

(d) Consumption of raw materials:

Particulars		Year Ended March 31, 2012		Year Ended March 31, 2011	
		Amount	Percentage	Amount	Percentage
Manufacturing -	Imported	254,631,227	92%	117,820,047	85%
	Indigenous	22,860,730	8%	20,791,773	15%
TOTAL		277,491,957	100%	138,611,820	100%
Spares -	Imported	-	-	-	-
	Indigenous	8,193,686	100%	5,351,919	100%
TOTAL		8,193,686	100%	5,351,919	100%

Note 39 : Information pursuant to para 5(ii) and 5(iii) of the General Instructions to the Statement of Profit and Loss

(a) Particulars of consumption of raw materials:

Raw Materials	Year Ended March 31, 2012	Year Ended March 31, 2011
Crude Lactose	226,709,040	124,653,923
Lactulose	27,922,187	10,896,239
Others	22,860,730	7,757,441
TOTAL	277,491,957	143,307,603

(b) Particulars of Work-in-progress:

Work in Progress	As at March 31, 2012	As at March 31, 2011
Lactose	8,602,292	3,035,736
Others	476,038	-
TOTAL	9,078,330	3,035,736

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2012**

(Amount in ₹)

(c) Particulars of sales and inventory position:

Manufactured Goods	Year Ended March 31, 2012		
	Sales	Closing Inventory	Opening Inventory
Lactose	318,750,674 (210,074,958)	32,147,532 (768,869)	768,869 (5,160,437)
Lactulose	38,883,245 (13,405,316)	189,249 (2,772,047)	2,772,047 (3,170,454)
Others	19,055,589 (19,098,720)	496,666 -	- (148,920)
TOTAL	376,689,508 (242,578,994)	32,833,447 (3,540,916)	3,540,916 (8,479,811)

* Previous year figures are in brackets

Note 40 :

Till the year ended 31st March 2011, the Company was using pre-revised schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31st March, 2012, the revised schedule VI notified under the Companies Act, 1956 has become applicable to the Company. The Company has re-grouped, reclassified and/or re-arranged previous year's figures, wherever necessary to conform to current year's classification. The adoption of revised schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements applicable in the current year. (See Note Annexure "1")

In terms of our report of even date

For Singrodia Goyal & Co.
Chartered Accountants

For and on behalf of the Board of Directors of
Lactose (India) Limited

K.M. Tulsian
Partner
Mem. No. 38430

Place : Mumbai

Date : 28th May, 2012

S. M. Maheshwari
Chairman & Managing Director

Atul Maheshwari
Executive Director

Nitesh Kumar Khetan
Finance Manger

Place : Mumbai

Date : 28th May, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

	(Amount in ₹)	
Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
A. Cash Flow from Operating Activities		
Net Profit before taxation	10,259,713	7,659,939
Adjustments for:		
Depreciation on fixed assets	16,543,331	15,934,407
Loss on sale of fixed assets	1,698,459	250,536
Interest expense	7,693,684	8,628,468
Deduct:		
Reversal of Depreciation	-	(1,225,666)
Dividend Received	(15,360)	(15,360)
Interest income	(1,163,077)	(603,498)
Operating Profit before Working Capital changes	35,016,750	30,628,826
Adjustments for :		
(Increase) / Decrease in inventories	(12,674,952)	(43,115,165)
(Increase) / Decrease in trade receivables	(53,406,909)	(5,267,173)
Increase/(Decrease) in trade payable	(25,262,057)	16,838,866
Increase/(Decrease) in other current liabilities	22,636,793	24,735,292
Increase/(Decrease) in short term provisions	358,486	1,445,849
Increase/(Decrease) in long term provisions	2,788,067	-
CASH GENERATED FROM OPERATIONS	(30,543,822)	25,266,495
Income tax Paid	737,514	(862,063)
Net Cash inflow from/ (outflow) from Operating activities	(31,281,336)	26,128,558
B. Cash Flow from Investing Activities		
Purchase of fixed assets	(35,070,095)	(11,308,715)
Purchase of investments	(3,600,000)	-
Capital WIP	(6,515,437)	-
Sale of Fixed Assets	1,220,000	160,202
Long term loans & advances received back / (given)	11,884,877	(2,016,344)
Short term loans & advances received back / (given)	969,627	(1,772,234)
Interest received	1,163,077	603,498
Dividend received	15,360	15,360
Net Cash inflow from/ (outflow) from Investing activities	(29,932,591)	(14,318,233)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

	(Amount in ₹)	
Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
C. Cash Flow from Financing Activities		
Proceeds / (Repayment) of long term borrowings	10,889,739	(25,768,891)
Proceeds / (Repayment) of short term borrowings	(19,086,797)	15,934,605
Advance for Expansion	76,772,000	-
Proceeds from Sahre Issue	-	3,105,000
Proceeds from Government Grant	2,500,000	2,500,000
Share Issue Expenses	-	(66,180)
Interest paid	(7,693,684)	(8,628,468)
Net Cash inflow from/ (outflow) from Financing activities	63,381,258	(12,923,933)
Net increase / (decrease) in cash and cash equivalents (A)	2,167,331	(1,113,609)
Opening Cash and Cash Equivalents		
Cash in hand	2,027,260	2,169,957
Bank balances	309,057	1,279,969
(B)	2,336,317	3,449,926
Total Cash & Cash equivalent (A+B)	4,503,648	2,336,317
Closing Cash and Cash Equivalents		
Cash in hand	102,287	2,027,260
Bank balances	4,401,362	309,057
	4,503,648	2,336,317

In terms of our report of even date

For Singrodia Goyal & Co.
Chartered Accountants
Firm Registration No. 112081W

For and on behalf of the Board of Directors of
Lactose (India) Limited

K.M. Tulsian
Partner
Mem. No. 38430

Place : Mumbai

Date : 28th May, 2012

S. M. Maheshwari
Chairman & Managing Director

Atul Maheshwari
Executive Director

Nitesh Kumar Khetan
Finance Manger

Place : Mumbai

Date : 28th May, 2012

Dear Shareholder

Sub: Green Initiative in corporate Governance-Electronic mode of service of Documents

The Ministry of Corporate affairs, Government of India, has by circular no 17/2011 dated 21st April 2011 and 18/2011 dated 29th April,2011 respectively, clarified that a company will have complied with the provisions of the companies act, 1956, if service of notice(s) / document(s) on its shareholders has been made through electronic mode. This initiative by the government is indeed commendable and your company supports the same. We are sure, that as a responsible shareholder, you too will support this initiative. By registering yourself with the company for e-communication, you will be able to receive such notice(s) / document(s) etc. promptly and without loss in postal transit.

It is proposed that henceforth documents like Notices of Meetings, annual Reports, Directors Report, Auditors Report and other shareholder communication will be sent electronically to the email address provided by you and made available to the Company by the Depositories viz, NSDL / CDSL. As and when there are changes in your email address, you are requested to keep your Depository Participant (DP) informed of the same.

For shares held in Physical form, shareholders can either register their email address with the Company at investor.lactose@gmail.com mentioning their name(s) and Folio no. or return this Letter duly filled in to the Company's Registrar & Transfer Agent.

Kindly note that if you still wish to get a hard copy of the above documents, the Company will send the same, free of cost, upon receipt of a request from you.

Thanking you

Yours sincerely,

For Lactose (India) Limited

S.M.Maheshwari

Managing Director

Folio No. / DP ID & Client ID _____
Name of 1st Registered Holder _____
Name of Joint Holder(s) _____
E-mail Address (To Be Registered) _____
Mobile No. _____

Date: _____

Signature: _____

LACTOSE (INDIA) LIMITED

REGISTERED OFFICE : VILLAGE POICHA (RANIA), SURVEY NO. 6, SAVLI, DIST. VADODARA – 391 780

ATTENDANCE SLIP

Shareholders attending the Meeting in persons or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

I hereby record my presence at the **ANNUAL GENERAL MEETING** of the Company at Village Poicha (Rania), Survey no. 6, Savli, dist. Vadodara – 391 780 on Friday the 28th September, 2012 at 11.00 A. M. and at any adjournment thereof.

Full name of the Shareholder
(in block capitals)

Signature of Shareholder

Folio No.

Full Name of proxy
(in block capitals)

Signature of Proxy

LACTOSE (INDIA) LIMITED

REGISTERED OFFICE : VILLAGE POICHA (RANIA), SURVEY NO. 6, SAVLI, DIST. VADODARA – 391 780

PROXY FORM

Folio No.

I/We.....of.....
name being a member of above Company, hereby appoint Shri/ Smt./ Kum. of
..... in the district of

Or failing him /her Shri/ Smt. / Kum. in the district of
for me or us on my/our behalf at the **ANNUAL GENERAL MEETING** of the Company, to be held on Friday the 28th September, 2012 at 11.00 A. M. and at any adjournment thereof.

Signed thisday of

Rs.1/-
Revenue
Stamp to
be affixed

This proxy form duly completed must be received at the Company's Registered Office at least 48 hours before the meeting.

BOOK - POST

If undelivered, please return to :

LACTOSE (INDIA) LIMITED

SURVEY NO. 6,
VILLAGE POICHA (RANIA),
TALUKA SAVLI,
DISTRICT VADODARA
GUJARAT - 391 780