

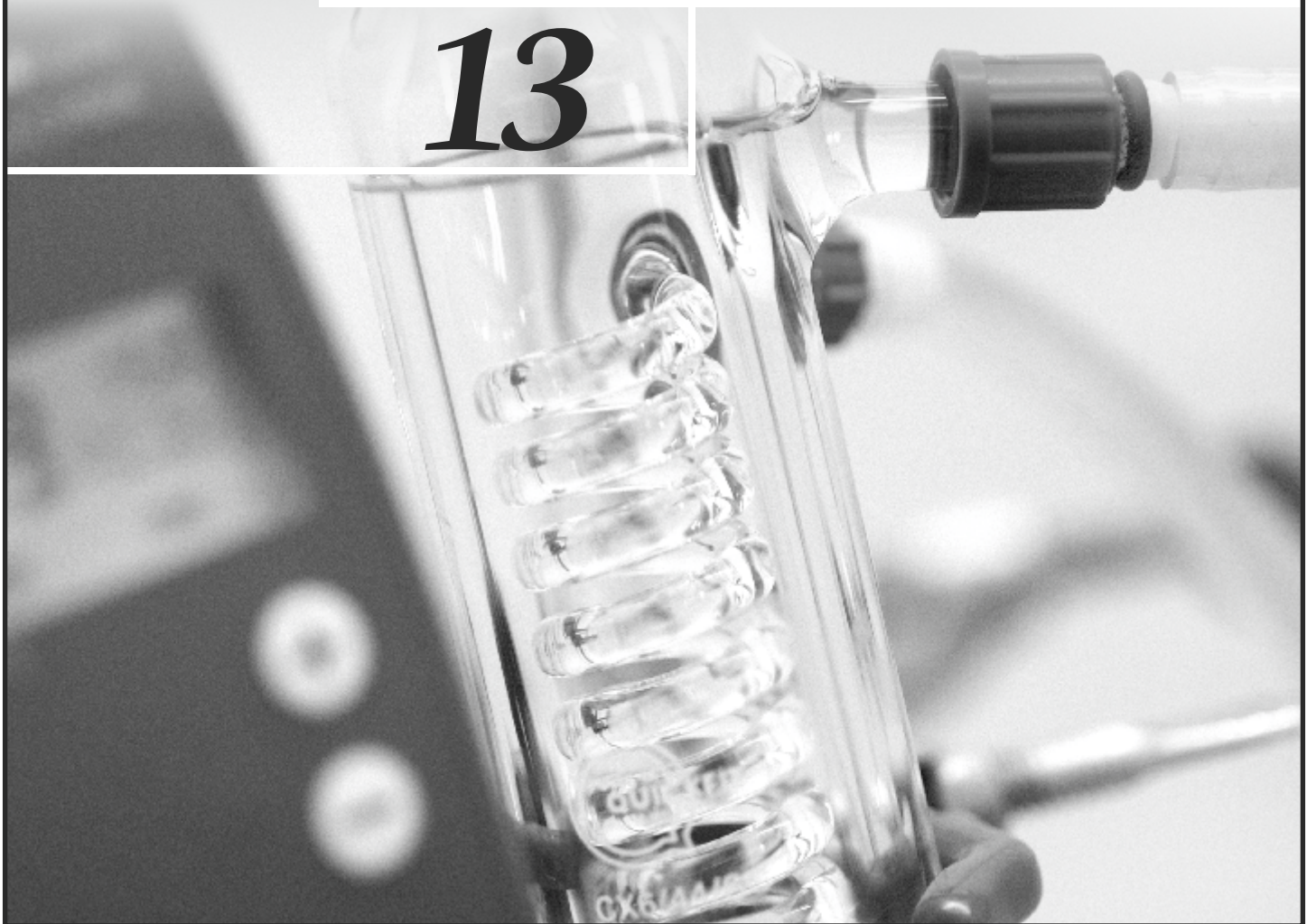


**STERLING BIOTECH LIMITED**

**20**

**ANNUAL REPORT**

**13**



## STERLING BIOTECH LIMITED

Regd. Office: 43, Atlanta, Nariman Point, Mumbai – 400 021.

CIN : L51900MH1985PLC035738

### NOTICE

Notice is hereby given that the 28<sup>th</sup> Annual General Meeting of the members of the Company will be held at Bhakti Kala Kshetra, International Society for Krishna Consciousness (ISKCON) Founder Acharya : His Divine Grace A.C. Bhaktivedanta Swami Prabhupada, Hare Krishna Land, Juhu, Mumbai - 400 049 on Monday, the 30<sup>th</sup> June, 2014 at 10.30 A.M. to transact the following business:

#### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as on 31<sup>st</sup> December, 2013 and the Profit and Loss Account for the year ended on that date along with the reports of the Board of Directors and Auditors thereon.
2. To appoint a director in place of Mr. R. B. Dixit (DIN-00025484), who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. N. B. Patel (DIN-01624527), who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

#### SPECIAL BUSINESS:

##### 5. RE-APPOINTMENT OF SHRI CHETAN SANDESARA (DIN-00255671) AS JOINT MANAGING DIRECTOR

To consider and if thought fit, to pass with or without modifications, the following Resolution as a **Special Resolution**:

“**RESOLVED THAT** pursuant to the provisions of sections 198, 269, 309, 310, 311 and all other applicable provisions of the Companies Act, 1956 (the Act) and Section 196, 197, 198 and all other applicable provisions of the Companies Act, 2013 (including any statutory modifications or re-enactments thereof for the time being in force), approval of the Company be and is hereby accorded to the re-appointment of Mr. Chetan J. Sandesara (DIN 00255671), Joint Managing Director of the Company for a period of 5 years with effect from 15<sup>th</sup> July, 2013 on a salary of ` 2,00,000 per month in the scale of ` 2,00,000 – ` 75,000 – ` 9,00,000 per month.

**FURTHER RESOLVED THAT** the perquisites (including allowances) payable or allowable and commission / performance linked incentive to the Joint Managing Director be as Follows:

#### Perquisites:

1. In addition to the salary, Mr. Chetan J. Sandesara (DIN 00255671) shall also be entitled to perquisites which would include accommodation, furnished or otherwise, (or 50% of the salary as house rent allowance in lieu thereof), gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, use of Company car, medical and personal accident insurance and other benefits, amenities and facilities in accordance with the Rules of the Company.

The value of the perquisites would be evaluated as per Income-tax Rules, 1962 wherever applicable and at cost in the absence of any such Rule.

2. Contribution to Provident Fund, Superannuation Fund and Gratuity would not be included in the computation of ceiling on remuneration to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.

3. Encashment of earned leave at the end of the tenure as per Rules of the Company shall not be included in the computation of ceiling on remuneration.
4. Provision for car for use on Company's business and telephone at residence would not be considered as perquisites.

Provided that the remuneration payable to the Joint Managing Director (including the salaries, commission, perquisites, benefits and amenities) does not exceed the limits laid down in section 198 and 309 of the Companies Act, 1956, or any statutory modification or re-enactment thereof.

**FURTHER RESOLVED THAT** in the event of inadequacy or absence of profits in any financial year, Mr. Chetan Sandesara, Joint Managing Director shall be paid the above remuneration as minimum remuneration for a period not exceeding 3 years, by way of salary, allowances, perquisites and other allowances and benefits as specified above subject to receipt of the requisite approvals, if any.

**FURTHER RESOLVED THAT** for the purpose of giving effect to this resolution, the Board of Directors of the Company (which term shall be deemed to include any duly authorized Committee thereof, for the time being exercising the powers conferred on the Board by this Resolution) be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary, proper or desirable and to settle any questions, difficulties or doubts that may arise in this regard."

#### **6. INCREASE IN FOREIGN DIRECT INVESTMENT LIMIT**

To consider and if thought fit, to pass with or without modifications, the following Resolution as a **Special Resolution**:

**"RESOLVED THAT** pursuant to applicable provisions of the Foreign Exchange Management Act, 1999 (FEMA), the Companies Act, 1956 and all other applicable Rules, Regulations, Guidelines and laws (including any statutory modification or re-enactment thereof for the time being in force) the consent of the Company be and is hereby accorded for investments by Foreign Institutional Investors (hereinafter referred to as "the FIIs") including their sub-accounts and Non Resident Indians/ Persons of Indian Origins (hereinafter referred to as NRIs/PIOs), in the shares of the Company, by purchase or acquisition from the market under the Portfolio Investment Scheme, upto 74 percent and 24 per cent of the paid up equity share capital of the company respectively".

**"RESOLVED FURTHER THAT** the Board of Directors or a Committee thereof be and is hereby authorized to do all such acts, deeds & things as may be necessary, proper and expedient for the purpose of giving effect to this resolution and for the matters connected therein or incidental thereto."

#### **7. BORROWING LIMIT**

To consider and if thought fit, to pass with or without modifications, the following Resolution as a **Special Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 180 (1) (a) of the Companies Act, 2013, and in substitution of and in ratification of the earlier resolution(s) passed under the provisions of the Companies Act, 1956 the Board of Directors of the Company be and is hereby authorized to borrow money from time to time up to a limit of not exceeding in the aggregate ` 10,000 Crores (Rupees Ten Thousand Crores Only) notwithstanding that the monies already borrowed and the monies to be borrowed by the Company will exceed the aggregate of the paid up capital and free reserves, that is to say reserves not set apart for any specific purpose."

#### **8. MORTGAGE, CHARGES, ETC., LIMITS**

To consider and if thought fit, to pass with or without modifications, the following Resolution as a **Special Resolution**:

**"RESOLVED THAT** in terms of Section 180 (1) (c) and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification or re-enactment thereof, for the time being in force consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may have constituted or hereafter constitute for the time being exercising the powers conferred on the Board by this Resolution) of creation of mortgages, charges and hypothecation in addition to the existing mortgages, charges and hypothecations, on such of the Company's movable and immovable properties, both present and future, and in such manner as the Board may direct together with power to takeover the management and concern of the Company in favour of Lender(s) / Agent(s) / Trustee(s) / Financial Institutions / Bank / NBFC and other investing/lending agencies to secure Rupee / Foreign Currency Loans, External Commercial Borrowings (ECB), Foreign Currency Bonds, equity linked or not, bond securities (comprising fully / partly convertible Debentures and/or Non Convertible Debentures with or without detachable or non detachable warrants and/or secure premium notes and/or floating rate notes/bonds) or other debt instrument of and equivalent aggregate value not exceeding ` 10,000 Crores (Rupees Ten Thousand Crores only) together with interest thereon at the respective agreed rates, compounded interest, additional interest, liquidated damages, commitment charges, remuneration of Agent(s) / Trustee(s), premia on pre-payment or on redemption, cost, charges, expenses including any increase as a result of devaluation / revaluation, fluctuation in the rates of exchange and all other monies payable by the Company to the Lender(s) / Agents(s) / Trustee(s) / Financial Institutions/Banks/other investing agencies under the arrangements entered into / to be entered into by the Company in respect of the said loans, Bonds, Securities or other instruments.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to finalise the terms and conditions of the above mentioned loans, bonds, securities, instruments and documents for creating the aforesaid mortgages, charges and hypothecation and to do all such acts and things and execute such documents or writings as may be necessary for giving effect to the above Resolution."

**9. INCREASE AND RE-CLASSIFICATION OF THE AUTHORIZED SHARE CAPITAL OF THE COMPANY AND AMENDMENT TO THE MEMORANDUM OF ASSOCIATION :**

To consider and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution:**

**"RESOLVED THAT** pursuant to Section 13 and 61 and all other applicable provisions if any, of the Companies Act, 2013 ('the new act'), applicable rules and / or the Companies Act, 1956 as applicable from time to time, the Authorized Share Capital of the Company be increased and re-classified from present ` 500,000,000/- (Rupees Fifty Crores only) divided into 500,000,000 (Fifty Crores) Equity Shares of ` 1/- each to ` 28,000,000,000/- (Rupees Two Thousand Eight Hundred Crores only) divided into 500,000,000 (Fifty Crores) Equity Shares of ` 1/- each and 2,750,000,000 (Two Hundred Seventy Five Crores) Redeemable Cumulative Non-Participating Non-Convertible Preference Shares carrying no voting rights of ` 10/- each and consequently the Clause V of the Memorandum of Association of the Company be and is hereby altered by substituting the following new clause.

**V.** The Share Capital of the Company is ` 28,000,000,000/- (Rupees Two Thousand Eight Hundred Crores only) divided into 500,000,000 (Fifty Crores) Equity Shares of ` 1/- each and 2,750,000,000 (Two Hundred Seventy Five Crores) Redeemable Cumulative Non-Participating Non-Convertible Preference Shares carrying no voting rights of ` 10/- each".

**"RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorized to take all such steps and actions and give such directions as may be in its absolute discretion deem necessary and to settle any question that may arise in this regard, without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this



resolution.”

“**RESOLVED FURTHER THAT** the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or any other Officer(s) / Authorised Representative(s) of the Company to give effect to the aforesaid resolution.”

**10. ISSUE OF UNLISTED 8% REDEEMABLE CUMULATIVE NON-PARTICIPATING NON-CONVERTIBLE PREFERENCE SHARES CARRYING NO VOTING RIGHTS**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution:**

“**RESOLVED THAT** pursuant to the provisions of Sections 55, 62, 23, 24 & 42 and all other applicable provisions, if any, of the Companies Act, 2013 ('the new act'), applicable rules and / or the Companies Act, 1956, as applicable from time to time (including any statutory modification(s), amendment(s) or re-enactment thereof for the time being in force), and in accordance with the enabling provisions of the Memorandum and Articles of Association of the Company, the Listing Agreement entered into by the Company with Stock Exchange where the shares of the Company are listed and subject to such approvals, consents, sanctions and permissions of appropriate authorities, departments and bodies as may be required and subject to such terms and conditions, alteration and modifications as may be considered appropriate and agreed to by the Board of Directors of the Company (hereinafter referred to as “**the Board**”) consent of the Company be and is hereby accorded to the Board to offer, issue and allot, in one or more tranches, 2,750,000,000 Unlisted 8% Redeemable Cumulative Non- Participating Non-Convertible Preference Shares carrying no voting rights of face value of ` 10/- each (“Preference Shares”), at **par or at premium** or at such price or prices, on private Placement basis to **various entities/persons including Promoters / Promoter Group & Associates** whether or not they are member(s) of the Company, with such rights and privileges and on such terms and conditions including but not limited as to the rate of dividend, redemption period, manner of redemption, without any Voting Rights, except as provided in the new act if any, and to modify, alter and re-set all or any of the said terms from time to time, as the Board at its absolute discretion deem appropriate and that such authority shall be continuing authority to the Board.”

“**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorized to take all such steps and actions and give such directions as may be in its absolute discretion deem necessary and to settle any question that may arise in this regard, without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.”

“**RESOLVED FURTHER THAT** the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or any other Officer(s) / Authorised Representative(s) of the Company to give effect to the aforesaid resolution.”

By Order of the Board  
For Sterling Biotech Limited

**Nitin J. Sandesra**  
**Managing Director**  
(DIN-00255496)

Place: Mumbai  
Date: 24<sup>th</sup> May, 2014

**NOTES:**

- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY IN ORDER TO BE EFFECTIVE, SHOULD BE LODGED WITH THE COMPANY AT ANY TIME NOT LESS THAN FORTY EIGHT HOURS BEFORE THE MEETING. A FORM OF PROXY IS ENCLOSED.**
- The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 24th June, 2014 to Monday, the 30<sup>th</sup> June, 2014 (both days inclusive).
- Members holding shares in physical form are requested to notify immediately any change in their address with PIN code to the Company's Share Transfer Agents and in case of Members holding shares in electronic form, this information should be passed on directly to their respective Depository Participants and not to the Company.
- Members desirous of obtaining any information on the Annual Accounts to be explained at the Meeting are requested to write to the Company at an early date to facilitate compilation of information.
- The Government has introduced new provisions in the Companies Act, 1956, which enable shareholders to nominate persons who shall become entitled to the shares, upon the death of such holders. Members who wish to appoint a nominee for the shares held by them are required to write to the Company for relevant form.
- In view of the amendment to the Companies Act, 1956 the unpaid dividends that are due for transfer to the Investor Education and Protection Fund are as follow:

| <b>Date of Declaration / Payment</b> | <b>For the Accounting Year</b> | <b>Date of Transfer Due On</b> |
|--------------------------------------|--------------------------------|--------------------------------|
| 12-05-2007                           | 31-12-2006                     | 11-05-2014                     |
| 02-06-2008                           | 31-12-2007                     | 01-06-2015                     |
| 30-06-2009                           | 31-12-2008                     | 29-06-2016                     |
| 30-06-2010                           | 31-12-2009                     | 29-06-2017                     |
| 30-06-2011                           | 31-12-2010                     | 29-06-2018                     |

- The information required to be provided under the Listing Agreement entered into with stock exchanges, regarding the Directors, who are proposed to be appointed/ re-appointed are as under.

**Mr. R. B. Dixit** (DIN-00025484)

He is a Commerce Graduate having more than 28 years of experience in handling commercial and financial matters.

He is also Director of Sterling International Enterprises Limited, Ensa Steel Industries Limited, PMT Machines Limited and Planatium Infrastructure Pvt. Ltd. He does not hold any shares in the Company.

**Mr. N. B. Patel** (DIN-01624527)

Mr. N. B. Patel is a Science Graduate having more than 47 years of business experience. He has successfully commissioned several civil projects and he was one of the leading contractors in the State of Gujarat. He is also director of Sterling Port Limited. He does not hold any shares in the Company.

**Mr. Chetan J. Sandesara** (DIN-00255671)

Mr. Chetan J. Sandesara, Joint Managing Director, is a commerce graduate and has over 26 years of industry experience in tea, SEZ, port, real estate and machine tools business. He is responsible for the Company's project implementation and day-to-day management.

He holds 52,00,000 shares in the Company. He is also Director of following Companies.

| <b>Sr. No.</b> | <b>Name of Company</b>                             |
|----------------|--|
| 1              | ANTARIKSHA SECURITIES PVT. LTD.                    |
| 2              | AMERICAN BIOTECH LTD.                              |
| 3              | BLUE-MARK MERCANTILE PVT.LTD.                      |
| 4              | BRIGHTDAY PROPERTIES PRIVATE LIMITED               |
| 5              | CHARISMATIC TRADING PRIVATE LIMITED                |
| 6              | EMINENCE TRADING PVT. LTD.                         |
| 7              | MAA INFRASTRUCTURE COMPANY LTD.                    |
| 8              | MARUT APPARELS PVT. LTD.                           |
| 9              | NATASHA INVESTMENT CO. PVT. LTD.                   |
| 10             | PUJA AQUA FARMS PVT LTD.                           |
| 11             | PMT ENGINEERING LIMITED                            |
| 12             | PMT OIL RIGS PRIVATE LIMITED                       |
| 13             | RELIQUE LEASFIN PVT. LTD.                          |
| 14             | SEALORD ERECTIONS PVT LTD.                         |
| 15             | SHAMEEK BREWERIES PVT LTD.                         |
| 16             | STERLING GELATIN LTD.                              |
| 17             | STERLING SEZ AND INFRASTRUCTURE LIMITED            |
| 18             | SHRIPAL INFRASTRUCTURE PVT. LTD.                   |
| 19             | STERLING OIL RESOURCES LIMITED                     |
| 20             | STERLING FREE TRADE AND WAREHOUSING ZONE PVT. LTD. |
| 21             | STERLING PORT LIMITED.                             |
| 22             | STERLING NATURAL RESOURCES PRIVATE LIMITED         |
| 23             | STERLING ENERGY LIMITED                            |
| 24             | STERLING VAYUDUT PVT. LTD.                         |
| 25             | STERLING SEZ AMENITIES LIMITED                     |
| 26             | STERLING SEZ GAS DISTRIBUTORS LTD.                 |
| 27             | STERLING SEZ TRANSPORTATION DEVELOPERS LTD         |
| 28             | STERLING SEZ DEVELOPERS LTD                        |
| 29             | STERLING WINES PRIVATE LIMITED                     |
| 30             | STERLING SEZ POWER DISTRIBUTORS COMPANY LTD.       |
| 31             | STERLING VADODARA INTERNATIONAL AIRPORT PVT. LTD.  |
| 32             | STERLING SEZ TELE SERVICES LIMITED                 |
| 33             | STERLING INTERNATIONAL ENTERPRISES LIMITED         |
| 34             | PMT MACHINES LIMITED                               |
| 35             | ENSA EXPORTS INDUSTRIES LTD.                       |
| 36             | BLUE-MARK PROPERTIES PRIVATE LIMITED               |
| 37             | STERLING WASTE MANAGEMENT LTD.                     |
| 38             | BRISK PROPERTIES PRIVATE LIMITED                   |
| 39             | ADITI HOSPITALS PRIVATE LIMITED                    |

| Sr. No. | Name of Company  |
|---------|--|
| 40      | UNIQUE PROTEINS PRIVATE LIMITED                        |
| 41      | TITANIC INVESTMENT AND CONSULTANTS PRIVATE LIMITED     |
| 42      | TARANA EXPORTS PRIVATE LIMITED                         |
| 43      | SWADESHI FINVEST PVT LTD                               |
| 44      | SOHAM PROTEINS PRIVATE LIMITED                         |
| 45      | SANYUKTA INVESTRADE PRIVATE LIMITED                    |
| 46      | ROLLSTAR FINANCE AND INVESTMENT PRIVATE LIMITED        |
| 47      | RICHMOND INVESTMENTS PVT LTD                           |
| 48      | PRABAL INVESTRADE PRIVATE LIMITED                      |
| 49      | PAYSAN PUBLISHERS PRIVATE LIMITED                      |
| 50      | MODI CAPITAL FINANCE (INDIA) LIMITED                   |
| 51      | JANGPRIYA INVESTMENTS PVT LTD                          |
| 52      | JAICO TEXTILES PRIVATE LIMITED                         |
| 53      | HIZIN TRADING COMPANY PRIVATE LIMITED                  |
| 54      | HELICOPTER SERVICES PRIVATE LIMITED                    |
| 55      | DORAL TRADING PRIVATE LIMITED                          |
| 56      | COYOTE LEASING PRIVATE LIMITED                         |
| 57      | CIEL PORT MANAGEMENT PRIVATE LIMITED                   |
| 58      | BULLWORTH INVESTRADE PRIVATE LIMITED                   |
| 59      | ANULA PROPERTIES PRIVATE LIMITED                       |
| 60      | ANTARIKSHA CAPITAL AND FINANCE (INDIA) PRIVATE LIMITED |
| 61      | HAUGHTY PROPERTIES PRIVATE LIMITED                     |

By Order of the Board  
For Sterling Biotech Limited

Place: Mumbai  
Date: 24<sup>th</sup> May, 2014

**Nitin J. Sandesara**  
Managing Director  
(DIN-00255496)

## EXPLANATORY STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013

### ITEM No. 5 :-

Shri Chetan J. Sandesara (DIN-00255671), was appointed as Joint Managing Director of your Company for five years with effect from 15<sup>th</sup> July, 2008 duly approved by the members vide special resolution dated 30<sup>th</sup> June, 2009. The Term "**office**" of Shri Chetan J. Sandesara (DIN-00255671) concluded on **14<sup>th</sup> July, 2013**.

The Remuneration Committee at its meeting approved the payment of salary of ` 2,00,000 per month in the scale of ` 2,00,000 – ` 75,000 – ` 9,00,000 per month and other Perquisites to Shri Chetan J. Sandesara (DIN-00255671) on his re-appointment as Joint Managing Director.

The Board of Directors of your Company at its meeting held on 14<sup>th</sup> August, 2013 has unanimously re-appointed Shri Chetan J. Sandesara (DIN-00255671), as Joint Managing Director of the Company for a period of five years with effect from 15<sup>th</sup> July, 2013 subject to approval of members. Before entering into the agreement, Your Company has circulated to the members the Abstract of the terms of the contract/agreement to be entered into by the Company with Chetan J. Sandesara, Joint Managing Director



of the Company in pursuance to Section 302 (7) of the Companies Act, 1956.

The terms and conditions including the remuneration payable to Shri Chetan J. Sandesara (DIN-00255671) as Joint Managing Director is specified in the resolution listed at Item No. 5 of the Notice.

The Agreement entered into by the Company regarding the appointment and payment of remunerations will be available for inspection at the Registered Office of the Company on all Working Days between 11.00 A.M. to 01.00 P.M. up to the date of this Annual General Meeting.

Your Directors recommend passing of the resolution.

None of the Directors, Key Managerial Personnel and relatives of Directors / Key Managerial Personnel of the Company is in any way concerned or interested in the Resolution except Shri Nitin J. Sandesara (DIN-00255496) and Shri Chetan J. Sandesara (DIN-00255671), Directors of the Company are concerned or interested in this Special resolution.

#### **ITEM No. 6 :-**

In terms of the provisions of Portfolio Investment Scheme under the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, the ceiling for overall investment for Foreign Institutional Investors (FIIs) is 24 per cent of the paid up capital of the company and 10 percent for Non Resident Indians (NRIs) and Person of India Origin (PIOs). The ceiling of 24 per cent for FIIs investment can be raised up to sectoral cap/statutory ceiling and the ceiling of 10 percent for NRIs/ PIOs can be raised to 24 percent of the equity paid up capital of the Company, subject to the approval of the board and the general body of the company by passing a special resolution to that effect.

The Board of Directors of the Company at its meeting held on 28<sup>th</sup> February, 2014, inter alia, proposed, subject to the approval of Members by way of a special resolution, to enhance the said FIIs and NRIs/PIOs investment ceiling limit upto 74 percent and 24 percent respectively of the equity paid up capital of the Company which are the limits permitted by the Reserve Bank of India.

The resolution set out in the accompanying Notice will enable the FIIs and NRIs/PIOs to acquire shares of the Company through authorised dealers within the revised ceiling under the Portfolio Investment Scheme.

Hence, the Board of Directors recommends the special resolution set out in the Notice for your approval.

It may be noted that Directors who are members of the Company, may be deemed to be concerned or interested in this Resolution only to the extent of their respective Shareholding in the Company to the same extent as that of every other member of the Company.

Other than above none of the Directors, Key Managerial Personnel and relatives of Directors / Key Managerial Personal of the Company is in any way concerned or interested in this Special Resolution.

#### **ITEM No. 7 :-**

Section 180(1)(c) of the Companies Act, 2013, requires the Board of Directors of the Company to obtain approval of the members to borrow monies (apart from temporary loans obtained / to be obtained from the Company's bankers in the ordinary course of business) in excess of the aggregate of the paid up capital of the Company and its free reserves not set apart for any specific purpose. At the Annual General Meeting held on 30<sup>th</sup> June, 2010, authority was accorded to the Board of Directors of your company to borrow for the purpose of business of the Company up to ` 10,000 Crores (Rupees Ten Thousand Crores Only). However, The Ministry of Corporate Affairs issue circular dated 25<sup>th</sup> March, 2014 clarified that the resolution passed under section 293 of the Companies Act, 1956 prior to 12<sup>th</sup> September, 2013 with reference to borrowings (subject to the limit prescribed) and/or creation of security on assets of the Company will be sufficient compliance of the requirements of section 180 of the Companies Act, 2013 for a period of one year from the date of notification of Section 180 of the Companies Act, 2013 i.e. from 12<sup>th</sup> September, 2013. Our Company requires to renew the borrowing limit upto ` 10,000 Crores pursuant to Section 180 of the Companies Act, 2013.

Further in view of the changes that are taking place in the banking and financial sector, funds at cheaper

rates of interest are available by way of term loans either in the domestic and foreign currency. The company may resort to borrowing through debt instruments. Such cheaper loans can be used for the financial requirements of the company and also for replacing high cost working capital facilities / other loans which will reduce the interest cost to the Company. It is therefore necessary to increase/renew such borrowing powers upto ` 10,000 Crores (Rupees Ten Thousand Crores Only) which amount exceeds the limit of the aggregate of the paid up capital and free reserves of the company.

Your Directors recommend passing of the Special resolution.

None of the Directors, Key Managerial Personnel and relatives of Directors / Key Managerial Personnel of the Company is in any way concerned or interested in this Special Resolution.

**ITEM No. 8 :-**

Section 180(1)(a) of the Companies Act, 2013, requires the Board of Directors of the Company to obtain approval of the members to sell/dispose of whole or substantially whole of the undertaking of the Company subject to approval of members by way of Special Resolution. At the Annual General Meeting held on 30<sup>th</sup> June, 2010, authority was accorded to the Board of Directors of your company under Section 293 (1) (a) of the Companies Act, 1956 to sell/dispose/mortgage/charge the assets of the Company to secure limit up to ` 10,000 Crores (Rupees Ten Thousand Crores Only). However, The Ministry of Corporate Affairs issue circular dated 25<sup>th</sup> March, 2014 clarified that the the resolution passed under section 293 of the Companies Act, 1956 prior to 12<sup>th</sup> September, 2013 with reference to borrowings (subject to the limit prescribed) and/or creation of security on assets of the Company will be sufficient compliance of the requirements of section 180 of the Companies Act, 2013 for a period of one year from the date of notification of Section 180 of the Companies Act, 2013 i.e. from 12<sup>th</sup> September, 2013. Our Company requires to renew the Mortgage/Charge limit upto ` 10,000 Crores pursuant to Section 180 of the Companies Act, 2013.

With a view to finance the assets as well as working capital requirements from time to time it may be necessary for the Company to borrow funds by way of loans, bonds, securities or other instruments having aggregate value not exceeding ` 10,000 Crores (Rupees Ten Thousand Crores Only) from Financial Institutions / Banks / NBFC or from any other Lenders. These Loans are required to be secured by creation of Charge/Mortgage on movable / immovable assets of the Company favoring the lending institution(s). As per the provisions of Section 180(1)(a) of the Companies Act, 1956, the power under this section can be exercised by the Board only with the consent of the General Body by way of Special Resolution.

Your Directors recommend passing of the Special resolution.

None of the Directors, Key Managerial Personnel and relatives of Directors / Key Managerial Personnel of the Company is in any way concerned or interested in this Special Resolution.

**ITEM NO. 9:-**

For enabling the Company to raise the funds in the form of Preference Shares, the Company needs to increase its Authorised Capital to ` 28,000,000,000/- (Rupees Two Thousand Eight Hundred Crores only) divided into 500,000,000 (Fifty Crores) Equity Shares of ` 1/- each and 2,750,000,000 (Two Hundred Seventy Five Crores) Redeemable Cumulative Non-Participating Non-Convertible Preference Shares carrying no voting rights of ` 10/- each and the needs to alter the Clause V of the Memorandum of Association of the Company.

In order to authorize to the Board for taking further action, it is necessary to pass the said Ordinary resolution for increase in Authorised Capital of the Company and alteration of Clause V of the Memorandum of Association of the Company as set out in the Special Item No.9 of the notice.

None of the Directors, Key Managerial Personnel and relatives of Directors / Key Managerial Personnel

of the Company is in any way concerned or interested in this Resolution except, to the extent of their holding in the shares of the Company.

**ITEM NO. 10:-**

The proposed Special Resolution set out at Item No. 10 is an enabling Resolution authorizing the Board of Directors to raise resources by issue of 2,750,000,000 Unlisted 8% Redeemable Cumulative Non-Participating Non-Convertible Preference Shares **carrying no Voting Rights**, of face value of ` 10/- each ("Preference Shares"), for the purpose of meeting general corporate purposes, Augment the long term resources for long term financial needs of the Company including payment of overdues and refinancing of the existing debt.

The Preference Shares may be issued in one or more tranches to the various entities/persons which may include the Promoters/Promoter Group & Associates whether or not they are member(s) of the Company, on private placement basis. The said enabling resolution empowers the Board to issue 2,750,000,000 Unlisted 8% Redeemable Cumulative Non-Participating Non-Convertible Preference Shares carrying no voting rights, of face value of ` 10/- each, from time-to-time, on such terms and conditions mentioned below, including but not limited **as to the rate of dividend**, period and manner of redemption, amount of premium on redemption, without any Voting Rights, except as provided in new act if any, as the Board in its absolute discretion may determine;

Terms and Conditions:

- 1) **The size of the issue and number of preference shares to be issued and nominal value of each share** - issue and allot, in one or more tranches, 2,750,000,000 Unlisted 8% Redeemable Cumulative Non-Participating Non-Convertible Preference Shares carrying no voting rights of face value of ` 10/- each ("Preference Shares"),
- 2) **The nature of such shares i.e. cumulative or non-cumulative, participating or non - participating, convertible or non - convertible** - Unlisted 8% Redeemable Cumulative Non-Participating Non-Convertible Preference Shares carrying no voting rights.
- 3) **The objectives of the issue** – For meeting general corporate purposes, Augment the long term resources for long term financial needs of the Company including payment of overdues and refinancing of the existing debt
- 4) **The manner of issue of shares** – Private Placement
- 5) **The price at which such shares are proposed to be issued** – ` 10/- each.
- 6) **The terms of issue, including terms and rate of dividend on each share, etc.** – Rate of Dividend @ 8% P.A. on the face value of Preference Share
- 7) **The terms of redemption, including the tenure of redemption, redemption of shares at premium and if the preference shares are convertible, the terms of conversion** – Unlisted 8% Redeemable at the end of 15 Years from the date of Allotment with the option to the Company to redeem before the Tenure in accordance with the provisions of the Companies Act, 1956 and / or the new act as may be applicable from time to time, Redemption at face value of ` 10/- each with no conversion right.
- 8) **The manner and modes of redemption** – Settlement by way of Proper Banking Channel.
- 9) **The current shareholding pattern of the company** – As per Annual Report Page No. 16.
- 10) **The expected dilution in equity share capital upon conversion of preference shares** – Not Applicable as the Preference Shares are non-convertible preference shares.

The Board shall also be authorized to approve any modification, alteration and re-setting of all or any of the terms and conditions of the Preference Shares from time-to-time in consultation and agreement with the subscribers/ holders of Preference Shares. The terms and conditions of the Preference Shares shall however be subject to provisions of the Companies Act, 2013 ('the new act') and / or Companies Act, 1956 and the Memorandum and Articles of Association of the Company.

The Preference Shares shall rank in priority to Equity Shares for repayment of Capital and payment of dividend. The Preference Shares shall be transferred in the same manner as Equity shares. The Preference Shares shall be redeemed in accordance to the provisions of the Companies Act, 2013 ('the new act') and / or the Companies Act, 1956, as applicable from time to time and the Memorandum and Articles of Association of the Company. Pursuant to provisions of Sections 55, 62, 23, 24 & 42 and all other applicable provisions as well as Rules, if any, of the Companies Act, 2013 ('the new act') and / or Companies Act, 1956 as applicable from time to time and the Listing Agreement entered into with the Stock Exchange, any offer or issue of shares in a company to persons other than the shareholders of the company requires prior approval of the Members in General Meeting by way of a Special Resolution. The consent of the Members is therefore, sought to authorize the Board to issue Preference Shares as aforesaid. The Board of Directors of the Company recommends the Resolution set out at Item No. 2 of the accompanying Notice for the approval of the Members, in the best interest of the Company. As the Preference Shares proposed to be issued by this resolution are "**Unlisted 8% Redeemable Cumulative Non-Participating Non-convertible Preference Shares carrying no Voting Rights**", the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("ICDR Regulations"), are not applicable. Further, as a result of proposed allotment of **Unlisted 8% Redeemable Cumulative Non-Participating Non-convertible Preference Shares carrying no Voting Rights**, there will not be any change in management control of the Company.

None of the Directors, Key Managerial Personnel and relatives of Directors / Key Managerial Personnel of the Company is in any way concerned or interested in this Special Resolution except to the extent of shares that may be offered and/or allotted to them.

By Order of the Board  
For **Sterling Biotech Limited**

**Nitin J. Sandesra**  
Managing Director  
(DIN-00255496)

Place: Mumbai

Date: 24<sup>th</sup> May, 2014

## STERLING BIOTECH LIMITED

Regd. Office: 43, Atlanta, Nariman Point, Mumbai – 400 021.

CIN : L51900MH1985PLC035738

### The instructions for members for voting electronically are as under:-

#### (A) In case of members receiving e-mail:

- i) If you are holding shares in Demat form and had logged on to **www.evotingindia.com** and casted your vote earlier for EVSN of any Company, then your existing login id and password are to be used.
- ii) Log on to the e-voting website **www.evotingindia.com**.
- iii) Click on “Shareholders” tab to cast your votes.
- iv) Now, select the “STERLING BIOTECH LIMITED” from the drop down menu and click on “SUBMIT”
- v) Now, fill up the following details in the appropriate boxes:

|                        | <b>For Members holding shares in Demat Form</b>   | <b>For Members holding shares in Physical Form</b> |
|------------------------|---|--|
| User ID                | For NSDL: 8 Character DP ID followed by 8 Digits Client ID<br>For CDSL: 16 digits beneficiary ID  | Folio Number registered with the Company           |
| PAN*                   | Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department when prompted by the system while e-voting (applicable for both demat shareholders as well as physical shareholders) |  |
| DOB#                   | Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.   |  |
| Dividend Bank Details# | Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.  |  |

\* Members who have not updated their PAN with the Company/Depository Participant are requested to use the default number: SBLBIO789L in the PAN field.

# Please enter any one of the details in order to login. In case either of the details are not recorded with the depository please enter the value 30/06/1992 in the DOB column or the 98754321 in the Dividend Bank details field.

- vi) After entering these details appropriately, click on “SUBMIT” tab.
- vii) Members holding shares in physical form will then reach directly the EVSN selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@ # \$ % & \*). Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Kindly note that this changed password is to be also used by the Demat holders for voting for resolutions for the Company or any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform.



- viii) Members holding shares in physical form will then reach directly the EVSN selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential
- ix) On the voting page, you will see Resolution Description and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- x) Click on the “Resolutions File Link” if you wish to view the entire Resolutions.
- xi) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- xii) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (II) In case of members receiving the physical copy of Notice of AGM [for members whose e-mail IDs are not registered with the company/ depository participant(s) or requesting physical copy]:
- (B) Please follow all steps from sl. no. (ii) to sl. no. (xii) above, to cast vote.
- (C) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to log on to **<https://www.evotingindia.co.in>** and register themselves, link their account which they wish to vote on and then cast their vote. They should upload a scanned copy of the Board Resolution in PDF format in the system for the scrutinizer to verify the vote.
- (D) The voting period begins on 24th June 2014 at 10.00 a.m. and ends on 26th June 2014 at 6.00 p.m.. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 30th May 2014, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- (E) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com) under help section or write an email to **[helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com)**.

**BOARD OF DIRECTORS**

**Nitin J. Sandesara** - Chairman and Managing Director

**Chetan J. Sandesara** - Joint Managing Director

**Rajbhushan Dixit** - Director

**Vilas D. Joshi** - Director

**Priyadarshan B. Mehta** - Director

**Narendrabhai B. Patel** - Director

**BANKERS**

|                      |                           |
|----------------------|---------------------------|
| Andhra Bank          | Allahabad Bank            |
| Bank of Baroda       | Bank of India             |
| Bank of Maharashtra  | Catholic Syrian Bank Ltd. |
| Federal Bank         | IDBI Bank                 |
| Indian Overseas Bank | Oriental Bank of Commerce |
| Punjab National Bank | State Bank of India       |
| Syndicate Bank       | Uco Bank                  |
| Vijaya Bank          |                           |

**AUDITORS**

H. S. Hathi & Co.  
Chartered Accountants

**REGISTRAR & TRANSFER AGENT**

**Link Intime India Pvt. Ltd.**

Unit: **Sterling Biotech Limited**

C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (W), Mumbai - 400 078.

Ph.: 022-2594 6970 Fax: 022-2594 6969

Email: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)

**REGISTERED OFFICE**

43, Atlanta Building,  
Nariman Point, Mumbai – 400 021.

Members are requested to bring their copy of the Annual Report  
with them to the Annual General Meeting.

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**DIRECTORS' REPORT**

To  
The Members  
Sterling Biotech Limited

We have great pleasure in presenting the 28<sup>th</sup> Annual Report of the Company together with the audited statements of accounts for the year ended 31<sup>st</sup> December, 2013.

**FINANCIAL HIGHLIGHTS**

( ` In Million)

| Particulars                                       | Year Ended<br>31 <sup>st</sup> December 2013 | Year Ended<br>31 <sup>st</sup> December 2012 |
|---|--|--|
| Sales   | 7,180.69                                     | 8,347.74                                     |
| Total Income                                      | 7,223.30                                     | 8,417.97                                     |
| EBIDTA from Operation                             | 989.41                                       | 1,546.24                                     |
| Interest  | 4,377.08                                     | 4,123.28                                     |
| Depreciation                                      | 2,543.17                                     | 2,588.31                                     |
| Profit / (Loss) before Tax and Extraordinary item | (5,930.83)                                   | (5,165.35)                                   |
| Extraordinary items                               | 0.00   | (12.19)                                      |
| Profit / (Loss) before Tax                        | (5,930.83)                                   | (5,177.54)                                   |
| Provision for Current Tax                         | 0.00   | 0.00   |
| Provision for Deferred Tax                        | (1,924.30)                                   | (1,679.80)                                   |
| Profit / (Loss) after Tax                         | (4,006.53)                                   | (3,497.74)                                   |

**DIVIDEND**

Having regard to the loss for the year ended 31<sup>st</sup> December, 2013, your Directors do not recommend any dividend for the year.

**OPERATIONS**

During the year under review, the turnover (including other income) of the Company is decreased to ` 7,223.30 Million as against ` 8,417.97 Million in the previous year. The finance cost was increased to ` 4,377.08 Million as against ` 4,123.28 Million in the previous year. The Loss before tax was ` 5,930.83 Million as against ` 5,177.54 Million in the previous year. After reducing the deferred tax, the loss after tax was ` 4,006.53 Million as against ` 3,497.74 Million in the previous year.

**REASONS OF REDUCTION IN PROFITABILITY**

The major reasons for reduction in profitability are, Increase in Effluent Treatment cost due to increase in standards, global economic slowdown, increase in cost of fuel, increase in the cost of raw materials, the selling prices have remained more or less stable there by the increase in cost could not be passed on to the buyer.

**CORRECTIVE STEPS TAKEN BY MANAGEMENT**

1. Company has taken action like thorough study on the effluent discharge issue, tightening of quality norms for effluent discharge from the plant, evaluation of requirement of modification of existing effluent discharge problem and the necessary CAPEX has also been incurred by the company.
2. The Company has put in place the cost control measures like hard negotiation with the material suppliers, improvement in and tightening up of cost control system etc.

Company expects that the combined effect of all these factors would be favorable for overall operations.

**SUBSIDIARY COMPANY**

The Company has Overseas Subsidiary namely, Sterling Fincom Private Limited, Mauritius which also has a subsidiary namely Sterling Commercial FZE, U.A.E. However there are no business operations in the said subsidiaries.

**QUALITY**

Meeting the stringent quality standards required by our international clientele, our facilities have earned certifications including:

- Hazardous Analysis and Critical Control Point Certification (HACCP)
- ISO 9001
- ISO 14001
- European Directorate For Quality of Medicine Certification (EDQM).
- Kosher Certificate
- IFANCA Halal Certificate
- Trading House Certificate

**MANAGEMENT DISCUSSION AND ANALYSIS**

A separate report on Management Discussion and Analysis pursuant to Clause 49 of the Listing Agreement entered with stock exchanges is enclosed as a part of this Directors' Report.

**REPORT ON CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement entered with stock exchanges, a separate section on Corporate Governance is attached to the Annual Report.

**DIRECTORS**

Shri R. B. Dixit and Shri N. B. Patel, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. The Board recommends their re-appointment. The term of office of Shri Chetan Sandesara as Joint Managing Director expired on 14<sup>th</sup> July, 2013. The Board of Directors at their meeting held on 14<sup>th</sup> August, 2013 re-appointed him as Joint Managing Director for a further period of five years from 15<sup>th</sup> July, 2013 subject to your approval at the ensuing Annual General Meeting of the Company. The Board recommends his re-appointment..

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm:

- i) That in the preparation of the Annual Accounts for the year ended 31<sup>st</sup> December, 2013 the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year under review;



- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) That the Directors have prepared the Annual Accounts for the year ended 31<sup>st</sup> December, 2013 on a going concern basis.

#### **FIXED DEPOSITS**

The Company did not accept any deposits from the Public during the year under review.

#### **AUDITORS**

M/s. H. S. Hathi & Co., Chartered Accountants, Auditors of the Company shall retire at the conclusion of the ensuing Annual General Meeting and having furnished the required certificate pursuant to Section 224(1B) of the Companies Act, 1956, are eligible for re-appointment. The Board recommends their re-appointment. In respect of observations made by the Auditors in their Report, your Directors wish to state that the respective notes to the accounts are self-explanatory, and do not call for any further comments.

#### **INDUSTRIAL RELATIONS**

The industrial relations of the Company continued to remain cordial. The Directors wish to place on record their sincere appreciation for the co-operation extended and the valuable contribution made by the employees at all levels.

#### **PARTICULARS OF EMPLOYEES**

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended regarding employees is given in annexure to the Director's Report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Annual Report is being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such information may inspect at or write to the Company's Registered Office address.

#### **ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo required to be given by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure to this Report in the prescribed format under these rules.

#### **ACKNOWLEDGEMENTS**

We appreciate the valuable co-operation extended by the Central and State Government Authorities and all other Regulatory Authorities and are extremely grateful to Financial Institutions, ECB Lenders, Facility Agent(s), FCCB Holders and our bankers for their continued assistance and guidance. We are also grateful to our employees, shareholders, GDR Holders, Depositories, customers for their co-operation and look forward to their support in the future.

**For and on behalf of the Board of Directors**

**NITIN J. SANDESARA**

**Chairman and Managing Director**

Place: Mumbai

Date: 28<sup>th</sup> February, 2014

## ANNEXURE TO THE DIRECTORS' REPORT

Particulars pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, forming part of the Directors' Report for the year ended 31<sup>st</sup> December, 2013

### A. CONSERVATION OF ENERGY

Energy Conservation Measures taken: The Company has undertaken various measures for conservation and saving of energy in critical areas including

1. Power factor improvement
2. Quicker heat transfer
3. Monitoring of combustion efficiency of boilers
4. Reuse of Steam condensate as boiler feed water
5. Optimum use of utility depending upon process requirement.

As in earlier years, your Company continued to envisage and implement energy conservation measures in various manufacturing operations leading to saving of quantitative consumption of power, fuel and oil etc. The Company is also carrying on continuous education and awareness program for its employees for Energy conservation and optimum use.

### B. TECHNOLOGY ABSORPTION

Research & Development (R & D)

#### 1. Specific areas in which R & D carried out by the Company:

- Improvement of product quality
- Process improvements
- Cost effectiveness
- Elimination of waste in the systems

#### 2. Benefits derived as a result of the above R & D:

Improvement in yield and product quality, cost effectiveness and reduction in consumption of raw material and utilities.

#### 3. Future plan of action:

The Company's effort will continue in the areas of product quality, process improvement technology with the aim of offering better products to meet consumer needs.

#### 4. Expenditure on R & D:

- a. Capital : ₹ 70.16 Million
- b. Recurring : ₹ 194.59 Million
- c. Total : ₹ 264.75 Million
- d. Total R & D Expenditure as a percentage of total turnover: 3.67 %

### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

#### 1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

After full absorption of technology imparted by foreign collaborations, innovations in process control, cost reduction and quality improvements are being made on a continuous basis.

#### 2. Benefits derived as a result of the above efforts:

Improvements in productivity cost of manufacturing, quality, waste elimination and flexibility in manufacturing.

#### 3. Information regarding technology imported during last 5 years: Nil.

### C. FOREIGN EXCHANGE EARNED AND USED

- a. Earned : ₹ 1,859.80 million
- b. Used : ₹ 24.89 million

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY STRUCTURE AND DEVELOPMENTS

#### ➤ GELATIN MARKET

Gelatin is a brittle, colorless, water soluble, translucent substance with high molecular weight. It is a rich source of protein derived from collagen present in animals. Gelatin is viscous semi-solid gel; its general composition includes 85% to 90% protein, 2% to 4% mineral salts and 8% to 12% water. Edible gelatin is the most common form available that does not contain additives or preservatives. Non-edible gelatins are used mostly in cosmetics and photography.

The manufacturing process of Gelatin is broken down into several complex stages from Acidulation to liming & the extraction of Gelatin from the collagen containing raw materials, filtration, to the final sterilization at 140°C. The combination of the individual manufacturing stages makes Gelatin a healthy and safe product.

Global Gelatin Market to reach 395.84 Thousand Metric Tons by 2017, according to New Report by Global Industry Analysts, Inc. (GIA).

#### Projected Demand for Gelatin

| Projected Demand for Gelatin Year | Projected Demand (Thousand Tonnes) |
|-----------------------------------|------------------------------------|
| 2014                              | 300                                |
| 2015                              | 315                                |
| 2016                              | 330                                |
| 2017                              | 396                                |

In recent years, usage of gelatin has increased steadily in food and nutraceuticals industries. This is due to the rise in demand for low fat, healthy and high protein food, particularly among the health conscious people. Food & beverage application segment accounted for over 28% of the gelatin market share while nutraceuticals, the second largest application market, accounted for over 25% (published news reports)

Increasing applications in food & beverage, pharmaceuticals and nutraceutical industries are expected to fuel the growth of the gelatin market. Growing awareness among the health conscious people and rising aged population is expected to bolster the gelatin market in the coming years. However, prevalence of cultural choices across the globe, and impending regulatory issues are posing a challenge to the market.

#### ➤ PHARMACEUTICAL MARKET

The Indian pharmaceutical sector is expected to grow five-fold to reach ` 5 lakh crore (US\$ 91.45 billion) by 2020. India is now among the top five pharmaceutical emerging markets. The Indian Pharma industry has been growing at a compounded annual growth rate (CAGR) of more than 15% over the last 5 years and has significant growth opportunities.

Indian pharma industry has always been a leading industrial sector of the country, with a paralleled dominance of both domestic and foreign pharma companies.

The Ministry of Commerce has targeted Indian pharma sector at US\$ 25 billion by 2014 end at an annual growth rate of 25%.

### OPPORTUNITIES AND THREATS

#### ➤ Opportunities:

##### ❖ Gelatin:

The increasing use of Gelatin is found in various industries like Pharmaceutical, Cosmetic and Health care. These industries are expected to lead to a steady growth in the global gelatin demand.

The change in the world topography especially in the European countries leading to increase in the ageing population is expected to ensure a stable growth in the global demand of gelatin over the coming years.

Further the use of gelatin in Pharmaceutical, Nutraceuticals and cosmetic products would add to this stable growth in global demand. The food and beverage industry continuous to represents one of the largest consumer of gelatin.

The general growth in health concerns and the increase in the standard of living of the people leading to greater disposable income has increased the use of dietary supplement and thereby increases the usage of gelatin based products.

As regards the alternatives that meet some of the gelatin characteristics, none is yet available that matches all the functions such as gelling, binding, thickening, stabilizing, film forming, and aerating properties. Thus, no comparable substitute has been developed till date.

#### ❖ **Pharma:**

The industry meets around 70% of the Country's demand for bulk drugs, drug intermediates, pharmaceutical formulations, chemicals, tablets, capsules, orals & injectable. The domestic pharmaceutical market is expected to register a strong double digit growth of 13-14% on the back of increasing sales of generic medicines, continued growth in chronic therapies and a greater penetration in rural markets.

#### ➤ **Threats:**

#### ❖ **Gelatin**

Despite the bright outlook, consumer concerns related to the safety and social aspects of using products derived from animal body parts continue to haunt industry prospects.

#### ❖ **Pharma**

The pharmaceutical industry in India is extremely fragmented market with severe price competition and government price control.

### **SEGMENT WISE /PRODUCT WISE PERFORMANCE**

#### ❖ **Gelatin:**

The Company is engaged into manufacturing of Gelatin from animal bones. Gelatin is primarily used in pharmaceuticals industry for making capsule caps and in food industry. Company has developed world-class technology for gelatin by establishing state-of-the-art facilities.

The Company's plants located at Khadkadi and Ooty employ the latest innovations in technology for the production of gelatin.

#### ❖ **Pharma:**

The Company produces pharmaceutical product meeting global quality standards, viz. Lovastatin (Cholesterol lowering drug) and Oncology / Other Pharmaceutical products. Sterling, as of today, has highest Lovastatin manufacturing capacity with required regulatory approvals.

The fermentation facility of Masar plant is one of the largest fermentation facilities in India.

The company has increased its focus on Lovastatin and other Cholesterol lowering drugs as well as Oncology products which have a very bright future in Domestic & International Markets.

Brief overview of Pharma and Oncology products manufactured by the Company is as under:

#### **Anti-cancer Products :-**

- **DOXO Rubicin** is an anti-cancer chemotherapy drug and is classified as an anthracycline antibiotic.
- **IDARUBICIN** is an anti-cancer (antineoplastic or cytotoxic) chemotherapy drug. This medication is classified as an anthracycline antitumor antibiotic.
- **Daunorubicin** is used to treat acute lymphocytic and myelocyticleukemias.
- **IMATINIB** is a drug used to treat certain cancers.
- **EPI Rubicin** is an anthracycline drug used for chemotherapy.

#### **Other Products :-**

- **Lovastatin** is a cholesterol-lowering agent that belongs to the class of medications called statins
- **DACARBAZINE** – It is used to treat Hodgkin disease and malignant melanoma
- **Temozolamide** – It is an oral alkylating agent used for the treatment of Grade IV astrocytoma.

**OUTLOOK**

The company aims to focus its attention more on its Pharmaceutical products, Oncology products and Hydrolised Proteins in addition to the Bone gelatin for its future growth. The Company intends to have focused and continuous innovation in Research and Development which will help secure a sound future. Concentration is also on expansion of the product portfolio along with stricter credit policy and cost control through long term contracts with suppliers and tightening of expenses so as to improve margins.

The Company has all required certifications in terms of quality which gives the company good demand visibility in the International & Domestic Market. With future growth in pharma sector which uses gelatin as raw material for manufacture of capsules, there will be not be demand constraint for the Company.

**RISKS AND CONCERNS**

Statements in the Management's Discussion and Analysis describing the Company's projections, estimates, expectations or predictions may be "forward looking predictions" within the meaning of applicable securities laws and regulations. Actual results may differ from such estimates, projections, etc., whether expressed or implied. Factors which would make a significant difference to the Company's operations include achievement of better quality and good market price in domestic and overseas market, changes in Government regulations and tax laws, economic conditions affecting demand / supplies and other environmental factors over which the Company does not have any control. Stringent regulation / norms required to be followed by slaughter houses for meat exports to EU countries, increase in cost of power & fuel due to increase in the price of furnace oil & increase in other fixed / semi variable cost due to overall inflationary pressure are also the matter of concerns.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The company has adequate internal control systems to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and the transactions are authorized, recorded and reported correctly.

The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements.

The Company has in place documented procedures covering all financial and operational functions commensurate with its size and complexity.

The Company has also taken required measures to counter the demand issue viz. improvement in marketing set up, tightening of credit control, Diversification of products & cost control measures.

**RESEARCH & DEVELOPMENT**

R&D facility at the plant is equipped with all modern analytical and process equipment including HPLCs, GC, GCMS, IR, Spectrophotometer, Autoclave etc., & is under strict controls & restricted entry.

Sterling Biotech undertakes research & development activities at its in-house R&D centers which look after at specific areas of improvement of product quality, process improvements, cost effectiveness and elimination of waste in the systems. The company also carries out R&D work on fermentation products, API and intermediates.

The company has invested significant amount of resources on Research & Development and has set up a state-of-the-art R&D facility in the name of "Sterling Biotech Research Centre" at its Masar plant, Vadodara, which is engaged in development of complex and niche generic active substances for leading generic players from Europe and other regulated market. For company, the R&D is an integral part of process and product development.

The Company also has a microbiology laboratory which is equipped with all facility to handle culture maintenance, inoculums preparation and propagation, in-process batch analysis, shake flask trials.

**QUALITY CERTIFICATIONS**

The company continuous to have the following quality certifications in accordance its policy to achieve and maintain the highest standards of quality :-



| Sr. | Certification   | Purpose  |
|-----|---|--|
| 1   | <b>EDQM<br/>(European Directorate for<br/>Quality of Medicine)</b>    | This certification denotes that the product is in compliance with the European Union pharmacopeia.   |
| 2   | <b>IFANCA/MUI</b>   | This certification is required for Halal certification, which certifies that the gelatin is manufactured using Halal-defined processes and can be used by the Muslim population.                 |
| 3   | <b>KOSHER</b>   | This certifies that the Jewish population can consume Sterling's gelatin and that the inputs used for gelatin production are in accordance with the religious standards of the Jewish community. |
| 4   | <b>HACCP<br/>(Hazardous Analysis and<br/>Critical -Control Point)</b> | This certifies the manufacturing process with the highest and most consistent quality and safety of product. Also ensures the availability of fallback measures in case of unfortunate events.   |
| 5   | <b>ISO 9001</b>   | This certification denotes that the production process is in accordance with standards laid down by the International Standards Organizations.   |
| 6   | <b>ISO 14001</b>  | This certification signifies that the environment management system is in compliance with the Environmental Management System Standard.  |

#### OPERATING AND FINANCIAL PERFORMANCE

##### The highlights of Sterling Biotech's financial performance during 2013 were:

- The company achieved a turnover (including other income) of ` 72,233 Lacs.
- EBIDTA from operations was ` 9,894.10 Lacs.
- The finance cost was ` 43,770.79 Lacs. Leading to Loss before tax of ` 59,308.35 Lacs.
- After reducing the deferred tax, the loss after tax was ` 40,065.35 Lacs.
- Net worth as at 31<sup>st</sup> December 2013 stood at ` 1,47,012.39 Lacs

During the FY 2013 the operations of the company have started stabilizing after the various issues of ETP etc. which got over in FY 2012. The global economic turbulences has impacted the volumes and the increase in cost of materials as well as the challenges in sourcing crushed bones of required quality has increased the cost of manufacturing. The finance cost and manufacturing costs have increased whereas the selling price have had no matching upward effect causing drastic erosion in the profitability.

#### WAY FORWARD

The various opportunities that the company is expected to capitalize are to counter the demand issue like improvement in Marketing set up so as to reach the wide range of customers in different countries, tightening of credit control before granting credit period to new clients, diversification of product portfolio of pharma products through in house research etc, by taking action like thorough study on the effluent discharge issue, tightening of quality norms for effluent discharge from the plant, evaluation of requirement of modification of existing effluent discharge problem and CAPEX needs required to set it right, by putting in place the cost control measures like hard negotiation with the material suppliers, improvement in and tightening up of cost control system for various semi variable expenses to the extent feasible to check on the semi variable cost. Company is also trying to reduce its Finance Cost by keeping track and minimizing the interest charges / bank charges levied by Banks for non compliance, if any & is also in the advance stage of clearance of bank loans / debts. Company expects that the combined effect of all these factors would be favorable for overall operations

The company expects to improve its volume from the middle of 2014 onwards. This increase in volume would have an overall impact on the performance which is expected to steadily improve from the end of FY 2014 onwards.

#### **DEVELOPMENT IN HUMAN RESOURCES MANAGEMENT**

Sterling believes that Human Resources always play a very key role in the future growth of the company. It recognizes employees as the most valued asset. By providing on job and off job training, continuous development and learning initiatives for improvement in professional competencies, the management aims to achieve high standards of human resource development.

The Company has 1354 Employees.

#### **CONCLUSIONS**

The evolution of foods with time has shifted towards prevention of diseases than cure, thereby consumer focusing more on Nutraceuticals i.e. functional food and dietary supplements. Based on this, the nutraceutical industry is expected to grow at a steady CAGR of 6.3% during 2012-2017. The market for Gelatin is primarily driven by growing user industries in nutraceutical, dietary supplements and cosmetics segments. Growing health concerns, ageing population, change in the lifestyle, health consciousness and increase in disposable income in the emerging markets etc. are acting as major factors driving this market. Gelatin being an excipient in the dietary supplement products holds great demand. At the same time, cultural barriers across the world to use Gelatin derived from animals is acting as a major deterrent against the overall market growth. In addition to the above, the ageing population around the world causing serious issues of osteoporosis and osteoarthritis, are expected to drive Collagen Peptide supplements substantially. The time to establish the concept against well known ingredients might be only the inhibiting factor.

## REPORT ON CORPORATE GOVERNANCE

### I) CORPORATE GOVERNANCE PHILOSOPHY

At Sterling Biotech Limited, we view sound corporate governance as an integral part of our efforts to enhance shareholders value. We endeavor to safeguard the interests of investors, customers, suppliers and lenders and build the confidence of society in general. We adopt a philosophy of Professionalism, transparency and accountability in all areas.

### II) BOARD OF DIRECTORS (BOARD):

Presently, the Board comprises of 6 Directors of whom 4 are Non-executive Directors and a majority of them being independent. All Directors are eminent industrialists and/or professionals with experience in overall management, finance and law, who bring a wide range of skills and experience to the Board

#### a. Composition of the Board

| Name                  | Designation                                | No. of other Directorships and Committees Memberships / Chairmanships |                       |                         | Relationships with other Directors  |
|-----------------------|--|---|-----------------------|-------------------------|-------------------------------------|
|                       |  | Other Directorships   | Committee Memberships | Committee Chairmanships |                                     |
| Nitin J. Sandesara    | Chairman and Managing Director - Executive | 34  | –                     | –                       | Brother of Shri Chetan J. Sandesara |
| Chetan J. Sandesara   | Joint Managing Director - Executive        | 61  | –                     | –                       | Brother of Shri Nitin J. Sandesara  |
| R. B. Dixit           | Independent & Non-executive Director       | 4   | 2                     | 2                       | None                                |
| Vilas D. Joshi        | Independent & Non-executive Director       | 6   | –                     | –                       | None                                |
| Priyadarshan B. Mehta | Independent & Non-executive Director       | 6   | –                     | –                       | None                                |
| Narendrabhai B. Patel | Independent & Non-executive Director       | 1   | –                     | –                       | None                                |

#### b. Number of Board Meetings

During the year under review the Board of Directors met 6 times on the following dates: 01-03-2013, 12-03-2013, 15-05-2013, 14-08-2013, 13-11-2013 and 15-11-2013.

**c. Attendance of Directors:**

| Name                  | Meetings Attended | Attended last AGM on 29th June 2013 |
|-----------------------|-------------------|-------------------------------------|
| Nitin J. Sandesara    | 5                 | YES                                 |
| Chetan J. Sandesara   | 6                 | NO                                  |
| R. B. Dixit           | 5                 | YES                                 |
| Vilas D. Joshi        | 4                 | YES                                 |
| Priyadarshan B. Mehta | 4                 | NO                                  |
| Narendrabhai B. Patel | 3                 | NO                                  |

**III) CODE OF CONDUCT**

The Board lays down code of conduct for Board members and senior management of the Company and is posted on the website of the Company. The Board members and senior management personnel affirm compliance to the code of conduct.

**IV) COMMITTEE OF DIRECTORS**

The involvement of Non-executive Directors in providing guidance on policy matters to the operating management is formalized through constitution of committees of the Board. The Committees provide periodical and regular exchange of information and ideas between the Directors and the Operating Management. The Board constituted following committees.

**AUDIT COMMITTEE**

The Committee reviews the Company's financial reporting process, disclosure norms, internal control systems, accounting policies and practices, reports of the Company's Internal Auditors, quarterly/half yearly financial statements as well as its financial risk policies. It also recommends appointment of statutory auditors, fixes audit fees and reviews internal control systems, scope for observations of the auditors and adequacy of the internal audit function. During the year under review, the committee met four times on 01-03-2013 (Adoption of Annual Accounts), 15-05-2013, 14-08-2013 and 13-11-2013 and the meeting was attended by all the Directors of the Audit Committee namely Shri R. B. Dixit-Chairman, Shri V. D. Joshi - Member and Shri P. B. Mehta - Member.

**INVESTORS/SHAREHOLDERS GRIEVANCE COMMITTEE**

The Committee comprises of Shri R. B. Dixit-Chairman, Shri P. B. Mehta-Member and Shri N. B. Patel-Member. The Committee redresses shareholder and investors complaints like a delay in transfer of shares, non-receipt of dividend, non-receipt of balance sheet etc. During the year the committee met one times.

Name of Compliance Officer : **Ms. Megha Chokshi**

Designation : **Asst. Company Secretary**

**REMUNERATION COMMITTEE OF THE BOARD**

The Committee comprises of Shri R. B. Dixit, Shri P. B. Mehta and Shri N. B. Patel to recommend and review the remuneration package of Directors based on performance, industry practice and defined criteria. During the year, the Committee met One times.

**DETAILS OF REMUNERATION TO DIRECTORS FOR THE YEAR**

The aggregate value of salary and perquisites payable for the year ended 31st December, 2013 to Nitin Sandesara, Chairman is ` 24 lacs and to Chetan Sandesara, Joint Managing Director is ` 24 lacs.

**V) GENERAL BODY MEETINGS:**

| Year | Venue  | Date            | Time       | Any Special Resolution | Kind of Meeting |
|------|--|-----------------|------------|------------------------|-----------------|
| 2013 | Bhakti Kala Kshetra, International Society for Krishna Consciousness (ISKCON), Founder Acharya : His Divine Grace A.C. Bhaktivedanta Swami Prabhupada, Hare Krishna Land, Juhu, Mumbai-400 049 | 29th June, 2013 | 10.30 a.m. | Yes                    | AGM             |
| 2012 | Bhakti Kala Kshetra, International Society for Krishna Consciousness (ISKCON), Founder Acharya : His Divine Grace A.C. Bhaktivedanta Swami Prabhupada, Hare Krishna Land, Juhu, Mumbai-400 049 | 30th June, 2012 | 10.30 a.m. | No                     | AGM             |
| 2011 | Shri Bhaidas Maganlal Sabhagriha, Swami Bhaktivedant Marg, J.V.P.D. Scheme, Vile Parle (West), Mumbai – 400 056.   | 30th June, 2011 | 10.30 a.m. | No                     | AGM             |

Special Resolution if any passed by postal ballot : NIL

**VI) DISCLOSURES**

- As required under the Companies Act, the Directors disclose the name of the Companies/ Parties in which they are interested. In terms of Accounting Standard AS-18, details of related party transaction during the year have been set out under Note 25 B annexed to the Balance Sheet and Profit and Loss Account. However, they are not having any potential conflict with the interests of the Company at large.
- There has been no non-compliance of any legal requirements nor have there been any structures imposed by any stock exchange or SEBI, on any matters relating to the capital market, over the last three years.

**VII) MEANS OF COMMUNICATION**

- Quarterly / Annual financial results are forwarded to the Stock Exchanges where the shares of the Company are listed and published in the Free Press Journal in English and the Nav Shakti paper in Marathi.
- A Management Discussion & Analysis Report is annexed to the Directors' Report to the Shareholders.

**VIII) GENERAL SHAREHOLDER INFORMATION****A. ANNUAL GENERAL MEETING:**

Date : 30<sup>th</sup> day of June, 2014

Time : 10.30 A.M.

Venue: Bhakti Kala Kshetra, International Society for Krishna Consciousness (ISKCON), Founder Acharya : His Divine Grace A.C. Bhaktivedanta Swami Prabhupada, Hare Krishna Land, Juhu, Mumbai - 400 049

**B. DATE OF BOOK CLOSURE:**

Tuesday, the 24<sup>th</sup> day of June, 2014 to Monday, the 30<sup>th</sup> day of June, 2014 (both days inclusive)



**C. FINANCIAL CALENDAR 2013:****Board Meeting**

|   |                         |
|---|-------------------------|
| Unaudited Results – Qtrly. March 2014     | : May 2014              |
| Unaudited Results – Qtrly. June 2014      | : August 2014           |
| Unaudited Results – Qtrly. September 2014 | : November 2014         |
| Audited Accounts – December 2014          | : February 2015         |
| Annual General Meeting                    | : June 2015 (Next Year) |

**D. STOCK EXCHANGES WHERE SECURITIES ARE LISTED**

The Company's equity shares are listed on the BSE and NSE. Global Depository Receipts (GDRs) are listed on the Luxembourg Stock Exchange. Foreign Currency Convertible Bonds 2012 are listed on the Singapore Stock Exchange. 12.00% Secured Redeemable Non-Convertible Debentures are listed on the Bombay Stock Exchange Limited (BSE) in Debt Segment.

| Name of Stock Exchange                              | Code/Symbol   |
|---|---|
| Bombay Stock Exchange Limited (BSE) (Equity)        | 512299  |
| National Stock Exchange of India Limited (Equity)   | STERLINBIO  |
| Luxembourg Stock Exchange (GDRs)                    | CUSIP No. : 85916G108<br>Common Code : 017757709<br>ISIN : US85916G1085 |
| Singapore Stock Exchange FCCB due 2012              | Common Code : 029812535<br>ISIN : XS0298125351                          |
| Bombay Stock Exchange Limited (BSE)<br>(Debentures) | 945828  |

**E. Stock Price Data**

| Month          | BSE    |       | NSE    |       |
|----------------|--------|-------|--------|-------|
|                | High ` | Low ` | High ` | Low ` |
| January 2013   | 8.20   | 5.12  | 8.20   | 5.10  |
| February 2013  | 5.94   | 4.85  | 5.95   | 4.80  |
| March 2013     | 5.20   | 3.43  | 5.10   | 3.45  |
| April 2013     | 6.80   | 4.53  | 6.35   | 4.45  |
| May 2013       | 6.79   | 5.12  | 6.65   | 5.35  |
| June 2013      | 6.47   | 5.36  | 6.45   | 5.35  |
| July 2013      | 6.50   | 4.80  | 6.45   | 4.80  |
| August 2013    | 5.45   | 4.26  | 5.30   | 4.30  |
| September 2013 | 6.40   | 4.40  | 6.85   | 4.35  |
| October 2013   | 6.45   | 5.05  | 6.40   | 5.05  |
| November 2013  | 10.45  | 5.06  | 10.30  | 5.05  |
| December 2013  | 9.70   | 7.90  | 9.70   | 7.90  |

**F. SHARE TRANSFER SYSTEM**

Our RTA is Link Intime India Pvt. Ltd., Share sent for physical transfers are registered and returned within a stipulated time frame, if the documents filed are clear in all respects. Officers/ Directors of the Company have been authorized to approve transfers. Trading in equity shares of the Company is permitted only in dematerialized form w.e.f. 26-02-2001. All requests for dematerialization of shares are processed and the confirmation is given to the respective depositories, i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within a stipulated time frame. Upto 31-12-2013, 95.68% equity shares of the company have been dematerialized.

Total Number of shares transferred in the non-dematerialized form during the year 2013 i.e. from 01.01.2013 to 31.12.2013 were 11,500.

**G. Shareholding Pattern – as on 31<sup>st</sup> December 2013**

| Sr. No. | Category                       | No. of Shareholder | Percentage    | No. of Equity Shares | Percentage    |
|---------|--------------------------------|--------------------|---------------|----------------------|---------------|
| 1.      | Indian Promoters               | 33                 | 0.10          | 90840135             | 33.91         |
| 2.      | FIs / MFs / Banks              | 6                  | 0.02          | 7003                 | 0.00          |
| 3.      | Indian Companies               | 639                | 1.89          | 44788464             | 16.72         |
| 4.      | Resident Individuals           | 32468              | 96.05         | 52288195             | 19.52         |
| 5.      | Clearing Members               | 180                | 0.53          | 6153438              | 2.30          |
| 6.      | NRIs/OCBs/FIIs/FCs             | 475                | 1.41          | 28623990             | 10.69         |
| 7.      | Underlying Shares out of GDR's | 1                  | 0.00          | 45172365             | 16.86         |
|         | <b>TOTAL</b>                   | <b>33802</b>       | <b>100.00</b> | <b>267873590</b>     | <b>100.00</b> |

**Distribution of Shareholding – as on 31<sup>st</sup> December 2013**

| Sr. No. | No. of shares Held | No. of Shareholders | % of Holders  | Holding          | % of Holding  |
|---------|--------------------|---------------------|---------------|------------------|---------------|
| 1       | 1 – 5000           | 31981               | 94.64         | 25396991         | 9.48          |
| 2       | 5001 – 10000       | 923                 | 2.73          | 7223749          | 2.70          |
| 3       | 10001 – 20000      | 399                 | 1.18          | 5791382          | 2.16          |
| 4       | 20001 – 30000      | 146                 | 0.43          | 3609989          | 1.35          |
| 5       | 30001 - 40000      | 66                  | 0.20          | 2379847          | 0.89          |
| 6       | 40001 – 50000      | 48                  | 0.14          | 2254856          | 0.84          |
| 7       | 50001 - 100000     | 91                  | 0.27          | 6683257          | 2.49          |
| 8       | 100001 & Above     | 137                 | 0.41          | 214533519        | 80.09         |
|         | <b>TOTAL</b>       | <b>33791</b>        | <b>100.00</b> | <b>267873590</b> | <b>100.00</b> |

**H. DEMATERIALISATION OF SHARES**

ISIN Number for Equity Shares of the Company in NSDL & CDSL: INE324C01038

Total No. of Shares dematerialized upto 31-12-2013 : 259,853,617

With NSDL 170,231,353

With CDSL 89,622,264

**I. OUTSTANDING GDRS, FCCBS OR OTHER CONVERTIBLE AND NON-CONVERTIBLE INSTRUMENTS**

As of date, the Company has the following outstanding instruments:

## 1. GDRs:

7,528,727 GDRs representing in aggregate 45,172,365 equity shares of ` 1/- each.

## 2. FCCBs:

(a) Zero Coupon FCCB due 2012 aggregating to USD 134.5 Million. FCCBs are convertible into equity shares at the option of the bond holders at a price of ` 163.13 and fixed rate of exchange is ` 42.00.

The outstanding but matured FCCBs if converted into equity shares will increase the equity capital by approx 34,628,823 equity shares and post conversion capital of the Company would reach approx 302,502,413 equity shares of ` 1 each.

## 3. Debentures:

(a) 12.00% Secured Redeemable Non-Convertible Debentures due 2015 of ` 300 Crores.

**J. PLANT LOCATION**

1. ECP Road, Village Karakhadi – 391 450, Tal. Padra, Dist. Baroda, Gujarat.
2. Village Masar, Jambusar Road, Tal. Padra, Dist. Vadodara, Gujarat
3. Sandyanalla, Sholur Gram Panchayat, Ottacamund, Dist. The Nilguries, Tamilnadu

**K. ADDRESS FOR CORRESPONDENCE**

Shareholders can correspond at the Registered Office of the Company at Mumbai and / or Registrar & Transfer Agent (RTA) - Link Intime India Pvt. Ltd., Unit: Sterling Biotech Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai - 400 078.

Ph.: 022-2594 6970 Fax: 022-2594 6969, Email: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in).

Investor complaints may be addressed to: [investorscomplain@stergel.com](mailto:investorscomplain@stergel.com).

**L. Complaints by Shareholders & their redressal**

| Nature of Complaints                 | Received | Solved |
|--------------------------------------|----------|--------|
| Non-receipt of Share Certificate     | 2        | 2      |
| Non-receipt of Dividend Warrants     | 8        | 8      |
| Non-receipt of Annual Report         | 2        | 2      |
| Non-receipt of Exchange Certificates | 1        | 1      |
| Others                               | 2        | 2      |

## CERTIFICATE

To  
The Members  
Sterling Biotech Limited  
Mumbai

We have examined the compliance of conditions of Corporate Governance by Sterling Biotech Limited, for the year ended 31 December, 2013, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges.

The compliance of conditions of 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 Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion, and to the best of our information, and according to explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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

For **H. S. Hathi & Co.**  
Chartered Accountants  
Firm Reg. No.: 103596W

**HEMANT S. HATHI**  
Partner  
Membership No.: 37109

Place: Mumbai  
Date : 28<sup>th</sup> February, 2014

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER (CEO) PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT**

I, Shri Nitin Sandesara, in my capacity as Chief Executive Officer (CEO) of the Company hereby certify that -

- a. I have reviewed the financial statements and the cash flow statement for the year ended 31 December, 2013 and that to the best of my knowledge and belief:
  - i) These statements do not contain any material untrue statement or omit any material fact or contain statement that might be misleading.
  - ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violated the Company's code of conduct.
- c. I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and I have disclosed to the Auditors and Audit Committee, deficiencies in the design or operations of such internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.
- d. I have indicated to the Auditors and the Audit committees:
  - 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 I have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For **Sterling Biotech Limited**

**NITIN SANDESARA**  
Chairman and Managing Director

Place: Mumbai  
Date: 28<sup>th</sup> February, 2014

**DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING COMPLIANCE WITH CODE OF CONDUCT**

In Accordance with Clause 49 I (D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance with the Code of Conduct, as applicable to them, for the Financial Year ended on 31st December, 2013.

For **Sterling Biotech Limited**

**NITIN SANDESARA**  
Chairman and Managing Director

Place: Mumbai  
Date: 28<sup>th</sup> February, 2014

## FINANCIAL STATEMENTS

### AUDITORS' REPORT

To the Members of  
**STERLING BIOTECH LIMITED**

#### Report on the Financial Statements

I have audited the accompanying financial statements of **Sterling Biotech Limited** (the "Company"), which comprise the Balance Sheet as at December 31, 2013, and the Statement of Profit & Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry or Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Opinion

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

- a) In the case of the Balance Sheet, of the state of affairs of the company as at December 31, 2013;
- b) In the case of the Statement of Profit & Loss, of the Loss of the company for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

#### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) order, 2003', as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order") , and on the basis of such checks of the books and records of the company as I considered appropriate and according to the information and explanation given to me, I give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the order.
2. As required by section 227(3) of the Act, I report that:
  - a) I have obtained all the information and explanations, which to the best of my knowledge and belief, were necessary for the purposes of my Audit;
  - b) In my opinion, proper books of account, as required by law, have been kept by the company, so far as appears from our examination of those books;



- c) The Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) In my opinion, the Balance Sheet, the Statement of Profit & Loss and Cash Flow Statement comply with the Accounting Standards notified under the Act read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;
- e) On the basis of the written representations received from the Directors as on December 31, 2013 and taken on record by the Board of Directors, I report that none of the Directors of the company are disqualified as on December 31, 2013 from being appointed as a Director in terms of Clause (g) of the sub-section (1) of section 274 of the Companies Act, 1956.

For and on behalf of

**For H. S. HATHI & CO.**  
**Chartered Accountants**  
**Firm Regn. No. 103596W**

**HEMANT S. HATHI**  
**Proprietor**  
**Membership No. 037109**

**Place : Mumbai**

**Dated : 28<sup>th</sup> February, 2014**

**Annexure referred to in paragraph 1 under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date.**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management based on a phased program of verification of all the assets during the year, which in my opinion is reasonable having regard to the size of the company and the nature of its business. No material discrepancies were noticed on such verification.
- (c) As per the information and explanations given to me, during the year, the company has not disposed off any substantial part of fixed assets that would affect the going concern.
- (ii) (a) As explained to me inventories have been physically verified by the management at reasonable intervals during the year.
- (b) In my opinion and according to information and explanations given to me, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of my examinations of records of inventories, I am of the opinion that the company is maintaining proper records of the inventory. As explained to me, no material discrepancies have been noticed on physical verification of inventories as compared to Books records.
- (iii) (a) The Company has granted unsecured loan to companies covered in the register maintained under section 301 of the companies Act, 1956. The Maximum amount involved during the year was ` 83.68 crores and the year end balance of loans granted to such parties was ` 83.68 crores.
- (b) In my opinion, terms and conditions on which loans granted to companies listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
- (c) There are no overdue amounts of Loans granted to companies listed in the register maintained under section 301 of the Companies Act, 1956.
- (d) According to the information and explanations given to me, the company has not taken any unsecured loan from companies, firms and other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- (iv) According to information and explanations given to me, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase of inventory and fixed assets and sales of Goods and service. I have not observed any continuing failure to correct major weakness in internal controls.
- (v) (a) According to the information and explanations given to me, I am of the opinion that the particulars of contracts or arrangements that need to be entered in to the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In my opinion and according to the information and explanations given to me, there are no transactions of purchase of Goods and materials and sales of Goods, material & services made in pursuance of contracts or arrangements required to be entered in the register maintained under section 301 of the Companies Act, 1956, aggregating during the year to ` 5,00,000/- or more in respect of each party.
- (vi) The Company has not accepted any deposits from the public and hence directives issued by the Reserve Bank of India and provisions of section 58A and 58AA or any other relevant provisions of the companies Act, 1956 and rules framed there under are not applicable for the year under audit.
- (vii) In my opinion, the Company has an internal audit System commensurate with the size and nature of its business.
- (viii) I have broadly reviewed the books of accounts maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

- (ix) (a) According to the records of the company, the company has been regular in depositing with appropriate authorities, Undisputed statutory dues including Provident Fund, Income tax, Sales Tax / VAT, Wealth tax, Service Tax, Custom duty, Cess and other statutory dues.
- (b) According to the information and explanations given to me, no undisputed amounts payable in respect of such statutory dues were outstanding as at the 31st December 2013 for a period of more than six months from the date they became payable .
- (c) According to the information and explanations given to me, there are no such statutory dues which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year, however company has incurred cash losses during the year and in the immediately preceding financial year.
- (xi) According to the information and explanations given to me by the management, and on the basis of records examined by us, the company has defaulted in the repayment of the dues to financial institutions or banks or debenture holders. The amount outstanding and overdue for less than 60 days is ` 216.64 crores and for more than 60 days is ` 2,017.68 crores.
- (xii) According to the information and explanations given to me and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In my opinion, the Company is not a chit fund, a nidhi or a mutual benefit fund society. Therefore, the provisions of clause 4(xiii) of the companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In my opinion, the company is maintaining proper record and making timely entries in respect of shares, securities, debentures and other investments. Further all the investments made by the company are held in its own name. (xv) In my opinion, the terms and conditions on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.
- (xvi) According to the information and explanations given to me by the management, the term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to me and on an overall examination of the balance sheet of the company, I report that no funds raised on short term basis have been used for long term investments.
- (xviii) According to the information and explanations given to me, during the year the Company has not made any preferential allotment of shares to the parties or companies covered in the register maintained under section 301 of the companies Act, 1956.
- (xix) During the period covered by my report, the company has not issued any debentures and hence clause 4(XIX) of the companies (Auditor's Report) Order, 2003 is not applicable to the company.
- (xx) During the period covered by my report, the company has not raised any money by way of public issue.
- (xxi) According to the information and explanations given to me no frauds on or by the company has been noticed or reported during the year.

**For H. S. HATHI & CO.**  
**Chartered Accountants**  
**Firm Regn No. 103596W**

**HEMANT S. HATHI**  
**Proprietor**  
**Membership No. 037109**  
**Place : Mumbai**  
**Dated : 28<sup>th</sup> February, 2014**

BALANCE SHEET AS AT 31<sup>st</sup> DECEMBER, 2013

(Amount in `)

| PARTICULARS  | NOTE | As at<br>31 <sup>st</sup> December, 2013 | As at<br>31 <sup>st</sup> December, 2012 |
|--|------|--|--|
| <b>Equity and Liabilities</b>                                      |      |  |  |
| <b>Shareholders' funds</b>   |      |  |  |
| Share capital  | 3    | 267,873,590                              | 267,873,590                              |
| Reserves and surplus   | 4    | 14,433,365,109                           | 18,439,900,028                           |
|  |      | <b>14,701,238,699</b>                    | <b>18,707,773,618</b>                    |
| <b>Non-current liabilities</b>                                     |      |  |  |
| Long-term borrowings   | 5    | 9,477,849,362                            | 11,373,494,284                           |
| Deferred tax liability (Net)                                       | 6    | –  | 1,468,401,369                            |
|  |      | <b>9,477,849,362</b>                     | <b>12,841,895,653</b>                    |
| <b>Current Liabilities</b>   |      |  |  |
| Short-term borrowings  | 7    | 16,925,224,398                           | 14,717,896,791                           |
| Trade payables   | 8    | 200,517,217                              | 264,989,370                              |
| Other current liabilities  | 9    | 32,683,443,506                           | 24,304,227,352                           |
|  |      | <b>49,809,185,121</b>                    | <b>39,287,113,513</b>                    |
| <b>TOTAL</b>   |      | <b>73,988,273,182</b>                    | <b>70,836,782,784</b>                    |
| <b>ASSETS</b>  |      |  |  |
| <b>Non-current Assets</b>  |      |  |  |
| <b>Fixed Assets</b>  |      |  |  |
| Tangible Assets  | 10   | 34,334,357,977                           | 36,331,308,939                           |
| Capital work-in-progress   |      | 21,097,920,284                           | 15,518,122,866                           |
| Investments  | 11   | 3,765,174,519                            | 3,765,174,519                            |
| Deferred tax assets (Net)  | 6    | 455,898,631                              | –  |
|  |      | <b>59,653,351,411</b>                    | <b>55,614,606,324</b>                    |
| <b>Current Assets</b>  |      |  |  |
| Inventories  | 12   | 7,935,198,157                            | 8,699,373,868                            |
| Trade receivables  | 13   | 3,357,059,962                            | 3,470,959,962                            |
| Cash and Bank balances   | 14   | 174,871,540                              | 178,330,754                              |
| Short-term loans and advances                                      | 15   | 2,867,792,112                            | 2,873,511,876                            |
| Other Current Assets   |      | –  | –  |
|  |      | <b>14,334,921,771</b>                    | <b>15,222,176,460</b>                    |
| <b>TOTAL</b>   |      | <b>73,988,273,182</b>                    | <b>70,836,782,784</b>                    |
| <b>Significant Accounting Policies</b>                             | 2    |  |  |
| <b>The notes are an integral part of this financial statements</b> |      |  |  |

As per our report of even date attached  
For **H. S. HATHI & CO.**  
Chartered Accountants  
Firm Regn. No. 103596W

**HEMANT S. HATHI**  
Proprietor  
Membership No. 037109  
Place : Mumbai.  
Dated : 28<sup>th</sup> February, 2014

For and on behalf of the Board of Directors

**Nitin J. Sandesara**  
Chairman and Managing Director

**Chetan J. Sandesara**  
Joint Managing Director

**Rajbhusan O. Dixit**  
Director

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER, 2013

(Amount in `)

| PARTICULARS   | NOTE | For the Year ended<br>31 <sup>st</sup> December 2013 | For the Year ended<br>31 <sup>st</sup> December 2012 |
|---|------|--|--|
| <b>Income</b>   |      |  |  |
| Revenue from operations (net)   | 17   | 7,180,694,670  | 8,347,741,871  |
| Other income  |      | 42,605,401   | 70,231,210   |
| <b>Total Revenue (I)</b>  |      | <b>7,223,300,071</b>                                 | <b>8,417,973,081</b>                                 |
| <b>Expenses</b>   |      |  |  |
| Manufacturing Expenses  | 18   | 4,843,450,888  | 6,144,501,549  |
| Change in inventories of finished goods and work-in-progress  | 19   | 274,979,530  | (335,081,753)  |
| Employee benefits expense   | 20   | 546,767,544  | 536,802,751  |
| Other expenses  | 21   | 568,691,248  | 525,512,257  |
| <b>Total (II)</b>   |      | <b>6,233,889,210</b>                                 | <b>6,871,734,804</b>                                 |
| <b>Earnings before interest, tax, depreciation, amortisation and before exceptional item (I - II)</b> |      | <b>989,410,861</b>                                   | <b>1,546,238,277</b>                                 |
| Depreciation  |      | 2,543,166,416  | 2,588,308,614  |
| Finance costs   |      | 4,377,079,365  | 4,123,282,071  |
| <b>Profit/(Loss) before exceptional item and tax</b>  |      | <b>(5,930,834,920)</b>                               | <b>(5,165,352,409)</b>                               |
| Less : Extraordinary Item   |      | –  | (12,187,269)   |
| <b>Profit/(Loss) before tax</b>   |      | <b>(5,930,834,920)</b>                               | <b>(5,177,539,678)</b>                               |
| Tax expense   |      |  |  |
| - Current tax   |      | –  | –  |
| - Deferred tax  |      | (1,924,300,000)                                      | (1,679,800,000)                                      |
| <b>Total Tax expense</b>  |      | <b>(1,924,300,000)</b>                               | <b>(1,679,800,000)</b>                               |
| <b>Profit/(Loss) after tax</b>  |      | <b>(4,006,534,920)</b>                               | <b>(3,497,739,678)</b>                               |
| Prior Year Adjustment   |      | –  | –  |
| <b>Profit/(Loss) for the year</b>   |      | <b>(4,006,534,920)</b>                               | <b>(3,497,739,678)</b>                               |
| Earning per equity share [Face value of ` 1/- each]   | 23   |  |  |
| - Basic   |      | (14.96)  | (13.06)  |
| - Diluted   |      | (13.24)  | (11.56)  |
| <b>Significant Accounting Policies</b>  | 2    |  |  |
| <b>The notes are an integral part of these financial statements</b>                                   |      |  |  |

As per our report of even date attached  
For **H. S. HATHI & CO.**  
Chartered Accountants  
Firm Regn. No. 103596W

**HEMANT S. HATHI**  
Proprietor  
Membership No. 037109  
Place : Mumbai.  
Dated : 28<sup>th</sup> February, 2014

For and on behalf of the Board of Directors

**Nitin J. Sandesara**  
Chairman and Managing Director

**Chetan J. Sandesara**  
Joint Managing Director

**Rajbhushan O. Dixit**  
Director

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2013

| Note        |   |
|-------------|---|
| <b>1.</b>   | <p><b>Nature of Operations</b></p> <p>Sterling Biotech Limited ("The Company") is engaged in the manufacturing of Pharma Grade Gelatine &amp; Di-Calcium Phosphate and other Pharma products.</p>   |
| <b>2.</b>   | <p><b>Summary of Significant Accounting Policies</b></p>  |
| <b>2.1.</b> | <p><b>Basis of preparation</b></p> <p>These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956.</p> <p>All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current - non current classification of assets and liabilities.</p>                    |
| <b>2.2.</b> | <p><b>Use of estimates</b></p> <p>The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the amount of revenues and expenses during the reporting period end. Difference between the actual results and estimates are recognised in the period in which results are known / materialised.</p>   |
| <b>2.3.</b> | <p><b>Tangible Assets</b></p> <p>Tangible Assets are stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.</p> <p>Subsequent expenditures related to an item of fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.</p> <p>Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements. Any expected loss is recognised immediately in the Statement of Profit and Loss.</p> <p>Loss arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.</p> |
| <b>2.4.</b> | <p><b>Depreciation / Amortisation</b></p> <p>Depreciation is provided on pro-rata basis on the Straight Line Method (SLM) at the rates and in the manner prescribed under schedule XIV of the Companies Act, 1956 on all assets. Depreciation pertaining to revalued amounts is withdrawn from Revaluation Reserve Account and credited to the statement of Profit and Loss.</p>  |
| <b>2.5.</b> | <p><b>Borrowing costs</b></p> <p>General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in Statement of Profit and Loss in the period in which they are incurred.</p>   |



NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2013

| Note         |   |
|--------------|---|
| <b>2.6.</b>  | <p><b>Impairment</b></p> <p>Assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or group of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net-selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.</p> |
| <b>2.7.</b>  | <p><b>Inventories</b></p> <p>Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost (WAC) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.</p>   |
| <b>2.8.</b>  | <p><b>Revenue Recognition</b></p> <p>Sale of goods: Sales are recognised when the substantial risks and rewards of ownership in the goods are transferred to the buyer as per the terms of the contract and are recognised net of trade discounts, rebates, sales taxes and excise duties.</p>  |
| <b>2.9.</b>  | <p><b>Other Income</b></p> <p>Interest: Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.</p> <p>Export Benefits: The Company accounts for export benefit entitlements under the Duty Entitlement Pass Book Scheme of Government of India, on accrual basis.</p>   |
| <b>2.10.</b> | <p><b>Foreign Currency Translations</b></p> <p>Foreign currency transactions during the year are recorded at the exchange rate prevailing on the date of the transactions. Exchange difference on settlement of transactions of fixed assets is capitalized with acquisition cost of fixed assets. The balance exchange fluctuation is charged to revenue. Current Assets and Liabilities are translated at year-end exchange rates.</p>  |
| <b>2.11.</b> | <p><b>Retirement Benefits</b></p> <p>Retirement benefits payable to employees is charged to revenue on accrual basis. Employer's contribution to Provident Fund is accounted for on accrual basis.</p>  |
| <b>2.12.</b> | <p><b>Employee Benefits</b></p> <p><b>a. Short Term Employee benefits</b></p> <p>All Short term employee benefit plans such as salaries, wages, bonus, special awards and medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognised on an undiscovered basis and charged to the Statement of Profit &amp; Loss.</p> <p><b>b. Defined Contribution Plan</b></p> <p>The company has a statutory scheme of Provident Fund with the Regional Provident Fund Commissioner and contribution of the company is charged to the Statement of Profit &amp; Loss on accrual basis.</p>  |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER, 2013

| Note  |   |
|-------|---|
| c.    | <p><b>Defined Benefit Plan</b></p> <p>The Company's liability towards gratuity to its employees is covered by a group gratuity policy with LIC of India. The contribution paid / payable to LIC of India is debited to the statement of Profit &amp; Loss on accrual basis. Liability towards gratuity is provided on the basis of an actuarial valuation using the Projected Unit Credit method and debited to the Statement of Profit &amp; Loss on accrual basis. Thus charge to the Statement of Profit &amp; Loss includes premium paid to LIC, current service cost, interest cost, expected return on plan assets and gain/loss in actuarial valuation during the year, net of fund value of plan asset as on the balance sheet date. Liability towards leave salary is provided on actuarial basis.</p>   |
| 2.13. | <p><b>Current and deferred tax</b></p> <p>Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.</p> <p>Deferred tax for timing differences between the book profits and tax profits is accounted for using the tax rates and laws that have been enacted or substantively enacted as of the Balance Sheet date. Deferred tax assets arising from the timing differences are recognised to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised for tax loss and depreciation carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is virtually certain and is supported by convincing evidence that sufficient future taxable profits can be realised.</p> <p>Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.</p> |
| 2.14. | <p><b>Research and Development expenditure</b></p> <p>Revenue expenditure is charged to the statement of Profit and Loss in the period in which it is incurred. Capital expenditure is debited to Fixed Assets and depreciated at applicable rates.</p>   |
| 2.15. | <p><b>Provisions and Contingent Liabilities</b></p> <p><b>Provisions:</b> Provisions are recognised when there is a present obligation as a result if a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure require to settle present obligation at the Balance Sheet date and are not discounted to its present value.</p> <p><b>Contingent Liabilities:</b> Contingent Liabilities are disclosed when there is possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.</p>  |
| 2.16. | <p><b>Cash and Cash Equivalents</b></p> <p>In the cash flow statement cash and cash equivalent include cash in hand, demand deposits with banks and other short term highly liquid investments.</p>   |
| 2.17. | <p><b>Earning Per Share</b></p> <p>The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which would have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period unless they have been issued at a later date.</p>   |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER, 2013

(Amount in `)

|      |  |
|------|--|
| Note |  |
|------|--|

**2.18. Measurement of EBITDA**

The Company has elected to present earnings before interest, tax, depreciation and amortisation (EBITDA) as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/(loss) from continuing operations before depreciation and amortisation expense, finance cost and tax expense.

**3. Share Capital**

|  | As at<br>31 <sup>st</sup> December 2013 |                    | As at<br>31 <sup>st</sup> December 2012 |                    |
|--|---|--------------------|---|--------------------|
|  | No. of Shares                           | Amount             | No. of Shares                           | Amount             |
| <b>Authorised</b>                      |   |                    |   |                    |
| Equity Shares of ` 1/- each            | 500,000,000                             | 500,000,000        | 500,000,000                             | 500,000,000        |
| <b>Issued and Subscribed</b>           |   |                    |   |                    |
| Equity shares of ` 1/- each            | 271,597,590                             | 271,597,590        | 271,597,590                             | 271,597,590        |
| <b>Paid up</b>                         |   |                    |   |                    |
| Equity shares of ` 1/- each fully paid | 267,873,590                             | 267,873,590        | 267,873,590                             | 267,873,590        |
| <b>Total</b>                           |   | <b>267,873,590</b> |   | <b>267,873,590</b> |

**a. Reconciliation of number of shares**

| Equity Shares                            | As at<br>31 <sup>st</sup> December 2013 |                    | As at<br>31 <sup>st</sup> December 2012 |                    |
|--|---|--------------------|---|--------------------|
|  | No. of Shares                           | Amount             | No. of Shares                           | Amount             |
| Balance as at the beginning of the year  | 267,873,590                             | 267,873,590        | 267,873,590                             | 267,873,590        |
| Add : Shares issued during the year      | -                                       | -                  | -                                       | -                  |
| <b>Balance as at the end of the year</b> | <b>267,873,590</b>                      | <b>267,873,590</b> | <b>267,873,590</b>                      | <b>267,873,590</b> |

**b. Rights, preferences and restrictions attached to equity shares**

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

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

| Name of Shareholder                           | As at<br>31 <sup>st</sup> December 2013 |           | As at<br>31 <sup>st</sup> December 2012 |           |
|---|---|-----------|---|-----------|
|   | Numbers                                 | % holding | Numbers                                 | % holding |
| <b>Equity shares of ` 1/- each fully paid</b> |   |           |   |           |
| Albula Investment Fund Limited                | 15,963,234                              | 5.96%     | 15,963,234                              | 5.96%     |

As per the records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER, 2013

(Amount in `)

| Note      |   | As at<br>31 <sup>st</sup> December 2013 | As at<br>31 <sup>st</sup> December 2012 |
|-----------|---|---|---|
| <b>4.</b> | <b>Reserves and Surplus</b>                                     |   |   |
|           | General Reserve   |   |   |
|           | Balance as at the beginning of the year                         | 8,181,888,626                           | 11,786,771,161                          |
|           | Add/(Less) : Transferred from/(to) Profit & Loss Account        | (4,006,534,920)                         | (3,497,739,678)                         |
|           | Add/(Less) : Transferred from/(to) Debenture Redemption Reserve | –                                       | (107,142,857)                           |
|           | Balance as at the end of the year                               | 4,175,353,706                           | 8,181,888,626                           |
|           | Debenture Redemption Reserve                                    |   |   |
|           | Balance as at the beginning of the year                         | 498,214,285                             | 391,071,428                             |
|           | Add/(Less) : Transferred from/(to) General Reserve*             | –                                       | 107,142,857                             |
|           | Balance as at the end of the year                               | 498,214,285                             | 498,214,285                             |
|           | Share Premium Account   |   |   |
|           | Balance as at the beginning of the year                         | 9,759,797,117                           | 12,463,171,083                          |
|           | Less : Provision for Premium on redemption of FCCB              | –                                       | (2,703,373,966)                         |
|           | Balance as at the end of the year                               | 9,759,797,117                           | 9,759,797,117                           |
|           | <b>Total</b>  | <b>14,433,365,109</b>                   | <b>18,439,900,028</b>                   |

\* As the company has incurred Losses during the year, the company has not created Debenture Redemption Reserve during the year.

**5. Long-term borrowings**

(Secured by way of first charge on Fixed Assets of the company, on pari passu basis)

|  |                      |                       |
|--|----------------------|-----------------------|
| Term Loans from Banks  | 420,125,000          | 305,000,000           |
| Redeemable Non-Convertible Debentures  | 450,000,000          | 1,050,000,000         |
| <b>External Commercial Borrowings</b>  |                      |                       |
| a) ECB 2009 aggregating USD 50,625,000<br>(December 31, 2012: USD 70,875,000)  | 3,133,535,625        | 3,882,341,138         |
| b) ECB 2010 aggregating USD 88,440,292<br>(December 31, 2012: USD 112,020,000) | 5,474,188,737        | 6,136,153,146         |
| <b>Total</b>   | <b>9,477,849,362</b> | <b>11,373,494,284</b> |

1. Interest rates on Rupee term loans from banks vary in the range of 11.5% p.a. to 16.35% p.a. (linked with BPLR). The said loans are repayable in quarterly installments with a maximum tenure of 6 years. Part of the said loans are also secured by way of second charge on the current assets of the Company, both present and future, on pari passu basis and/or the personal guarantees of the Promoter Directors of the Company.

2. Interest rate on Redeemable Non-Convertible Debentures is 12%. The said debentures are redeemable in 20 quarterly installments starting from November 05, 2010 and last installment due on August 05, 2015.

3. Interest rates on External Commercial Borrowings vary in the range of 4.50% p.a. to 6.50% p.a. (linked with LIBOR). The said ECBs are repayable in half yearly installments starting from May 20, 2012 with a maximum tenure of 6 years.

4. The company has defaulted in repayment of certain debt obligations towards installments and interest. Certain Banks and Financial Institutions have initiated legal action against the Company and/or its directors for recovery of these debt. However, the Company is in continuous dialogue with the lenders for bilateral restructuring of its debt. Certain banks have already restructured its debt.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER, 2013

(Amount in `)

| Note      |  | As at<br>31 <sup>st</sup> December 2013 | As at<br>31 <sup>st</sup> December 2012 |
|-----------|--|---|---|
| <b>6.</b> | <b>Deferred tax liability (Net)</b>  |   |   |
|           | Deferred tax liability / (Asset)   | (455,898,631)                           | 1,468,401,369                           |
|           | <b>Total</b>   | <b>(455,898,631)</b>                    | <b>1,468,401,369</b>                    |
| <b>7.</b> | <b>Short-term borrowings</b>   |   |   |
|           | Working Capital Borrowings from Banks<br>(Secured by way of first charge on Current Assets<br>of the company, on pari passu basis)   | 10,306,271,689                          | 10,235,481,185                          |
|           | Interest accrued and due on working capital borrowings   | 2,508,453,872                           | 859,665,423                             |
|           | Short Term Loans from Banks  | 4,110,498,837                           | 3,622,750,183                           |
|           | <b>Total</b>   | <b>16,925,224,398</b>                   | <b>14,717,896,791</b>                   |
|           | 1. Interest rates on Working capital Borrowings from Banks vary in the range of 13.25% p.a. to 16.50% p.a. (linked with BPLR). The said loans are repayable on demand and also secured by way of a second charge on the fixed assets of the Company, on pari passu basis. Part of the said loans are additionally secured by way of a personal guarantees of the two Directors of the Company. |   |   |
|           | 2. Interest rate on the Short Term Loans from Banks repayable during 2012 and 2013 vary in the range of 13.25% to 15%.   |   |   |
| <b>8.</b> | <b>Trade payables</b>  |   |   |
|           | Trade payables   | 200,517,217                             | 264,989,370                             |
|           | <b>Total</b>   | <b>200,517,217</b>                      | <b>264,989,370</b>                      |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER, 2013

(Amount in `)

| Note      |   | As at<br>31 <sup>st</sup> December 2013 | As at<br>31 <sup>st</sup> December 2012 |
|-----------|---|---|---|
| <b>9.</b> | <b>Other current liabilities</b>  |   |   |
|           | Current maturities of long term borrowings (note 5)<br>[Including interest accrued and due]   |   |   |
|           | Term Loans from Banks   | 8,852,937,883                           | 7,758,231,716                           |
|           | Redeemable Non-Convertible Debentures   | 3,570,590,584                           | 2,518,071,685                           |
|           | External Commercial Borrowings  |   |   |
|           | a) ECB 2009 aggregating USD 47,315,243<br>(31 December 2012: USD 23,336,260)  | 2,928,671,618                           | 1,278,297,315                           |
|           | b) ECB 2010 aggregating USD 70,290,270<br>(31 December 2012: USD 39,805,539)  | 4,350,756,809                           | 2,180,439,951                           |
|           | Foreign Currency Convertible Bonds  |   |   |
|           | Zero Coupon Convertible Bonds due 2012<br>(Aggregating to USD 203,115,187<br>(31 December 2012: USD 183,852,085)<br>[Including provision for premium on redemption<br>aggregating to USD 49,352,085 and interest accrued<br>thereon (31 December 2012: 49,352,085)] | 12,572,220,742                          | 10,070,920,816                          |
|           |   | <b>32,275,177,636</b>                   | 23,805,961,482                          |
|           | Other current liabilities   | 408,265,870                             | 498,265,870                             |
|           | <b>Total</b>  | <b>32,683,443,506</b>                   | <b>24,304,227,352</b>                   |

The Company had issued Zero Percentage Foreign Currency Convertible Bonds due 2012 (FCCBs) aggregating to US\$ 250 million. As at December 31, 2013, the Company's outstanding FCCBs has a nominal value of US\$ 134.50 Million and maturity value of USD 183.85 Million including redemption premium but excluding annual accretion value of the existing FCCBs, which will be added at the rate of 6.35% p.a from the date of maturity till the settlement date.

Extra Ordinary Resolution was passed at the Meeting of the Bondholders on 20th November 2013 approving cashless exchange of Existing Bonds and substitution of the Existing Bonds aggregating to USD 183.85 million plus annual accretion value of the existing FCCBs from the date of maturity till the settlement date, accrued thereon with Zero Coupon Foreign Currency Convertible Bonds (FCCB) due 2019 at a redemption premium of 30.70% at fixed USD-Rupee Conversion rate of ` 48/- and at a conversion price of ` 60/- per share. Company is currently in the process of completing regulatory formalities for cash less exchange of bonds with the new bonds subject to regulatory approvals. Company expects to complete the process of exchange of Existing Bonds with the New Bonds by end March 2014.



| Particulars                   | (Amount in `)  |               |           |                |                |               |           |                |                |                |           |  |
|-------------------------------|----------------|---------------|-----------|----------------|----------------|---------------|-----------|----------------|----------------|----------------|-----------|--|
|                               | GROSS BLOCK    |               |           |                |                | DEPRECIATION  |           |                |                |                | NET BLOCK |  |
|                               | 01.01.2013     | Additions     | Deduction | 31.12.2013     | 01.01.2013     | For the year  | Deduction | 31.12.2013     | 31.12.2013     | 31.12.2012     |           |  |
| Land & Development            | 341,490,057    | -             | -         | 341,490,057    | -              | -             | -         | -              | 341,490,057    | 341,490,057    |           |  |
| Leasehold Land                | 648,448,287    | -             | -         | 648,448,287    | 560,941        | 6,731,297     | -         | 7,292,238      | 641,156,049    | 647,887,346    |           |  |
| Building                      | 4,341,841,451  | 19,234,311    | -         | 4,361,075,762  | 589,348,126    | 145,367,956   | -         | 734,716,082    | 3,626,359,680  | 3,752,493,325  |           |  |
| Plant & Machinery             | 42,780,265,519 | 523,441,266   | -         | 43,303,706,784 | 11,593,669,624 | 2,346,429,984 | -         | 13,940,099,608 | 29,363,607,176 | 31,186,595,895 |           |  |
| Office Equipments & Furniture | 345,430,526    | 1,840,388     | -         | 347,270,914    | 129,103,847    | 21,036,862    | -         | 150,140,709    | 197,130,205    | 216,326,679    |           |  |
| Vehicles                      | 261,822,095    | 4,979,215     | 7,000,242 | 259,801,068    | 75,306,458     | 23,600,317    | 3,720,516 | 95,186,259     | 164,614,809    | 186,515,637    |           |  |
| TOTAL                         | 48,719,297,935 | 549,495,179   | 7,000,242 | 49,261,792,873 | 12,387,988,996 | 2,543,166,416 | 3,720,516 | 14,927,434,896 | 34,334,357,977 | 36,331,308,939 |           |  |
| Previous Year                 | 39,220,666,951 | 9,498,630,984 | -         | 48,719,297,935 | 9,799,680,382  | 2,588,308,614 | -         | 12,387,988,996 | 36,331,308,939 | 29,420,986,569 |           |  |

Note : Additions to Plant & Machinery includes Borrowing cost and exchange variation on foreign currency loans for expansion projects.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2013

(Amount in `)

| Note       |   | As at<br>31 <sup>st</sup> December 2013 | As at<br>31 <sup>st</sup> December 2012 |
|------------|---|---|---|
| <b>11.</b> | <b>Investments</b><br>(At cost/carrying amount unless otherwise stated)                 |   |   |
|            | In Units of Mutual Funds<br>[Market Value ` 8,758,483 (31 Dec. 2012: ` 4,986,329)]      | 14,976,458                              | 14,976,458                              |
|            | In Shares (Quoted)<br>[Market Value ` 3,689,467 (31 Dec. 2012: ` 5,932,294)]            | 30,435,921                              | 30,435,921                              |
|            | In Shares (Un-quoted at cost)   | 3,719,694,140                           | 3,719,694,140                           |
|            | National Savings Certificate  | 68,000                                  | 68,000                                  |
|            | <b>Total</b>  | <b>3,765,174,519</b>                    | <b>3,765,174,519</b>                    |
| <b>12.</b> | <b>Inventories</b>  |   |   |
|            | Raw Materials   | 1,242,929,225                           | 1,590,794,421                           |
|            | Stock in Process  | 6,306,327,544                           | 6,370,616,253                           |
|            | Stores & Spares parts   | 13,614,734                              | 154,945,720                             |
|            | Finished Goods  | 372,326,654                             | 583,017,474                             |
|            | <b>Total</b>  | <b>7,935,198,157</b>                    | <b>8,699,373,868</b>                    |
| <b>13.</b> | <b>Trade Receivables</b><br>(Unsecured, Considered Good)                                |   |   |
|            | Outstanding for a period exceeding six months from<br>the date they are due for payment | 578,635,641                             | 555,235,641                             |
|            | Other receivables   | 2,778,424,321                           | 2,915,724,321                           |
|            | <b>Total</b>  | <b>3,357,059,962</b>                    | <b>3,470,959,962</b>                    |
| <b>14.</b> | <b>Cash and Bank Balances</b>   |   |   |
|            | Cash and cash equivalents   |   |   |
|            | Cash on hand  | 2,237,485                               | 2,108,406                               |
|            | Balances with banks   |   |   |
|            | In Current Account  | 118,504,991                             | 49,947,660                              |
|            | In Fixed Deposits   | 54,129,064                              | 126,274,688                             |
|            | <b>Total</b>  | <b>174,871,540</b>                      | <b>178,330,754</b>                      |
| <b>15.</b> | <b>Short-term loans and advances</b><br>(Unsecured, Considered Good)                    |   |   |
|            | Deposits  | 57,106,100                              | 45,611,888                              |
|            | Balance with Excise & Other Government Authorities                                      | 62,767,784                              | 100,392,884                             |
|            | Advance recoverable in cash or kind or for value to be received                         | 2,747,918,228                           | 2,727,507,104                           |
|            | <b>Total</b>  | <b>2,867,792,112</b>                    | <b>2,873,511,876</b>                    |
| <b>16.</b> | <b>Contingent Liabilities (Not provided for)</b>  |   | (` in Lacs)                             |
|            | Estimated amount of contracts remaining to be executed<br>on capital account            | 778.93                                  | 885.81                                  |
|            | Letters of credit issued by the Banks   | Nil                                     | Nil                                     |
|            | Disputed claims / levies in respect of claims by other parties                          | 8,286.44                                | 7,333.29                                |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER, 2013

(Amount in `)

| Note       |  | For the year ended<br>31 <sup>st</sup> December 2013 | For the year ended<br>31 <sup>st</sup> December 2012 |
|------------|--|--|--|
| <b>17.</b> | <b>Revenue</b>   |  |  |
|            | Sale of Finished goods   | 7,180,694,670  | 8,347,741,871  |
|            | <b>Revenue from operations (net)</b>                               | <b>7,180,694,670</b>                                 | <b>8,347,741,871</b>                                 |
| <b>18.</b> | <b>Cost of material consumed</b>                                   |  |  |
|            | Opening Stock  | 1,745,740,141  | 3,469,359,781  |
|            | Add: Purchases   | 4,354,254,707  | 4,420,881,909  |
|            |  | 6,099,994,848  | 7,890,241,690  |
|            | Less: Closing Stock  | 1,256,543,959  | 1,745,740,141  |
|            | <b>Total</b>   | <b>4,843,450,888</b>                                 | <b>6,144,501,549</b>                                 |
| <b>19.</b> | <b>Changes in inventory of finished goods and work-in-progress</b> |  |  |
|            | Inventory at the end of the year                                   |  |  |
|            | Finished goods   | 372,326,654  | 583,017,474  |
|            | Work-in-progress   | 6,306,327,544  | 6,370,616,253  |
|            |  | 6,678,654,198  | 6,953,633,727  |
|            | Inventory at the beginning of the year                             |  |  |
|            | Finished goods   | 583,017,474  | 1,143,422,588  |
|            | Work-in-progress   | 6,370,616,253  | 5,475,129,387  |
|            |  | 6,953,633,727  | 6,618,551,975  |
|            | <b>(Increase)/decrease in inventory</b>                            | <b>274,979,530</b>                                   | <b>(335,081,753)</b>                                 |
| <b>20.</b> | <b>Employee benefits expense</b>                                   |  |  |
|            | Salaries, Wages & Bonus  | 501,190,317  | 498,669,051  |
|            | Contribution to Provident Fund & Other funds                       | 20,314,289   | 17,524,532   |
|            | Staff Welfare expenses   | 25,262,938   | 20,609,168   |
|            | <b>Total</b>   | <b>546,767,544</b>                                   | <b>536,802,751</b>                                   |
|            | Managerial Remuneration (included above)                           |  |  |
|            | Salary (including Bonus)   | 4,800,000  | 4,800,000  |
|            | <b>Total</b>   | <b>4,800,000</b>                                     | <b>4,800,000</b>                                     |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER, 2013

(Amount in `)

| Note       |   | For the year ended<br>31 <sup>st</sup> December 2013 | For the year ended<br>31 <sup>st</sup> December 2012 |
|------------|---|--|--|
| <b>21.</b> | <b>Other expenses</b>   |  |  |
|            | Repair & Maintenance: Buildings                                       | 23,255,893   | 10,110,643   |
|            | Repair & Maintenance: Plant & Machinery                               | 90,202,336   | 45,502,700   |
|            | Traveling & Conveyance  | 36,053,809   | 46,908,946   |
|            | Telephone & Telex   | 7,905,530  | 16,116,390   |
|            | Printing & Stationery   | 4,805,477  | 8,583,094  |
|            | Postage, Telegram & Courier   | 1,123,001  | 10,976,136   |
|            | Office Expenses   | 169,935,172  | 113,204,237  |
|            | Selling & Distribution Expenses                                       | 183,808,082  | 274,110,111  |
|            | Loss on Fire  | 51,601,949   | –  |
|            | <b>Total</b>  | <b>568,691,248</b>                                   | <b>525,512,257</b>                                   |
|            | Auditors Remuneration (Included in Office expenses)                   |  |  |
|            | Audit Fees  | 400,000  | 400,000  |
|            | Tax Audit Fees  | 150,000  | 150,000  |
|            | Taxation and other matters  | 200,000  | 200,000  |
|            | Service Tax   | 92,700   | 92,700   |
|            | <b>Total</b>  | <b>842,700</b>                                       | <b>842,700</b>                                       |
| <b>22.</b> | <b>Earnings per share (EPS)</b>                                       |  |  |
|            | a. Net Profit/(loss) for the year as per Statement of Profit and loss | (4,006,534,920)                                      | (3,497,739,678)                                      |
|            | b. Nominal value of each Equity share (`)                             | 1.00   | 1.00   |
|            | c. Weighted average No. of Equity Shares for Basic EPS                | 267,873,590  | 267,873,590  |
|            | d. Basic Earnings per Share (`) (a/c)                                 | (14.96)  | (13.06)  |
|            | e. Weighted average No. of Equity Shares for Diluted EPS              | 302,503,000  | 302,503,000  |
|            | f. Diluted Earnings per Share (`) (a/e)                               | (13.24)  | (11.56)  |
| <b>23.</b> | <b>Foreign Currency Earnings and Expenditure</b>                      |  | (` in Lacs)  |
|            | a. FOB value of Exports   | 18,597.98  | 22,296.78  |
|            | b. CIF Value of Imports   | 122.17   | 43.53  |
|            | c. Other Expenditure  | 126.71   | 1,032.17   |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER, 2013**24. SEGMENTAL REPORTING**

The company's operations fall under single segment; hence Segment Reporting as defined under AS-17 is not applicable to the Company.

**25. Related Party Disclosures****A) Names of related Parties and their relationship**

|  |   |
|--|---|
| i) Details of Key Management Personnel<br>Mr. Nitin J. Sandesara - Chairman and Managing Director<br>Mr. Chetan J. Sandesara - Joint Managing Director | ii) Enterprises in which significant influence is exercised by Key Management Personnel<br>Sterling SEZ and Infrastructure Limited<br>Sterling Oil Resources Limited<br>Sterling Port Limited<br>Atlantic Bluewater Services Pvt. Ltd.<br>British Oil & Gas Exploration Ltd.<br>Sterling Fincom Private Limited, Mauritius (Subsidiary)<br>Sterling Commercial FZE, U.A.E. (subsidiary of Sterling Fincom Private Limited, Mauritius) |
|--|---|

**B. The aggregate amount of transaction with the related parties is as below** (₹ In Lacs)

| Particulars                              | Nature of Transaction      | For the Year ended 31 <sup>st</sup> December 2013 | For the Year ended 31 <sup>st</sup> December 2012 |
|--|----------------------------|---|---|
| 1. Mr. Nitin J. Sandesara                | Remuneration               | 24.00   | 24.00   |
| 2. Mr. Chetan J. Sandesara               | Remuneration               | 24.00   | 24.00   |
| 3. Sterling SEZ and Infrastructure Ltd.  | Loans & Advances           | 3,112.00  | 3,112.00  |
|  | Maximum amount outstanding | 3,112.00  | 7,612.00  |
| 4. Sterling Port Limited                 | Loans & Advances           | 5,256.00  | 5,256.00  |
|  | Maximum amount outstanding | 5,256.00  | 5,256.00  |
| 5. Sterling SEZ and Infrastructure Ltd.  | Investment                 | 18,500.00   | 18,500.00   |
| 6. Sterling Oil Resources Limited        | Investment                 | 500.00  | 500.00  |
| 7. Sterling Port Limited                 | Investment                 | 17,036.00   | 17,036.00   |
| 8. Atlantic Bluewater Services Pvt. Ltd. | Investment                 | 4.97  | 4.97  |
| 9. British Oil & Gas Exploration Ltd.    | Investment                 | 5.46  | 5.46  |

**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER, 2013****26. Dues to micro and small enterprises**

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

**27. Previous year figures**

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

As per our report of even date attached  
For **H. S. HATHI & CO.**  
**Chartered Accountants**  
**Firm Regn. No. 103596W**

**HEMANT S. HATHI**  
**Proprietor**  
**Membership No. 037109**  
Place : Mumbai.  
Dated : 28<sup>th</sup> February, 2014

For and on behalf of the Board of Directors

**Nitin J. Sandesara**  
Chairman and Managing Director

**Chetan J. Sandesara**  
Joint Managing Director

**Rajbhushan O. Dixit**  
Director



**CASH FLOW STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER, 2013**

(Amount in `)

| PARTICULARS   | For the year ended<br>31 <sup>st</sup> December 2013 | For the year ended<br>31 <sup>st</sup> December 2012 |
|---|--|--|
| <b>A) Cash flow from operating activities:</b>                        |  |  |
| Net Profit before taxation and exceptional items                      | (5,930,834,920)                                      | (5,165,352,409)                                      |
| Adjustments for   |  |  |
| - Depreciation/amortisation   | 2,543,166,416  | 2,600,495,883  |
| - Interest expenses   | 4,377,079,365  | 4,123,282,071  |
| <b>Operating profit before working capital changes</b>                | <b>989,410,861</b>                                   | <b>1,558,425,546</b>                                 |
| Movement in working capital :   |  |  |
| Trade Receivables   | 113,900,000  | 3,759,156,787  |
| Other Receivables   | 5,719,764  | 1,395,004,744  |
| Inventories   | 764,175,711  | 1,388,537,887  |
| Trade Payable (Current Liabilities)                                   | (143,259,729)  | 25,100,352   |
| Direct Tax  | (11,212,424)   | (1,446,328)  |
| <b>Cash flow Before Extra Ordinary Items</b>                          | <b>1,718,734,184</b>                                 | <b>8,124,778,988</b>                                 |
| Extra-Ordinary Expenses   | -  | (12,187,269)   |
| <b>Net cash flow (used in)/from operating activities (A)</b>          | <b>1,718,734,184</b>                                 | <b>8,112,591,719</b>                                 |
| <b>B) Cash flows from investing activities</b>                        |  |  |
| Purchase of fixed assets  | (3,148,183,502)                                      | (8,001,125,842)                                      |
| Purchase of investments   | -  | (115,141,926)  |
| <b>Net cash flow used in investing activities (B)</b>                 | <b>(3,148,183,502)</b>                               | <b>(8,116,267,768)</b>                               |
| <b>C) Cash flows from financing activities</b>                        |  |  |
| Proceeds/(Repayment) of long term borrowings                          | 4,083,490,516  | 2,678,296,314  |
| Proceeds/(Repayment) of short term borrowings                         | 1,719,578,953  | 1,407,120,372  |
| Interest paid   | (4,377,079,365)                                      | (4,123,282,071)                                      |
| Dividend & Dividend Tax   | -  | -  |
| <b>Net cash (used in)/from financing activities (C)</b>               | <b>1,425,990,104</b>                                 | <b>(37,865,385)</b>                                  |
| <b>Net increase/(decrease) in cash &amp; cash equivalents (A+B+C)</b> | <b>(3,459,214)</b>                                   | <b>(41,541,434)</b>                                  |
| Cash and cash equivalents at the beginning of the year                | 178,330,754  | 219,872,188  |
| Cash and cash equivalents at the end of the year                      | 174,871,540  | 178,330,754  |
|   | <b>(3,459,214)</b>                                   | <b>(41,541,434)</b>                                  |

**Notes:**

- The Cash flow has been prepared under the Indirect Method as set out in Accounting Standard-3 on Cash Flow statement.
- Figures in bracket represent Cash Outflow.

As per our report of even date attached

For **H. S. HATHI & CO.****Chartered Accountants****Firm Regn. No. 103596W****HEMANT S. HATHI****Proprietor****Membership No. 037109**

Place : Mumbai.

Dated : 28<sup>th</sup> February, 2014

For and on behalf of the Board of Directors

**Nitin J. Sandesara**

Chairman and Managing Director

**Chetan J. Sandesara**

Joint Managing Director

**Rajbhushan O. Dixit**

Director