Marksans Pharma Ltd.

Health Care in Safe Hands...

ANNUAL REPORT
2012-2013

Marksans Pharma Limited Operations

Marksans Pharma Limited's operations span across multiple legal entities. The operations of the Company have been divided in to four companies:

1. Marksans Pharma Ltd., India
2. Bell, Sons & Co. (Druggists) Limited, UK
3. Relonchem Limited, UK
4. Nova Pharmaceuticals Australasia Pty. Ltd., Australia

Bells Product

Marksans India business

Marksans India business comprises developing, manufacturing and selling branded formulations and generic products for regulated and emerging markets; providing CRAMS services to leading pharmaceutical companies; and developing and filing for ANDA/product approvals for manufacturing and selling generic products in the USA, Europe, Canada, Australia and emerging markets.

Growth	The growth of Marksans India sales is primarily a function of growth in CRAMS demand and export of generic products to US, Europe and emerging markets. The company expects sales to grow primarily driven by ANDA/ Product approvals in the global markets.
Profitability	Company expects increase in its EBITDA margin on account of new ANDA product launches in the US markets and also due to better realization of currency movements. However, with increase in competition over the years, pricing pressure may erode the margins.
Investment requirement	The company has planned marginal expenses that may be incurred against the current ANDA filings for launching corresponding generic products in the US markets.

Bell, Sons & Co. (Druggists) Limited, UK

- Bell, Sons & Co. (Druggists) Limited is a manufacturer and distributor of OTC products in the UK and also exports its products into global markets.
- Bell is a well established manufacturer of a broad range of OTC pharmaceuticals having full approval of the UK MHRA and currently holds 38 product licenses. Licensed products contribute over 45% of Bell' total turnover.
- Bell manufactures licensed products both as own branded products and for certain customers in own label form together with a range of unlicensed products. Customers include retailers, pharmacies, chemist wholesalers and cash and carry outlets.
- The company has a comprehensive UK customer base with excellent distribution between retail and wholesale sectors. It also has a significant and well established portfolio of export distributors.
- The company's product baskets consists of:

  - Cough and cold remedies
  - Galenicals
  - Vitamins
  - Palliative and healthcare items
  - Oils
  - Antiseptics and disinfectants
- The company has traded in the export markets for 80 years. The company uses a network of established distributors as the route to overseas markets. Distributors generally benefit from exclusive distribution rights for their country of operation, thus providing stability in terms of marketing and price maintenance for both distributor and the company.
- Because of their longevity, the company's branded products are well recognized and greatly respected in many overseas markets. The company's products are sold in more than 40 countries with principal markets being in West Africa and the Middle East.

Growth	The Management expects sales to grow higher than overall growth rate of UK OTC market. The company plans to further spread out in domestic markets by strengthening its distribution network going forward. The Management plans to utilize Bell's distribution network to push pharmaceutical products such as solid orals, which are manufactured by Marksans India into the UK market.
Profitability	Gross profit margins of the company are expected to increase. This increase in gross profit margin is because the company plans to source its raw material from price competitive countries like India and China in the future.

Relonchem Limited, UK

Relonchem Limited is engaged in licensing, marketing and supply of generic pharmaceutical products across UK. The Company has major national distributors like AAH, Unichem and Phoenix and regional wholesalers as their distribution partners.

The company plans to increase its sourcing from Marksans India's Goa plant thereby taking advantage of low cost manufacturing.

Growth	Relonchem acquisition has given Marksans, immediate sales and marketing front-end access to the UK generic licensing market of wholesalers, retailers and hospitals. The UK is the second-largest generics market in the European Union, accounting for 26 percent of the market in value terms. The country's generics market is one of the world's largest in terms of both size and value.
Profitability	The Management plans to integrate some of the functions such as logistics, finance and accounts and others with Bell. The Management expects cost synergies which will curtail certain operating expenses and thus improve EBITDA margins.

Nova Pharmaceuticals Australasia Pty Ltd, Australia

Nova Pharmaceuticals Australasia Pty Ltd markets private label OTC and pharmaceutical products.

Growth	Nova is supplying products to the top most retailers/pharmacies in Australia like Woolworths Ltd., Coles Mayer Ltd., Aldis, Metcash and Fauldings and Company's sells are expected to grow higher than overall growth rate of Australia's OTC market.
Profitability	The company plans to increase the sourcing of its products from Marksans India's Goa plant, which will help it to maintain its profit margins due to low cost manufacturing.

BUSINESS SUMMARIES

Marksans Pharma Limited ("Marksans" or the "Company") was incorporated in 2001 as a wholly owned subsidiary of Glenmark Pharmaceuticals Limited. In 2003 it was spun-off into a separate entity as Glenmark Laboratories Ltd. and subsequently changed its name to "Marksans Pharma Ltd" in 2005. Marksans is primarily engaged in manufacturing and marketing of generic pharmaceutical products. The Company also offers Contract Research and Manufacturing Services (CRAMS) to global pharmaceutical companies. The Company is listed in India on the BSE and NSE.

GEOGRAPHIC FOCUS

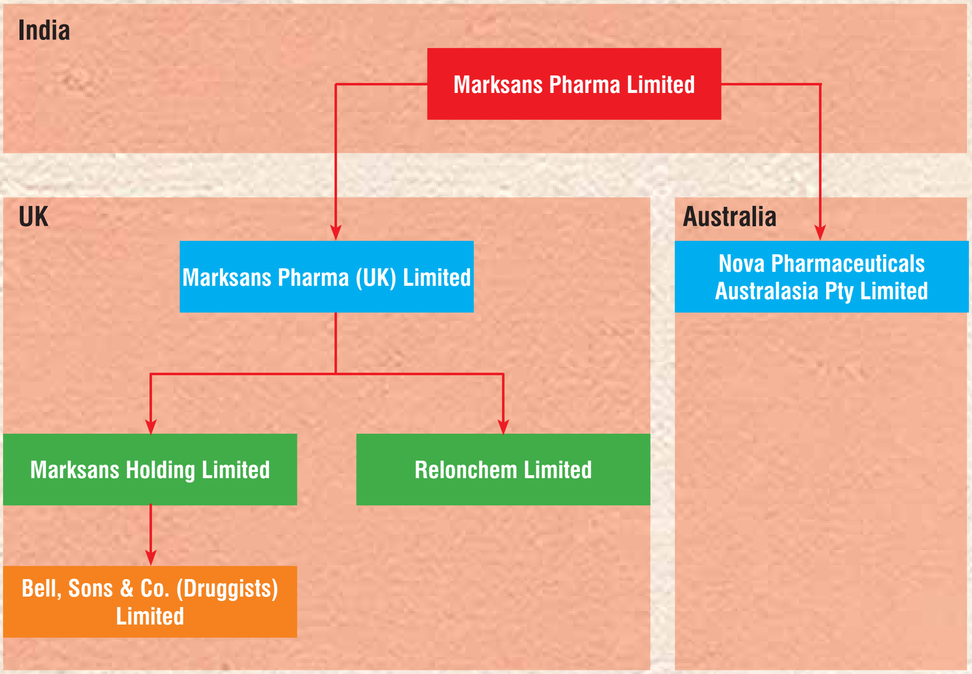
Marksans' India business focus is on providing branded formulations with main focus on Oncology, Critical care, Nuero-Psychiatrist, CVS, Anti-diabetic and Pain Management. Outside of India, its main focused market are US, UK, Australia, New Zealand, Canada, Germany and other European markets. The Company has established itself in Australia and New Zealand by acquiring a marketing company, Nova Pharmaceuticals Australasia Pty Ltd. in 2005, which is engaged in marketing of generic products. In 2008, Marksans acquired UK's Hale Group along with its subsidiary, Bell, Sons & Co. (Druggist) Ltd., which is engaged in manufacturing of range of Over the Counter (OTC) products and licensed branded products. The Company also sells over 300 product IPs in emerging markets across Africa, Asia and Middle East.

MANUFACTURING AND R&D CAPABILITIES

The Company has a formulation manufacturing unit at Goa. It is one of the leading manufacturing facility for soft gelatin capsules in Asia. This plant is approved by US FDA, UK MHRA, Australian TGA, Brazilian ANVISA and other foreign health authorities. Marksans also owns a UK MHRA licensed factory in Southport, UK for manufacturing non-sterile liquids, ointments and powder products. The Company has set up R&D facility at Goa, having capability of dossier development service, formulation development, analytical development and conducting stability studies.

LEGAL STRUCTURE

Marksans global manufacturing and marketing functions are organized amongst its four legal entities in India, UK and Australia. This structure has evolved primarily as a consequence of the acquisitions / divestitures done by the Company in past five years. The figure below depicts the current structure of operations of Marksans at a consolidated level.



In order to reduce its real time entry in new markets and expand into global formulation market, the Company adopted the inorganic path.

BUSINESS DIVISION AND PRODUCT PROFILE

The Company specializes in the manufacture of a range of prescription & OTC generic drugs. Though US, UK, Australia, New Zealand, Canada, Germany and other European markets are the main focus markets, the Company is expanding its reach in emerging markets and has filed for 529 registrations across all emerging markets. Out of these it already has registration of 313 products in countries like Cambodia, Philippines, Vietnam, Sri Lanka, Kenya, Tanzania, Ukraine, Russia, Hong Kong, Panama, Nigeria, etc.

Business division

Marksans primarily offers generic pharmaceutical products across international market, which are primarily manufactured by the Company itself at its Goa and Southport, UK facilities.

India - CRAMS

Currently the Company has alliance with Multi National generic Companies for CRAMS for generic products for global markets. It has licensing agreements with numerous companies for development and supply of products for 7 to 10 years.

US

The Company has received ANDA approvals from US FDA which are primarily into CNS, Anti-diabetic, Pain management segments. Company's Goa manufacturing plant is also approved by US FDA for its soft gelatin based products. Company has also filed ANDAs for the products which are going off-patent from 2014 onwards and is expecting the approvals. Company has identified strong portfolio of products for more ANDA filing. The Company has already tied up with major distributors / big pharma companies in the US market for sales and distribution of these products.

Europe

Marksans currently has over 100 product registrations across various therapeutic segments at various stages of development, registration or approval. The Company, through its subsidiary Relonchem Limited markets licensed generic products in the UK, which are primarily sourced from Marksans India Plant. The Company's subsidiary Bell, Sons & Co. (Druggists) Ltd. manufactures a broad range of OTC which are sold in UK, West Africa and the Middle East.

Australia & New Zealand

Nova Pharmaceuticals Australasia Pty Ltd., subsidiary of Marksans has 20 plus products licenses which are approved by Australian Therapeutic Goods Administration (TGA). In FY2010, the Company received approval for the Ibuprofen 200mg Soft gel product, for which it has already tied up with leading retail chains / pharmacies.

Manufacturing and R&D capability

Marksans has two manufacturing facilities – Goa, India and Southport, UK.

Manufacturing facility

1. **Goa –India:** Marksans' manufacturing facility in India is located at Verna, Goa. This plant is of international standards and adheres to stringent quality norms and is approved by US FDA, UK MHRA, Australian TGA, Brazilian ANVISA and other foreign health authorities. The plant is primarily used for manufacturing formulations. This facility is one of the largest manufacturing facility for soft gelatin based products in Asia. This facility is a 100% Export Oriented Unit.
2. **Southport – UK:** Marksans operates a UK MHRA licensed facility in Southport, UK through its subsidiary Bell, Sons & Co. (Druggists) Ltd. The facility manufactures non-sterile liquids, ointments and powder products. This plant is primarily used to produce formulations which are then sold in UK and other markets in West Africa and the Middle East. The facility houses development laboratory and have the capability to develop and improve formulations.

R & D Capability

Goa – India: Currently the Company undertakes all its R&D activities from its R&D facility which is located at its manufacturing facility at Verna, Goa. Focused area of Marksans R&D activity is to develop generic products and identification of niche areas for product development, mainly in dossier development, post patent filing for regulated and emerging markets. The R&D capabilities of the Company includes Dossier Development Service, Formulation Development and conducting stability studies. The facility in houses a pilot manufacturing plant. This facility is approved by DSIR.

INDIAN CRAMS MARKET

India addresses the outsourcing need across the entire product lifecycle. Indian CMO market CAGR was about 42 from 2007 to 2012E which is approximately 3 times the global CMO market growth rate. Currently innovators outsource 55 percent of the CMO activity. The outsourcing of CTO and CRO is 35 percent and 25 percent of total outsourcing pie. CTO and CRO phase account for 62 percent and 26 percent of the entire drug development spending, respectively. The share of spending in CTO and CRO are also much higher compared to CMO in the pharma life-cycle.

Indian CRAMS Market

1. Indian CRAMS industry (both contract manufacturing and contract research together) accounted just about 4 percent of global CRAMS opportunity in 2012.
2. It is estimated to be about 6 percent of the global CRAMs market in 2014 and is expected to double by 2016.
    - Growth in the CRO sector is expected to be greater than the growth in the CMO sector.

Indian CMO Market

1. The market grew at a CAGR of approximately 42 percent from 2007 to 2012.
2. Formulations outsourcing forms a small part of the Indian CMO sector. However, formulation outsourcing is expected to capture greater market share in the next few years.
3. Indian CRAMs players have diversified in terms of their product offerings and are building competencies to match the global players
   - The players are investing in MNC relationships and have also made some overseas acquisitions to gain access to customers and critical technologies/capabilities.

Indian CRO Market

1. Apart from the cost advantage, India offers several other advantages for contract research outsourcing by pharmaceutical companies including process, analytical and research chemistry skills, GLP compliant R&D facilities and a large talent pool of scientists.
2. The growth in the CRO market has been greater than the growth of the CMO market because of the low base of the market. The CRO market grew at a CAGR of approximately 85 percent from 2007 to 2012.
3. Pharmaceutical companies are increasingly shifting the clinical trials to emerging markets; there is a huge demand for outsourcing of biometrics, and drug safety work to India.

Future Drivers

High end and complex technology services

High-end outsourced activities like CTO and CRO with significantly higher margins as well as services like high potency drug manufacturing (with micro operational exposure as in oncology drug), research in nanotechnology etc. are expected to drive growth for the Indian CRAMs players.

Challenges

Regulatory environment

1. Most Asian CMOs still fail to demonstrate strict regulatory compliance that Western companies demand and their customers expect.
2. The regulatory timelines need to be shortened.
3. Moreover, investments in upgrading facilities to make them compliant with the regulatory authorities and technological advances costs form a big part of high percent of fixed costs to the CMOs.

IPR compliance

India has implemented the WTO TRIPS-mandated product patent regime, however, data protection and exclusivity still remain a big concern for the innovator pharmaceutical companies.

Lack of CMOs providing comprehensive services

1. There are only a few CMOs that provide end-to-end services spanning development services to packaging and managing logistics.
2. Pharmaceutical companies are interested in alliances with CMO players which provide a comprehensive portfolio of services to them.

High capital expenditure requirement

CRAMs business has a long gestation period and a significant front-ended capital expenditure is involved.

ANDA – Generic Market Opportunities in India

The global generics market is expected to grow from USD 80bn in 2008 to USD 135bn-150bn by 2015 with a CAGR of 10 percent, primarily driven by new patent expiries and growth in existing generics. At USD 35 bn, the US generics market commands the largest share in the global market.

US Generic Market

1. There is continued penetration of generics in the US market due to steeply escalating healthcare costs and the impending patent cliff. Large number of patented drugs are going off-patent in the next few years, thereby offering significant opportunities for Indian pharmaceutical players.
2. The US generic market presents the following advantages for the Indian generics players:
   - Approval from US FDA can open up a large USD 35bn market;
   - The market is easier to penetrate as it is dominated by 'generic generics' compared to branded-generic markets in the emerging world;
   - Distribution chain already in place and hence large upfront investments in sales and marketing infrastructure are not required; and
   - The gestation period is shorter, as there is no need to build relationships with physicians.
3. The US market accounts for approximately 40 percent of the global generics market and therefore, offers a large scope for scaling up operations.

Impending 'Patent Cliff'

1. Approximately USD 150 bn worth of drugs are expected to go off-patent by 2015.
2. The sale value of drugs going off-patent over the next five years in the US market is approximately double the sale value of drugs that went off-patent in the last five years.
3. New generics sales are expected to be the key growth drivers in the regulated markets of the US and Europe.
4. The new generics sales are expected to grow at a CAGR of 22 to 23 percent in the US.
   - The existing generics market is expected to grow slowly at a rate of around 3 percent .
5. This provides a considerable opportunity for generic manufacturers to capture greater generics' share of the US pharma market.
6. Additionally, generic companies will also benefit by the US healthcare bill to extend healthcare coverage to Americans who are still uncovered, as part of healthcare reforms. The provisions of the new healthcare bill are expected to provide a big impetus to generic drug manufacturers, globally.
7. The absorption rate for generics in the US market is thus expected to steadily increase over the next few years.

Strategies adopted by Marksans

Focus on small and medium-sized molecules: There is relatively little competition in the portfolio of mid-sized and smaller molecules on account of lower opportunity size as compared to large or blockbuster molecules. Over 50 percent of the India's ANDA filings are concentrated in small and medium-sized molecules. However, in order to grow to a considerable size in this market, newer players are required to have a reasonable presence in large and blockbuster molecules.

Targeting niche molecules: Companies are also identifying and offering niche products in which competition is low. These products usually address niche segments of the market, are relatively small-revenue products (usually USD25mn-100mn annual revenue) that do not attract significant competition or have higher technological barriers to entry, making these products inaccessible to low-end players competing on price.

Major Challenges faced by Indian Players

Generics players are increasingly facing challenges including pricing pressures and competition from the big pharmaceutical MNCs. However, the strategies adopted by the players are expected to enable them to remain competitive in the US market.

Competition from MNCs

To stunt the growth of generic companies, the Big Pharma companies are posing a threat to generic manufacturers through litigations. They are also increasingly launching authorized generics. In order to compete with the low prices, MNCs are also pricing drugs competitively.

Price erosion

1. Multiple players (new and old) rushing towards the US generics market along with the regulatory changes proposed by the government has resulted in pricing pressure leading to severe price erosion compared with the brand price.
2. Price erosion in certain blockbuster drugs has been as high as 95 percent.
3. The leading Indian players are in a comfortable position to counter the impact of severe price erosion in US generic market because of their large ANDA/DMF portfolios. However, for limited competition products and vanilla generic fillings, the pressure is still piling.

Delays in approval

A few leading Indian companies have been subject to USFDA scrutiny of their facilities and this has affected the image of Indian companies as suppliers of quality generics. Hence, the increasing scrutiny and stringency being imposed on generic manufacturers has led to delays in approvals and are also likely to result in a decrease in the ANDA approvals over the next few years.

Emerging Markets – Formulation Export

The share of formulation exports in the emerging markets has increased in the last few years and Marksans has adopted strategies to maintain and grow in these markets with a presence in emerging markets. Marksans plans to diversify from the highly competitive regulated markets.

1. Africa, Asia, Central African Republic (CARs) and Commonwealth of Independent States (CIS) account for over 87 percent of the total emerging markets exports from India.
2. Growth in the emerging markets of Africa, Asia, CARs and CIS countries and Latin America has been healthy. Growth in Latin America was stronger with a CAGR of 27.5 percent compared to the growth in the other emerging markets which grew at a CAGR of 23 percent between 2003-04 to 2008-09.
3. The growth of formulation exports is expected to be in the range of 15-17 percent over the period 2008-09 to 2013-14 in both regulated and emerging markets.
4. Among the emerging markets, the pharmaceutical markets of countries such as Brazil, Mexico, China, South Korea and the CIS region have recorded double-digit growth rates in the last few years. With increasing penetration of healthcare and awareness in these markets, the growth has been strong. Therefore, these markets present considerable opportunities to Indian players.
5. The fast growing emerging markets of Latin America, East Asia and Africa are expected to grow at a rate of 12-14 percent over the next few years.
6. However, the emerging markets are expected to provide steady growth opportunities to Indian players. Indian players are expected to increase their presence in these markets through distribution tie-ups and marketing alliances. Indian players with an established presence are expected to increase their presence in these markets.

Board of Directors

Mr. Mark Saldanha	Chairman & Managing Director
Dr. B. S. Desai	Whole-time Director
Mr. S. R. Buddharaju	Director
Mr. Ajay S. Joshi	Director

Registered Office

11th Floor, Lotus Business Park
Off New Link Road
Andheri (West)
Mumbai – 400053

Registrar & Share Transfer Agent

Bigshare Services Pvt. Ltd.
E-2/3, Ansa Industrial Estate
Saki Vihar Road, Sakinaka
Andheri (East), Mumbai – 400072

Legal Advisors

M/s Crawford Bayley & Co.

Bankers

State Bank of India
Bank of India
Corporation Bank
Lakshmi Vilas Bank Ltd

Works

I L-82 & 83, Verna Industrial Estate, Verna, Goa - 403 722.

II Bell, Sons & Co. (Druggists) Ltd.
Gifford House, Slaidburn Crescent, Southport, PR9 9AL

21st Annual General Meeting

Day & Date	:	Thursday, 26th September, 2013
Time	:	10.30 a.m.
Venue	:	GMS Community Centre Hall, Sitladevi Complex, 1st Floor, D.N. Nagar, Link Road, Andheri (W), Mumbai - 400 053.

Key Management Personnel

Mr. Mark Saldanha	Chairman & Managing Director
Dr. B. S. Desai	Whole-time Director & COO
Mr. Anurag Pathak	Head - International Business & Global Exports
Mr. Jitendra Sharma	Chief Financial Officer

Company Secretary & Manager – Legal

Harshavardhan Panigrahi

Statutory Auditors

M/s N. K. Mittal & Associates

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NOTICE

To the Members of Marksans Pharma Limited,

NOTICE is hereby given that the 21st Annual General Meeting of the Members of Marksans Pharma Limited will be held on **Thursday, the 26th September, 2013** at GMS Community Centre Hall, Sitladevi Complex, 1st Floor, D.N. Nagar, Link Road, Andheri (W), Mumbai 400 053, at **10.30 a.m.** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2013, the Statement of Profit and Loss for the period ended as on that date and the Report of the Directors and the Auditors thereon.
2. To appoint auditors to hold the 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

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

   "RESOLVED THAT Mr. Seetharama Raju Buddharaju be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By order of the Board of Directors

Mumbai
Dated : 16th August, 2013

Harshavardhan Panigrahi
Company Secretary and Legal Manager

NOTES:

a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE MEMBER OF THE COMPANY. Proxies in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

b) The Register of Members and Share Transfer Books of the Company will be closed from Saturday, the 21st September, 2013 and will remain closed till Thursday, the 26th September, 2013 (both days inclusive).

c) Shareholders desiring any information as regards the Accounts are requested to write to the Company at least 8 days In advance so as to enable the Management to keep the Information ready.

d) Members holding shares in physical form are requested to immediately intimate to the Company's Share Transfer Agents, changes, if any, in their registered address along with the PIN code number. Members holding shares in dematerialized mode are requested to forward intimation for change of address, if any, to their respective Depository Participant.

e) Trading in the Company's shares through Stock Exchange is permitted only in dematerialized /electronic form. The equity shares of the Company have been inducted in both National Securities Depository Limited and Central Depository Services (India) Limited to enable shareholders to hold and trade the securities in dematerialized /electronic form. In view of the numerous advantages offered by the Depository System, members holding shares of the Company in physical form are requested to avail of the facility of dematerialization.

f) In terms of provisions of Section 109A of the Companies Act, 1956, nomination facility is available to individual shareholders. The shareholders who are holding shares in physical form and are desirous of availing this facility may kindly write to the Company's Share Transfer Agent M/s Bigshare Services Private Limited for nomination form quoting their folio number. Shareholders holding shares in dematerialized form should write to their Depository Participant for the purpose.

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

ITEM NO. 3

Mr. Seetharama Raju Buddharaju has been appointed as a Director of your company on 5th October, 2011 to fill up the casual vacancy caused by the resignation of Mr. M. B. Parikh. The tenure of Mr. Seetharama Raju Buddharaju shall come to an end on the date of the forthcoming Annual General Meeting by virtue of the provisions of Section 262(2) of the Companies Act, 1956.

Notice along with deposit of ₹ 500/- has been received under Section 257 of the Companies Act, 1956, from a member of the Company signifying the intention to propose Mr. Seetharama Raju Buddharaju as a candidate for the office of the Director of the Company, liable to retire by rotation.

Mr. Seetharama Raju Buddharaju is a Science Graduate with Post Graduate Diploma in Marketing & Sales Management and Post Graduate Diploma in Business Management having more than 35 years of experience in Sales Management, Marketing & General Administration. He has successfully handled various sales management assignments in Parke-Davis and Pfizer at senior levels in various locations for 22 years. He has also worked as Sales Head for 3 divisions of Sarabhai Chemicals. His in-depth knowledge and experience in the aforesaid field shall be of great help to the Company in the long run, if appointed as a Director of the Company.

The Board, therefore, commends this item of the accompanying notice for approval of the Members.

None of the Directors, except Mr. Seetharama Raju Buddharaju, is interested or concerned with this resolution.

By order of the Board of Directors

Mumbai
Dated : 16th August, 2013

Harshavardhan Panigrahi
Company Secretary and Legal Manager

Important Communication

The Ministry of Corporate Affairs, vide its Circular No. 18/2011 dated 29th April, 2011, has clarified that as a measure of "Green initiative in Corporate Governance" it will be in compliance if the Annual Report is sent to the shareholders through e-mail. To support this green initiative, members holding shares in demat form are requested to provide their e-mail ID to the Depository through their concerned depository participant and members holding shares in physical form are requested to provide e-mail ID to the Company's Registrar and Transfer Agent M/s Bigshare services Pvt. Ltd. and also update the e-mail address as and when there is any change.

DIRECTORS' REPORT

The Directors take pleasure in presenting the 21st Report together with the Audited Accounts of the Company for the year ended 31 March, 2013.

FINANCIAL RESULTS

(₹ / Lacs)

Particulars	2012-13	2011-12
Turnover	**19,229.70**	15,459.13
Profit before Depreciation & Amortization expenses, Non-recurring expenses and Tax expenses	**3,830.84**	(2,328.91)
Less:		
Depreciation & Amortization Expenses	**870.33**	1,798.12
Non-recurring expenses	**-**	14,163.27
Tax expenses	**(997.77)**	(183.69)
Profit after Tax	**3,958.28**	(18,106.61)

OPERATIONS

During the year ended 31 March, 2013, total turnover achieved by your company was ₹ 19229.70 Lacs as compared to ₹ 15459.13 Lacs in the previous year. The year under review has registered a net profit of ₹ 3958.28 Lacs as against net loss of ₹ 18106.61 Lacs in the previous year. This is mainly due to strong business and improved financial performances, new ANDA product licenses in US markets and also due to better realization on account of currency movement.

RESEARCH AND DEVELOPMENT

The global challenges for the Indian pharma industry at large have increased several folds in the face of the transition from process to product patent regime in India from 2005 and to face the challenge, your company has continuously sharpened its focus on R & D, which is the need of the hour and will continue to commit funds to strengthen R & D capabilities. In fact, one of the Company's biggest strength lies in vibrant and productive R & D function that has continuously placed Marksans Pharma Ltd ahead through consistent development of niche technology, processes and products. Your company will continue to invest in R & D to keep pace with the changing domestic and global scenario. During the year, your company continued product development and dossier filing in US, Europe and other emerging markets.

FOREIGN CURRENCY CONVERTIBLE BONDS (FCCBs)

Your company has signed settlement agreement with few bond holders for settlement of principal value of USD 36,789,000 worth of Bonds. Under the settlement agreement, the settlement amount is payable over a period of 12 months from the date of signing the respective settlement agreements. Accordingly, the Company has written back the entire amount of USD 36,789,000 Bonds along with redemption premium of USD 16,628,628 (aggregating to USD 53,417,628) and provided for new liability based on the settlement payout in terms of the Settlement Agreements in the books of accounts for the year ended 31 March, 2013.

DE-REGISTRATION FROM BIFR

Due to settlement of a substantial amount of FCCBs and improved financial performance of your company, the Net Worth of your company has turned positive as at 31 March, 2013. Therefore, your company has been de-registered from the purview of SICA and is no longer under BIFR.

INTERNAL CONTROL SYSTEMS

Your company has in place adequate system of internal control and management information systems which covers all financial and operating functions. These systems are designed in a manner which provides assurance with regard to maintenance of strict accounting control, optimum efficiency in operations and utilization of resources as well as financial reporting, protection of Company's tangible and intangible assets and compliance with policies, applicable laws, rules and regulations.

INFORMATION TECHNOLOGY

Your company continues to make required investments in the Information Technology area to cope up with the growing information needs necessary to manage operations efficiently.

HEALTH, SAFETY & ENVIRONMENT

Your company is committed to ensure sound Safety, Health and Environment performance related to its activities, products and services. Your company is also committed to strengthen pollution prevention and waste management practices and to provide a safe and healthy environment.

DIVIDEND

In view of settlement payout to the Bond holders, the Board of Directors is not recommending any dividend for the financial year ended 31 March, 2013.

FIXED DEPOSITS

During the year under review, your company has not accepted any deposits.

DIRECTORS RESPONSIBILITY STATEMENT

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31 March, 2013 and the Statement of Profit and Loss for the period ended 31 March, 2013;
- proper and sufficient care has been taken 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;
- the annual accounts have been prepared on a going concern basis.

CONSOLIDATED FINANCIAL STATEMENTS

In compliance with the Accounting Standard - 21 on Consolidated Financial Statements, this Annual Report also includes Consolidated Financial Statements for the financial year under review. From the Consolidated Statement of Profit and Loss, it may be observed that the turnover of the year under review has increased to ₹ 43842.23 Lacs from ₹ 35554.87 Lacs in the previous financial year. During the year under review, your company registered a consolidated net profit of ₹ 4882.62 Lacs as against the net loss of ₹ 17607.93 Lacs during the previous financial year.

SUBSIDIARIES

Performance of Marksans Pharma (UK) Limited, which operates in the European market has improved.

Nova Pharmaceuticals Australasia Pty Ltd (your company holds 60% of the share capital) which operates mainly in Australia is doing well with consistent growth.

Pursuant to a Central Government's Circular dated 8th February, 2011, the audited accounts together with Director's Report and Auditor's Report of the subsidiaries namely M/s. Nova Pharmaceuticals Australasia PTY Limited and M/s. Marksans Pharma (U.K.) Limited are not being appended to the Annual Report. However, a statement giving information in aggregate for each subsidiary including subsidiaries of subsidiaries are attached to the Consolidated Balance Sheet.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed hereto and forms part of this Report.

EMPLOYEES

There is no employee drawing remuneration exceeding ₹ 60 Lacs per annum or ₹ 5 Lacs per month during the year ended 31 March, 2013 and therefore, provisions of Section 217(2A) of the Companies Act 1956, read with the Companies (Particulars of Employee) Rules 1975, as amended up to date do not apply.

HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS

The guiding principle of HR Policy at your company is that the "Intellectual Capital" and dedication of employees will help the Company emerge as a successful player in this highly competitive scenario.

The recruitment procedure ensures that people with talent and the right skill sets are selected. Nurturing of talent and a Performance Management System (PMS) is in place to ensure that the coordinated efforts of our people lead to achievement of the Business Goals of the company.

Empowerment and a motivational package ensure that employees keep performing at peak levels. The HR Policy is directed towards creating "Ownership of Goals" at levels and synchronizing the efforts of all employees to achieve the company's quality and business goals.

Development of skills through mentoring and training by our seasoned professionals ensures that the talent pool keeps expanding. The Leadership Role played by our senior professionals helps to keep the next rung of leadership ready to take up the challenges thrown up by the global market.

The management helps the process of decision making by decentralizing and empowering professionals to execute tasks in a speedy manner. The management fosters information sharing and free exchange of ideas. Above all, the sense of ownership and empowerment to take decisions helps the Company to adapt and be ahead of the competition in this rapidly changing global environment.

The industrial relation at all the plant sites of your company is cordial.

As on 31 March, 2013, the Company's permanent employee strength was 388.

DIRECTORS

Mr. Seetharama Raju Buddharaju, who was appointed as a Director to fill the casual vacancy caused by the resignation of Mr. M. B. Parikh with effect from 5th October, 2011, will vacate the office from the forthcoming Annual General Meeting. Your company has received notice from a member proposing the appointment of Mr. Seetharama Raju Buddharaju as a Director of the Company. The Board recommends the appointment of Mr. Seetharama Raju Buddharaju as a Director liable to retire by rotation.

CORPORATE GOVERNANCE

Pursuant to the Clause 49 of the Listing Agreement, a detailed report on Corporate Governance and Management Discussion and Analysis and a certificate from the Auditors regarding compliance with the conditions of Corporate Governance forms a part of this report.

AUDITORS

Members of the Company are requested to appoint Auditors for the ensuing year. It is proposed to appoint M/s. N. K. Mittal and Associates, Chartered Accountants, as the Statutory Auditors of the Company. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits Under Section 224 of the Companies Act, 1956. The Board recommends their appointment as Statutory Auditors.

APPRECIATION

The directors place on record their appreciation for the contribution made by the employees at all levels enabling the Company to achieve the performance during the year under review.

The directors also appreciate the valuable co-operation and continued support extended by Company's Bankers, Medical Professionals, Business Associates and Investors who have put their faith in the Company.

By order of the Board of Directors

Mumbai
Dated 16th August, 2013

Mark Saldanha
Chairman & Managing Director

ANNEXURE TO THE REPORT OF THE BOARD OF DIRECTORS

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULAR IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 2013.

A. CONSERVATION OF ENERGY

a) Energy Conservation measures taken:

The Company continues with its policy of giving priority to energy conservation measures including regular review of energy generation and consumption and effective control on utilization of energy.

The following energy conservation methods were implemented during the year.

a) Intensified internal audit aimed at detecting wastage and leakage of utility Circuits.

b) Scheduled production to avoid usage of diesel during "Weekly Power Shutdown".

c) Changed over to Agro Waste Fired boilers.

d) Optimisation in use of cooling water pumps.

e) Use of energy efficient pumps and motors.

f) Chemical dosing of cooling/chilling water system.

g) Installed energy efficient motors for chilling plant compressors.

h) Cold Insulation ducting and HVAC system was checked and sections redone.

b) Additional investments:

The Company is continuously installing electronic devices to improve quality of power and reduction of energy consumption:

c) Impact of above measure:

The adoption of energy conservation measures have resulted in considerable savings and increased level of awarness amongst the employees. The energy conservation measures have also resulted in improvement of power factor and consequential tariff benefits.

d) Energy Consumption:

	Particulars	2012-13	2011-12
1	Electricity		
	(a) Purchases		
	Units (kwhs)	**5,196,315.00**	5,555,130.00
	Total Amount (₹)	**24,983,447.00**	21,710,545.00
	Rate/ Unit (₹)	**4.81**	3.91
	(b) Own Generation		
	(i) Through Diesel Generation		
	Units (in'000 kwhrs)	**162.80**	204.22
	Units per Ltr of Diesel Oil	**2.96**	2.96
	Cost/ Unit (₹)	**15.15**	14.39
	(ii) Through Steam Turbine/ Generator	**0**	0
2	Coal	**0**	0
3	Furnace Oil		
	Qty (units in'000 K.Ltrs)	**0**	0
	Total Amount (₹in'000)	**0**	0
	Average Rate (₹/K/Ltr)	**0**	0
4	Light Diesel Oil		
	Units (K.Ltrs)	**0**	0
	Total Amount (₹ '000)	**0**	0
	Average Rate (₹/K.Ltr)	**0**	0
5	Petcoke		
	Qty (units in '000)	**0**	0
	Total Amount (₹ '000)	**0**	0
	Average Rate	**0**	0
6	Agrowaste Consumption		
	Qty (units in '000)	**4,073.70**	3,544.00
	Total Amount (₹ '000)	**14,961.47**	11,922.38
	Average Rate	**3.67**	3.36
7	Other Internal Generation	**0**	0

B. TECHNOLOGY ABSORPTION

Research and Development (R&D)

(1) Specific areas in which R&D carried out by the Company.

Foray into Generic business and identification of few niche areas for product development, mainly in dossier development, post patent filing for regulated & semi regulated markets.

(2) Benefits derived as a result of above R & D

Increase in number of products exported to US, Europe and other regulated and emerging markets.

(3) Future plan in action

Development of new and innovative products will lead to evolution of comprehensive range of generics leading to Abbreviated New Drug Applications / Dossiers for filing.

(4) Expenditure on R&D

Company continues to benefit from the extensive Research and Development (R&D) activity carried on. During the year, your company has incurred expenses of R & D nature for new products development and ANDA / Dossiers filing for regulated and emerging markets.

Technology absorption, adaptation and innovation.

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

   Improvements in process parameters, up-gradation of plant and systems facility, working systems, documentation and practices to international regulatory standards for European and U.S. Market.

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

   Bio Fuel being substantially cheaper to Furnace Oil, its usage will generate savings in fuel cost. Also it will save time on steam generation and add to operator safety. Access to highly regulated markets, thereby increasing the sales volumes. Installation of new testing equipment has substantially reduced dependency on external testing, thereby reducing the overall operational time cycles. The same has also resulted in reduction in manpower. Improvements in process parameters have reduced the percentage rejection in the process thereby reducing the wastage of costly raw material.

3. Imported Technology

   Nil

C. FOREIGN EXCHANGE EARNINGS & OUTGO

During the financial year 2012-13, your company used foreign exchange amounting to ₹ 3008.85 Lacs (Previous Year ₹ 2041.32 Lacs) and earned foreign exchange amounting to ₹ 18901.66 Lacs (Previous Year ₹ 15041.17 Lacs).

By order of the Board of Directors

Mumbai
16th August, 2013

Mark Saldanha
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

Global Pharmaceutical Market

The global pharmaceutical market is expected to grow at a CAGR of 5%, exceeding sales worth US$ 1.1 Trillion by 2017. This market, however, is expected to undergo a number of transitions which would impact the course of its growth. These transitions include a shift of growth from the developed to the emerging markets, an increasing focus on biopharmaceuticals compared to small molecule drugs and an increasing preference for generics compared to their branded versions.

Generics-focused companies will continue to benefit from patent expirations in 2013. While generic drug use is rising globally, ongoing price erosion and higher costs associated with producing more complex drugs are likely to cut into profits.

However, US deficit reduction efforts and persistent pricing pressures from healthcare reforms, in Europe in particular, will continue to weigh on the revenues of pharmaceutical companies.

The regulatory pathway for biosimilars, which are copies of biotech drugs, is likely to become clearer in the US, opening the door to regulatory filings this year. Biotech drugs are manufactured in a living system such as plant or animal cells, as opposed to traditional pharmaceutical drugs, which are made by combining chemical ingredients. In Europe, the creation of a pathway for copies of more complex biotech drugs could lead to at least one biosimilar being ready for launch when the patent on Remicade expires in Europe in August 2014.

However, market uncertainty, responding to price pressure, rising competition and regulatory changes are the leading business concerns for the global pharmaceutical industry in 2013.

A significant percentage of pharmaceutical manufacturing industry respondents highlighted that capital expenditure towards ‘new product development’, ‘employee training’, and ‘IT infrastructure development’ would increase in 2013.

The top three priorities for global pharmaceutical industry are ‘new products and services’, ‘improve operational efficiency’ and ‘expand in current markets’.

The US to offer the highest growth potential among developed countries in 2013-2014.

However, increasing price and cost pressure, regulatory changes and expiring patents are leading to shrinking margins in the pharmaceutical industry.

The global pharmaceutical industry is facing a major structural change. Even though global sales have risen in recent years, profit margins have dropped considerably. This means realigning business models to fit the various product/ market constellations and their requirements is imperative for ensuring business success.

Strategies for success

(i) pharmaceutical companies must manufacture their products in a cost-efficient way to remain profitable. To do so, companies can completely outsource certain functions or relocate them to low-cost countries. Companies that can offer high-quality products at reasonable prices will be successful, but this will require efficient administration, marketing and sales models.

(ii) A growing middle class, improving healthcare and rising income levels in emerging markets is driving up demand, even for more expensive medication. The development of new and innovative products provides considerable growth potential. However, successful market entry is possible only if products meet specific market conditions and patient requirements. To realize this, companies should conduct their medical affairs and R&D activities locally. Furthermore, these companies need a strong local sales organization and to collaborate with regional companies in order to gain effective access to patients willing to pay higher prices.

(iii) Pharmaceutical companies need efficient production and sales initiatives to drive their sales and earnings. To do so, collaborating with local partners makes good business sense.

US Generic Market:

- There is continued penetration of generics in the US market due to steeply escalating healthcare costs and the impending patent cliff. Large number of patented drugs are going off-patent in the next few years, thereby offering significant opportunities for Indian pharmaceutical players.
- The US generic market presents the following advantages for the Indian generics players:

- Approval from US FDA can open up a large USD 35bn market;
- The market is easier to penetrate as it is dominated by ‘generic generics’ compared to branded-generics markets in the emerging world;
- Distribution chain already in place and hence large upfront investments in sales and marketing infrastructure are not required; and
- The gestation period is shorter, as there is no need to build relationships with physicians.

- The US market accounts for approximately 40 percent of the global generics market and therefore offers a large scope for scaling up operations.

Impending ‘Patent Cliff’

- Approximately USD 150bn worth of drugs are expected to go off-patent by 2015. The value of these drugs going off-patent is expected to peak in the current fiscal.
- The sale value of drugs going off-patent over the next five years in the US market is approximately double the sale value of drugs that went off- patent in the last five years.
- New generics sales are expected to be the key growth drivers in the regulated markets of the US and Europe.
- The new generics sales are expected to grow at a CAGR of 22 to 23 percent in the US. However, the existing generics market is expected to grow slowly at a rate of around 3 percent.
- This provides a considerable opportunity for generic manufacturers to capture greater generics’ share of the US pharma market.
- Additionally, generic companies will also benefit by the US healthcare bill to extend healthcare coverage to Americans who are still uncovered, as part of healthcare reforms. The provisions of the new healthcare bill are expected to provide a big impetus to generic drug manufacturers, globally.
- The absorption rate for generics in the US market is thus expected to steadily increase over the next few years.

Emerging markets offer growth opportunities

Focusing on high-growth emerging markets could provide a way out of this tough situation. These markets will play a major role in driving the growth of the global pharmaceuticals market in the coming years. While the market for pharmaceutical products will grow on average by 4.5% annually through 2016, growth in emerging market will increase by almost 12%. Especially China, Brazil, India and Russia are experiencing above-average growth. Overall, emerging markets are expected to account for nearly 40% of the global market for pharma solutions by 2016.

The rising purchasing power in these regions, the growing middle class and better healthcare systems are driving the demand for medication. Many pharmaceutical companies are increasingly focusing on emerging markets to better leverage the considerable growth potential in these regions. More and more pharmaceutical companies are already planning to relocate their administration, R&D and sales departments to these high-growth countries.

Global outsourcing market:

Recent structural changes in the global pharmaceutical industry has led to outsourcing being a key strategy for improving profitability for innovator companies. These include a) declining productivity, b) rising costs of R&D, c) looming patent cliff, d) increasing genericization of products coupled with weaker pipelines of innovator companies, e) fewer blockbuster launches, and f) delays in new product approvals.

Major decisive factors for pharmaceutical companies to adopt outsourcing include flexibility, quicker time-to-market and lower scale-up costs in order to meet increasing demand for new drugs and focus on core competencies. Outsourcing also helps in the reduction of excess capacity in their manufacturing networks and restructure supply chains.

- Global outsourcing market reported a slowdown in growth driven by factors such as inventory rationalization by global innovators, reduced R&D spending etc., triggered by the recent economic crisis.
- However, over the medium to long-term, this market is likely to grow at a CAGR of about 20-25 percent, backed by strong fundamental drivers such as a) increased outsourcing by big pharmaceutical companies; and b) increased traction in the new and high-end service contracts.

Asia emerging as a preferred outsourcing hub

- The nucleus of outsourcing is fast shifting from western territories of North America and Europe towards Asia. Asia has number of local contract manufacturing players and a significant number of these players have US FDA and GMP certifications.
- Asian countries provide significant cost advantage as compared to the western region.

- Pharmaceutical companies have already realized the potential offered by these markets with about 32 percent of them preferring Asia for outsourcing.

Indian CRAMS Market

- Indian CRAMS industry (both contract manufacturing and contract research together) is growing at about 12 percent of the global CRAMs market. Growth in the CRO sector is expected to be greater than the growth in the CMO sector.
- Formulations outsourcing forms a small part of the Indian CMO sector. However, formulation outsourcing is expected to capture greater market share in the next few years.
- Indian CRAMs players have diversified in terms of their product offerings and are building competencies to match the global players. The players are investing in MNC relationship and have also made some overseas acquisitions to gain access to customers and critical technologies/capabilities.

PERFORMANCE REVIEW

The Company is actively engaged in R&D and offering CRAMS to global pharmaceutical companies. The R&D capability of the Company includes Dossier Development Service, Formulation Development and Specified Drug Delivery System.

The Company's state-of-the-art manufacturing facility in Goa is of international standards adhering to stringent quality norms and are approved by US FDA, UK MHRA, Australian TGA, Brazillian ANVISA and other foreign health authorities. This facility is designed to produce high quality, high value formulations using cost-effective methods and processes. The company meets international standards of quality at each step of the manufacturing process. It is one of the biggest manufacturing facilities for soft gelatin capsules and tablets in Asia.

International formulation business

Main focus market for the Company is US, UK, Australia, New Zealand, Canada and other European markets. It is also eying to tab huge Russian and CIS markets and has started dossier filling in these countries.

US Market: The Company has received ANDAs approval from US FDA and are in the process of approval for more products.

The Company has already tied up with major distributors/ big pharma companies in the US market for sales and distribution of these products.

The Company has now started its next phase of development of molecules with high potential in the US and European markets. The Company has adopted a cognizant strategy of identification of products involving complex chemistry, difficult formulations and products guided by stringent regulatory norms. This focused presence in niche areas will help to ensure a sustainable market opportunity and continued profitability.

R & D has developed the new formulations for existing molecules and drug combinations which include its standardization and execution at production site, evaluation of these batches against reference samples for pharmaceutical and bio-equivalence. Alliances for the said molecules are already in place for the US market.

Europe Market: The company currently has more than 100 product registrations across various therapeutic segments. For contract manufacturing opportunities, the Company has tied up with major Generic players across Europe. The Company has also registered growth in its business via supply to major retail brands in the analgesics and anti inflammatory segment. The following are some of the major products in these markets:

Product	Therapeutic Category
Ibuprofen softgel caps 200/400mg	analgesic
Metformin	anti-diabetic
Paracetamol	antipyretic, analgesic
Gabapentin	anti-epileptic
Ranitidine	anti-ulcerant
Quanapril	anti-hypertensive
Terbinafine	skin infections
Loratadine	anti-allergic
Aspirin E	antipyretic, analgesic
Temazepam	insomia
Tramadol	pain reliever
Fluoxetine	depression
Norfloxacin	anti-infective
Lisinopril	anti-hypertensive
Alprazolam	anti-anxiety
Piroxicam	NSAIDs
Chlordiazepoxide	sedative
Cyclazine HCl	antihistamine
Mitrazapine	depression
Co-trimoxazole	anti-infective
Domeperidone	antiemetic
Phenytoin	anti-epileptic
Dextromethorphan	cough Scold
Paracetamol+Phenylephrine HCl	analgesic, antipyretic
Diphenhydramin HCl	anti-allergic
Gliclazide	anti-diabetic
Acebutolol	anti-hypertensive
Bisoprolol	anti-hypertensive

Australia & New Zealand Markets: After getting approvals for the Ibuprofen 200mg Soft gel product within Australia and New Zealand, major Pharmacies have already tied up for supply of the product through their retail chains.

Emerging Markets: The Company is aggressively spreading its wings in the emerging markets. Till now it has filed 529 registrations across all emerging markets and about 150 products are in the process of filing. Out of the total registration filed, it has already got 313 products registered in these countries. Company's products are well accepted in these countries.

Further, statutory compliances are in process for entering in central and south America and other CIS countries.

New Products to drive growth

The Company has introduced several new products in global markets in the last two years. The new products launched in FY12 and FY13 generated revenues of ₹ 274mn in FY13. We expect the new products to drive future growth of the company. These products are as follows:

Year	Product	Therapeutic category
FY12	Quinapril	anti hypertensive
	Terbinafine	skin infections
	Loratadine	anti-allergic
	Temazepam	insomnia
	Norfloxacin	anti-infective
	Alprazolam	anti-anxiety
	Domeperidone	antiemetic
	Phenytoin	anti-epileptic
FY13	Gabapentin	anti-epileptic
	Piroxicam	NSAIDs
	Chlordiazepoxide	sedative
	Cyclazine HCI	antihistamine
	Mirtazepine	depression
	Co-trimoxazole	anti-infective
	Dextromethorphan	cough Scold
	Parecetamol + Phenylepherine HCI	analgesic, antipyretic
	Diphenhydramin HCI	anti-allergic
	Gliclazide	anti-diabetic
	Acebutolol	anti hypertensive
	Bisoprolol	anti hypertensive

Subsidiaries

The Company's global manufacturing and marketing functions are organized amongst four legal entities in India, UK and Australia.

Relonchem Limited is engaged in licensing, marketing and supply of generic pharmaceutical products across UK. Nova Pharmaceuticals Australasia PTY Limited is a wholesale distributor of private label OTC and pharmaceutical products which operates in Australia and New Zealand. Whereas Bell, Sons & Co. (Druggists) Limited is a manufacturer and distributor of OTC products in the UK.

Major products of these subsidiaries are as follows:

Bell, Sons & Co. (Druggists) Limited, UK	Relonchem Limited, UK	Nova Pharmaceuticals Australasia Pty Limited. Australia
Bronchial Balsam	Fluoxetine capsules	Hedanol
Emmollient	Lisinopril tablets	Hedafen
Muscle Rub	Ibuprofen tablets	YLC tablets
Coop Dry Tickly	Loratadine tablets	HB cream dispenser
Vapour Rub	Tamoxifen tablets	HBcreme refill
Cough Linctus	Aciclovir ointment 2%	Strataderm
Asda Bronchial Balsam	Metformin tablets	B & G cough syrup
Tesco Adult Cough	Omeprazole capsules	Signature Say & Night
Menthodex Cough Mix	Propanolol tablets	Signature Allergy
Hydrogen Peroxide	Ranitidine tablets	Signature Sinus
Menthodex Lozenges	Simvastatin tablets	Signature Head Cold
Baby Cough	Terbinafine tablets	HB capsules
	Gliclazide tablets	B & Gchestrub
	Finasteride tablets	Soft gel Headafen
		Medi Choice Ibuprofen
		Terry White Aspirin
		Chem Mart Aspirin Pharmacy Choice Aspirin

OPERATIONAL REVIEW

The Company constantly reviews its product-market portfolio with a view to strengthen sustainable growth. It has worked towards strengthening its competitive status by investing in long-term value assets.

To ensure superior control of operations, the company has been able to better monitor its operations and costs.

Revenue

Turnover of the Company has increased from ₹ 15459.13 Lacs in 2011-12 to ₹ 19229.70 Lacs in 2012-13 i.e. an increase by 24.39%.

Cost of Sales

Cost of sales has increased to ₹ 10270.37 Lacs in 2012-13 from ₹ 8775.84 Lacs in 2011-12 i.e. an increase by 17.03%.

Other Expenses

Other Expenses decreased from ₹ 17105.90 Lacs in 2011-12 to ₹ 2993.19 Lacs in 2012-13 i.e. a decrease by 82.5%. The other expenses were high during 2011-12 due to one time exceptional charges.

Depreciation and amortization expenses

Depreciation and amortization expenses decreased from ₹ 1798.12 Lacs in 2011-12 to ₹ 870.33 Lacs in 2012-13 i.e. a decrease by 51.60%.

Finance Cost

Finance cost has decreased from 4908.76 Lacs in 2011-12 to ₹ 1013.24 Lacs in 2012-13 i.e. a decrease by 79.36%. During 2011-12, it was high due to provisioning of foreign exchange fluctuation loss on FCCBs.

Share Capital

Share Capital has increased to ₹ 5203.07 Lacs in 2012-13 from ₹ 5028.07 Lacs in the year 2011-12 i.e. an increase by 3.48% due to conversion of warrants into equity shares.

Reserves and Surplus

The Reserves & Surplus is ₹ 5794.56 Lacs in 2012-13 as compared to a negative Researve & Surplus of ₹ 23951.58 Lacs in the year 2011-12 i.e. an increase by 124.19%.

Long term borrowings

Long term borrowings has reduced to ₹ 787.68 Lacs in 2012-13 from ₹ 1520.13 Lacs in 2011-12 i.e. a decrease by 48.18% due to the repayment during the year.

Short term borrowings

Short term borrowings has reduced to ₹ 7531.23 Lacs in 2012-13 from ₹ 7718.34 Lacs in 2011-12 i.e. a decrease by 2.42%.

Trade Payables

Trade payables has increased to ₹ 2985.94 Lacs in 2012-13 from ₹ 2947.85 Lacs in 2011-12 i.e. an increase by 1.29%.

Other current liabilities

Other current liabilities has reduced to ₹ 7505.16 Lacs in 2012-13 from ₹ 29443.49 Lacs in 2011-12 i.e. a decrease by 74.51% due to FCCB settlement.

Tangible Assets

The Company's tangible assets has increased to ₹ 5029.12 Lacs in 2012-13 from ₹ 4895.55 Lacs in 2011-12 i.e. an increase by 2.73%.

Intangible Assets

During the year 2012-13, the Company's Intangible Assets has reduced to ₹ 2256.34 Lacs from ₹ 2770.13 Lacs in 2011-12 i.e a decrease by 18.55%.

Non-current investments

Non-current investments has increased to ₹ 6761.64 Lacs in 2012-13 from ₹ 2351.46 Lacs in 2011-12, on account of reinstatement of the investment value at cost due to improved financial performance of the subsidiaries.

Long term loans and advances

Long term loans and advances has decreased to ₹ 120.21 Lacs in 2012-13 from ₹ 395.09 Lacs in 2011-12.

Inventory

Inventory has increased to ₹ 5131.75 Lacs in 2012-13 from ₹ 4024.70 Lacs in 2011-12 i.e an increase by 27.51%.

Receivable

Receivable has increased to ₹ 9141.88 Lacs in 2012-13 from ₹ 7418.94 Lacs in 2011-12 due to increase in sales.

Short term loans and advances

Short term loans and advances has increased to ₹ 2542.51 Lacs in 2012-13 from ₹ 648.52 Lacs in 2011-12.

Cash and cash equivalents

Cash and cash equivalents has reduced to ₹ 41.29 Lacs in 2012-13 from ₹ 1758.49 Lacs in 2011-12.

OPPORTUNITIES

We see the following forces to provide ample opportunities for the Indian pharmaceutical sector.

1. The Indian pharmaceutical market is expected to grow at 13% to 16% in the coming years.
2. Many big global players are outsourcing Contract Research and Manufacturing services (CRAMS) in India.

3. Billions of US$ worth of drugs going off patent each year in US opening the vast US market for the Indian pharmaceutical sectors.

THREATS, RISKS AND CONCERNS

Compared with other sectors, pharmaceutical sector works in a dynamic environment and are subject to the following threats, risks and concerns.

1. High competition is adversely affecting the margins.
2. High attrition rate.
3. Lack of talented and technical field staff.
4. Government action on price control.
5. Rising audit burdens, inspections and fitness regulations.
6. Though the global economy has started recovery, growth in the US and European markets which are the major focused market for the Company, is relatively low.
7. Foreign Exchange fluctuations
8. IPR issues

OUTLOOK

Despite the aforesaid threats, risks and concerns, the Management looks forward to a satisfactory performance in the coming years in the light of the opportunities available. The following key factors will drive the Company forward :

1. Global presence – Export Oriented Unit
2. Low cost manufacturing base
3. World class manufacturing facilities with huge capacities approved by major global health authorities
4. Own front ends into UK/Europe and Australia
5. Tie up with big pharmaceutical companies
6. Strong R&D, Dossier development capabilities
7. Preferred outsourcing partner

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has an adequate internal control system including suitable monitoring procedures commensurate with its size and the nature of the business. The internal control system – based on existing laws, regulations and the company policies – comprises regular internal audits, management reviews and use of standard policies and guidelines aimed at ensuring reliability of financial and other records.

CAUTIONARY STATEMENT

Statements in the Management's Discussion and Analysis Report describing the Company's objective, projections and estimates are forward looking statements and progressive within the meaning of applicable Security Laws and Regulations. Actual results could differ materially from those expressed or implied since the company's operations are influenced by many external and internal factors beyond the control of the Company.

CORPORATE GOVERNANCE REPORT 2012-13

Company's Philosophy on Corporate Governance

The Company is committed to the principles of good corporate governance to achieve long term corporate goals and to enhance shareholders value by managing its operations at all levels with highest degree of transparency, responsibility and delegation with equity in all facets of its operations leading to sharp focus and operationally efficient growth. The spirit of Corporate Governance has prevailed in the Company and has influenced its decisions and policies. The strong internal control system and procedures and codes of conduct for observance by the Company's directors and employees are conducive in achieving good corporate governance practices in the Company. The compliance report is prepared and given below in conformity with the mandatory requirements of Clause 49 of the Listing Agreement with the Stock Exchanges.

Board of Directors

As on the date of this report, the total number of Directors on the Board is 4 (four). Out of that two Directors are non-executive and independent. During the financial year under review, 11 Board Meetings were held on the following dates: 18.05.2012, 29.05.2012, 19.07.2012, 14.08.2012, 27.10.2012, 12.11.2012, 14.12.2012, 25.01.2013, 14.02.2013, 18.02.2013 and 27.03.2013.

None of the Directors are members of more than 10 Committees of the Board nor are the Chairman of more than 5 Committees of the Board across all the companies in which they are directors. The details as to Composition, Status, Attendance at the Board Meetings and the last Annual General Meeting, outside Directorship and other Committees membership are as follows:

Name of the Director	Executive/ Non-executive/ Independent/ Promoter	No. of Shares in the Company	No. of Board Meetings attended out of 11 held	No. of outside directorship in Public Limited Companies*	Membership held in Committee of Directors**	Chairmanship held in committee of Directors**	Whether attended last AGM
Mr. Mark Saldanha (Chairman & Managing Director)	Executive, Non-Independent & Promoter	196672780	9	Nil	Nil	Nil	Yes
Dr. B. S. Desai	Executive & Non-Independent	Nil	11	Nil	Nil	Nil	Yes
Mr. S. R. Buddharaju	Non-executive & Independent	Nil	9	Nil	Nil	Nil	-
Mr. Ajay S. Joshi	Non-executive & Independent	Nil	1***	Nil	Nil	Nil	No

* This excludes directorship held in private companies, foreign companies, companies formed under section 25 of the Companies Act, 1956 and directorship held as an alternate director.

** Membership/Chairmanship in Committee of Directors include Audit Committees and Shareholder/Investors Grievance Committees only. This does not include membership/chairmanship in committee of Directors of Marksans Pharma Limited.

*** Mr. Ajay S. Joshi has attended one meeting physically and three meetings through tele conferencing.

Audit Committee

The Audit Committee consists of Directors, namely Mr. S. R. Buddharaju (Chairman), Dr. B. S. Desai and Mr. Ajay S. Joshi. The Managing Director, head of Finance along with statutory auditors are invited to the audit committee meetings. Company Secretary acts as the Secretary to the Committee. The constitution, functions and the terms of the reference of the Audit Committee are those prescribed under Clause 49 of the Listing Agreement as well as under Section 292A of the Companies Act, 1956. During the financial year under review, 4 Audit committee meetings were held, which were attended by all the members of the Committee.

Remuneration Committee

The Remuneration Committee of the Company consists of Directors, namely Mr. S. R. Buddharaju (Chairman), Dr. B. S. Desai and Mr. Ajay S. Joshi. The Committee has power to determine the remuneration of the executive Directors of the Company as per the provisions of Clause 49 of the Listing Agreement and applicable provisions of the Companies Act, 1956.

Investors' Grievance Redressal Committee

The Investor Grievance Redressal Committee consists of Directors, namely Mr. S. R. Buddharaju (Chairman), Dr. B. S. Desai and Mr. Ajay S. Joshi. The Committee looks into the shareholders' and Investors grievances. The Committee also oversees the performance of the Registrar and Share Transfer Agent and recommends measures to improve the level of investor services.

Number of complaints received during the year	: 4
Number of complaints resolved to the satisfaction of shareholders	: 4

Share Transfer System

The Company has appointed Bigshare Services Private Limited as its Registrar and Share Transfer Agent for both physical and demat segment. The Company has authorised the Company Secretary of the Company to approve the share transfers lodged in physical mode. The shares lodged in physical mode are transferred and returned in 15 days from the date of receipt, so long as the documents are complete in all respects. As on 31.03.2013, no shares were pending for transfer.

The Board has designated Mr. Harshavardhan Panigrahi, the Company Secretary of the Company as Compliance Officer.

Disclosures

a) No material financial and commercial transactions were reported by the management to the Board of Directors in which management had personal interest having a potential conflict with the interest of the Company at large.

b) There was no non-compliance during the last three years by the Company on any matter related to the capital market. Consequently, there were neither any penalties imposed nor strictures passed on the Company by Stock Exchanges, SEBI or any statutory authority.

c) The Company is fully compliant with the applicable mandatory requirements of Clause 49 of the Listing Agreement on Corporate Governance.

d) There is no pecuniary relationship or transaction between the non-executive directors and the Company.

e) There is no relationship between the directors inter se except as members of the Board.

f) Details of related party transactions during the year ended 31st March, 2013 has been set out under Note No. 2.20 of the Notes annexed to the Financial Statements for the year ended 31st March, 2013.

Directors Remuneration

The non-executive directors are not paid any remuneration. The executive directors are paid remuneration under the applicable provisions of the Companies Act, 1956 with approval of the shareholders in the General Meeting. Details of the remuneration paid to the executive directors of the Company during the year ended 31st March, 2013 has been set out under Note No. 2.20(a) of the Notes annexed to the Financial Statements for the year ended 31st March, 2013.

Management's Discussion And Analysis Report.

The Annual Report has a separate and detailed chapter on Management's Discussion and Analysis which deals with Industry structure and development, opportunities and threats, segment wise performance, outlook, risks and concerns of the Company and discussions on financials with respect to operation.

Means of Communication

Quarterly, Half-yearly, and Annual results of the Company are published in one English and one Marathi newspaper. These are also submitted to the stock exchanges in accordance with the Listing Agreement and are available on the website of the BSE (www.bseindia.com) & NSE (www.nseindia.com) and also on the Company's website (www.marksanspharma.com).

The Company has not made any presentation to institutional investors or analysts.

General Body Meetings

Annual General Meetings	Date	Time	Venue	No. of Special Resolutions
Twentieth	27.09.2012	10:30 A.M.	GMS Community Centre Hall Sitladevi Complex, 1st Floor D.N. Nagar, Link Road Andheri (W), Mumbai - 400053	Nil
Nineteenth	29.09.2011	10:30 A.M.	GMS Community Centre Hall Sitladevi Complex, 1st Floor D.N. Nagar, Link Road Andheri (W), Mumbai - 400053	1*
Eighteenth	28.09.2010	10.30 A.M.	GMS Community Centre Hall Sitladevi Complex, 1st Floor D.N. Nagar, Link Road Andheri (W), Mumbai - 400053	1**

* One Special Resolution has been passed in the AGM held on 29th September, 2011 to create, issue and allot 1,75,00,000 Warrants on a preferential basis to Mr. Mark Saldanha and/or other Promoters and/or Promoters Group of the Company.

** One Special Resolution has been passed in the AGM held on 28th September, 2010 regarding re-appointment of Mr. Mark Saldanha as Managing Director of the Company.

Postal ballot

As of date, there is no proposal to pass any resolution by postal ballot.

General Shareholder Information

AGM	:	Twenty First Annual General Meeting.
Day & Date	:	Thursday, the 26th September, 2013.
Time	:	10:30 AM
Venue	:	GMS Community Centre Hall, Sitladevi Complex, 1st Floor, D.N. Nagar, Link Road, Andheri (W), Mumbai 400 053
Financial calendar	:	Financial Year - April to March First Quarter Results – 2nd week of August Second Quarter Results – 2nd week of November Third Quarter Results – 2nd week of February Last Quarter Results – 3rd / 4th week of May
Date of Book Closure	:	From Saturday, the 21st September, 2013 upto Thursday, the 26th September, 2013 (both days inclusive).
Dividend payment date	:	Nil, as there is no proposal to declare dividend.
Listing on Stock Exchanges	:	The Bombay Stock Exchange Limited (BSE) The National Stock Exchange of India Limited (NSE) The annual listing fees for the year 2013-2014 have been paid.
Stock Code	:	BSE : 524404 NSE : MARKSANS
ISIN	:	INE750C01026

Market price data on BSE during the period April 2012 to March 2013

Month	Open (₹)	High (₹)	Low (₹)	Close (₹)
April 2012	1.63	1.74	1.50	1.56
May 2012	1.57	1.70	1.27	1.46
June 2012	1.43	1.60	1.30	1.40
July 2012	1.40	2.32	1.40	1.52
August 2012	1.48	1.66	1.44	1.47
September 2012	1.50	1.70	1.39	1.58
October 2012	1.70	2.10	1.43	1.47
November 2012	1.50	2.50	1.45	2.50
December 2012	2.62	4.81	2.55	3.58
January 2013	3.41	4.24	2.70	3.52
February 2013	3.63	4.32	3.21	3.83
March 2013	3.70	4.30	3.70	3.90

Shareholding Pattern as on 31.03.2013

Category	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Individual	42482	97.79	341041397	88.51
Bodies Corporate	673	1.55	27788537	7.21
NRIs	256	0.59	3288492	0.85
FIIs	1	-	1110507	0.29
Non-Resident Bodies Corporate	2	-	11765101	3.05
Trust	1	-	20000	-
Bank, Financial Institution & Insurance Companies	2	-	10000	-
Clearing Members	71	0.16	283170	0.07
Total	**43488**	**100**	**385307204**	**100**
Promoters	2	0.01	196672960	51.04
Non-Promoters	43486	99.99	188634244	48.96
Total	**43488**	**100**	**385307204**	**100**

Distribution of Shareholding as on 31.03.2013

Shareholding	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Upto 5000	38865	89.37	46178513	11.98
5001 – 10000	2379	5.47	19036706	4.94
10001 – 20000	1108	2.55	16338414	4.24
20001 – 30000	423	0.97	10751091	2.79
30001 – 40000	158	0.36	5627346	1.46
40001 – 50000	137	0.32	6399911	1.66
50001 – 100000	242	0.56	17523824	4.55
Above 100000	176	0.40	263451399	68.38
Total	**43488**	**100**	**385307204**	**100**

Registrar and Transfer Agents	Bigshare Services Pvt. Ltd. E-2, Ansa Industrial Estate, Saki Vihar Road, Andheri (East), Mumbai 400 072. Ph. No. 022-2847 0652 / 4043 0200 Fax No. 022-2847 5207 E-mail: investor@bigshareonline.com; Website: www.bigshareonline.com Our RTA has launched Gen-Next Investor Interface Module "iBoss" the most advanced tool to interact with investors. Shareholders are requested to login into "iBoss" and help them to serve you better.
Dematerialization of the Shares and Liquidity	Based on SEBI directives, Company's shares are traded in dematerialized form. As on 31.03.2013, 97.3% of the paid up share capital of the Company was in dematerialized form.
Outstanding GDR/ADR/ Warrants or any convertible instruments, conversion dates and likely impact on equity	The Company has signed Settlement Agreement with few bond holders for settlement of USD 36,789,000 Bonds in principal value. Under the said agreements, the settlement amount is payable over a period of 12 months from the date of signing the agreement. The current outstanding of the Bonds (including payables under the settlement agreement) is USD 9006920 (₹ 490922173) as at 31 March, 2013.
Plant Locations	**- Formulation Plant:** L-82 & 83 Verna Industrial Estate, Verna, Goa- 403 722 **- U.K. Plant:** Bell, Sons & Co (Druggists) Ltd. Slaidburn Crescent, Southport, PR9 9AL
Address for Correspondence	Mr. Harshavardhan Panigrahi Company Secretary & Manager-Legal Marksans Pharma Limited 11th Floor, Lotus Business Park, Off New Link Road, Andheri (W), Mumbai 400 053. Tel. No. : 022- 40012000 Fax No. 022- 40012011 Email: companysecretary@marksanspharma.com

Non Mandatory Requirements

(I) The Board

There is no policy in the Company for determining the tenure of independent directors.

(II) Shareholders Rights

Half yearly financial results including summary of the significant events are presently not being sent to the shareholders.

(III) Audit Qualifications

Every endeavor is made to make the financial statements without qualification.

(IV) Training of Board Members

The members of the Board are eminently competent to discharge their duties.

(V) Mechanism for evaluating non-executive Board Members

There is no policy in the Company for evaluation of non-executive Directors.

(VI) Whistle Blower Policy

Presently there is no whistle blower policy in the Company.

BRIEF RESUME OF THE PERSON PROPOSED TO BE APPOINTED AS DIRECTOR OF THE COMPANY AT THE ANNUAL GENERAL MEETING.

Name	Mr. Seetharama Raju Buddharaju
Age	61 Years
Qualification	B.Sc.; Diploma in Business Management; PG Diploma in Marketing & Sales Management.
Experience	He has more than 35 years of experience in Sales Management, Marketing & General Administration. He has successfully handled various sales management assignments in Parke-Davis and Pfizer at senior levels in various locations for 22 years. He has also worked as Sales Head for 3 divisions of Sarabhai Chemicals.
Name of the other Companies in which also holds directorship	Nil
Name of the other Company in the committee of which also holds membership / chairmanship	Nil
No. of shares held in the Company	Nil

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members,
MARKSANS PHARMA LTD.

We have examined the compliance of conditions of Corporate Governance by **MARKSANS PHARMA LTD.** for the year ended 31st March, 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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

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

We state that as per the records maintained by the Company, there were no investor grievances remaining unattended / pending for a period exceeding one month.

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 **N.K.MITTAL & ASSOCIATES**
Chartered Accountants

N.K. MITTAL
Proprietor
Membership No. 46785
F. No. 113281W

Place: Mumbai
Date : 16th August, 2013

CEO/CFO CERTIFICATION

To,
The Board of Directors
Marksans Pharma Limited

This is to certify with reference to the Annual Accounts of the Company for the year ended 31st March, 2013 that:-

a. We have reviewed financial statements and the cash flow statement for the year ended on 31st March, 2013 and that to the best of our knowledge and belief :

   i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee deficiencies in the design or operation of such internal controls which are not of material nature and necessary steps have been taken to rectify those deficiencies.

d. We have indicated to the Auditors and the Audit committee :

   i. that there is no 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. that there is no instances of any fraud.

For **Marksans Pharma Limited**

Mumbai
27th May, 2013

Mark Saldanha
Managing Director

Jitendra Sharma
Chief Financial Officer

DECLARATION ON COMPLIANCE OF THE COMPANY'S CODE OF CONDUCT

This is to confirm that during the year ended 31st March, 2013, all the members of the Board and Senior Management Personnel of the Company have affirmed due observance of the Code of Conduct, framed pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, in so far as it is applicable to them.

For **Marksans Pharma Limited**

Mumbai
Date: 27th May, 2013

Mark Saldanha
Managing Director

AUDITORS' REPORT

To
The Members of,
MARKSANS PHARMA LIMITED

We have audited the accompanying financial statements of **MARKSANS PHARMA LIMITED** ("**the company**"), which comprise the Balance Sheet as at 31st March 2013, the Statement of Profit & Loss and Cash Flow Statement for the year ended on 31st March 2013 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 theses financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act 1956, ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing a procedure to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditors 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 the accounting polices used and reasonable of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanation given to us, the said financial statements together with the notes thereon, 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 : -

(i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2013;

(ii) In the case of Statement of Profit & Loss, of the Profit for the year ended on that date; and

(iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Report on the Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003, ("the Order") issued by the Central Government of India in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. As required by Section 227(3) of the Act, we report that: -

   (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books;

   (iii) The Balance Sheet, Statement of Profit and Loss and Cash Flow statements dealt with by this report are in agreement with the books of accounts;

   (iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act, to the extent applicable and

   (v) On the basis of the written representations received from the Directors as on March 31, 2013 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2013 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For **N. K. MITTAL & ASSOCIATES**
Chartered Accountants
FR No. 113281W

[N. K. MITTAL]
Proprietor
M No 46785

Place : Mumbai
Date : 27th May, 2013

ANNEXURE

Re: **MARKSANS PHARMA LIMITED, 31st March, 2013**

Referred to in point no.1 of our report of even date.

i. (a) The company has maintained proper records showing particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management at reasonable intervals. We have been informed that no material discrepancies were noticed on such verification.

ii. (a) Physical verification of inventory (excluding stocks with third parties) has been conducted at reasonable intervals by the management. In respect of inventory lying with third parties, these have substantially been confirmed by them.

(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

(c) The company has maintained proper records of inventory and no material discrepancies were noticed on physical verification.

iii. The company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act.

iv. In our opinion, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods.

v. (a) According to the information & explanations given to us, the transactions that need to be entered into a register in pursuance of section 301 of the Act have been so entered.

(b) In our opinion and according to the information and explanation given to us, the transaction made in pursuance of such contracts or arrangements exceeding the value of five lacs rupees have been entered during the period at prices which are reasonable having regard to the prevailing market prices at the relevant time.

vi. The company has not accepted any deposits from the public within the meaning of section 58A and 58AA of the Act and the rules framed there under.

vii. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.

viii. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However we are neither required to carry out nor have carried out any detailed examination of such accounts and records.

ix. (a) The company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities.

(b) According to the information & explanations given to us, no undisputed amounts payable in respect of Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty and cess were in arrears, as at 31st March 2013, for a period of more than 6 months from the date they became payable.

(c) According to the information & explanations given to us, the dues of Sales-tax which have not been deposited on account of disputes and the forum where the dispute is pending are as under:

Name of the Statute	Nature of the Dues	Amount (In Lacs)	Period to which the amount relates	Forum where disputes are pending
Commissioner of Sales Tax	Sales Tax (BST, CST) – 03-04	15.14	2003-2004	Commissioner of Sales Tax Appeal
Commissioner of Sales Tax	Sales Tax (BST, CST) – 04-05	0.28	2004-2005	Commissioner of Sales Tax Appeal
Commissioner of Sales Tax	Sales Tax (BST, CST) – 04-05	7.62	2004-2005	Commissioner of Sales Tax Appeal

x. In our opinion and according to the information and explanation given to us, the accumulated losses of the company were ₹ 33,380 Lacs as on 31.03.12. The Company has earned profit of ₹ 3,958 Lacs during the current financial year and the Net worth of the Company is ₹ 10,998 Lacs as on 31.03.2013.

xi. According to the information & explanations given to us, the company has not defaulted in payments of dues to financial institution & banks.

xii. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii. In our opinion, the Company is not a chit fund or a nidhi/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 our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

xv. The company has given guarantee to Bank for loans taken by its Subsidiary Company.

xvi. Term loans availed by the Company were, prima facie, applied for the purpose for which the loans were obtained.

xvii. On an overall basis, the funds raised on short-term basis have, prima facie, not been used for long term investment and vice versa.

xviii. The Company has made preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.

xix. The Company has not issued any debentures.

xx. The Company has not raised money by public issues during the year.

xxi. Based on the checks carried out by us, any fraud on or by the company has not been noticed or reported during the year.

FOR **N. K. MITTAL & ASSOCIATES**
Chartered Accountants
FR NO. 113281W

N. K. MITTAL
(Proprietor)
M. NO. 46785

Place : Mumbai
Date : 27th May, 2013

Balance Sheet as at March 31, 2013

Particulars	Note No.	31 March 2013 ₹	31 March 2012 ₹
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	**520,307,204**	502,807,204
(b) Reserves and surplus	4	**579,456,224**	(2,395,158,165)
(c) Money received against share warrants		**-**	11,565,500
2 Share application money pending allotment		**-**	-
3 Non-current liabilities			
(a) Long-term borrowings	5	**78,768,473**	152,013,622
(b) Deferred tax liabilities (Net)	6	**22,212,778**	125,868,907
4 Current liabilities			
(a) Short-term borrowings	7	**753,123,045**	771,834,262
(b) Trade payables	8	**298,593,798**	294,784,683
(c) Other current liabilities	9	**750,516,068**	2,944,348,797
(d) Short-term provisions	10	**99,499,019**	18,225,589
TOTAL		**3,102,476,609**	2,426,290,399
II. ASSETS			
1 Non-current assets			
(a) Fixed assets	11		
(i) Tangible assets		**502,911,664**	489,555,263
(ii) Intangible assets		**225,634,457**	277,013,145
(b) Non-current investments	12	**676,163,898**	235,146,322
(c) Long-term loans and advances	13	**12,021,619**	39,509,260
2 Current assets			
(a) Inventories	14	**513,175,755**	402,470,256
(b) Trade receivables	15	**914,188,422**	741,894,173
(c) Cash and cash equivalents	16	**4,129,546**	175,849,733
(d) Short-term loans and advances	17	**254,251,248**	64,852,247
(e) Other current assets- Miscellaneous expenditure		**-**	-
TOTAL		**3,102,476,609**	2,426,290,399
Significant Accounting Policies and Notes on Financial Statements	1 to 25		

For and on Behalf of
N. K. MITTAL & ASSOCIATES
Chartered Accountant

N.K.MITTAL
Proprietor
Membership No: 46785
F. No.113281W

Place : Mumbai
Date : 27th May, 2013

For and on behalf of the Board of Directors

MARK SALDANHA
Chairman and Managing Director

DR. BALWANT S. DESAI
Whole-Time Director

HARSHAVARDHAN PANIGRAHI
Company Secretary & Legal Manager

Statement of Profit & Loss for the year ended as on March 31, 2013

	Particulars	Note No.	2012-13 ₹	2011-12 ₹
1	Revenue from operations	18	**1,922,970,129**	1,545,912,967
2	Other income	19	**41,717,545**	19,540,663
3	**Total Revenue (1 + 2)**		**1,964,687,674**	1,565,453,630
4	Expenses:			
	Cost of materials consumed	20	**659,574,703**	605,010,473
	Purchases of Stock-in-Trade		**275,531,365**	169,258,274
	Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	21	**91,931,023**	103,316,382
	Employee benefits expense	22	**153,924,947**	135,488,913
	Finance costs	23	**101,323,640**	490,876,486
	Depreciation and amortization expense	24	**87,032,689**	179,812,395
	Other expenses	25	**299,318,656**	1,710,590,389
	Miscellaneous Expenditure Written Off		**-**	130,796
	Total expenses		**1,668,637,023**	3,394,484,108
5	**Profit/(Loss) before exceptional and extraordinary items and tax (3-4)**		**296,050,651**	(1,829,030,478)
6	Exceptional items		**-**	-
7	**Profit/(Loss) before extraordinary items and tax (5-6)**		**296,050,651**	(1,829,030,478)
8	Extraordinary Items		**-**	-
9	**Profit/(Loss) before tax (7-8)**		**296,050,651**	(1,829,030,478)
10	Tax expense:			
	(1) Current Year		**3,879,000**	-
	(2) Earlier year		**-**	5,376,680
	(3) Deferred tax		**(103,656,129)**	(23,745,223)
	Total Tax Expenses		**(99,777,129)**	(18,368,543)
11	**Profit/(Loss) for the period from continuing operations (9-10)**		**395,827,780**	(1,810,661,935)
12	Profit/(Loss) from discontinuing operations		**-**	-
13	Tax expense of discontinuing operations		**-**	-
14	**Profit/(Loss) from Discontinuing operations (after tax) (12-13)**		**-**	-
15	**Profit/(Loss) for the period (11+14)**		**395,827,780**	(1,810,661,935)
16	Earnings per equity share:			
	(1) Basic		**1.03**	(4.92)
	(2) Diluted		**1.03**	(4.70)
	Significant Accounting Policies and Notes on Financial Statements	1 to 25		

For and on Behalf of
N. K. MITTAL & ASSOCIATES
Chartered Accountant

N.K.MITTAL
Proprietor
Membership No: 46785
F. No.113281W

Place : Mumbai
Date : 27th May, 2013

For and on behalf of the Board of Directors

MARK SALDANHA
Chairman and Managing Director

DR. BALWANT S. DESAI
Whole-Time Director

HARSHAVARDHAN PANIGRAHI
Company Secretary & Legal Manager

Notes to financial statements for the year ended 31 March 2013

1 Background

Marksans Pharma Limited (The Company) together with it's subsidiaries and associates, operates as an international pharmaceutical organisation with business encompassing the research, manufacturing, marketing and distribution of pharmaceutical products.

The company's equity shares are listed for trading on the National Stock Exchange and the Bombay Stock Exchange in India.

As per the audited Balance Sheet as at 31 March, 2011, the Company's Net Worth had been completely eroded. Therefore, as required under Section 15(1) of the SICA 1985, the Company has made a reference to the Board for Industrial and Financial Reconstruction (BIFR).

Due to settlement of the substantial amount of the FCCBs and improved financial performance of the Company, the Net Worth of the Company has turned positive as at 31 March, 2013. Under the circumstances, the Company will seek withdrawal of its reference and will await necessary directives from the BIFR.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Standards

The Accounts have been prepared in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.

2.2 Basis of Accounting

The financials are prepared under the historical cost convention on an accrual basis and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India referred to in Section 211(3C) of the Companies Act, 1956.

2.3 Fixed Assets

a Fixed assets are stated at cost along with costs directly attributable to bring the assets to their working condition as reduced by CENVAT credit and Input VAT.

b Intangibles:

- **Internally Generated Intangible Assets – ANDA / Market Authorisations / Site Variation Licenses for CRAMS:**

  ANDA / Market Authorisation / Site Variation Licenses for CRAMS costs represent expenses incurred on development of process / product and compliance with regulatory procedures of the US FDA and other Global Health Authorities in filing of Abbreviated New Drug Applications ("ANDA"), Market Authorisation/Site Variation Licenses for CRAMS and MHRA procedure for Market Authorisation / Site Variation Licenses.

  This is in accordance with the requirements of Accounting Standard 26 of the Institute of Chartered Accountants of India.

  The Cost of each ANDA / MA / Site Variation Licenses for CRAMS is amortised to the extent of recovery of developmental costs as applicable as per terms of agreement or over a period of ten years from the date on which the product covered by ANDA / Market Authorisations / Site Variation licenses for CRAMS is Commercially marketed, whichever is earlier.

- **Product Development Costs:**

  Product Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future economic benefit from the related project, not exceeding ten years.

2.4 Depreciation

Depreciation on fixed assets other than leasehold land is provided on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 read with the relevant circulars issued by the Ministry of Corporate Affairs from time to time. Leasehold land is not amortised.

2.5 Impairment of Assets

The company identifies impairable assets at the year end in terms of cash generating unit concept based on para - 5 to 13 of AS-28 issued by ICAI for the purpose of arriving at impairment loss thereon being the difference between the book value and recoverable value of relevant assets. Impairment loss, if any, when crystallizes is charged against revenue of the year.

2.6 Expenditure during construction period

In case of new projects and substantial expansion of existing factories, expenditure incurred including financing costs prior to commencement of commercial production is capitalized. All pre-operative and trial run expenditure accumulated as Capital Work in Progress is allocated on pro- rata basis depending on the prime cost of the assets.

2.7 Inventories

Inventories are valued at the lower of cost (net of CENVAT Credit and Input VAT) or Net Realisable Value as under :

Raw Materials, Packing Materials and Stores – At Weighted Average Cost on FIFO basis.

Work in Process - At Cost (Direct Cost plus Conversion Cost) upto estimated stage of completion.

Finished Goods - At Cost (Direct cost plus Conversion Cost and Excise Duty) or Net Realisable Value, whichever is lower.

2.8 Customs / Excise duty

Excise Duty on finished goods and Custom Duty on imported materials are accounted on production of packed finished goods / receipt of material in custom bonded warehouses. All the closing stock of finished goods lying at Goa factory is for export, hence provision for excise duty is not made.

2.9 Foreign Currency Transaction

Purchase of imported raw materials, capital goods and components are accounted based on presentation memos from bank on the date of the transaction. In respect of liabilities on imports of raw materials, capital goods and components for which invoices / bills are not received, the liability is accounted based on the exchange rates prevailing on the date of the balance sheet.

Export Sales of finished goods are accounted on the basis of export invoices on the invoice date. In respect of the unrealised exports, the receivables are accounted based on the exchange rates prevailing on the date of the balance sheet.

2.10 Miscellaneous Expenditure

Expenditure on launch of new products and their sales promotion for domestic markets are being amortised over a period of 60 months.

2.11 Research and Development

Capital expenditure on research and development is capitalized as fixed assets. Other expenditure on R&D is expensed as incurred.

2.12 Investments

Long term investments are stated at cost less any provision for permanent diminution in the value. The current investments are valued at lower of cost or market value.

2.13 Employee Benefits

Liability for Gratuity is accounted on accrual basis.

Annual contributions to Provident Fund & ESIC are accounted on accrual basis and charged to the Statement of Profit & Loss.

2.14 Revenue Recognition

The company recognizes sale of goods on the invoice date. Sales comprise of amounts invoiced for goods sold, including excise duty wherever applicable but net of returns and trade discounts.

Dividend Income is accounted on receipt of the same.

CRAMS milestone revenues are recognised on signing of Agreement with respective parties.

2.15 Income Tax

Current Year:

Provision for current tax has been made in accordance with the Income Tax Laws prevailing for the relevant assessment years.

Deferred Tax:

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing difference that result between the profit offered for income taxes and profit as per the financial statements of the Company. Deferred tax assets and liabilities are measured using the tax rates and tax law that have been enacted or substantively enacted by the balance sheet date. The effect on deferred assets and liabilities of a change in tax rates is recognized in the period that includes the enactment /substantive enactment date. Deferred tax assets on timing difference are recognized only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. However, deferred tax assets on the timing difference when unabsorbed depreciation and losses carried forward exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Deferred tax assets are reassessed for the appropriateness of their respective carrying amounts at each balance sheet date.

The Company offsets , on a year on year basis, the current and noncurrent assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

2.16 PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

a. the Company has a present obligation as a result of past event,

b. a probable outflow of resources is expected to settle the obligation; and

c. the amount of the obligation can be reliably estimated.

Contingent liability is not recognized but disclosed in the Notes to the Accounts.

The Contingent Assets are neither recognized, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

Contingent liabilities and commitments (to the extent not provided for) (₹ in lacs)

Particulars	**2012-13** ₹	2011-12 ₹
Contingent Liabilities		
(a) Claims against the company not acknowledged as debt	**142.93**	174.09
(b) Guarantees and Letter of Credit	**8,339.05**	14,947.22
(c) Other money for which the company is contingently liable		
Sales Tax		
Sales Tax (BST,CST) – 03-04	**20.21**	20.21
Sales Tax (BST,CST) – 04-05	**7.90**	7.90
Sales Tax (CST) – 06-07	**-**	3.23
(d) Foreign Currency Convertible Bonds	**15,192.89**	-
	23,702.98	15,152.65

(i) The Company has signed Settlement Agreement with few bond holders for settlement of principal value of USD 36,789,000 worth of Bonds. Under the Settlement Agreement, the settlement amount is payable over a period of 12 months from the date of signing the respective agreements.

Accordingly, the Company has written back the entire amount of USD 36,789,000 Bonds alongwith redemption premium of USD 16,628,628 (aggregating to USD 53,417,628) and provided for new liability based on the settlement payout in terms of the Settlement Agreement in the books of accounts for the year ended 31 March, 2013.

In case the Company delays in making the payment of the balance consideration (as provided in the books of accounts), the Company will have to pay surcharge for the delayed payment in terms of the Settlement Agreement. However, if the delay is beyond 28 months from the date of signing the Agreement, then the said Agreement will be treated as terminated and the liability towards outstanding bonds along with redemption premium already written back will be re-instated in the books of accounts.

2.17 Foreign Exchange Transactions

As required by Accounting Standard 11 "the effect of changes in the foreign exchange rates", the company has restated its assets & liabilities at the closing exchange rate prevailing at the Balance Sheet date.

2.18 Accounting for Employee benefits

Liabilities for gratuity & other retirement benefits are accounted on accrual basis.

2.19 Segment Reporting as per AS 17

BUSINESS SEGMENTS

The Company is primarily engaged in a single business segment of manufacturing and marketing of Pharmaceutical Formulations and is managed as one entity for its various activities and is governed by a similar set of risks and returns.

GEOGRAPHICAL SEGMENTS

In view of the management, the Indian and export markets represent geographical segments.

(₹ in lacs)

Segment Revenue		2012 – 2013	2011 – 2012
(a)	Exports	**18,901.66**	15,041.17
(b)	Local	**328.05**	417.96
	Total	**19,229.70**	15,459.13

2.20 Related Party Disclosures

As required by Accounting Standard 18 "Related Parties Disclosure" issued by The Institute of Chartered Accountants of India, list of parties with whom transactions have taken place during the year are as follows:

(a) Key Management Personnel / Directors - Remuneration: (₹ in lacs)

	2012 – 2013	2011 – 2012
Mr. Mark Saldanha	**16.93**	16.93
Mr. V. Nagaraj (upto 29.06.2011)	**-**	1.91
Dr. Balwant S. Desai (W.E.F. 29.09.2011)	**25.38**	7.90
Total	**42.31**	26.74

Rent paid to Mr. Mark Saldanha of ₹ 102.93 Lacs during the year.

(b) Parties where control exists

Subsidiary Companies

Nova Pharmaceuticals Australasia Pty Ltd

Marksans Pharma (UK) Limited

(c) Related party relationships where transaction have taken place during the year

Nova Pharmaceuticals Australasia Pty Ltd - Subsidiary Company

Marksans Pharma (UK) Limited - Subsidiary Company

(d) Transaction with related parties during the year (₹ in lacs)

	2012 – 2013	2011 – 2012
Subsidiary company		
Sale of Finished products	**5,055.53**	5,200.81
Purchase of Raw Material	**-**	9.29
Dividend received	**251.04**	-
Balances outstanding at the end of the year		
Receivable from subsidiary	**1,834.96**	1,799.23

2.21 Remuneration paid/payable to the Directors for the financial year ended 31 march 2013, is in accordance with the provisions of section 198 read with section 304(3) of the Companies Act, 1956.

2.22 Accounting for Leases

Assets acquired under finance leases are recognised at the lower of the fair value of the leased assets at inception and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

Lease rentals in respect of assets taken under operating leases are charged to the statement of Profit and Loss on a straight line basis over the lease term.

The Company has taken various residential and commercial premises on cancelable operating lease or leave & license agreement .The lease agreement which are non cancelable are for period of three years. The rental expenses of such cancelable operating lease are recognized as rent expenses in the Statement of Profit and Loss. The Leasing arrangements which are cancelable range between 11 months and 3 years and are usually renewable by mutual consent on mutually agreeable terms. Under these arrangements, generally interest free deposits have been given.

2.23 Earnings per share

As per Accounting standard 20 “Earnings Per Share” issued by ICAI, basic earnings per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

The calculations of earnings per share (basic and diluted) are based on the earnings and number of shares as computed below.

Particulars	**2012 – 2013**	2011 – 2012
Earnings Per Share (EPS)	₹	₹
1) Net profit as per the Statement of Profit & Loss available for equity shareholders	**395,827,780**	(1,810,661,935)
2) Weighted average number of equity shares for Earnings Per Share computation		
a) For Basic Earnings Per Share of ₹ 1/- each	**385,307,204**	367,807,204
b) For Diluted Earnings Per Share of ₹ 1/- each		
- No. of Share for Basic EPS as per 2 a	**385,307,204**	367,807,204
- Add: Weighted average outstanding warrants	**-**	17,500,000
- No. of Share for Diluted Earnings Per Share of ₹ 1/- each	**385,307,204**	385,307,204
3) Earning Per Share (Weighted Average)		
- Basic	**1.03**	(4.92)
- Diluted	**1.03**	(4.70)

2.24 The Company has not received any information from “Suppliers” regarding their status under Micro, Small and Medium enterprises Development Act, 2006 and hence disclosures, if any, relating to the amounts as at year end together with interest paid/payable as required under the said Act have not been given.

2.25 Additional information pursuant to the provisions of paragraphs 3, 4C, 4D of Part II of Schedule VI to the Companies Act, 1956 (figures in brackets relates to the previous year)

(a) Opening Stock, Closing Stock and Sales :

(₹ in lacs)

Opening Stock		Closing Stock		Sales	
Quantity (Units)	**Value**	**Quantity (Units)**	**Value**	**Quantity (Units)**	**Value**
* (*)	1,584.00 (2,162.64)	* (*)	464.35 (1,584.00)	* (*)	19,229.70 (15,459.13)

(b) Consumption of Raw Materials :

(Units)	(₹ In Lacs)
* (*)	6,595.75 (6,050.10)

* Quantities cannot be aggregated

(c) Value and Percentage of Raw Materials consumed : (₹ In lacs)

	Percentage (%)	Value
Indigenous	56.29 (69.09)	3,712.62 (4,179.74)
Imported	43.71 (30.91)	2,883.13 (1,870.37)

(d) C. I. F. Value of Imports. (₹ in lacs)

- Raw materials	2,889.30
- Capital Goods / Spares	119.55
Total Forex Outflow	**3,008.85** (2,041.32)

(₹ in lacs)

(e)	Earnings in foreign currency from exports / other income	18,901.66 (15,041.17)

2.26 Figures of the previous year have been regrouped and re-arranged wherever necessary, so as to make them comparable with the current year's figures.

Note No. 3

Share Capital

Particulars	31 March 2013		31 March 2012	
	Number	₹	Number	₹
Authorised				
Equity Shares of ₹ 1/- each	**550,000,000**	**550,000,000**	550,000,000	550,000,000
7% Redeemable Cumulative Preference Shares of ₹ 100/- each	**1,400,000**	**140,000,000**	1,400,000	140,000,000
	551,400,000	**690,000,000**	551,400,000	690,000,000
Issued, Subscribed & Paid up				
Equity Shares of ₹ 1/- each	**385,307,204**	**385,307,204**	367,807,204	367,807,204
7% Redeemable Cumulative Preference Shares of ₹ 100/- each	**1,350,000**	**135,000,000**	1,350,000	135,000,000
Total	**386,657,204**	**520,307,204**	369,157,204	502,807,204

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

Particulars	Equity Shares of ₹ 1 each		7% Redeemable Cumulative preference Shares of ₹ 100/- each	
	Number	₹	Number	₹
Shares outstanding at the beginning of the year	367,807,204	367,807,204	1,350,000	135,000,000
Shares Issued during the year *	17,500,000	17,500,000	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	385,307,204	385,307,204	1,350,000	135,000,000

* The Company had issued on 25th December,2011 17,500,000 convertible warrants to Mr. Mark Saldanha, promoter of the Company on preferential basis. During the year 2012-13, Mr. Mark Saldanha excercised his right of conversion of the said warrants into equity shares. Accordingly, the Company has on 14.12.2012 issued and allotted 17,500,000 equity shares of ₹ 1/- each face value to Mr. Mark Saldanha in conversion of the warrants. Consequently, the company's Issued,Subscribed and Paid-Up Equity Share Capital has increased from 367,807,204 equity shares of ₹ 1/- each to 385,307,204 equity shares of ₹ 1/- each effective from 14.12.2012. These equity shares were issued at a cash consideration of ₹ 2.56 per equity share determined in accordance with applicable SEBI guidelines.

b. Terms/rights attached to Equity Shares

The Company has only one class of Equity Shares having a par value of ₹ 1/- per share. All the Equity Shares rank pari passu in all respect. Each holder of Equity Shares is entitled to one vote per share. The equity share holders are entitled to dividend, if declared by the shareholders in an Annual General Meeting, in proportion to the number of Equity Shares held by the shareholders. In the event of liquidation of the Company, the holders of Equity Shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of Equity Shares held by the shareholders.

c. Terms/rights attached to Preference Shares

The Company had issued 1,350,000 7% Redeemable Cumulative Preference Shares of ₹ 100/- each fully paid-up to Glenmark Pharmaceuticals Limited on 27 March, 2008. These preference shares have been redeemed on 27 March,2013 by issue of new 1,350,000 7% Redeemable Cumulative Preference Shares of ₹ 100/- each fully paid up under the same terms and conditions. The new preference shares will be due for redemption on 27 March,2018. These preference shares carry dividend at the rate of 7% per annum subject to approval of the shareholders at an Annual General Meeting. The holder of the preference shares is entitled to one vote per share only on resolutions placed before the Company which directly affect the rights attached to the preference shares. In the event of liquidation of the Company before redemption of the preference shares, the holder of the preference shares will have priority over equity shares in the payment of dividend and repayment of capital.

d. The company has not issued bonus shares and shares for consideration other than cash nor the company has bought back any shares during the period of five years immediately preceding the reporting date except the issue of preference shares as stated in Note No.3c above.

e. **Details of shareholders holding more than 5% shares in the Company**

Name of Shareholder	31 March 2013		31 March 2012	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity Shares of ₹ 1/- each fully paid				
Mr. Mark Saldanha	**196,672,780**	**51.04**	177,982,910	48.39
7% Redeemable Cumulative Preference Shares of ₹ 100/- each fully paid				
Glenmark Pharmaceuticals Limited	**1,350,000**	**100**	1,350,000	100

Note No.4

Reserves & Surplus

Particulars	31 March 2013 ₹	31 March 2012 ₹
a. Capital Reserves	**122,500**	122,500
	122,500	122,500
b. Securities Premium Account		
Opening Balance	**435,588,795**	435,588,795
(+) Securities premium credited on Share issue	**27,300,000**	-
Closing Balance	**462,888,795**	435,588,795
c. General Reserve		
Opening Balance	**507,110,591**	167,411,324
(+) Current Year Transfer	**2,551,486,609**	339,699,267
(-) Written Back in Current Year	**-**	-
Closing Balance	**3,058,597,200**	507,110,591
d. Surplus		
Opening balance	**(3,337,980,051)**	(1,527,318,116)
(+) Net Profit/(Net Loss) For the current year	**395,827,780**	(1,810,661,935)
Closing Balance	**(2,942,152,271)**	(3,337,980,051)
Total	**579,456,224**	(2,395,158,165)

Note No.5

Long Term Borrowings

Secured		
a. Term loans		
from banks	**78,400,000**	151,452,705
b. Vehicle Loan	**368,473**	560,917
Total	**78,768,473**	152,013,622

Note No.5.1

The term loan is secured by a charge on the plants and machineries of Goa plants. There are no overdues repayment of the term loan. Maturity profile of Term Loan are as set out below.

	2 years	2-3 years	3-4 years	Beyond 4 years
Term Loan from Bank (₹)	26,614,430	20,530,124	14,423,919	17,200,000

Particulars	31 March 2013 ₹	31 March 2012 ₹
Note No.6		
Deferred tax liabilities (Net)		
Deferred Tax Liabilities : DTL		
Tangible assets (B/F)	**125,868,907**	125,868,907
Amortizable goodwill	**-**	-
Total	**125,868,907**	125,868,907
Deferred Tax Assets : DTA		
Intangible Impairment of assets	**103,656,129**	-
Total	**103,656,129**	-
Net DTA / DTL	**22,212,778**	125,868,907
The Net DTA / DTL has the following breakdown:		
Deferred Tax Liabilities : DTL	**125,868,907**	125,868,907
Deferred Tax Assets : DTA	**103,656,129**	-
Net DTA / DTL	**22,212,778**	125,868,907
Note No.7		
Short Term Borrowings		
Secured		
Working Capital facilities from Bank	**753,123,045**	771,834,262
Total	**753,123,045**	771,834,262

Note No.7.1

Working capital facilities are secured by Hypothecation of stock of raw material, packing material, finished goods,work-in-progress, receivables and equitable mortgage on fixed assets of manufacturing facility of Goa plants, present and future.

Note No.8		
Trade Payable		
a)Total outstanding dues to Micro and Small enterprises*	**-**	-
b) Total outstanding dues to other than Micro and Small enterprises	**298,593,798**	294,784,683
Total	**298,593,798**	294,784,683

*** Refer Note no.2.24 on outstanding dues from Micro and Small enterprises.**

Trade Payable Includes general and miscellaneous creditors.

Particulars	31 March 2013 ₹	31 March 2012 ₹
Note No.9		
Other Current Liabilities		
a. Current maturities of Term Loan	**74,508,638**	76,909,183
b. Current maturities of Vehicle Loan	**192,444**	228,019
c. Foreign Currency Convertible Bonds	**675,804,986**	2,867,211,595
d. Deposits	**10,000**	-
Total	**750,516,068**	2,944,348,797

Note No.9.1 Foreign Currency Convertible Bonds

The Foreign Currency Convertible Bonds had become due for redemption on 9th November, 2010 and were not redeemed. These Bonds have redemption premium of 45.20% of the principal value. Further, due to the redemption default, the redemption amount attracts default interest at 8% p.a. from the due date of redemption.

As reported earlier, the company had been in constructive dialogue with the Bond holders for a possible settlement proposal.

The company has signed full and final settlement agreement with few Bond holders who hold substantial amount of Bonds for settling their outstanding over a period of 12 months starting from February 2013. The current outstanding(Including payables under settlement agreement) is USD 12,398,954 (₹ 675,804,986) as at 31.03.2013.

Note No.10		
Short Term Provisions		
a. Provision for Gratuity and compensated absences		
-Gratuity	**5,195,550**	3,626,106
-Compensated absences	**18,961,453**	14,599,483
b. Others	**75,342,016**	-
Total	**99,499,019**	18,225,589

Note No.11

Fixed Assets	Gross Block					Accumulated Depreciation				Net Block	
	Balance as at 1 April 2012	Additions	Disposals	Impairments	**Balance as at 31 March 2013**	Balance as at 1 April 2012	Depreciation charge for the year	On disposals	**Balance as at 31 March 2013**	**Balance as at 31 March 2013**	Balance as at 31 March 2012
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
a Tangible Assets											
Land	9,665,840	-	-	-	**9,665,840**	-	-	-	**-**	**9,665,840**	9,665,840
Buildings	177,060,451	-	-	-	**177,060,451**	51,628,976	5,913,819	-	**57,542,795**	**119,517,656**	125,431,475
Plant and Equipment	480,183,736	48,542,083	-	-	**528,725,819**	142,326,263	23,897,698	-	**166,223,961**	**362,501,858**	337,857,473
Furniture and Fixtures	8,042,081	63,771	-	-	**8,105,852**	2,996,537	510,327	-	**3,506,864**	**4,598,988**	5,045,544
Vehicles	8,721,373	-	704,724	-	**8,016,649**	4,777,784	786,409	440,063	**5,124,130**	**2,892,519**	3,943,589
Office equipment	4,164,786	62,571	0	0	**4,227,357**	2,086,651	266,361	-	**2,353,012**	**1,874,345**	2,078,135
Computer and Software	26,031,748	606,638	0	0	**26,638,386**	20,498,541	4,279,387	-	**24,777,928**	**1,860,458**	5,533,207
Total	713,870,015	49,275,063	704,724	-	**762,440,354**	224,314,752	35,654,001	440,063	**259,528,690**	**502,911,664**	489,555,263
b Intangible Assets											
Internally Generated ANDA, Market Authorisations, Product Licences & Others	513,786,882	-	-	-	**513,786,882**	236,773,737	51,378,688	-	**288,152,425**	**225,634,457**	277,013,145
Total	513,786,882	-	-	-	**513,786,882**	236,773,737	51,378,688	-	**288,152,425**	**225,634,457**	277,013,145
Total (a+b)	1,227,656,897	49,275,063	704,724	-	**1,276,227,236**	461,088,489	87,032,689	440,063	**547,681,115**	**728,546,121**	766,568,408
Previous year figure	*2,131,193,970*	*47,266,032*	*3,076,265*	*947,726,840*	***1,227,656,897***	*282,188,642*	*179,812,395*	*912,548*	***461,088,489***	***766,568,408***	*1,849,005,328*

Note No.11.1

Land held on leasehold basis. Building includes those constructed on leasehold land.

The company has internally generated intangible assets in the nature of ANDA/Market Authorisation/Site Variation Licenses for CRAMS. The expenses incurred on development of process/product and compliance with regulatory procedures of US FDA and other global health authorities in filing of Abbreviated New Drug Application (ANDA), Market Authorisation/Site Variation Licenses for CRAMS and MHRA procedure for Market Authorisation/Site Variation Licenses are capitalised and identified as intangible assets in accordance with AS - 26 (Intangible Assets). Some of these intangible assets are out licensed to overseas parties giving them exclusive/semi exclusive rights to market the company's products in the international markets.

Particulars	31 March 2013 ₹	31 March 2012 ₹
Note No.12		
Non-current investments		
Trade Investments		
Investment in subsidiaries(Unquoted)	**676,163,898**	235,146,322
Total	**676,163,898**	235,146,322

Note No.12.1

The Company, in the year 2008, acquired two UK based companies Bell, Sons and Co (Druggists) Limited and Relonchem Limited through its 100% subsidiary, Marksans Pharma (UK) Limited.

However, due to losses incurred by Relonchem Limited and under performance of Bell, Sons and Co (Druggists) Limited in the year ended 31.03.2012, the Management carried out an analysis of the value of investment in subsidiaries. The analysis was based on financial projections and market valuation of the peer companies operating in the similar area of operation. This analysis indicated a diminution in the realisable value of investment in the subsidiaries. Accordingly, the carrying value of the investment in subsidiaries was reduced in the Balance Sheet as on 31 March, 2012 and the amount of the diminution of ₹ 4,686 Lacs charged to the Statement of Profit and Loss for the year ended 31 March, 2012 in accordance with AS - 13 (Accounting for Investments).

However, during the period under review, the aforesaid two subsidiaries have shown improvement in performances. The management foresee further improvement in both the subsidiary's performance in the years to come. Therefore, the management has revisited the investment valuation at ₹ 676,163,898 as on 31.03.2013. Accordingly, the Company has written back the amount of diminution in the value of investment of ₹ 4,686 Lacs directly in Balance Sheet for the year ended 31.03.2013.

Note No.12.2

Investement in Equity Instruments

Name of the Body Corporate	Nova Pharmaceuticals Australasia Pty Ltd.		Investment in Marksans Pharma (UK) LTD.	
Subsidiary / Associate / JV/ Controlled Entity / Others	Subsidiary		Subsidiary	
	31 March 2013	31 March 2012	**31 March 2013**	31 March 2012
No. of Shares	**90**	90	**1000**	1000
Quoted / Unquoted	**Unquoted**	Unquoted	**Unquoted**	Unquoted
Partly Paid / Fully paid	**Fully Paid**	Fully Paid	**Fully Paid**	Fully Paid
Extent of Holding (%)	**60%**	60%	**100%**	100%
Amount (₹)	**15,905,003**	15,905,003	**660,258,895**	219,241,319
Whether stated at Cost Yes / No	**Yes**	Yes	**Yes**	NO
If Answer to Column above is 'No' - Basis of Valuation	**N.A.**	N.A.	**N.A.**	Diminution as per AS 13

Particulars	31 March 2013 ₹	31 March 2012 ₹
Note No.13		
Long Term Loans and Advances		
Unsecured, considered good	**12,021,619**	39,509,260
Total	**12,021,619**	39,509,260

Particulars	31 March 2013 ₹	31 March 2012 ₹
Note No.14		
Inventories		
a. Raw Materials and Packing Materials	**409,284,390**	206,647,868
b. Work-in-progress	**57,456,042**	37,422,233
c. Finished goods	**40,249,140**	130,721,233
d. Stock-in-trade	**6,186,183**	27,678,922
Total	**513,175,755**	402,470,256
Note No.15		
Trade Receivables		
Trade receivables outstanding for a period less than six months from the date they are due for payment		
Unsecured, considered good	**914,188,422**	741,894,173
Total	**914,188,422**	741,894,173
Note No.16		
Cash and cash equivalents		
a. Balances with banks	**3,783,384**	6,208,586
b. Cash on hand	**293,348**	88,668
c. Bank deposits with Less than 12 months maturity	**18,575**	167,362,155
d. Margin Money	**34,239**	2,190,324
Total	**4,129,546**	175,849,733
Note No.17		
Short-term loans and advances		
a. Advance recoverable in cash or kind		
Unsecured, considered good	**254,251,248**	64,852,247
Total	**254,251,248**	64,852,247

Particulars	2012-13 ₹	2011-12 ₹
Note No.18		
Revenue from operations		
Sale of products	**1,910,252,630**	1,537,996,609
Other operating revenues	**12,717,499**	7,916,358
Less: Excise duty	**-**	-
Total	**1,922,970,129**	1,545,912,967
Note No.19		
Other income		
Interest Income	**7,736,037**	19,278,279
Insurance Claim received	**8,877,329**	262,384
Dividend Income	**25,104,179**	-
Total	**41,717,545**	19,540,663
Note No.20		
Cost of materials and components consumed		
Inventory at the beginning of the year	**206,647,868**	100,985,889
Add: Purchases	**862,211,225**	710,672,452
Less: Inventory at the end of the Year	**(409,284,390)**	(206,647,868)
Cost of material and components consumed	**659,574,703**	605,010,473
Note No.21		
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade		
Inventory at the beginning of the year	**195,822,388**	299,138,770
Inventory at the end of the Year	**(103,891,365)**	(195,822,388)
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	**91,931,023**	103,316,382
Note No.22		
Employee Benefits Expense		
(a) Salaries and incentives	**140,367,147**	122,706,215
(b) Contributions to - Providend fund, E.S.I.C. and other fund	**5,270,790**	5,155,962
(c) Staff welfare expenses	**8,287,010**	7,626,736
Total	**153,924,947**	135,488,913
Note No.23		
Finance Costs		
Interest expense	**74,035,635**	94,538,727
Others	**27,288,005**	24,297,301
Applicable net loss on foreign Exchange	**-**	372,040,458
Total	**101,323,640**	490,876,486
Note No.24		
Depreciation and amortization expense		
Depreciation on tangible assets	**35,654,001**	33,662,658
Amoritization of intangible assets	**51,378,688**	146,149,737
Total	**87,032,689**	179,812,395

Particulars	2012-13 ₹	2011-12 ₹
Note No.25		
Other Expenses		
Water Charges	**3,120,075**	1,804,264
Power & Fuel	**42,617,615**	36,562,035
Freight Inward & Raw Material Clearing Charges	**15,713,052**	10,971,936
Repairs & Maintenance	**20,253,740**	17,229,337
Other Manufacturing Expenses	**22,544,538**	16,320,737
Rent	**18,011,041**	31,937,551
Rates & Taxes	**1,216,126**	6,572,906
Travelling Expenses	**12,590,081**	10,779,684
Communication Expenses	**2,482,047**	2,311,463
Courier & Postage Expenses	**1,766,494**	1,256,949
Printing & Stationery	**4,065,079**	5,169,232
Audit Fees	**337,000**	337,000
Vehicle Expenses & Local Conveyance	**2,507,159**	3,255,007
Legal & Professional Fees	**28,216,199**	20,333,658
Office Expenses	**12,801**	595,866
Insurance Charges	**6,980,544**	5,409,909
Diminution of Investment	**-**	468,600,000
Impairment of Assets	**-**	947,726,840
Exchange Loss/(Gain)	**(34,381,981)**	29,552,722
Loss on sale of Fixed Assets	**126,884**	492,819
Other Operating Expenses	**42,730,309**	18,915,093
Freight Outward & Export Clg. Exps	**59,969,342**	38,308,116
Selling & Distribution Expenses	**48,440,511**	36,147,265
Total	**299,318,656**	1,710,590,389
Note No.25.1		
Details of Payments to the Auditor		
a. As Auditor	**337,000**	337,000
Total	**337,000**	337,000

For and on Behalf of
N. K. MITTAL & ASSOCIATES
Chartered Accountant

N.K.MITTAL
Proprietor
Membership No: 46785
F. No.113281W

Place : Mumbai
Date : 27th May, 2013

For and on behalf of the Board of Directors

MARK SALDANHA
Chairman and Managing Director

DR. BALWANT S. DESAI
Whole-Time Director

HARSHAVARDHAN PANIGRAHI
Company Secretary & Legal Manager

Statement of Cash Flow for the year ended as on March 31, 2013

(Amount in ₹)

Particulars		For the period ended as on 31.03.2013	31.03.2012
A.	**Cash Flow From Operating Activities**		
	Profit/(Loss) Before Tax	**296,050,651**	(1,829,030,478)
	Adjustments to reconcile profit before tax and prior period items to cash provided by operations:		
	-Depreciation	**87,032,689**	179,812,395
	-Impairment of assets	**-**	947,726,840
	-Preliminary & Deferred Revenue Expenses Written off	**-**	130,796
	-Loss on sale of Business/Fixed Assets	**126,884**	492,819
	-Interest Expense	**74,035,635**	94,538,727
	-Interest Receipt	**(7,736,037)**	(19,278,279)
	Operating Profit before working capital changes	**449,509,822**	(625,607,180)
	Movements in working capital :		
	(Increase)/Decrease in Inventories	**(110,705,499)**	(2,345,597)
	(Increase)/Decrease in Trade and other receivables	**(172,294,249)**	(20,148,849)
	(Increase)/Decrease in loans and advances	**(161,911,360)**	53,488,941
	Increase/(Decrease) in Trade Payable and short term provisions	**85,082,545**	(7,726,961)
	Income Tax Paid	**(3,879,000)**	(5,376,680)
	Net cash used in operating activities	**85,802,259**	(607,716,326)
B.	**Cash Flow provided by (used in) Investing Activities:**		
	(Purchase)/Sale of Business/Fixed Assets	**(49,137,286)**	(45,595,134)
	Investment	**(441,017,576)**	441,017,576
	Interest Receipt	**7,736,037**	19,278,279
	Net Cash Flow provided by (used in) Investing Activities	**(482,418,825)**	414,700,721
C.	**Cash Flow provided by (used in) Financing Activities:**		
	Increase in Equity Share Capital	**17,500,000**	-
	Increase in Share Premium	**27,300,000**	-
	Increase in General Reserve	**2,551,486,609**	339,699,267
	Money received against share warrants	**(11,565,500)**	11,565,500
	Proceeds/(Repayment) of Short Term and Long Term Borrowings/Write back on FCCB Settlement	**(2,285,789,095)**	(150,239,144)
	Interest Expense	**(74,035,635)**	(94,538,727)
	Net Cash Flow provided by (used in) Financing Activities	**224,896,379**	106,486,896
	Net Increase /(Decrease) in Cash and Bank Balances	**(171,720,187)**	(86,528,709)
	Cash & Bank Balances as at 31.03.2012	**175,849,733**	262,378,442
	Cash & Bank Balances as at 31.03.2013	**4,129,546**	175,849,733
		(171,720,187)	(86,528,709)

Notes :

1 The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

2 The Previous year's figures have been regrouped wherever necessary in order to conform to this year's presentation.

For and on Behalf of
N. K. MITTAL & ASSOCIATES
Chartered Accountant

N.K.MITTAL
Proprietor
Membership No: 46785
F. No.113281W

Place : Mumbai
Date : 27th May, 2013

For and on behalf of the Board of Directors

MARK SALDANHA
Chairman and Managing Director

DR. BALWANT S. DESAI
Whole-Time Director

HARSHAVARDHAN PANIGRAHI
Company Secretary & Legal Manager

Statement Pursuant to Section 212 of the Companies Act,1956 Relating to Holding Company's Interest in the Subsidiary Companies

		Nova Pharmaceuticals Australasia Pty Ltd	Marksans Pharma (UK) Limited (Consolidated)
1	The Financial Year of the Subsidiary Companies ended on	31st March,2013	31st March,2013
2	Date on Which it become a Subsidiary	1st April,2006	31st May,2005
3(A)	Numbers of Shares held by Marksans Pharma Ltd (Holding Company) in the Subsidiary Companies at the end of the Financial Year of the Subsidiary Companies	90 Equity Shares of A$1 each	1000 Equity Shares of GBP 1 each
3(B)	Extent of Interest of Holding Company at the end of the Financial Year of the Subsidiary Companies	60%	100%
4	The net agreegate amount of the Subsidiary Companies Profit/ (Loss) so far as it concerns Members of the Holding Company and		
	a. Is not dealt with in the Company's Accounts	-	-
	i. For the Financial Year ended 31st March,2013	44,128,858	18,886,086
	ii. For the Previous Financial Year since it became Subsidiary	41,406,288	(19,141,628)
	b. No part of the Profit/(Loss) has been dealt within Company's Accounts for the Financial Year or for the previous financial year since it became Subsidiary	-	-
	Issued and Subscribed Share Capital	4,781	84,840
	Reserve	174,744,643	(339,820,813)
	Total Assets	190,573,066	1,454,004,279
	Total Liabilities	190,573,066	1,454,004,279
	Turnover	559,311,084	1,901,942,329
	Profit/(Loss) before Taxation	105,649,599	33,772,491
	Provision for Taxation	32,101,502	14,886,372
	Profit/(Loss) after Taxation	73,548,097	18,886,086
	Proposed Dividend	46,790,481	-
	Exchange Rate	56.1486(Avg Australian $)	86.029(Avg.GBP)

For and on behalf of the Board of Directors

Mark Saldanha
Chairman and Managing Director

Dr. Balwant S. Desai
Whole-Time Director

Harshavardhan Panigrahi
Company Secretary & Legal Manager

Place : Mumbai
Date : 27th May, 2013

AUDITORS' REPORT

Auditor's report to the Board of Directors of **MARKSANS PHARMA LIMITED**

1) We have audited the attached Consolidated Balance Sheet of **MARKSANS PHARMA LIMITED** (the company) and its subsidiaries as at 31st March 2013 and also the Consolidated Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding component. Our responsibility is to express an opinion on these financial statements based on our audit.

2) We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3) We report that:

   (a) The consolidated financial statements have been prepared by the company's management in accordance with the requirements of AS-21 on consolidated financial statements issued by the Institute of Chartered Accountants of India.

   (b) We did not audit the financial statement of the subsidiaries, whose financial statement reflect total assets of Rs.16,445.77 Lacs as at 31st March 2013 and total revenues of Rs. 24,634.90 Lacs for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of other auditors.

4) On the basis of information and explanation given to us and on consideration of separate audit reports on individual audited financial statements of Marksans Pharma Ltd. and its aforesaid subsidiaries, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) In the case of Consolidated Balance Sheet, of the state of affairs of Marksans Pharma Ltd. and its subsidiaries as at 31st March, 2013,

   (b) In the case of Consolidated Statement of Profit and Loss, of the Profit of Marksans Pharma Ltd. and its subsidiaries for the year ended 31st March, 2013, and

   (c) In case of Consolidated Statement of Cash Flow, of the cash flow for the year ended on 31st March, 2013.

FOR **N.K.MITTAL & ASSOCIATES**
Chartered Accountants

N. K. MITTAL
(Proprietor)
M.NO.46785
F.NO. 113281W

Place : Mumbai
Date : 27th May, 2013

Consolidated Balance Sheet as at March 31, 2013

Particulars	Note No.	31 March 2013 ₹	31 March 2012 ₹
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	**520,307,204**	502,807,204
(b) Reserves and surplus	4	**344,480,283**	(2,195,101,771)
(c) Money received against share warrants		**-**	11,565,500
2 Share application money pending allotment		**-**	-
Minority Interest		**69,899,770**	56,161,232
3 Non-current liabilities			
(a) Long-term borrowings	5	**78,768,473**	152,013,622
(b) Deferred tax liabilities (Net)	6	**26,164,432**	130,604,820
4 Current liabilities			
(a) Short-term borrowings	7	**1,137,870,477**	1,139,224,899
(b) Trade payables	8	**560,615,599**	586,180,477
(c) Other current liabilities	9	**1,087,343,666**	3,363,934,107
(d) Short-term provisions	10	**186,996,108**	103,247,965
TOTAL		**4,012,446,012**	3,850,638,055
II. ASSETS			
1 Non-current assets			
(a) Fixed assets	11		
(i) Tangible assets		**741,250,588**	738,681,729
(ii) Intangible assets		**819,912,669**	914,852,690
(b) Non-current investments		**-**	-
(c) Long-term loans and advances	12	**12,021,619**	40,827,069
2 Current assets			
(a) Inventories	13	**776,918,989**	733,588,714
(b) Trade receivables	14	**1,313,142,667**	1,127,686,895
(c) Cash and cash equivalents	15	**158,799,569**	223,865,801
(d) Short-term loans and advances	16	**190,399,911**	71,135,157
(e) Other current assets- Miscellaneous expenditure		**-**	-
TOTAL		**4,012,446,012**	3,850,638,055
Significant Accounting Policies and Notes on Financial Statements	1 to 24		

For and on Behalf of
N. K. MITTAL & ASSOCIATES
Chartered Accountant

For and on behalf of the Board of Directors

MARK SALDANHA
Chairman and Managing Director

DR. BALWANT S. DESAI
Whole-Time Director

N.K.MITTAL
Proprietor
Membership No: 46785
F. No.113281W

HARSHAVARDHAN PANIGRAHI
Company Secretary & Legal Manager

Place : Mumbai
Date : 27th May, 2013

Consolidated Statement of Profit & Loss for the year ended as on March 31, 2013

	Particulars	Note No.	2012-13 ₹	2011-12 ₹
1	Revenue from operations	17	**4,384,223,541**	3,555,487,496
2	Other income	18	**43,954,398**	20,516,278
3	**Total Revenue (1+2)**		**4,428,177,939**	3,576,003,774
4	Expenses:			
	Cost of materials consumed	19	**1,359,288,096**	1,178,289,208
	Purchases of Stock-in-Trade		**1,047,815,387**	833,259,816
	Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	20	**121,542,505**	117,715,604
	Employee benefits expense	21	**559,125,071**	456,974,371
	Finance costs	22	**145,964,494**	535,753,955
	Depreciation and amortization expense	23	**156,498,769**	236,997,646
	Other expenses	24	**602,470,896**	1,966,918,061
	Miscellaneous Expenditure Written Off		**-**	130,796
	Total expenses		**3,992,705,218**	5,326,039,457
5	Profit/(Loss) before exceptional and extraordinary items and tax (3-4)		**435,472,721**	(1,750,035,683)
6	Exceptional items		**-**	-
7	**Profit/(Loss) before extraordinary items and tax (5-6)**		**435,472,721**	(1,750,035,683)
8	Extraordinary Items		**-**	-
9	**Profit/(Loss) before tax (7-8)**		**435,472,721**	(1,750,035,683)
10	Tax expense:			
	(1) Current Year		**51,739,725**	33,352,338
	(2) Earlier year		**(72,766)**	4,700,413
	(3) Deferred tax		**(104,456,199)**	(27,295,353)
	Total Tax Expenses		**(52,789,240)**	10,757,398
11	**Profit/(Loss) for the period from continuing operations (9-10)**		**488,261,961**	(1,760,793,081)
12	Profit/(Loss) from discontinuing operations		**-**	-
13	Tax expense of discontinuing operations		**-**	-
14	**Profit/(Loss) from Discontinuing operations (after tax) (12-13)**		**-**	-
15	**Profit/(Loss) for the period before adjustment for Minority interest (11+14)**		**488,261,961**	(1,760,793,081)
16	**Less: Minority Interest**		**29,419,239**	27,604,192
17	**Profit/(Loss) for the period after adjustment for Minority interest(15-16)**		**458,842,722**	(1,788,397,273)
18	Earnings per equity share:			
	(1) Basic		**1.19**	(4.86)
	(2) Diluted		**1.19**	(4.64)
	Significant Accounting Policies and Notes on Financial Statements	1 to 24		

For and on Behalf of
N. K. MITTAL & ASSOCIATES
Chartered Accountant

N.K.MITTAL
Proprietor
Membership No: 46785
F. No.113281W

Place : Mumbai
Date : 27th May, 2013

For and on behalf of the Board of Directors

MARK SALDANHA
Chairman and Managing Director

DR. BALWANT S. DESAI
Whole-Time Director

HARSHAVARDHAN PANIGRAHI
Company Secretary & Legal Manager

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013

1 PRINCIPLE OF CONSOLIDATION

a. The consolidated financial statements of Group have been prepared in accordance with Accounting Standard (AS-21) “Consolidated Financial Statements” issued by the Institute of Chartered Accountants of India.

b. The Consolidated financial statement envisages combining of financial statement of Marksans Pharma Limited and its following subsidiaries.

Name of Subsidiary	Country of Incorporation	Percentage of Ownership
(1) Nova Pharmaceuticals Australasia Pty Ltd	Australia	60%
(2) Marksans Pharma (UK) Limited	UK	100%
a) Relonchem Limited.		
b) Marksans Holdings Limited.		
-Bells Sons and Co. (Druggists) Limited		

c. Assets and Liabilities of foreign subsidiary are translated into Indian Rupees at the rate of exchange prevailing as at the Balance Sheet Date. Revenues and expenses are translated into Indian Rupees at average exchange rates prevailing during the year and the resulting net transaction adjustment has been adjusted to reserve.

d. The difference between the costs to the company of its investment in the subsidiary companies over the Company’s portion of equity is recognised in the financial statements as Goodwill or Capital Reserve.

1.1 As per the audited Balance Sheet as at 31 March, 2011, the Company’s Net Worth had been completely eroded. Therefore, as required under Section 15(1) of the SICA 1985, the Company has made a reference to the Board for Industrial and Financial Reconstruction (BIFR). Due to settlement of the substantial amount of the FCCBs and improved financial performance of the Company, the Net Worth of the Company has turned positive as at 31 March, 2013. Under the circumstances, the Company will seek withdrawal of its reference and will await necessary directives from the BIFR.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Standards

The Accounts have been prepared in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.

2.2 Basis of Accounting

The financials are prepared under the historical cost convention on an accrual basis and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India referred to in Section 211(3C) of the Companies Act, 1956.

2.3 Fixed Assets

a Fixed assets are stated at cost along with costs directly attributable to bring the assets to their working condition as reduced by CENVAT credit and Input VAT.

b Intangibles:

- **Internally Generated Intangible Assets – ANDA / Market Authorisations / Site Variation Licenses for CRAMS:** ANDA / Market Authorisation / Site Variation Licenses for CRAMS costs represent expenses incurred on development of process / product and compliance with regulatory procedures of the US FDA and other Global Health Authorities in filing of Abbreviated New Drug Applications (“ANDA”), Market Authorisation/Site Variation Licenses for CRAMS and MHRA procedure for Market Authorisation / Site Variation Licenses.

  This is in accordance with the requirements of Accounting Standard 26 of the Institute of Chartered Accountants of India.

  The Cost of each ANDA / MA / Site Variation Licenses for CRAMS is amortised to the extent of recovery of developmental costs as applicable as per terms of agreement or over a period of ten years from the date on which the product covered by ANDA / Market Authorisations / Site Variation licenses for CRAMS is Commercially marketed, whichever is earlier.

- **Product Development Costs:**

  Product Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future economic benefit from the related project, not exceeding ten years.

2.4 Depreciation

Depreciation on fixed assets other than leasehold land is provided on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 read with the relevant circulars issued by the Ministry of Corporate Affairs from time to time. Leasehold land is not amortised.

2.5 Impairment of Assets

The company identifies impairable assets at the year end in terms of cash generating unit concept based on para - 5 to 13 of AS-28 issued by ICAI for the purpose of arriving at impairment loss thereon being the difference between the book value and recoverable value of relevant assets. Impairment loss, if any, when crystallizes is charged against revenue of the year.

2.6 Expenditure during construction period

In case of new projects and substantial expansion of existing factories, expenditure incurred including financing costs prior to commencement of commercial production is capitalized. All pre-operative and trial run expenditure accumulated as Capital Work in Progress is allocated on a pro- rata basis depending on the prime cost of the assets.

2.7 Inventories

Inventories are valued at the lower of cost (net of CENVAT Credit and Input VAT) or Net Realisable Value as under:

Raw Materials, Packing Materials and Stores – At Weighted Average Cost on FIFO basis.
Work in Process - At Cost (Direct Cost plus Conversion Cost) upto estimated stage of completion.
By-Products - At Net Realisable Value.
Finished Goods - At Cost (Direct cost plus Conversion Cost and Excise Duty) or Net Realisable Value, whichever is lower.

2.8 Customs / Excise duty

Excise Duty on finished goods and Custom Duty on imported materials are accounted on production of packed finished goods / receipt of material in custom bonded warehouses. All the closing stock of finished goods lying at Goa factory is for export, hence provision for excise duty is not made.

2.9 Foreign Currency Transaction

Purchase of imported raw materials, capital goods and components are accounted based on presentation memos from bank on the date of the transaction. In respect of liabilities on imports of raw materials, capital goods and components for which invoices / bills are not received, the liability is accounted based on the exchange rates prevailing on the date of the balance sheet.

Export Sales of finished goods are accounted on the basis of export invoices on the invoice date. In respect of the unrealised exports, the receivables are accounted based on the exchange rates prevailing on the date of the balance sheet.

2.10 Miscellaneous Expenditure

Expenditure on launch of new products and their sales promotion for domestic markets are being amortised over a period of 60 months.

2.11 Research and Development

Capital expenditure on research and development is capitalized as fixed assets. Other expenditure on R&D is expensed as incurred.

2.12 Investments

Long term investments are stated at cost less any provision for permanent diminution in the value. The current investments are valued at lower of cost or market value.

2.13 Employee Benefits

Liability for Gratuity is accounted on accrual basis.

2.14 Revenue Recognition

The company recognizes sale of goods on the invoice date. Sales comprise of amounts invoiced for goods sold, including excise duty wherever applicable but net of returns and trade discounts.

Dividend Income is accounted on receipt of the same.

CRAMS milestone revenues are recognised on signing of Agreement with respective parties.

2.15 Income Tax

Current Year:

Provision for current tax has been made in accordance with the Income Tax Laws prevailing for the relevant assessment years.

Deferred Tax:

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing difference that result between the profit offered for income taxes and profit as per the financial statements of the Company. Deferred tax assets and liabilities are measured using the tax rates and tax law that have been enacted or substantively enacted by the balance sheet date. The effect on deferred assets and liabilities of a change in tax rates is recognized in the period that includes the enactment /substantive enactment date. Deferred tax assets on timing difference are recognized only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. However, deferred tax assets on the timing difference when unabsorbed depreciation and losses carried forward exist , are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are reassessed for the appropriateness of their respective carrying amounts at each balance sheet date. The Company offsets , on a year on year basis, the current and noncurrent assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

2.16 PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

a. the Company has a present obligation as a result of past event,

b. a probable outflow of resources is expected to settle the obligation; and

c. the amount of the obligation can be reliably estimated.

Contingent liability is not recognized but disclosed in the Notes to the Accounts. The Contingent Assets are neither recognized, nor disclosed. Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

Contingent liabilities and commitments (to the extent not provided for) (₹ in lacs)

Particulars	2012-13 ₹	2011-12 ₹
Contingent Liabilities		
(a) Claims against the company not acknowledged as debt	142.93	174.09
(b) Guarantees and Letter of Credit	8,339.05	14,947.22
(c) Other money for which the company is contingently liable		
Sales Tax		
Sales Tax (BST,CST) – 03-04	20.21	20.21
Sales Tax (BST,CST) – 04-05	7.90	7.90
Sales Tax (CST) – 06-07	-	3.23
(d) Foreign Currency Convertible Bonds	15,192.89	-
	23,702.98	15,152.65

(i) The Company has signed Settlement Agreement with few bond holders for settlement of principal value of USD 36,789,000 worth of Bonds. Under the Settlement Agreement, the settlement amount is payable over a period of 12 months from the date of signing the respective agreements.

Accordingly, the Company has written back the entire amount of USD 36,789,000 Bonds alongwith redemption premium of USD 16,628,628 (aggregating to USD 53,417,628) and provided for new liability based on the settlement payout in terms of the Settlement Agreement in the books of accounts for the year ended 31 March, 2013.

In case the Company delays in making the payment of the balance consideration (as provided in the books of accounts), the Company will have to pay surcharge for the delayed payment in terms of the Settlement Agreement. However, if the delay is beyond 28 months from the date of signing the Agreement, then the said Agreement will be treated as terminated and the liability towards outstanding bonds along with redemption premium already written back will be re-instated in the books of accounts.

2.17 Information of Subsidiaries

PARTICULARS	Currency	Bell, Sons & Co (Druggists) Limited	Relonchem Limited	Marksans Pharma U.K. Limited CONSOLIDATED	Currency	NOVA Pharmaceuticals Australasia Pty Ltd
Capital	GBP	6334	2300	1000	AUD	150
	RS.	524733	190541	84840	RS.	4781
Reserve	GBP	8514139	5587742	-3716922	AUD	3093023
	RS.	705344480	462910339	-339820813	RS.	174744643
Total Assets	GBP	15057485	8228163	18481130	AUD	3371797
	RS.	1247420782	681653113	1454004279	RS.	190573066
Total Liabilities	GBP	15057485	8228163	18481130	AUD	3371797
	RS.	1247420782	681653113	1454004279	RS.	190573066
Investment	GBP	-	-	-	AUD	-
	RS.	-	-	-	RS.	-
Turnover	GBP	15541954	6927927	22108153	AUD	9961265
	RS.	1337058761	596002632	1901942329	RS.	559311084
Profit/(Loss) Before Taxation	GBP	931543	58090	392571	AUD	1881607
	RS.	80139713	4997425	33772491	RS.	105649599
Provision for Taxation	GBP	173039	0	173039	AUD	571724
	RS.	14886372	0	14886372	RS.	32101502
Profit/(Loss) After Taxation	GBP	758504	58090	219532	AUD	1309883
	RS.	65253341	4997425	18886086	RS.	73548097
Dividend	GBP	-	-	-	AUD	833333
	RS.	-	-	-	RS.	46790481

2.18 Figures of the previous year have been regrouped and re-arranged wherever necessary, so as to make them comparable with the current year's figures.

Note No.3
Share Capital

Particulars	31 March 2013 Number	31 March 2013 ₹	31 March 2012 Number	31 March 2012 ₹
Authorised				
Equity Shares of ₹ 1/- each	**550,000,000**	**550,000,000**	550,000,000	550,000,000
7% Redeemable Cumulative Preference Shares of ₹ 100/- each	**1,400,000**	**140,000,000**	1,400,000	140,000,000
	551,400,000	**690,000,000**	551,400,000	690,000,000
Issued, Subscribed & Paid up				
Equity Shares of ₹ 1/- each	**385,307,204**	**385,307,204**	367,807,204	367,807,204
7% Redeemable Cumulative Preference Shares of ₹ 100/- each	**1,350,000**	**135,000,000**	1,350,000	135,000,000
Total	**386,657,204**	**520,307,204**	369,157,204	502,807,204

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

Particulars	Equity Shares of ₹ 1/- each Number	Equity Shares of ₹ 1/- each ₹	7%Redeemable Cumulative preference Shares of ₹ 100/- each Number	7%Redeemable Cumulative preference Shares of ₹ 100/- each ₹
Shares outstanding at the beginning of the year	367,807,204	367,807,204	1,350,000	135,000,000
Shares Issued during the year *	17,500,000	17,500,000	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	385,307,204	385,307,204	1,350,000	135,000,000

* The Company had issued on 25th December,2011 17,500,000 convertible warrants to Mr. Mark Saldanha, promoter of the Company on preferential basis. During the year 2012-13, Mr. Mark Saldanha excercised his right of conversion of the said warrants into equity shares. Accordingly, the Company has on 14.12.2012 issued and allotted 17,500,000 equity shares of ₹ 1/- each face value to Mr. Mark Saldanha in conversion of the warrants. Consequently, the company's Issued,Subscribed and Paid-Up Equity Share Capital has increased from 367,807,204 equity shares of ₹ 1/- each to 385,307,204 equity shares of ₹ 1/- each effective from 14.12.2012. These equity shares were issued at a cash consideration of ₹ 2.56 per equity share determined in accordance with applicable SEBI guidelines.

b. Terms/rights attached to Equity Shares

The Company has only one class of Equity Shares having a par value of ₹ 1/- per share. All the Equity Shares rank pari passu in all respect. Each holder of Equity Shares is entitled to one vote per share. The equity share holders are entitled to dividend, if declared by the shareholders in an Annual General Meeting, in proportion to the number of Equity Shares held by the shareholders. In the event of liquidation of the Company, the holders of Equity Shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of Equity Shares held by the shareholders.

c. Terms/rights attached to Preference Shares

The Company had issued 1,350,000 7% Redeemable Cumulative Preference Shares of ₹ 100/- each fully paid-up to Glenmark Pharmaceuticals Limited on 27 March, 2008. These preference shares have been redeemed on 27 March,2013 by issue of new 1,350,000 7% Redeemable Cumulative Preference Shares of ₹ 100/- each fully paid up under the same terms and conditions. The new preference shares will be due for redemption on 27 March,2018.These preference shares carry dividend at the rate of 7% per annum subject to approval of the shareholders at an Annual General Meeting. The holder of the preference shares is entitled to one vote per share only on resolutions placed before the Company which directly affect the rights attached to the preference shares.In the event of liquidation of the Company before redemption of the preference shares, the holder of the preference shares will have priority over equity shares in the payment of dividend and repayment of capital.

d. The company has not issued bonus shares and shares for consideration other than cash nor the company has bought back any shares during the period of five years immediately preceding the reporting date except the issue of preference shares as stated in Note No.3c above.

e. Details of shareholders holding more than 5% shares in the Company

Name of Shareholder	31 March 2013		31 March 2012	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity Shares of ₹ 1/- each fully paid				
Mr. Mark Saldanha	**196,672,780**	**51.04**	177,982,910	48.39
7% Redeemable Cumulative Preference Shares of ₹ 100/- each fully paid				
Glenmark Pharmaceuticals Limited	**1,350,000**	**100**	1,350,000	100

Note No.4
Reserves & Surplus

Particulars	31 March 2013 ₹	31 March 2012 ₹
a. Capital Reserves		
Opening Balance	**122,500**	122,500
(+) Current Year Transfer	**-**	468,600,000
Closing Balance	**122,500**	468,722,500
b. Securities Premium Account		
Opening Balance	**435,588,795**	435,588,795
(+) Securities premium credited on Share issue	**27,300,000**	-
Closing Balance	**462,888,795**	435,588,795
c. General Reserve		
Opening Balance	**507,110,591**	167,411,324
(+) Current Year Transfer	**2,551,486,609**	339,699,267
(-) Written Back in Current Year	**-**	-
Closing Balance	**3,058,597,200**	507,110,591
d. Exchange Fluctuation A/c	**(22,444,797)**	(39,788,001)
	(22,444,797)	(39,788,001)
e. Surplus		
Opening balance	**(3,566,735,656)**	(1,775,646,693)
(+) Net Profit/(Net Loss) For the current year	**458,842,722**	(1,788,397,273)
(-) Dividend	**(46,790,481)**	(2,691,690)
Closing Balance	**(3,154,683,415)**	(3,566,735,656)
Total	**344,480,283**	(2,195,101,771)

Note No.5
Long Term Borrowings

Secured		
a. Term loans		
from banks	**78,400,000**	151,452,705
b. Vehicle Loan	**368,473**	560,917
Total	**78,768,473**	152,013,622

Note No.5.1

The term loan is secured by a charge on the plants and machineries of Goa plants. There are no overdues repayment of the term loan. Maturity profile of Term Loan are as set out below.

	2 years	2-3 years	3-4 years	Beyond 4 years
Term Loan from Bank (₹)	26,614,430	20,530,124	14,423,919	17,200,000

Particulars	31 March 2013 ₹	31 March 2012 ₹
Note No.6		
Deferred tax liabilities (Net)		
Deferred Tax Liabilities : DTL		
Tangible assets (B/F)	**125,868,907**	125,868,907
Amortizable goodwill	**-**	-
Add: Deferred Tax Liabilty of Marksans Pharma UK Ltd.	**3,951,654**	4,735,913
Total	**129,820,561**	130,604,820
Deferred Tax Assets : DTA		
Intangible Impairment of assets	**103,656,129**	-
Total	**103,656,129**	-
Net DTA / DTL	**26,164,432**	130,604,820
The Net DTA / DTL has the following breakdown:		
Deferred Tax Liabilities : DTL	**129,820,561**	130,604,820
Deferred Tax Assets : DTA	**103,656,129**	-
Net DTA / DTL	**26,164,432**	130,604,820
Note No.7		
Short Term Borrowings		
Secured		
Working Capital facilities from Bank	**1,137,870,477**	1,139,224,899
Total	**1,137,870,477**	1,139,224,899

Note No.7.1

Working capital facilities are secured by Hypothecation of stock of raw material,packing material, finished goods,work-in-progress, receivables and equitable mortgage on fixed assets of manufacturing facility of Goa plants, present and future. Working capital loans taken for Bell, Sons and Co.(Druggists) Limited and Relonchem Limited are secured by Corporate Guarantee provided by the parent company Marksans Pharma Ltd.

Note No.8		
Trade Payable		
Trade Payable	**560,615,599**	586,180,477
Total	**560,615,599**	586,180,477

Trade Payable Includes general and miscellaneous creditors.

Particulars	31 March 2013 ₹	31 March 2012 ₹
Note No.9		
Other Current Liabilities		
a. Current maturities of Term Loan	**411,336,236**	496,494,493
b. Current maturities of Vehicle Loan	**192,444**	228,019
c. Foreign Currency Convertible Bonds	**675,804,986**	2,867,211,595
d. Deposits	**10,000**	-
Total	**1,087,343,666**	3,363,934,107

Note No.9.1 Term Loan

Term loan includes loan of of £ 4.07 million taken by subsidiary Companies which is secured by corporate guarantee provided by the parent company Marksans Pharma Ltd and a pledge of shares in Marksans Holding Limited & Relonchem Limited.

Note No.9.2 Foreign Curreny Convertible Bonds

The Foreign Currency Convertible Bonds had become due for redemption on 9th November, 2010 and were not redeemed. These Bonds have redemption premium of 45.20% of the principal value. Further, due to the redemption default, the redemption amount attracts default interest at 8% p.a. from the due date of redemption.

As reported earlier, the company had been in constructive dialogue with the Bond holders for a possible settlement proposal. The company has signed full and final settlement agreement with few Bond holders who hold substantial amount of Bonds for settling their outstanding over a period of 12 months starting from February-2013. The current outstanding(Including payables under settlement agreement) is USD 12,398,954 (₹ 675,804,986) as at 31.03.2013.

Note No.10		
Short Term Provisions		
a. Provision for Gratuity and compensated absences		
-Gratuity	**5,195,550**	3,626,106
-Compensated absences	**18,961,453**	14,599,483
b. Others	**162,839,105**	85,022,376
Total	**186,996,108**	103,247,965

Note No.11

Fixed Assets	Gross Block					Accumulated Depreciation				Net Block	
	"Balance as at 1 April 2012"	Additions	Disposals	Impairments	"Balance as at 31 March 2013"	"Balance as at 1 April 2012"	Depreciation charge for the year	On disposals	"Balance as at 31 March 2013"	"Balance as at 31 March 2013"	"Balance as at 31 March 2012"
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
a Tangible Assets											
Land	9,665,840	-	-	-	**9,665,840**	-	-	-	**-**	**9,665,840**	9,665,840
Buildings	376,530,192	1,896,214	-	-	**378,426,406**	60,339,737	15,935,251	-	**76,274,988**	**302,151,418**	316,190,455
Plant and Equipment	754,623,883	57,380,037	-	-	**812,003,920**	359,569,121	37,548,092	-	**397,117,213**	**414,886,707**	395,054,762
Furniture and Fixtures	9,741,819	63,771	-	-	**9,805,590**	3,757,570	809,824	-	**4,567,394**	**5,238,196**	5,984,249
Vehicles	9,480,321	2,942,683	704,724	-	**11,718,280**	5,536,731	1,059,291	440,063	**6,155,959**	**5,562,321**	3,943,590
Office equipment	5,522,645	164,002	-	-	**5,686,647**	3,213,019	587,980	-	**3,800,999**	**1,885,648**	2,309,626
Computer and Software	26,031,748	606,638	-	-	**26,638,386**	20,498,541	4,279,387	-	**24,777,928**	**1,860,458**	5,533,207
Total	1,191,596,448	63,053,345	704,724	-	**1,253,945,069**	452,914,719	60,219,825	440,063	**512,694,481**	**741,250,588**	738,681,729
b Intangible Assets											
Goodwill	452,659,117	-	-		**452,659,117**	89,440,345	24,591,992		**114,032,337**	**338,626,780**	363,218,772
Prescription Product Licences	344,737,793	-	-		**344,737,793**	71,925,494	20,044,757		**91,970,251**	**252,767,542**	272,812,299
OTC Product Licences	2,283,180	1,338,923	-		**3,622,103**	474,705	263,507		**738,212**	**2,883,891**	1,808,475
"Internally Generated ANDA,Market Authorisations, Product Licences & Others"	513,786,881	-	-	-	**513,786,881**	236,773,737	51,378,688	-	**288,152,425**	**225,634,456**	277,013,144
Total	1,313,466,971	1,338,923	-	-	**1,314,805,894**	398,614,281	96,278,944	-	**494,893,225**	**819,912,669**	914,852,690
Total (a+b)	2,505,063,419	64,392,268	704,724	-	**2,568,750,963**	851,529,000	156,498,769	440,063	**1,007,587,706**	**1,561,163,257**	1,653,534,419
Previous year figure	*3,401,340,877*	*54,525,647*	*3,076,265*	*947,726,840*	***2,505,063,419***	*615,443,902*	*236,997,646*	*912,548*	***851,529,000***	***1,653,534,419***	*2,785,896,975*

Note No.11.1

The company has internally generated intangible assets in the nature of ANDA/Market Authorisation/Site Variation Licenses for CRAMS. The expenses incurred on development of process/product and compliance with regulatory procedures of US FDA and other global health authorities in filing of Abbreviated New Drug Application (ANDA), Market Authorisation/Site Variation Licenses for CRAMS and MHRA procedure for Market Authorisation/Site Variation Licenses are capitalised and identified as intangible assets in accordance with AS - 26 (Intangible Assets). Some of these intangible assets are out licensed to overseas parties giving them exclusive/semi exclusive rights to market the company's products in the international markets.

Particulars	31 March 2013 ₹	31 March 2012 ₹
Note No.12		
Long Term Loans and Advances		
Unsecured, considered good	**12,021,619**	40,827,069
Total	**12,021,619**	40,827,069
Note No.13		
Inventories		
Raw Materials, Packing Materials,Work-in-progress, Finished goods and Stock-in-trade	**776,918,989**	733,588,714
Total	**776,918,989**	733,588,714
Note No.14		
Trade Receivables		
Trade receivables outstanding for a period less than six months from the date they are due for payment		
Unsecured, considered good	**1,313,142,667**	1,127,686,895
Total	**1,313,142,667**	1,127,686,895
Note No.15		
Cash and cash equivalents		
a. Balances with banks	**155,058,393**	53,140,264
b. Cash on hand	**422,135**	189,127
c. Bank deposits with Less than 12 months maturity	**18,575**	167,362,155
d. Margin Money	**3,300,466**	3,174,255
Total	**158,799,569**	223,865,801
Note No.16		
Short-term loans and advances		
a. Advance recoverable in cash or kind		
Unsecured, considered good	**190,399,911**	71,135,157
Total	**190,399,911**	71,135,157

Particulars	2012-13 ₹	2011-12 ₹
Note No.17		
Revenue from operations		
Sale of products	**4,371,506,042**	3,547,571,138
Other operating revenues	**12,717,499**	7,916,358
Less: Excise duty	**-**	-
Total	**4,384,223,541**	3,555,487,496
Note No.18		
Other income		
Interest Income	**9,972,890**	20,253,894
Insurance Claim received	**8,877,329**	262,384
Dividend Income	**25,104,179**	-
Total	**43,954,398**	20,516,278
Note No.19		
Cost of materials and components consumed		
Cost of material and components consumed	**1,359,288,096**	1,178,289,208
Note No.20		
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade		
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	**121,542,505**	117,715,604
Note No.21		
Employee Benefits Expense		
(a) Salaries and incentives	**500,886,863**	404,481,231
(b) Contributions to - Providend fund , E.S.I.C. and other fund	**42,786,357**	38,261,481
(c) Staff welfare expenses	**15,451,851**	14,231,659
Total	**559,125,071**	456,974,371
Note No.22		
Finance Costs		
Interest expense	**114,528,722**	134,722,264
Others	**31,435,772**	28,991,233
Applicable net loss on foreign Exchange	**-**	372,040,458
Total	**145,964,494**	535,753,955
Note No.23		
Depreciation and amortization expense		
Depreciation on tangible assets	**60,219,825**	50,682,345
Amoritization of intangible asssets	**96,278,944**	186,315,301
Total	**156,498,769**	236,997,646

Particulars	2012-13 ₹	2011-12 ₹
Note No.24		
Other Expenses		
Water Charges	**8,127,834**	4,527,904
Power & Fuel	**53,108,626**	44,327,099
Freight Inward & Raw Material Clearing Charges	**46,169,692**	45,338,790
Repairs & Maintenance	**32,208,449**	25,982,784
Other Manufacturing Expenses	**52,296,906**	42,236,884
Rent	**27,270,920**	39,994,107
Rates & Taxes	**7,033,576**	2,053,972
Travelling Expenses	**27,021,432**	23,388,071
Communication Expenses	**5,390,622**	5,147,944
Courier & Postage Expenses	**3,175,975**	2,448,978
Printing & Stationery	**6,942,320**	7,407,805
Audit Fees	**3,026,797**	2,687,867
Vehicle Expenses & Local Conveyance	**5,136,108**	5,238,967
Legal & Professional Fees	**38,267,016**	31,608,202
Office Expenses	**511,596**	1,212,950
Insurance Charges	**16,079,026**	13,720,075
Diminution of Investment	**-**	468,600,000
Impairement of Assets	**-**	947,726,840
Exchange Loss/(Gain)	**(35,075,027)**	29,738,083
Loss on sale of Fixed Assets	**126,884**	435,012
Other Operating Expenses	**82,385,243**	54,393,555
Freight Outward & Export Clg. Exps	**116,632,526**	83,358,013
Selling & Distribution Expenses	**106,634,375**	85,344,159
Total	**602,470,896**	1,966,918,061
Note No.24.1		
Details of Payments to the Auditor		
a. As Auditor	**3,026,797**	2,687,867
Total	**3,026,797**	2,687,867

For and on Behalf of
N. K. MITTAL & ASSOCIATES
Chartered Accountant

N.K.MITTAL
Proprietor
Membership No: 46785
F. No.113281W

Place : Mumbai
Date : 27th May, 2013

For and on behalf of the Board of Directors

MARK SALDANHA
Chairman and Managing Director

DR. BALWANT S. DESAI
Whole-Time Director

HARSHAVARDHAN PANIGRAHI
Company Secretary & Legal Manager

Consolidatd Statement of Cash Flow for the year ended as on March 31, 2013

(Amount in ₹)

	Particulars	For the period ended as on 31.03.2013	31.03.2012
A.	**Cash Flow From Operating Activities**		
	Profit/(Loss) After Tax	**458,842,722**	(1,788,397,273)
	Adjustments to reconcile profit before tax and prior period items to cash provided by operations:		
	-Depreciation	**156,498,769**	236,997,646
	-Impairment of assets	**-**	947,726,840
	-Preliminary & Deferred Revenue Expenses Written off	**-**	130,796
	-Exchange Fluctuation Reserve	**17,343,204**	(58,295,371)
	-Loss on sale of Business/Fixed Assets	**126,884**	435,012
	-Interest Expense	**114,528,722**	134,722,264
	-Interest Receipt	**(9,972,890)**	(20,253,894)
	Operating Profit before working capital changes	**737,367,411**	(546,933,980)
	Movements in working capital :		
	(Increase)/Decrease in Inventories	**(43,330,275)**	(61,407,126)
	(Increase)/Decrease in Trade and other receivables	**(185,455,772)**	(139,081,184)
	(Increase)/Decrease in loans and advances	**(90,459,304)**	50,936,612
	Deferred Tax Assets/Liability	**(104,440,388)**	(26,501,247)
	Minority Interest	**13,738,538**	31,046,567
	Increase/(Decrease) in Trade Payable and Short term provisions	**58,183,265**	68,976,367
	Net cash used in operating activities	**385,603,475**	(622,963,990)
B.	**Cash Flow provided by (used in) Investing Activities:**		
	(Purchase)/Sale of Business/Fixed Assets	**(64,254,490)**	(52,796,943)
	Investment	**-**	-
	Interest Receipt	**9,972,890**	20,253,894
	Net Cash Flow provided by (used in) Investing Activities	**(54,281,600)**	(32,543,049)
C.	**Cash Flow provided by (used in) Financing Activities:**		
	Increase in Equity Share Capital	**17,500,000**	-
	Increase in Share Premium	**27,300,000**	-
	Increase in General Reserve	**2,551,486,609**	339,699,267
	Increase in Capital Reserve	**(468,600,000)**	468,600,000
	Money received against share warrants	**(11,565,500)**	11,565,500
	Dividend Paid	**(46,790,481)**	(2,691,690)
	Proceeds/(Repayment) of Short Term and Long Term Borrowings/Write back on FCCB Settlement	**(2,351,190,013)**	(112,291,659)
	Interest Expense	**(114,528,722)**	(134,722,264)
	Net Cash Flow provided by (used in) Financing Activities	**(396,388,107)**	570,159,154
	Net Increase /(Decrease) in Cash and Bank Balances	**(65,066,232)**	(85,347,885)
	Cash & Bank Balances as at 31.03.2012	**223,865,801**	309,213,686
	Cash & Bank Balances as at 31.03.2013	**158,799,569**	223,865,801
		(65,066,232)	(85,347,885)

Notes :

1 The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

2 The Previous year's figures have been regrouped wherever necessary in order to conform to this year's presentation.

For and on Behalf of

N. K. MITTAL & ASSOCIATES
Chartered Accountant

N.K.MITTAL
Proprietor
Membership No: 46785
F. No.113281W

Place : Mumbai
Date : 27th May, 2013

For and on behalf of the Board of Directors

MARK SALDANHA
Chairman and Managing Director

DR. BALWANT S. DESAI
Whole-Time Director

HARSHAVARDHAN PANIGRAHI
Company Secretary & Legal Manager

MARKSANS PHARMA LIMITED

Regd. Office : 11th Floor, Lotus Business Park, Off New Link Road, Andheri (W), Mumbai - 400 053.

ATTENDANCE SLIP

Regd Folio No. / Client & D.P. I.D. ________________________ No. of Shares held ______________________

I hereby record my presence at the 21st Annual General Meeting of the Company on **Thursday, the 26th September, 2013** at GMS Community Centre Hall, Sitladevi Complex, 1st Floor, D.N. Nagar, Link Road, Andheri (W), Mumbai 400 053, at 10.30 a.m.

Member(s) / Proxy Name Member(s) / Proxy Signature

Note: Please sign this attendance slip and hand over at the entrance of the meeting hall.

MARKSANS PHARMA LIMITED

Regd. Office : 11th Floor, Lotus Business Park, Off New Link Road, Andheri (W), Mumbai - 400 053.

FORM OF PROXY

Regd Folio No. / Client & D.P. I.D. ________________________ No. of Shares held ____________________

I/We ____ of

____

______________________ being a Member/Members of **Marksans Pharma Limited** hereby appoint ______________________ of ______________________ or failing him ______________________ of ______________________ as my/our proxy to vote for me/us on my/our behalf at the 21st Annual General Meeting of the Company on **Thursday, the 26th September, 2013** at GMS Community Centre Hall, Sitladevi Complex, 1st Floor, D.N. Nagar, Link Road, Andheri (W), Mumbai 400 053, at 10.30 a.m. and at any adjournment thereof.

Affix Re. 1/-
Revenue
Stamp

Signature

Signed this __________ day of ____________________, 2013

Marksans Pharma Ltd.

11, Lotus Business Park, Off. New Link Road,
Andheri (W), Mumbai - 400 053, India.

www.sapprints.com

Marksans Pharma Ltd.

FORM A

Format of covering letter of the annual audit report to be filed with the stock exchanges
(Pursuant to Clause 31(a) of the Listing Agreement)

1	Name of the Company	MARKSANS PHARMA LIMITED
2	Annual Financial Statements for the year ended	31st March, 2013
3	Type of Audit Observation	Un-qualified
4	Frequency of Observation	Not Applicable

For **MARKSANS PHARMA LIMITED**

Mark Saldanha
Managing Director

S. R. Buddharaju
Chairman of Audit Committee

Jitendra Sharma
Chief Financial Officer

Mumbai
4th September, 2013

For **N.K. Mittal & Associates**
Chartered Accountants
FR No. 113281W

N. K. Mittal & Associates
MUMBAI
M.No. 046785
Chartered Accountants

N. K. Mittal
Proprietor
Membership No. 46785

Mumbai
4th September, 2013

www.marksanspharma.com

FACTORY : Plot No. L-82, L-83, Verna Indl. Estate, Verna -Goa 403 722. Tel.: (0832) 6721 900, 6721 999 Fax : (0832) 2782 071
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Tel: + 91-22 4001 2000; Fax: +91-22 4001 2011 / 99, E-mail: Marksanspharma@vsnl.net Site : http://www.marksanspharma.com