

LACTOSE (INDIA) LIMITED

LACTOSE

25th

ANNUAL REPORT 2015-2016

LACTOSE (INDIA) LIMITED

BOARD OF DIRECTORS

Shri. Atul Maheshwari	<i>Managing Director</i>
Smt. Sangita Maheshwari	<i>Whole Time Director & C.F.O.</i>
Shri. S.S.Toshniwal	<i>Director</i>
Shri. Pramod Kalani	<i>Director</i>
Shri. G. K. Sarda	<i>Director</i>
Shri. Abhijit Periwal	<i>Director</i>

AUDITORS

S G C O & Co.

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

BANKERS

- 1) Oriental Bank of Commerce**
Mahatma Gandhi Seva Mandir Trust Bldg,
Ground Floor, Opp Bandra Talao,
S.V.Road, Bandra West,
Mumbai - 400 050.
- 2) ICICI Bank Limited**
Bandra - Kurla Complex, Mumbai - 400 051.

REGISTERED OFFICE & WORKS

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

CORPORATE OFFICE

Unit No. G-02, 'A' Wing, Ground Floor,
Navbharat Estates, Zakaria Bunder Road,
Sewri (West), Mumbai - 400 015.

REGISTRAR & SHARE TRANSFER AGENT

Big Share Services Pvt. Ltd.
E 2/3, Ansa Industrial Estate,
Saki vihar Road, Saki Naka,
Andheri (East), Mumbai - 400 072.
ISIN No. - INE 058I013
BSE Scrip Code - 524202
Company Identification No: L15201GJ1991PLC015186

CONTENTS

Notice	1
Directors' Report.....	5
Auditors Report.....	19
Balance Sheet	22
Profit and Loss Account	23
Notes	24
Cash Flow.....	46

NOTICE

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the Members of **LACTOSE (INDIA) LIMITED** will be held at the Registered office of the Company, at Village Poicha (Rania), Survey No. 6, Savli, District Vadodara – 391780 on Thursday the 29th day of September, 2016 at 3.00 p. m. to transact the following Business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2016 and Profit and Loss Account for the year ended on that date together with the Report of Directors and Auditors thereon.
2. To appoint a director in place of Mr. Abhijit Periwal who retires by rotation and being eligible offers himself for re-appointment.
3. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 139, 141, 142 and other applicable provisions if any, of the Companies Act, 2013, M/s S G C O & Co., Chartered Accountants, (ICAI Registration No. 112081W) be and is hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, at the remuneration to be fixed by the Board of Directors in addition to out of pocket expenses as may be incurred by them during the course of the Audit.”

SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to the provisions of Section 196, 197, 203 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modifications or reenactment thereof for the time being in force) remuneration payable to Mr. Atul Maheshwari, Managing Director of the Company be and is hereby revised for a balance tenure of his appointment on revised remuneration and perquisites set out in the explanatory statement annexed to the notice convening this meeting with liberty and powers to the Board of Directors to alter and vary the terms and conditions and remuneration in such manner as the Board may deem fit and is acceptable to Mr. Atul Maheshwari, within the limits specified in Schedule V to the Companies Act, 2013 (‘the Act’) or any amendments thereto.”

“RESOLVED FURTHER THAT in the event of loss or inadequacy in profits in any financial year during the currency of tenure of Managing Director, the Company will pay Mr. Atul Maheshwari remuneration and perquisites referred above as minimum remuneration subject to Schedule V of the Companies Act, 2013.”

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

“RESOLVED THAT pursuant to the provisions of Section 196, 197, 203 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modifications or reenactment thereof for the

time being in force) remuneration payable to Mrs. Sangita Maheshwari, Whole -time Director of the Company be and is hereby revised for a balance tenure of her appointment on revised remuneration and perquisites set out in the explanatory statement annexed to the notice convening this meeting with liberty and powers to the Board of Directors to alter and vary the terms and conditions and remuneration in such manner as the Board may deem fit and is acceptable to Mrs. Sangita Maheshwari, within the limits specified in Schedule V to the Companies Act, 2013 (‘the Act’) or any amendments thereto.”

“RESOLVED FURTHER THAT in the event of loss or inadequacy in profits in any financial year during the currency of tenure of Whole-time Director, the Company will pay Mrs. Sangita Maheshwari remuneration and perquisites referred above as minimum remuneration subject to Schedule V of the Companies Act, 2013.”

6. To consider and if thought fit, to pass, with or without modification(s), the following resolutions as a Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions contained in Section 188 (1) (f) and all other applicable provision, if any, of the Companies Act, 2013, the consent of the members be and is hereby accorded for appointing Mr. Yash Maheshwari to the place of profit as Manager- New Business Development effective from 1st October 2016 at a remuneration of Rs. 1,00,000/- per month”.

“RESOLVED FURTHER THAT the Board of Directors of the Company be and hereby authorized to negotiate the terms and conditions of the proposed appointment to the place of profit as may be deemed fit and the best interests of the Company and to perform and execute all such acts, deeds, matters and things including delegate such authority, as may be deems necessary, proper to expedient to give effect to this resolution and for the matters connected herewith or incidental hereto.”

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. THE PROXIES IN ORDER TO BE EFFECTIVE MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**

2. An Explanatory Statement pursuant to 102(1) of the Companies Act, 2013 in respect of item 4 to 6 of the notice is annexed hereto.

The Annual Report will also be available on the website of the Company at www.lactoseindialimited.com in the Investors relation section.

3. The register of members and share transfer books shall remain closed from Friday the 23rd September, 2016 to Thursday the 29th September, 2016 both days inclusive.
4. The instrument of proxy for use at the meeting must be lodged at the Registered Office of the Company, not less than forty-eight hours before the commencement of the meeting.
5. Members/ Proxies are requested to bring their Attendance Slip duly filled in along with their copy of Annual Report to the Meeting.

6. Members are requested to address all the documents, transfer deeds, demat requests, and other communications with respect to shares in physical mode to the Registrar & Share Transfer Agents of the Company, M/s. Big Share Services Private Limited, directly quoting their full name, Folio No. and Name of the Company.
7. Members are also requested to note that the Company has entered into Tri-partite Agreement with NSDL and CDSL towards Dematerialization of shares. Members are requested to send all their requests towards Dematerialization to their respective DP's.
8. Members are requested to advise immediately about any change of address:
 - a) To their Depository Participants (DPs) in respect of their electronic share accounts.
 - b) To the Company's Registrar & Share Transfer Agents M/s. Big Share Services Private Limited in respect of their physical share folios if, any.
10. Electronic copy of the Notice of the AGM of the Company inter alia indicating the process and manner of e-voting along with the Attendance slip and Proxy form is being sent to all the members whose email IDs are registered with the Company/Depository participants(s) for communication purpose unless any member has requested for a hard copy of the same. For the members who have not registered their email address, physical copies of the notice of the AGM of the Company inter alia indicating the process and manner of e-voting along with the Attendance slip and proxy form is being sent in the permitted mode.
11. Procedure for e-voting

In compliance with the provision of Section 108 of the Companies Act, 2013 and Rule 20 of Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members' facility to exercise their right to vote at 25th AGM by electronic means and

the business may be transacted through e-voting Services provided by central depository services Limited (CDSL).

The instructions for shareholders voting electronically are as under:

For Members whose e-mail addresses are registered with the Company/ Depositories:

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

- (i) The voting period begins on 26.9.2016 at 9 a.m. and ends on 28.9.2016 at 5 p.m.. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date 22.09.2016 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) Log on to the e-voting website www.evotingindia.com
- (iii) Click on Shareholders
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number (refer serial no. printed on the name and address sticker/Postal Ballot Form/mail) in the PAN field. • In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. E.g. If your name is Ramesh Kumar with serial number 1 then enter RA00000001 in the PAN field.
Dividend Bank Details OR Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. <ul style="list-style-type: none"> • If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for the relevant Lactose (India) Limited on which you choose to vote.
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting.

Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvii) If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xviii) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively on or after 30th June 2016. Please follow the instructions as prompted by the mobile app while voting on your mobile.

(xix) Note for Non – Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.

- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

(xx) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

In case of members receiving the physical copy:

- (A) Please follow all steps from sl. no. (i) to sl. no. (xix) above to cast vote.
- (B) The voting period begins on 26.09.2016 and ends on 28.09.2016 During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date 22.09.2016, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (C) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENTS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013.

Item No. 4

The Board of Directors has appointed Mr. Atul Maheshwari as a Managing Director for a period of 5 years with effect from 01.10.2014. It was decided to revise his remuneration for balance tenure of his appointment as Managing Director. The Board has approved the following terms at this meeting pursuant to the recommendations of the remuneration committee of the Board. The Remuneration Committee has suggested outer limit of Rs. 7,00,000 per month looking into his performance vis a vis performance of Company.

- i) Remuneration: Upto a limit of Rs. 7,00,000 per month, as may be decided by the Board depending on Company's performance.
- ii) Such benefits, perquisites and allowances as may be determined by the Board from time to time.

In the event of loss or inadequacy of profits in any financial year during the period effective from 01.10.2016, the Company will pay Mr. Atul Maheshwari remuneration, perquisites, benefits and amenities not exceeding the ceiling laid down in section II of part II of Schedule V of the Companies Act, 2013 or as may be decided by the Board of Directors.

Mrs. Sangita Maheshwari, Mr. Shyam Sunder Toshniwal and Mr. Atul Maheshwari himself is to be considered as interested in the aforesaid resolution.

The above statements may be regarded as an abstract of the terms of appointment and memorandum of interest pursuant to section 190 of the companies Act, 2013.

The Directors recommend this Resolution for your approval.

Item No. 5

The Board of Directors has appointed Mrs. Sangita Maheshwari as a Whole Time Director for a period of 5 years with effect from 01.02.2014. It was decided to revise her remuneration for balance tenure of her appointment as Whole Time Director. The Board has approved the following terms at this meeting pursuant to the recommendations of the remuneration committee of the Board. The Remuneration Committee has suggested outer limit of Rs. 7,00,000 per month looking into her performance as a Whole Time Director.

- i) Remuneration: Upto a limit of Rs. 7,00,000 per month, as may be decided by the Board depending on Company's performance.

- ii) Such benefits, perquisites and allowances as may be determined by the Board from time to time.

In the event of loss or inadequacy of profits in any financial year during the period effective from 01.10.2016, the Company will pay Mrs. Sangita Maheshwari remuneration, perquisites, benefits and amenities not exceeding the ceiling laid down in section II of part II of Schedule V of the Companies Act, 2013 or as may be decided by the Board of Directors.

Mr. Atul Maheshwari, Mr. Shyam Sunder Toshniwal and Mrs. Sangita Maheshwari herself is to be considered as interested in the aforesaid resolution.

The above statements may be regarded as an abstract of the terms of appointment and memorandum of interest pursuant to section 190 of the companies Act, 2013.

The Directors recommend this Resolution for your approval.

Item No. 6

It is propose to appoint Mr. Yash Maheshwari to the place of Profit designated as Manager -New Business Development pursuant to Section 188 (1)(f) of the Companies Act, 2013 with a remuneration of Rs. 1,00,000/- per month.

Pursuant to the provision of Section 188 of the Companies Act, 2013 appointment to the place of profit requires approval of the members of the Company by way of passing a resolution to that effect.

The Board of Directors accordingly recommends the resolution set out in the accompanying Notice for the approval of the members of the Company.

Mr. Atul Maheshwari, Mrs. Sangita Maheshwari and Mr. Shyam Sunder Toshniwal are deemed to be concerned or interested in the resolution.

Registered Office:
VILLAGE POICHA (RANIA),
SURVEY NO. 6, SAVLI,
DIST. VADODARA – 397 080.

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

**Place: Mumbai
Date: 10.08.2016**

**Sd/-
Managing Director**

DIRECTOR'S REPORT

To,

The Members,

Your Directors have pleasure in presenting the Twenty Fifth Annual Report of the Company together with the Audited Statement of the Accounts for the year ended on 31st March, 2016.

FINANCIAL STATEMENT:

(Rs. In Lacs)

Particulars	2015-16	2014-15
Operating Income	3571.50	2401.93
Expenditure	2848.72	-2122.85
Profit before Depreciation and Tax	722.78	-109.69
Depreciation	334.32	194.39
Profit before Tax	388.47	84.70
Prior period Items	0.00	1.10
Profit before Tax	388.47	85.80
Provision for Current Tax	83.37	0.00
Deferred Tax	104.11	33.97
Minimum Alternate Tax Credit Entitlement	-79.20	--
Taxation of Earlier Years	-0.06	1.88
After Tax	280.25	49.95

DIVIDENDS:

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

REVIEW OF OPERATIONS:

During the year under review, revenue of the Company was Rs.3571.50 lakhs as compared to Rs. 2401.93 lakhs in the corresponding previous year. The Company earned a profit after tax of Rs. 388.47 lakhs as compared to Rs. 85.88 lakhs in the previous year.

TRANSFER TO RESERVE

The Company has not transferred any amount to the Reserves during the year.

DEPOSITS:

The Company has not accepted any deposit or unsecured loans from the public within the meaning of Section 73 of the Companies Act, 2013 read with The Companies (Acceptance of deposit by Companies) Rules, 2014.

SHARE CAPITAL

The Authorized Capital of the Company is 1,20,00,000 Equity shares of the Company of Rs. 10/- each. During the year under review 4,20,000 Convertible Warrants were converted into 4,20,000 Equity Shares hence the paid capital of the Company as on 31.03.2016 is 88,39,000 Equity shares of the Company of Rs. 10/- each.

During the year under review, the Company has not issued shares with differential voting rights nor has issued any sweat equity. As on March 31, 2016, none of the Directors of the

Company hold any convertible instruments of the Company.

DIRECTORS

Mr. Abhijit Perival retires by rotation and being eligible offer himself for reappointment. Except this there are no other changes in the Directors of the Company.

The profile of the Directors to be re-appointed at the annual general meeting is given in the annexure to the notice.

DECLARATION BY AN INDEPENDENT DIRECTOR(S)

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013, the Board has carried out an evaluation of its own performance, the directors individually as well as the evaluation of the working of its Committees.

The performance evaluations of Independent Directors were also carried out and the same was noted. Independent Directors in their meeting decided to bring more transparency in their performance and bring more responsibility while taking any policy decisions for the benefit of the shareholders in general.

MANAGEMENT DISCUSSION & ANALYSIS REPORTS

The Management Discussion and Analysis of financial condition, including the results of operations of the Company for the year under review as required under Regulation 34(2)(e) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is provided as a separate section forming part of the Annual Report.

BOARD MEETINGS

Pursuant to Section 134(3) (b), details of Board meeting held in the year is in the Annexure III of this Director's Report.

During the year Eleven (11) Board Meetings and four (4) Audit Committee Meetings were conveyed and held. The details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

A separate meeting of Independent Directors, pursuant to Section 149 (7) read with Schedule VI of the Companies Act, 2013 was held on 23.03.2016.

NOMINATION AND REMUNERATION POLICY

The Board has on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Nomination and Remuneration Policy is posted on the website of the Company.

POLICY UNDER THE SEBI(LISTING OBLIGATION AND DISCLOSURES REQUIREMENTS) REGULATIONS, 2015

Company has adopted following policies as required under SEBI (Listing Obligation and Disclosures Requirements) Regulations, 2015:

1. Policy on Preservation of Documents Regulation 9
2. Policy on Archival Regulation 30 (8)

3. Policy on Determining Material Events & Information Regulation 30

Policy on Archival and Policy on Material Event & Information are also placed on the website of the Company.

STATUTORY AUDITOR& AUDIT REPORT

The Board of Directors in their meeting held on 28 May, 2015, on the recommendation of the Audit Committee, in accordance with the provisions of Section 139 of the Companies Act, 2013 had appointed M/s S G C O & Co., Chartered Accountants, to act as the Auditors of your Company till the conclusion of the 25th Annual General Meeting.

The Board of Directors in their meeting held on 30 May, 2016, on the recommendations of the Audit Committee, in accordance with the provisions of Section 141 of the Companies Act, 2013, recommended M/s S G C O & Co, Chartered Accountants as the Auditors of your Company till the conclusion of the next Annual General Meeting. The Company has received a certificate from the Auditors to the effect that the proposed appointment, if made, will be in accordance with the limits specified under Section 139 (9) of the Companies Act, 2013.

The Auditors Report for the financial year 2015-16, does not contain any qualification, reservation or adverse remark.

SECRETARIAL AUDITOR& SECRETARIAL AUDIT REPORT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies Appointment and Remuneration of Managerial Personnel) rules, 2014, the Company has appointed ND & Associates, a firm of Company Secretaries in Practice to undertake the secretarial Audit of the Company. The Report of the Secretarial Audit Report is annexed herewith as "Annexure A"

The Secretarial Auditors Report for the financial year 2015-16, does not contain any qualification, reservation or adverse remark.

STATEMENT PURSUANT TO LISTING AGREEMENT

The Company's Equity shares are listed at Bombay Stock Exchange Limited. The Annual listing fee for the year 2016-17 has been paid.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an Internal Control Systems commensurate with the size, scale and complexity of its operation. The scope and authority of the Internal Audit function is defined by the Audit Committee. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board & to the Managing Director.

The Accounts Department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Significant Audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

VIGIL MECHANISM/WHISTLE BLOWER POLICY

The Company has a vigil mechanism to deal with instance of fraud and mismanagement, if any. The policy is placed on the website of the Company. The web link for the same is: -<http://www.lactoseindialimited.com/pdf/annualreports/Vigil%20Mechanism%20Whistle%20Blower%20Policy.pdf>

ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

The information required under Section 134 (3) (m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014, with respect to conservation of energy, technology absorption and foreign exchange earnings/outgo is given hereto and forms a part of this report as an "Annexure C".

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Energy conservation is not only a national priority but also a key value driver for your Company. Employees are also encouraged to give suggestion that will result in energy saving.

As prescribed under the Section 134 (3) (m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 is not applicable, as there is no technology absorption, adaptation and innovation made by your Company. However, it has been the endeavor of the Company to continuously upgrade & standardize its products.

FOREIGN CURRENCY EARNING AND OUTGO

	<i>Rs. in Lacs</i>
i) CIF Value of Imports	215.48
ii) Expenditure in foreign currency	1.94
iii) Foreign Exchange earned	98.13

PARTICULARS OF EMPLOYEES

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in the Annual Report and is marked as "Annexure B" to this Report.

EXTRACT OF ANNUAL RETURN

Pursuant to Section 134(3)(a), extract of Annual Return in Form MGT-9 has been annexed to this Annual Report in Annexure "B".

RELATED PARTY TRANSACTIONS

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

The particulars of loans, guarantees and investments have been disclosed in the financial statement.

SAFETY, HEALTH AND ENVIRONMENT

Your Company recognizes its role in health and safety, as well as its responsibility towards environment and society. Infact, your Company's goals are: no accidents, no injuries to people and no damage to environment. Safety and security of personnel, assets and environmental protection are also on top of the agenda of the Company at its manufacturing facilities.

Clean environment and sustainable development integrated with the business objective is the focus of operations of the Company. The projects and activities are planned and designed

with environment protection as an integral part to ensure a safe and clean environment for sustainable development.

DIRECTORS' RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 134(3)(c) OF THE COMPANIES ACT 2013

The Directors state that: -

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation by way of notes to accounts relating to material departures;
- b) The selected accounting policies were applied consistently and the judgments and estimates made by them are reasonable and prudent so as to give true and fair view of the state of affairs of the Company as at 31st March 2016 and of the profit for the year ended on that date;
- c) The proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) The annual accounts have been prepared on a going concern basis.
- e) The Directors had laid down internal financial controls to be followed by the Company and that such internal controls are adequate and were operating effectively.
- f) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

CORPORATE GOVERNANCE:

As per the SEBI(Listing Obligation and Disclosure Requirements) Regulation, 2015 regulations regarding corporate governance is not applicable to our Company, however the Company has been observing best governance practices and is committed to adhere to the corporate governance requirements on an ongoing basis.

A separate section on Corporate Governance forms part of this Annual Report.

DISCLOSURES

AUDIT COMMITTEE

The Audit Committee comprises Independent Directors namely Mr. G. K. Srada (Chairman), Mr. Pramod Kalani and Mr. Abhijit Periwal as other members. The Audit Committee played an important role during the year. It coordinated with the Statutory Auditors, Internal Auditors and other key personnel of the Company and has rendered guidance in the areas of internal audit and control, finance and accounts. All the recommendations made by the Audit Committee were accepted by the Board. Four meetings of the Audit Committee were held during the year.

STAKEHOLDERS RELATIONSHIP COMMITTEE

The Committee has met once during the year. With the compulsory dematerialization of the Company's shares and electronic mode of transfers, postal dispatches which led to usual complaints, have been minimized. At the year-end 52.85% of the total shares were dematerialized with no unresolved pending investor grievances.

NOMINATION & REMUNERATION COMMITTEE

The Nomination and Remuneration Committee recommends to the Board the suitability of candidates for appointment as Key Managerial Personnel, Directors and the remuneration packages payable to them and other employees.

POLICY ON PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE

The Company has in place a Prevention of Sexual Harassment policy in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. During the year 2015-2016, no complaints were received by the Company related to sexual harassment.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Industrial Relations continued to be harmonious throughout the year under review. Many initiatives have been taken to support business through organizational efficiency, process change support and various employee engagement programs which have helped the Organization achieve higher productivity levels.

APPRECIATION:

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

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

For and on Behalf of the Board

PLACE : MUMBAI
DATE : 10..08.2016

Sd/-
(CHAIRMAN)
(DIN255202)

ANNEXURE "A" TO THE DIRECTOR'S REPORT

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2016

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No. 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,
Lactose (India) Limited
Village Poicha (Rania),
Survey No. 6, Savli,
District Vadodara – 391780

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. Lactose (India) Limited (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the M/s. Lactose (India) Limited's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') :-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India

(Prohibition of Insider Trading) Regulations, 2015;

- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; (Not applicable to the Company during the Audit period)
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not applicable to the Company during the Audit period)
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the Company during the Audit period) and
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; (Not applicable to the Company during the Audit period)
- (vi) Other laws as per the representation made by the Company are as follows;
 - Factories Act, 1948
 - Industrial Disputes Act, 1947
 - Payment of Wages Act, 1936
 - Payment of Bonus Act, 1965
 - Payment of Gratuity Act, 1972
 - The Contract Labour (Regulation and Abolition) Act, 1970
 - Employees Provident Fund and Miscellaneous Provisions Act, 1952
 - Employees State Insurance Act, 1948
 - Environment Protection Act, 1986
 - Indian Contracts Act, 1872
 - Income Tax Act, 1961 and Indirect Tax Laws
 - Pollution Control Laws

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India with respect to Board and general meetings are generally complied.

- (ii) The Listing Agreements entered into by the Company with BSE Limited ;

During the period under review and as per the explanations/ representation made by the management the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above. SEBI (Prohibition of Insider Trading) Regulations, 2015 is generally complied as per intimations received.

We have relied on the representation made by the Company and its officers for systems and mechanism formed by the Company for compliances under other applicable Acts, laws and regulations to the Company

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There are no changes in the composition of the Board of Directors during the period under review.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period there were no instance of :

- (i) Public/Right issue of shares / debentures / sweat equity, etc. The Company Came out with the Preferential Issue of Convertible warrants. There was conversion of first tranche of Convertible Warrants into equity Shares and the said shares were admitted for trading by the Bombay Stock Exchange
- (ii) Redemption / buy-back of securities

- (iii) Major decisions taken by the members in pursuance to Section 180 of the Companies Act, 2013

- (iv) Merger / amalgamation / reconstruction, etc.

- (v) Foreign technical collaborations.

Further, our report of even dated to be read along with the following clarifications:

- Maintenance of Secretarial record is the responsibility of the management of the Company. Our responsibility is to express as opinion on these secretarial records based on our audit.
- We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the process and practices, we followed provide as reasonable basis of our opinion.
- We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
- Where ever required, we have obtained the Management representation about the compliance of laws and regulations and happening
- The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
- The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Signature :

Sd/-

Place : Mumbai
Date : 28.05.2016

ND & Associates
FCS No. 3262
C P No.: 4741

ANNEXURE "B" TO THE DIRECTOR'S REPORT

PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS SECTION 197 OF THE COMPANIES ACT, 2013 READ WITH RULE, 5 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014 AND ANNEXED TO AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 2016.

- a. The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year:

Executive Director	Ratio to median remuneration
Mr. Atul Maheshwari	40.14
Mrs. Sangita Maheshwari	35.45

Non-executive Directors	Ratio to median remuneration
NIL	NIL

- b. The percentage increase in remuneration of each director, chief executive officer, chief financial officer, company secretary in the financial year:

Name	% increase in remuneration in the financial year
Mr. Atul Maheshwari, Chairman & Managing Director	17.41%
Mrs. Sangita Maheshwari, Whole Time Director	70.80%

- c. The percentage increase in the median remuneration of employees in the financial year: - 36.15%. The decrease in percentage in the median remuneration of employees is on account of reduction in number of employees from 135 to 106.
- d. **The number of permanent employees on the rolls of the Company:** 106 (Excluding Key Managerial Personnel)
- e. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:
The average annual increase was around -36.15%, after accounting for promotions and other event based compensation revisions. The decrease in percentage of annual increase in salaries of employees is on account of reduction in number of employees from 135 to 106 though there was annual increment as per the Company policy. Increase in the managerial remuneration for the year was 37.58%
- f. **Affirmation that the remuneration is as per the remuneration policy of the Company:**
Pursuant to Rule 5(1)(xii) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, it is affirmed that the remuneration paid to the Directors, Key Managerial Personnel and Senior Management is as per the Remuneration Policy of your Company.
- g. The statement containing particulars of employees as required under Section 197(12) of the Act read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rule, 2014 is open for inspection at the registered office of the Company. Any shareholder interested in obtaining a copy of the same may write to the Compliance Officer.

ANNEXURE "C" TO THE DIRECTOR'S REPORT

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.

A. Power & Fuel Consumption:-

Power and Fuel Consumption		Current year 31.03.2016	Previous year 31.03.2015
1)	Electricity		
	Purchase Unit (KWH)	3715050	2569318
	Total Amount (Rupees in lacs)	288.19	187.88
	Rate per Unit (Rupees)	7.75	7.31
2)	Agro Waste Briquettes		
	Quantity (MTS)	3527	1976.755
	Total Amount (Rs)	21574430	12203533
	Average Rate/ Ton	6117	6173.52

ANNEXURE "D" TO THE DIRECTOR'S REPORT

EXTRACT OF ANNUAL RETURN

As on the financial year ended 31.03.2016

Pursuant to Section 92 (3) of the Companies Act, 2013, and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

FORM NO. MGT-9

I. REGISTRATION AND OTHER DETAILS:

- i) CIN: **L15201GJ1991PLC015186**
- ii) Registration Date: **11/03/1991**
- iii) Name of the Company: **LACTOSE (INDIA) LIMITED**
- iv) Category / Sub-Category of the Company: **Company Limited by Shares/ Indian Non- Government Company**
- v) Address of the registered office and contact details: **Survey No. 6, Village Poicha (Rania), Salvi, Baroda, 391780**
- vi) Whether listed company Yes / No: **Yes**
- vii) Name, Address and Contact details of Registrar and Transfer Agent, if any II. : **Bigshare Services Private Limited. E-2 &3, Ansa Industrial Estate, Saki-Vihar Road, Sakinaka, Andheri(E), Mumbai- 400072**

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

SL. NO.	Name and Description of Main Products/ Services	NIC Code of the Products/ Services	% of total turnover of the Company
1	Manufacturing of Lactose Monohydrate	10509	50.00
2	Manufacturing of Pharmaceuticals	21002	50.00

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES – N.A.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding: As per Attachment

Statement Showing Shareholding Pattern Table (I)(a)										
		No. of Shares held at the beginning of the year 01.04.2015				No. of Shares held at the end of the year 31.03.2016				% Change during the year**
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
Promoter and Promoter Group										
1. INDIAN										
(a)	INDIVIDUAL / HUF	1549868	1134000	2683868	31.88	2575441	0	2575441	29.13	-2.75
(b)	CENTRAL / STATE GOVERNMENT(S)	0	0	0	0.00	0	0	0	0.00	0.00
(c)	BODIES CORPORATE	0	0	0	0.00	0	0	0	0.00	0.00
(d)	FINANCIAL INSTITUTIONS / BANKS	0	0	0	0.00	0	0	0	0.00	0.00
(e)	ANY OTHERS (Specify)									
(i)	DIRECTORS RELATIVES	0	0	0	0.00	0	0	0	0.00	0.00
(ii)	GROUP COMPANIES	534832	0	534832	6.35	528248	0	528248	5.98	-0.37
(iii)	TRUSTS	0	0	0	0.00	0	0	0	0.00	0.00
SUB TOTAL (A)(1) :		2084700	1134000	3218700	38.23	3103689	0	3103689	35.11	3.12
2. FOREIGN										
(a)	INDIVIDUAL	0	0	0	0.00	0	0	0	0.00	0.00
(b)	BODIES CORPORATE	0	0	0	0.00	0	0	0	0.00	0.00
(c)	INSTITUTIONS	0	0	0	0.00	0	0	0	0.00	0.00
(d)	QUALIFIED FOREIGN INVESTOR	0	0	0	0.00	0	0	0	0.00	0.00
(e)	ANY OTHERS (Specify)	0	0	0	0.00	0	0	0	0.00	0.00
SUB TOTAL (A)(2) :		0	0	0	0.00	0	0	0	0.00	0.00
Total holding for Promoters and Promoter group (A)=(A)(1) + (A)(2)		2084700	1134000	3218700	38.23	3103689	0	3103689	35.11	3.12
(B) Public shareholding										
1. INSTITUTIONS										
(a)	MUTUAL FUNDS / UTI	0	0	0	0.00	0	0	0	0.00	0.00
(b)	FINANCIAL INSTITUTIONS / BANKS	0	77920	77920	0.92	0	77920	77920	0.88	-0.04
(c)	CENTRAL / STATE GOVERNMENT(S)	0	0	0	0.00	0	0	0	0.00	0.00
(d)	VENTURE CAPITAL FUNDS	0	0	0	0.00	0	0	0	0.00	0.00
(e)	INSURANCE COMPANIES	0	0	0	0.00	0	0	0	0.00	0.00
(f)	FII'S	0	0	0	0.00	0	0	0	0.00	0.00
(g)	FOREIGN VENTURE CAPITAL INVESTORS	0	0	0	0.00	0	0	0	0.00	0.00
(h)	QUALIFIED FOREIGN INVESTOR	0	0	0	0.00	0	0	0	0.00	0.00
(i)	ANY OTHERS (Specify)	0	0	0	0.00	0	0	0	0.00	0.00
SUB TOTAL (B)(1) :		0	77920	77920	0.92	0	77920	77920	0.88	-0.04

B 2. Non-institutions										
(a)	BODIES CORPORATE	112548	17747	130295	1.55	60667	437747	498414	5.64	4.09
(b)	INDIVIDUAL									
(i)	(CAPITAL UPTO TO Rs. 1 Lakh)	785233	2982005	3767238	44.75	910190	2872225	3782415	42.79	-1.96
(ii)	(CAPITAL GREATER THAN Rs. 1 Lakh)	305606	95000	400606	4.76	456829	0	456829	5.17	0.41
(c)	QUALIFIED FOREIGN INVESTOR	0	0	0	0.00	0	0	0	0.00	0.00
(d)	ANY OTHERS (Specify)									
(i)	TRUSTS	0	0	0	0.00	0	0	0	0.00	0.00
(ii)	CLEARING MEMBER	1821	0	1821	0.02	5510	0	5510	0.06	0.04
(iii)	DIRECTORS RELATIVES	0	0	0	0.00	0	0	0	0.00	0.00
(iv)	EMPLOYEE	0	0	0	0.00	0	0	0	0.00	0.00
(v)	FOREIGN NATIONALS	0	0	0	0.00	0	0	0	0.00	0.00
(vi)	NON RESIDENT INDIANS (NRI)	42420	780000	822420	9.77	134223	780000	914223	10.34	-0.57
(vii)	OVERSEAS BODIES CORPORATES	0	0	0	0.00	0	0	0	0.00	0.00
(viii)	UNCLAIMED SUSPENSE ACCOUNT	0	0	0	0.00	0	0	0	0.00	0.00
SUB TOTAL (B)(2) :		1247628	3874752	5122380	60.84	1567419	4167892	5735311	64.00	-3.16
Total Public Shareholding (B)=(B)(1) + (B)(2)		1155327	4012881	5168208	64.60	1247628	3952672	5200300	61.77	-2.83
Total (A) + (B) :		3332328	5086672	8419000	100.00	4671108	4167892	8839000	100.00	0.00
(C) Shares held by Custodians and against which Depository Receipts have been issued										
(a)	SHARES HELD BY CUSTODIANS	0	0	0	0.00	0.0000	0.0000	0	0.00	0.00
(i)	Promoter and Promoter Group	0	0	0	0.00	0.0000	0.0000	0	0.00	0.00
(ii)	Public	0	0	0	0.00	0.0000	0.0000	0	0.00	0.00
SUB TOTAL (C)(1) :		0	0	0	0.00	0.0000	0.0000	0	0.00	0.00
Grand Total (A) + (B) + (C)		3332328	5086672	8419000	100.00	4671108	4167892	8839000	100.00	100.00

** Calculation based on the Capital as at the end of the year which is Rs. 88,39,000/- as compared to Rs. 84,19,000/- for the previous year. The paid up capital is increased on account of conversion of first trench of warrants.

(ii) Shareholding of Promoters

Sl. No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in the holding during the year **
		No. of Shares	% of total shares of the Company	% of shares Pledged/ encumbered to total shares	No. of shares	% of total shares of the Company	% of shares Pledged/ encumbered to total shares	
1	Atul Maheshwari	846010	10.05	Nil	846010	9.57	Nil	0.48
2	Sangita Maheshwari	1045110	12.41	Nil	1024910	11.60	Nil	0.81
3	S. S. Toshniwal	22010	0.26	Nil	15573	0.18	Nil	0.08
4	Madhu Toshniwal	530468	6.30	Nil	498468	5.64	Nil	0.66
5	Madhusa Projects P. Ltd.	534832	6.35	Nil	528248	5.98	Nil	0.37
6	Pushpa Maheshwari	153420	1.82	Nil	117920	1.33	Nil	0.49
7	Yashwardhan Maheshwari	15360	0.18	Nil	15360	0.17	Nil	0.01
8	Atul Maheshwari Huf	50000	0.59	Nil	50000	0.57	Nil	0.02
9	Sandeep Toshniwal	7200	0.09	Nil	7200	0.08	Nil	0.01
10	Ritu Toshniwal	14290	0.17	Nil	0	0.0	Nil	0.0

** Calculation based on the Capital as at the end of the year which is Rs. 88,39,000/- as compared to Rs. 84,19,000/- for the previous year. The paid up capital is increased on account of conversion of first trench of warrants.

(iii) Change in Promoters' Shareholding (please specify, if there is no change):

	Shareholding at the beginning of the year			Cumulative Shareholding during the year		
	No. of Shares		% of total shares of the Company	No. of Shares	% of total shares of the Company	
At the beginning of the year	3218700		38.23	3218700		
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for Increase / Decrease	DECREASE DECREASE DECREASE DECREASE DECREASE DECREASE DECREASE DECREASE DECREASE DECREASE DECREASE DECREASE DECREASE DECREASE DECREASE	03.04.2015 1851 10.04.2015 501 24.04.2015 11938 15.01.2016 22000 22.01.2016 20200 22.01.2016 10000 27.01.2016 20000 28.01.2016 14000 29.01.2016 1500 12.02.2016 6437 18.03.2016 2832 25.03.2016 3752	NAME OF PROMOTER Ritu Toshniwal Ritu Toshniwal Ritu Toshniwal Madhu Toshniwal Sangita Maheshwari Madhu Toshniwal Pushpa Maheshwari Pushpa Maheshwari Pushpa Maheshwari Shyam sunder Toshniwal Madhusa Projects Pvt Ltd Madhusa Projects Pvt Lt	0.02 0.01 0.14 0.26 0.24 0.12 0.24 0.17 0.02 0.08 0.03 0.04	3216849 3216348 3204410 3182410 3162210 3152210 3132210 3118210 3116710 3110273 3107441 3103689	38.21 38.20 38.06 37.80 37.56 37.44 37.20 37.04 37.02 35.19 35.16 35.11
At the end of the year	3218700		38.23	3103689		

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

	Top 10 non promoters movement	Holding as on 01.04.2015	%	Holding as on 31.03.2016	%
1	INDU KASAT	780000	9.26	780000	8.82
2	GYANESHWAR MULTITRADE PVT. LTD.	0	0	420000	4.75
3	KARAN SINGH	0	0	100000	1.13
4	J.N. MORE	95000	1.13	54000	0.61
5	MAHESH KUMAR R KANKAREJ	0	0	90100	1.02
6	BANK OF BARODA	77500	0.91	77500	0.88
7	SAURAB PARIKH	41245	0.49	56756	0.64
8	SHIVKRISHNA DAMANI	54916	0.65	1000	0.01
9	NISHANT R. PARIKH	15500	0.18	50050	0.57
10	RAJSHEKAR PATIL	40817	0.48	14000	0.16

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Shareholding at the beginning of the year 1.04.2015	during the year	
		No. of Shares	% of total shares of the Company
	For each of the Directors and KMPs	No. of Shares	% of total shares of the Company
	At the beginning of the year		
	Atul Maheshwari	846010	10.05
	Sangita Maheshwari	1045110	12.41
	S. S. Toshniwal	22010	00.26
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for Increase / Decrease		
	Atul Maheshwari	No change	No change
	Sangita Maheshwari		20200 on 22.1.16
	S. S. Toshniwal		6437 on 12.2.16

At the end of the year				
Atul Maheshwari	846010	10.05	N. A.	N. A.
Sangita Maheshwari	1024910	11.59		
S. S. Toshniwal	15573	00.18		

Increase in shares on account of conversion of warrants to shares as per approval received from Mumbai Stock Exchange.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment:

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness In crores
Indebtedness at the beginning of the financial year				
i) Principal Amount	31.15	3.15	Nil	34.30
ii) Interest due but not paid	Nil	Nil	Nil	Nil
iii) Interest accrued but not due	Nil	Nil	Nil	Nil
Total (i+ii+iii)	31.15	3.15		34.30
Change in Indebtedness during the financial year				
• Addition	3.98	3.56	Nil	7.54
• Reduction	8.81	3.47	Nil	12.29
Net Change	13.87	0.80		14.67
Indebtedness at the end of the financial year				
i) Principal Amount				
ii) Interest due but not paid	26.31	3.54	Nil	29.55
iii) Interest accrued but not due	----	-----	----	-----
Total (i+ii+iii)				

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of remuneration			Total Amount
		ATUL MAHESHWARI	SANGITA MAHESHWARI	
1	Gross Salary			
	a) Salary as per provision contained in Section 17 (1) of the Income Tax Act 1961	4109400	3629400	7738800
	b) Value of Perquisite u/s 17 (2) Income Tax Act, 1961	NIL	NIL	
	c) Profits in lieu of Salary Under Section 17 (3) Income Tax Act, 1961	NIL	NIL	
2.	Stock Option	NIL	NIL	
3	Sweat Equity	NIL	NIL	NIL
4	Commission- As % of Profits Others Specify	NIL	NIL	NIL
5	Others, Please specify	NIL	NIL	NIL

Total (A)	4109400	3629400	7738800
Ceiling as per the Act			

B. Remuneration to other directors: Nil

Sl. No.	Particulars of Remuneration	Name of the Directors				Total Amount
	Independent Directors • Fees for Attending Board Committee Meetings • Commission • Others Total (1)					N. A.
	Other Non- Executive Directors • Fees for Attending Board Committee Meetings • Commission • Others					N. A.
	Total (2)					N. A.
	Total (B) = (1+2)					N. A.
	Total Managerial Remuneration					N. A.
	Overall Ceiling as per the Act					N. A.

D. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD : NOT APPLICABLE

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: N.A.

ANNEXURE “E” TO THE DIRECTOR’S REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Development:

Global & Indian The global pharmaceutical market is expected to reach \$ 1.3 trillion by 2018, due to increased global spending driven by population growth, an aging population and improved access in pharma emerging markets. Many countries are implementing healthcare reforms to ensure universal coverage. The developed market –led by the United States, the major five European markets and Japan had been the primary drivers of increased growth, while the 21 pharma emerging countries are expected to increase their contribution to growth over next five years and account for nearly 50% of absolute growth by 2018.

The Indian pharmaceutical market is the third largest in terms of volume and thirteen largest in terms of value. Its revenue is estimated to grow at 15 per cent per annum between 2016 and 2020, thus outperforming the global pharmaceutical industry. India is the largest provider of generic drugs globally with the Indian generics accounting for 20 per cent of global exports in terms of volume. By 2020, India is likely to be among the top three pharmaceutical markets by incremental growth and sixth largest market globally in absolute size. Indian pharmaceutical industry has many advantages in terms of efficient cost of production, good R&D technical work force for process improvements, lower healthcare costs, diversified array of products viz., over 60,000 generics brands across 60 therapeutic categories comprising of more than 500 different APIs. Economic prosperity, increased drugs affordability and increasing penetration of health insurance along with government initiatives like ‘Pharma Vision 2020’ will propel India to become a global leader as an end-to-end drug

manufacturer. The Government of India is committed to setting up robust healthcare and delivery mechanisms

Opportunities and Threats:

There is High demand for your company’s products. The sector needs to continuously invest in development of R&D capabilities and its well-established Contract Manufacturing Services segment. Strong international collaborations and partnership will support India’s efforts to deliver more value-added products

Outlook:

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

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

Risk and Concerns:

Continuation of Global slowdown is bound to effect demand and profitability.

Internal Control System and their adequacy:

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

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

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

Human Resource development / Industrial relations:

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

Harmonious industrial relations continued to prevail throughout the year.

REPORT ON CORPORATE GOVERNANCE:

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

The Company does not fall under the purview of the Regulations of Corporate Governance pursuant to The SEBI(Listing Obligation and Disclosures Requirements) Regulations, 2015, however Lactose is committed to adopt the best governance practices and its adherence in true spirit at all times. It has strong legacy of fair, transparent and ethical governance practices.

The Company has adopted a code of conduct which is applicable to all employees. The Company also has in place a code for preventing insider trading.

The Company is fully compliant with the requirements of the Companies Act, 2013 and applicable corporate governance norms and is committed to ensuring compliance with all modifications within the prescribed time.

2. Board of Directors:

a) Composition and Category of Directors.

The Present Board comprises of 6 members consisting of 2 Executive Director including one women Director and 4 Non-Executive Independent Directors. The name and category of each Director is given below:

Sr.	Name of the Director	Category
1	Mr. Atul Maheshwari	Managing Director
2	Mr. G. K. Sarda	Non - Executive Director
3	Mr. Pramod Kalani	Non - Executive Director
4	Mrs. Sangita Maheshwari	Whole Time Director
5	Mr. Shyamsunder B. Toshniwal	Non- Executive Director
6	Mr. Abhijit K. Periwal	Non – Executive Director

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

Sr.	Name of the Director	No. of Board Meetings held	No. of Board Meetings Attended	Attendance at last AGM
1	Mr. Atul Maheshwari	11	11	Yes
2	Mr. G. K. Sarda	11	11	No
3	Mr. Pramod Kalani	11	11	Yes
4	Mr. Shyamsunder B. Toshniwal	11	11	Yes
5	Mrs. Sangita Maheshwari	11	11	Yes
6	Mr. Abhijit K. Periwal	11	09	No

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

Sr.	Name of the Director	No. of other Directorship in	No. of Chairmanship/ Membership in other Board Committees other Companies
1	Mr. Atul Maheshwari	Nil	Nil
2	Mr. G. K. Sarda	01	Nil
3	Mr. Pramod Kalani	03	Nil
4	Mrs. Sangita Maheshwari	01	Nil
5	Mr. Shyamsunder B. Toshniwal	04	Nil
6	Mr. Abhijit K. Periwal	01	Nil

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

Sr. No	Date of Board Meeting
01	28.05.2015
02	02.07.2015
03	13.08.2015
04	20.08.2015
05	14.09.2015
06	01.10.2015
07	31.10.2015
08	09.11.2015
09	08.02.2016
10	12.02.2016
11	09.03.2016

The gap between two board meetings did not exceed 120 days at anytime.

e) Board Agenda

Meetings are governed by structured Agenda. The Board Members in consultation with the Chairman may bring up any matter for the consideration before the Board. Agenda working papers are circulated to the members of the Board at least seven working days prior to the date of the Board Meeting.

There is also a system of post meeting follow up, review & reporting process of the action /pending on decisions of the Board or its committee till the final implementation stage.

f) Committees of the Board

The Board of Directors has constituted three Committees of the Directors with adequate delegation of powers to discharge urgent business of the Company. These Committees are Audit Committee, Stakeholders' Relationship Committee and Nomination & Remuneration Committee. The Committee meets as often as required.

i) Audit Committee Meetings and attendance during the year

Composition of Audit Committee, meetings held and attended during the financial year ended on 31st March, 2016 are as follows:

Sr.	Member	No. of Meetings held	No. of Meetings Attended
1	Mr. G. K. Sarda	4	4
2	Mr. Pramod Kalani	4	4
3	Mr. Abhijit K. Periwal	4	4

4 meetings of the Committee were held during the year ended 31st March, 2016. The dates on which the meetings were held are as follows:

28.05.2015, 13.08.2015, 31.10.2015 and 12.02.2016

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

The terms of reference of the Audit Committee, covers the areas specified in Section 177 of the Companies Act, 2013 as amended till date.

The Audit Committee reviews all the matters which were specified in the earlier report of the corporate Governance Inclusive of all mandatory items.

The thrive at the Company is to have more the transparency in the unaudited as well as the audited results.

The committee's scope is increased looking into the objective of the Company. The Committee's strength & say is increased all the time.

The Audit Committee also reviews:

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

ii) Stakeholders' Relationship Committee:

Composition of Stakeholders Relationship Committee, meetings held and attended during the financial year ended on 31st March, 2016 are as follows:

28.05.2015, 13.08.2015, 31.10.2015 and 12.02.2016

Composition, Meetings and attendance during the year:

Members	Designation	Meetings held	Meeting Attended
Mr. G. K. Sarda	Chairman	4	4
Mr. Pramod Kalani	Member	4	4
Mr. Abhijit K. Periwal	Member	4	4

iii) Nomination and Remuneration Committee

The Committee consists of Mr. G. K. Sarda acting as a Chairman, Mr. Pramod Kalani and Mr. Abhijit Periwal as Members. The Committee has not met during the year under review as there were no item to consider under the scope of the Committee

a) Remuneration Policy

The objectives of the remuneration policy are to motivate employees to excel in their performance, recognize their contribution, and retain talent in the organization and reward merits. The Company keeps on reviewing its policy in this regard. is the same has been placed on the website of the Company.

b) Remuneration of Directors

Details of Remuneration paid to the Directors for the year ended 31.03.2016.

Name of the Director	Category	Sitting fees for Committee & Board Meeting	Salaries & Perquisite (in lacs)
Atul Maheshwari	Executive	Nil	41.09
Sangita Maheshwari	Executive	Nil	36.29
G. K. Sarda	Non Executive & Independent	Nil	Nil
S. S. Toshniwal	Non Executive	Nil	Nil
Abhijit Periwal	Non Executive & Independent	Nil	Nil
Pramod Kalani	Non Executive & Independent	Nil	Nil

iv) Independent Directors Meeting

a. Terms of Reference:

Pursuant Section 149(7) read with Schedule IV of the Companies Act, 2013, Company's Independent Directors require to meet at least once in a year to evaluate the performance of the Board as a whole, Executive Directors of the Company and also for the self assessment.

Composition:

The Committee comprises of Independent Directors viz. Mr. G. K. Sarda (Chairman), Mr. Mr. Abhijit Periwal and Mr. Pramod Kalani.

b. Scope of the Meeting

- review the performance of non-independent directors and the Board as a whole;
- review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
- assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

The Independent Directors Met once during the year. The Details of the Independent Directors Committee Meeting is as follows:

Date of the Meeting	Committee strength	No of committee members attended
09.03.2016	3	3

3. Related Party Transactions:

All the transactions entered into with Related Parties as defined under the Companies Act, 2013 and SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 during the financial year were in the ordinary course of business and on an arms length pricing basis and do not attract the provisions of Section 188 of the Companies Act, 2013.

There were no materially significant transactions with related parties during the financial year which were in conflict with the

interest of the Company. Suitable disclosures as required by Accounting Standard (AS 18) have been made in the notes to the Financial Statements.

4. General Information

Stock Code: 524202

Registrar and Share Transfer Agents: **Bigshare Services Pvt. Ltd., E- 2, Ansa Ind Estate, Saki Vihar Road, Sakinaka, Andheri(E), Mumbai, Maharashtra 400072**

Plant Location : **Survey No 6, Village Poicha (Rania), Taluka Savli, Dist: Vadodara,**

Gujarat – 391 780

Address for Correspondence: **Unit No. G - 02, 'A' wing, Ground Floor, Navbharat Estates, Zakaria Bunder Road, Sewri (West), Mumbai – 400015**

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

To the Members of Lactose (India) limited

We have examined the compliance of conditions of corporate governance by Lactose (India) Limited ("the Company") for the year ended on 31st March 2016 as stipulated in clause 49 of the listing agreement of the company with the stock exchanges.

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

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

We have been explained that no investor's grievance are pending for a period of exceeding one month as on 31st March 2016, against the Company as per the records maintained by the company.

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

For S G C O & Co.
Chartered Accountant
Firm Reg. No. 112081W

Place: Mumbai
Date: 30th May, 2016

Sd/-
Suresh Murarka
Partner
Membership No. 44739

Managing Director Certification

The Board of Directors
Lactose (India) Limited
Mumbai

Dear Members of the Board,

I, Atul Surajmal Maheshwari, Chairman & Managing Director of Lactose (India) Limited, to the best of my knowledge and belief, state that;

- (a) (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;
- (ii) These statements present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations.
- (b) There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's code of conduct.
- (c) I accept responsibility for establishing and maintaining internal controls for financial reporting. I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which I am aware and steps taken or proposed to be taken for rectifying these deficiencies.
- (d) I have indicated to the Auditors and the Audit Committee:
 - (i) Significant changes, if any, in the internal control over financial reporting during the year.
 - (ii) Significant changes, if any, in accounting policies made during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) Instances of significant fraud of which I have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Sd/-
Atul Maheshwari
Chairman & Managing Director

INDEPENDENT AUDITOR'S REPORT

To the Members of Lactose (India) Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Lactose (India) Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

Opinion

In our opinion and to the best of our information and according

to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2016, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure "A" statement on the matters specified in the paragraphs 3 and 4 of the Order.
2. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors as on 31st March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer our separate report in Annexure "B";
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - (i) The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 32(iv) to the financial statements
 - (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S G C O & Co.
Chartered Accountants
Firm Reg. No. 112081W

Sd/-
Suresh Murarka
Partner
Mem. No. 44739

Place: Mumbai
Date: 30th May, 2016

Annexure “A” to Independent Auditor’s Report

Annexure referred to in Paragraph 1 of “Report on Other Legal and Regulatory Requirements” of our Report of even date on the accounts of Lactose (India) Limited for the year ended 31st March 2016.

As required by the Companies (Auditors Report) Order, 2016 and according to the information and explanations given to us during the course of the audit and on the basis of such checks of the books and records as were considered appropriate we report that:

- (i) a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- b) As explained to us, the fixed assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion is reasonable, considering the size of the Company and the nature of its assets. In accordance with this program certain fixed assets were verified during the year. The frequency of verification is reasonable and no discrepancies have been noticed on such physical verification.
- (c) According to the information and explanations given to us and on the basis of our examination of records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) The inventories have been physically verified by the management during the year at reasonable intervals. Discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
- (iii) a) During the year the Company has not granted any loans to the parties covered in the register maintained under section 189 of the Companies Act, 2013.
- b) In view of our comments in para (iii) (a) above, clauses 3 (iii) (a), (b) and (c) of the said Order are not applicable to the Company
- (iv) In our opinion and according to the information and explanation given to us, section 185 of the Act is not applicable, since the Company has not granted any loan and has not provided any guarantees or security to the parties covered under section 185 of the Act. With regards to investments in securities to other body corporates, the Company has complied with the provisions of section 186 of the Act.
- (v) According to the information and explanations given to us and on the basis of our examination of records, the Company has not accepted any deposits from public.
- (vi) The Central Government has not prescribed the maintenance of cost record under Section 148(1) of the Act, for the company.
- (vii) a) Accordingly to the records of the Company, the undisputed statutory dues including Provident Fund, Employees’ State Insurance, Income Tax, Sales Tax, Service Tax, Duty of Custom, Duty of Excise, Value Added Tax, Cess and other statutory dues, to the extent applicable, have been regularly deposited with the appropriate authorities except there is slight delays in few cases of Tax Deducted at Source (TDS), professional tax, provident fund and Service Tax. There are no undisputed amount payable in respect of such statutory dues which have remained outstanding as at 31st March, 2016 for a period more than six months from the date they became payable.
- b) There are no dues of Income Tax, Sales Tax Wealth Tax, Service Tax, Custom duty , Excise Duty, VAT and Cess except mention below which have not been

deposited on account of dispute with the appropriate authorities

Name of the Statute	Amount involved	Period to amount relates	Forum where dispute is pending
Income Tax Act, 1961	Rs.20,22,573	A.Y.2013-14	The Commissioner of Income Tax Appeal (Mumbai)

- (viii) According to the information and explanation given to us and based on our examination of the records of the Company, the Company has not defaulted in repayment of dues to financial institution or banks. The Company has not issued any debentures.
- (ix) The company did not raise money by way of initial public offer or further public offer and term loan during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.
- (x) According to the information & explanations given to us, no fraud by the company or on the company by its officers or employees has been noticed or reported during the course of our audit.
- (xi) According to the information and explanation given to us and based on our examination of the records of the Company, the Company has paid / provided for managerial remuneration in accordance with requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3 (xii) of the Order is not applicable.
- (xiii) According to the information and explanation given to us and based on our examination of the records of the Company, all transactions with the related parties are in compliance with section 188 and 177 of Companies Act, 2013 wherever applicable and the details have been disclosed in the financial statements as required by the accounting standards and Companies Act, 2013.
- (xiv) According to the information and explanation given to us and based on our examination of the records of the Company, the Company has made a preferential issue of Convertible Share Warrants in accordance with the section 42 of the companies Act, 2013 and amount raised has been utilized for the purpose for which the fund was raised.
- (xv) According to the information and explanation given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with the directors or persons connected with him. Accordingly, paragraph 3 (xv) of the Order is not applicable.
- (xvi) In our opinion and according to the information and explanation given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For S G C O & Co.
Chartered Accountants
Firm Reg. No. 112081W

Sd/-
Suresh Murarka
Partner
Mem. No. 44739

Place: Mumbai
Date: 30th May,2016

Annexure “B” to the Independent Auditor’s Report of even date on the financial statements of Lactose (India) Limited for the year ended 31st March 2016.

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of Lactose (India) Limited (“the Company”) as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that We comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies

and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified Opinion

According to the information and explanation given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Company’s internal financial controls over financial reporting as at 31st March, 2016.

The documentation in respect of specific policies and procedures and the IT Controls pertaining to internal financial controls over financial reporting are not adequate and needs to be further strengthened. This may potentially result in the risk of overriding of these controls and misstatement in recording of transaction.

A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the possible effect of the material weakness described above on the achievement of the objectives of the control Criteria, the Company has maintained, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing and audit tests applied in our audit of the financial statements of the Company and these material weaknesses above does not affect our opinion on the financial statements of the Company.

For S G C O & Co.
Chartered Accountants
Firm Reg. No. 112081W

Sd/-
Suresh Murarka
Partner
Mem. No. 44739

Place: Mumbai
Date: 30th May, 2016

BALANCE SHEET AS AT MARCH 31, 2016

(Amount in Rs.)

Particulars	Note	As at March 31, 2016	As at March 31, 2015
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	8,83,90,000	8,41,90,000
Reserves and Surplus	3	11,00,55,584	7,46,80,638
Money received against Share Warrants	4	57,75,000	-
		20,42,20,584	15,88,70,638
Non-current liabilities			
Long-Term Borrowings	5	22,78,17,602	28,76,37,130
Deferred Tax Liabilities (Net)	6	2,53,20,733	1,49,09,852
Other Long Term Liabilities	7	10,79,64,816	13,28,65,306
Long-Term Provisions	8	45,55,191	39,50,327
		36,56,58,342	43,93,62,615
Current liabilities			
Short-Term Borrowings	9	6,32,63,799	3,67,61,183
Trade Payables	10	6,12,91,997	4,29,22,051
Other Current Liabilities	11	13,52,20,301	11,83,87,926
Short-Term Provisions	12	46,63,081	1,73,986
		26,44,39,178	19,82,45,146
	TOTAL	83,43,18,103	79,64,78,398
ASSETS			
Non-current Assets			
Fixed Assets	13		
- Tangible assets		61,24,63,869	62,20,46,848
Capital work-in-progress	14	99,02,744	1,44,01,522
		62,23,66,612	63,64,48,371
Non-Current Investments	15	3,84,950	55,84,830
Long-Term Loans and advances	16	2,52,37,814	2,87,31,562
		64,79,89,377	67,07,64,762
Current Assets			
Inventories	17	6,19,84,925	2,03,02,771
Trade Receivables	18	9,04,83,962	5,39,26,713
Cash and Bank Balances	19	33,35,762	37,66,004
Short-Term Loans and Advances	20	1,95,08,626	4,72,66,190
Other Current Assets	21	1,10,15,450	4,51,957
		18,63,28,726	12,57,13,635
	TOTAL	83,43,18,103	79,64,78,398
Significant accounting policies	1		
Accompanying notes to the financial statements	1 to 41		

In terms of our report of even date

For and on behalf of the Board

For S G C O & Co.
Chartered Accountants

LACTOSE (INDIA) LIMITED

Sd/-
Suresh Murarka
Partner
Mem. No. 44739
Place: Mumbai
Date: 30th May, 2016

Sd/-
Atul Maheshwari
Managing Director
Place: Mumbai
Date: 30th May, 2016

Sd/-
Sangita Maheshwari
Whole Time Director &
C.F.O.

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

(Amount in Rs.)			
Particulars	Note	Year ended March 31, 2016	Year ended March 31, 2015
Income :			
Revenue from operations			
Sale of Product(Gross)	22	35,13,59,592	23,86,16,503
Less: Excise duty		66,18,756	16,67,668
Net Revenue from operation		<u>34,47,40,836</u>	<u>23,69,48,835</u>
Other Income	23	1,24,09,381	32,44,659
Total Revenue		<u><u>35,71,50,217</u></u>	<u><u>24,01,93,493</u></u>
Expenses:			
Cost of materials consumed	24	9,05,76,057	4,12,32,543
Purchase of Stock-in-Trade	25	79,68,769	1,93,49,469
Changes in inventories of finished goods, work-in-progress	26	(3,45,67,565)	(32,33,777)
Employee benefits expense	27	8,09,22,424	6,38,61,138
Finance costs	28	4,41,55,611	2,65,61,069
Depreciation and amortization expense	13	3,34,31,849	1,94,38,890
Other expenses	29	9,58,16,430	6,45,14,070
Total Expenses		<u><u>31,83,03,576</u></u>	<u><u>23,17,23,403</u></u>
Profit/(Loss) before Prior Period Items and Tax		3,88,46,642	84,70,090
Add / (Less) : Prior Period Income / (Expenses)	30	-	1,10,000
Profit/(Loss) before tax		<u>3,88,46,642</u>	<u>85,80,090</u>
Less: Tax Expenses:			
Current Tax		83,37,360	16,38,553
MAT Credit (Entitlement)/Utilised		(79,20,383)	(16,38,553)
Deferred Tax Liability / (Assets)		1,04,10,881	33,97,115
Tax of Earlier Years		(6,162)	1,87,570
Profit for the year		<u><u>2,80,24,946</u></u>	<u><u>49,95,406</u></u>
Earnings per equity share:	31		
(Nominal value of Rs. 10 each)			
- Basic		3.30	0.60
- Diluted		3.30	0.60
Significant accounting policies	1		
Accompanying notes to the financial statements	1 to 41		
In terms of our report of even date		For and on behalf of the Board	
For S G C O & Co.		LACTOSE (INDIA) LIMITED	
Chartered Accountants			
Sd/- Suresh Murarka Partner Mem. No. 44739 Place: Mumbai Date: 30th May, 2016		Sd/- Atul Maheshwari Managing Director Place: Mumbai Date: 30th May, 2016	Sd/- Sangita Maheshwari Whole Time Director & C.F.O.

ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

Note 1 : Significant Accounting Policies:

Overview

Lactose (India) Limited ("The Company") is a listed company domiciled in India and incorporated under the provisions of Companies Act, 1956. The Company is a Pharmaceutical Company and engaged in the Business of Manufacturing, trading and carrying out job work and manufacturing of Pharmaceutical Products. The equity of the company is listed on the Bombay Stock Exchange

A Basis of Accounting:

- a) The Financial Statements have been prepared in compliance with the Accounting Standards specified under section 133 of the Companies Act, 2013 read with Rules 7 of the Companies (Accounts) Rule, 2014
- b) Financial Statements are based on historical cost convention and are prepared on accrual basis.

B Use of Estimates:

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

C Revenue Recognition

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

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

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

F Fixed Assets:

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

G Impairment of Fixed Assets

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

H Depreciation:

Depreciation on Fixed Assets has been provided on 'Straight Line Method' as per their useful life and in the manner prescribed in the Schedule II of the Companies Act, 2013.

I Borrowing Costs

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

J Inventories

Items of inventories are measured at lower of cost and net realisable value. Cost of inventories comprises of cost of purchase, cost of conversion and other costs including manufacturing overheads incurred in bringing them to their respective present location and condition.

Cost of finished goods, raw materials, work-in-progress, stores and spares, packing materials, trading and other products are determined on First in First out (FIFO) basis.

K Investments

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

ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

L Employee Benefits

- i) Company's contribution to Provident Fund and other Funds for the year is accounted on accrual basis and charged to the Statement of Profit & Loss for the year.
- ii) Retirement benefits in the form of Gratuity are considered as defined benefit obligations and are provided on the basis of the actuarial valuation, using the projected unit credit method as at the date of the Balance Sheet.

M Provisions and Contingent Liabilities

- i) Provisions are recognized in terms of Accounting Standard 29- "Provisions, Contingent Liabilities and Contingent Assets specified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 when there is a present legal or statutory obligation as a result of past events where it is probable that there will be outflow of resources to settle the obligation and when a reliable estimate of the amount of the obligation can be made.
- ii) Contingent Liabilities are recognized only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or where reliable estimate of the obligation cannot be made. Obligations are assessed on an ongoing basis and only those having a largely probable outflow of resources are provided for.
- iii) Contingent Liabilities are disclosed by way of notes.

N Foreign Currency Transactions

- i) The transactions in foreign currencies on revenue accounts are stated at the rate of exchange prevailing on the date of transactions.
- ii) The difference on account of fluctuation in the rate of exchange, prevailing on the date of transaction and the date of realisation are recognised as Income or Expenses.
- iii) Differences on translation of Current Assets and Current Liabilities remaining unsettled at the year-end are recognised as Income or Expenses.
- iv) Exchange difference on translation or settlement of long term foreign currency monetary items (i.e. whose term of settlement exceeds twelve months from date of its origination) at rates different from those at which they were initially recorded or reported in the previous financial statement, in so far as it relates to acquisitions of depreciable assets are adjusted to the cost of the assets and depreciated over the remaining useful life of such assets. In other cases, these are accumulated in "Foreign currency monetary item translation difference account" and amortised by recognitions as income or expenses in each period over the balance term of such item till settlement occurs.

O Accounting for Government Grants

- i) Capital subsidy received from Government which is not attributable to any fixed asset is reflected under the head 'Capital Reserve'.
- ii) Subsidy for acquiring certain fixed assets is deducted from the cost of the related fixed assets.

P Accounting for Taxation of Income

Current Taxes

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

Minimum Alternate Tax

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

Deferred Taxes

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

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2016**

(Amount in ₹)

Note 2 : Share Capital

a. Details of authorised, issued and subscribed share capital

Particulars	As at March 31, 2016	As at March 31, 2015
Authorised Capital		
12,000,000 (P.Y. 12,000,000) Equity Shares of Rs. 10/- each	12,00,00,000	12,00,00,000
Issued, Subscribed and Paid up Capital		
88,39,000 (PY 84,19,000) Equity Shares of Rs. 10/- each fully paid up	8,83,90,000	8,41,90,000
	8,83,90,000	8,41,90,000

b. Terms & Conditions

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

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

c. Shareholders having more than 5 % shareholding

Name of Shareholder	As at March 31, 2016		As at March 31, 2015	
	No of Equity shares held	Holding (%)	No of Equity shares held	Holding (%)
Sangeeta Maheshwari	10,24,910	11.60	10,45,110	12.41
Indu Kasat	7,80,000	8.82	7,80,000	9.26
Atul Maheshwari	8,46,010	9.57	8,46,010	10.04
Madhusa Projects Private Limited	5,28,248	5.98	5,34,832	6.35
Madhu Toshniwal	4,98,468	5.64	5,30,468	6.30

d. Reconciliation of equity shares outstanding

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	Amount (In Rs.)	Number	Amount (In Rs.)
At the beginning of the year	84,19,000	8,41,90,000	80,00,000	8,00,00,000
Issued during the year - On Conversion of Share Warrants	4,20,000	42,00,000	4,19,000	41,90,000
At the end of the year	88,39,000	8,83,90,000	84,19,000	8,41,90,000

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2016**

(Amount in ₹)

Note 3 : Reserves and Surplus

Particulars	As at March 31,2016	As at March 31, 2015
Capital Reserves	75,00,000	75,00,000
Securities Premium Account		
Balance as per last financial statements	68,73,238	57,62,888
Add: Amount received during the year	73,50,000	11,10,350
	1,42,23,238	68,73,238
Surplus in the Statement of Profit & Loss		
Balance as per last financial statements	6,03,07,400	5,53,11,994
Add :Net Profit for the current year	2,80,24,946	49,95,406
	8,83,32,346	6,03,07,400
	11,00,55,584	7,46,80,638

Note 4 : Money received against Share Warrants

Particulars	As at March 31, 2016	As at March 31, 2015
Opening Balance	-	16,57,150
Add :Money received against 12,60,000 (P.Y. 419,000) Convertible Share Warrants	1,73,25,000	36,43,200
Less: Converted to 4,20,000 (P.Y. 4,19,000) Equity Shares	1,15,50,000	53,00,350
Closing Balance	57,75,000	-

The Company in August, 2015 has made a preferential issue of 12,60,000 Convertible Share Warrants at a premium of Rs. 17.5 per warrant (Face value Rs.10 each) in accordance with SEBI guidelines and has received 25 % upfront money amounting to Rs. 86,62,500.

Out of 12,60,000 share warrants 4,20,000 share warrants had been converted into 4,20,000 fully paid equity shares of Rs. 10/- each at a premium of Rs. 17.50 per share on 8th February 2016 after receiving balance amounting to Rs.86,62,500.

In terms of the issue, the amount so received from the above issue of shares has been utilized for the working capital requirements of the Company.

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2016**

(Amount in ₹)

Note 5 : Long-Term Borrowings

Particulars	As at March 31,2016	As at March 31, 2015
SECURED		
Term Loans		
From Banks	26,16,71,330	30,73,67,269
Less: Current maturities of long term debt (Refer Note no. 11)	5,95,61,446	5,26,73,976
	20,21,09,884	25,46,93,293
Vehicle Loans		
From Banks	13,07,273	35,28,272
From Others	1,33,866	5,83,389
	14,41,139	41,11,661
Less: Current maturities of long term debt (Refer Note no. 11)	14,41,139	26,70,516
	-	14,41,145
UNSECURED		
Loans from Directors	1,92,02,653	1,80,78,630
Inter Corporate Loans	65,05,065	1,34,24,062
TOTAL	22,78,17,602	28,76,37,130

Other information regarding secured loans :

Term loan from banks :

- a) Term loan from Oriental Bank of Commerce amounting to Rs. 13,79,73,439 (PY Rs. 17,39,73,439) is secured against hypothecation of Land and Building, Plant and Machinery, Furniture and Fixtures, Vehicles and other assets created out of the said Term loan. Loan is taken for the specific purpose of expansion of capacity for manufacturing of Lactose Monohydrate and Setting-up the new facility of Lactulose Solution. It carries an interest rate 4.00% + Base Rate. The loan is repayable in 60 equal monthly installments of Rs. 30,00,000 each, after a moratorium of 12 months, which has commenced from February, 2015. The interest is payable as and when due. The Term Loan was sanctioned for Rs. 18,00,00,000.
- b) Term loan from ICICI Bank amounting to USD 18,64,804.46 (equivalent to INR 12,36,97,891) (P.Y Rs. 13,33,93,830) is secured by Pari pasu Charge with Oriental Bank of Commerce on present & future movable fixed assets ,Factory land & building and current assets of the company. It carries an interest rate of 3 months LIBOR Rate + 1.86% . The loan is repayable in 9 equal quarterly installment of USD 88,800 and one last installment of USD 1,332,003, starting from July,2015. Equitable mortgage on residential premises of directors of the Company is also offered as a collateral security.The loan is further secured by personal guarantees by the directors and relative of directors of the company.

Vehicle loans from banks :

- a) Vehicle loan from ICICI Bank amounting to Rs.4,34,905 /- (PY Rs.12,38,857/-) is secured against respective vehicle. It carries interest rate of 10.60% p.a. and is repayable in 60 equal monthly installment amounting to Rs. 74,749 each, starting from 1st November 2011.
- b) Vehicle loan from ICICI Bank amounting to Rs.4,34,914/- (PY Rs. 12,38,864/-) is secured against respective vehicle. It carries interest rate of 10.60% p.a. and is repayable in 60 equal monthly installment amounting to Rs. 74,749 each, starting from 1st November 2011.
- c) Vehicle loan from Kotak Mahindra Bank amounting to Rs.1,87,678 (PY Rs.5,30,576) is secured against respective vehicle. It carries interest rate of 12.20% p.a. and is repayable in 47 equal monthly installment amounting to Rs. 32,400 each, starting from 10th November 2012.
- d) Vehicle loan from Kotak Mahindra Bank amounting to Rs.2,49,776 (PY Rs.5,19,975) is secured against respective vehicle. It carries interest rate of 11.40% p.a. and is repayable in 47 equal monthly installment amounting to Rs. 26,300 each, starting from 20th March 2013.

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2016**

(Amount in ₹)

Vehicle Loan from Others :

- a) Vehicle loan from Kotak Mahindra Prime Limited amounting to Rs. Nil (PY Rs. 2,40,259) is secured against respective vehicle. It carries interest rate of 9.46% p.a. and is repayable in 60 equal monthly installment amounting to Rs. 35,415 each, starting from 1st December 2010
- b) Vehicle loan from Tata Capital Limited amounting to Rs. 1,33,866 (PY Rs. 3,43,130) is secured against respective vehicle. It carries interest rate of 12.99% p.a. and is repayable in 60 equal monthly installment amounting to Rs. 19,880 each, starting from 9th December 2011.

Loan from Directors / Inter Corporate Loans :

Loans from Directors and Inter Corporate Loans are unsecured and repayable only after 31st March, 2017. The loans carry interest @ 12.5% p.a.

Note 6 : Deferred Tax Liabilities (Net)

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

Particulars	As at March 31, 2016	As at March 31, 2015
Deferred Tax Liability on account of :		
Excess of net block of fixed assets as per books of accounts over net block for tax purpose	5,47,40,250	4,38,93,346
	5,47,40,250	4,38,93,346
Deferred Tax Asset on account of :		
Employee Benefits	14,37,565	13,28,465
Unabsorbed Depreciation	2,79,81,952	2,76,55,029
	2,53,20,733	1,49,09,852

Note 7 : Other Long term Liabilities

Particulars	As at March 31, 2016	As at March 31, 2015
Advance Manufacturing Consideration (Refer Note No. 36(a) and Note No. 36(b))	6,12,00,375	7,46,24,761
Less : Current maturities (Refer Note no. 11)	2,41,30,030	93,77,200
	3,70,70,345	6,52,47,561
Unbilled Lease Rentals	27,271	83,259
Trade Payables	7,08,67,200	6,75,34,486
	10,79,64,816	13,28,65,306

Note 8 : Long-Term Provisions

Particulars	As at March 31, 2016	As at March 31, 2015
Provision for Employee Benefits:		
Gratuity Payable	46,52,315	40,94,513
Less : Current Portion of Gratuity Payable (Refer Note no. 12)	97,124	1,44,186
	45,55,191	39,50,327

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2016**

(Amount in ₹)

Note 9 : Short-Term Borrowings

Particulars	As at March 31,2016	As at March 31, 2015
SECURED		
Loans repayable on demand		
From Banks	5,65,86,017	3,67,61,183
UNSECURED		
Inter Corporate Loan	66,77,782	-
	6,32,63,799	3,67,61,183

Other Information regarding loans repayable on demand

- Cash Credit Facility from Oriental Bank of Commerce amounting to Rs.3,11,65,018 (PY Rs.2,95,33,233/-) is secured against hypothecation of stocks of raw materials, stock in process, finished goods, stores & spares and trade receivables of the Company. It carries interest rate of 4.50% + Base Rate.
- Cash Credit Facility from ICICI Bank amounting to Rs.1,87,50,999 (PY Rs. 72,27,950/-) is secured against hypothecation of stocks of raw materials, stock in process, finished goods, stores & spares and trade receivables of the Company ranking pari pasu with Oriental Bank of Commerce and second pari pasu charge on future and present movable fixed assets of the Company. Equitable mortgage of the residential premises of directors of the Company is also given as a collateral security. The loan is further secured by personal guarantees from directors and relative of directors.It carries interest rate of 4% + Base Rate.
- Packing Cash Credit Facility from Oriental Bank of Commerce amounting to Rs.66,70,000 (PY Rs.Nil) is secured against hypothecation of paid stocks meant for export.

Unsecured Loan

The Company has taken inter corporate loan from Cellseed Enterprises Pvt. Ltd. Which carries interest 4% to 6% and are repayable before 31st March, 2017.

Note 10 : Trade Payables

Particulars	As at March 31,2016	As at March 31, 2015
Due to Micro, Small and Medium Enterprises	88,28,347	18,61,325
Others	5,24,63,650	4,10,60,726
	6,12,91,997	4,29,22,051

Disclosures under Sec 22 of Micro, Small and Medium Enterprises Development Act, 2006 to the extent information available with the Company:

Particulars	As at March 31,2016	As at March 31, 2015
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of accounting year;	88,28,347	18,61,325
The amount of interest accrued and remaining unpaid at the end of accounting year; and	-	-
The amount of interest paid by the buyer in terms of section 16 along with the amount of the payment made to the supplier beyond the appointed day during the year	-	-
The amount of interest due and payable for the period (where the principal has been paid but interest under the MSMED Act, 2006 not paid);	-	-
The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.	-	-

Note: Interest paid or payable by the Company on the aforesaid principal amount has been waived by the concerned suppliers.

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2016**

(Amount in ₹)

Note 11 : Other Current Liabilities

Particulars	As at March 31,2016	As at March 31, 2015
Current maturities of long-term debt (Refer Note No. 5)	6,10,02,585	5,53,44,492
Current maturities of Advance Manufacturing Consideration (Refer Note 36(a) and 36(b))	2,41,30,030	93,77,200
Payable for Capital Goods	2,27,37,608	2,64,91,875
Duties & Taxes Payable	24,86,604	8,17,199
Rent Deposit Payable	3,40,000	38,060
Advance from Customer	87,87,090	-
Provision for Expenses	63,14,082	51,38,733
Other Payable	94,22,303	2,11,80,366
	13,52,20,301	11,83,87,926

Note 12 : Short-Term Provisions

Particulars	As at March 31,2016	As at March 31, 2015
Provision for employee benefits:		
Gratuity	97,124	1,44,186
Provision for Tax (Net of Advance Tax)	45,65,957	-
Provision for Wealth Tax	-	29,800
	46,63,081	1,73,986

ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

(Amount in ₹)

Note 13 : Fixed Assets

PARTICULARS	Gross Block			Accumulated Depreciation			Net Block			
	As at April 1, 2015	Additions during the Year	Deductions during the Year	As at March 31, 2016	Upto March 31, 2015	Depreciation charge for the year*	Adjustments or deductions	Upto March 31, 2016	As at March 31, 2016	As at March 31, 2015
TANGIBLE ASSETS										
Land - Owned	48,19,242	-	-	48,19,242	-	-	-	-	48,19,242	48,19,242
Building - (Factory)	18,30,35,357	63,21,252	-	18,93,56,609	2,99,50,664	58,52,930	-	3,58,03,594	15,35,53,016	15,30,84,693
Building - (Office)	12,81,075	-	-	12,81,075	2,28,923	20,167	-	2,49,090	10,31,985	10,52,152
Plant & Machinery	55,70,77,582	1,63,82,100	-	57,34,59,682	13,83,47,956	2,17,82,180	-	16,01,30,136	41,33,29,546	41,87,29,626
Furniture & Fixtures	1,35,46,377	1,99,857	-	1,37,46,234	55,08,447	12,14,049	-	67,22,495	70,23,739	80,37,930
Vehicles	1,67,00,450	-	-	1,67,00,450	67,15,953	22,06,524	-	89,22,477	77,77,973	99,84,497
Office Equipments & Air Conditioners	1,06,54,061	78,441	-	1,07,32,502	1,01,19,356	1,96,178	-	1,03,15,534	4,16,968	5,34,705
Computers	45,29,125	1,63,776	-	46,92,901	38,36,632	3,89,724	-	42,26,356	4,66,545	6,92,493
Electrical Installations	1,43,15,183	7,03,444	-	1,50,18,627	27,15,174	15,45,386	-	42,60,500	1,07,58,127	1,16,00,069
Assets under Lease										
Building (Office)	1,42,05,600	-	-	1,42,05,600	6,94,159	2,24,711	-	9,18,870	1,32,86,730	1,35,11,441
Total	82,01,64,052	2,38,48,870	-	84,40,12,922	19,81,17,203	3,34,31,849	-	23,15,49,053	61,24,63,869	62,20,46,849
Previous Year	45,79,50,609	36,22,13,443	-	82,01,64,052	17,86,78,313	1,94,38,890	-	19,81,17,203	62,20,46,849	27,92,72,296

Notes

(a) Exchange differences amounting to Rs.77.03,358 /-(Previous Year Rs.45,19,858) has been capitalized to the cost of fixed assets in terms of exercise of option as per of Para 46A of AS11 (pursuant to notification dated 29 December 2011 issued by the Ministry of Corporate Affairs.) (Also refer Note 1 N (iv) of significant accounting policies).

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2016**

(Amount in ₹)

Note 14 : Capital work-in-progress

Expansion of ETP plant and Sanofi factory Shed have been completed during the year and accordingly has been capitalised. Necessary details are disclosed below :

Particulars	As at March 31,2016	As at March 31, 2015
Opening Balance	1,44,01,522	15,40,39,659
<u>Add : Expenditure during the year</u>		
Electric Installations	-	64,50,318
Equipment, Plant & Machinery Cost	15,52,105	15,91,43,443
Construction Cost	23,01,654	2,86,48,218
Furniture & Fixtures	-	1,70,403
Bank Interest on Term Loan	-	2,08,33,208
Other Expenses	-	2,48,833
Less: Plant capitalized during the year	83,52,537	35,51,32,560
	99,02,744	1,44,01,522

Note 15 : Non-Current Investments

Particulars	As at March 31,2016	As at March 31, 2015
(Valued at cost, unless stated otherwise)		
Unquoted, Trade Investments		
Investment in Equity instruments		
Nil (P.Y. 4,00,000) Equity Shares of Rs. 10 each fully paid up of Eurolife Healthcare Private Limited.	-	52,00,000
(A)	-	52,00,000
Quoted, Non-Trade Investments		
<u>Investment in Equity instruments</u>		
1,000 (P.Y. 1,000) Equity Shares of Rs. 10 each fully paid up of Clio Infotech Limited	43,980	43,980
12,800 (P.Y. 12,800) Equity Shares of Rs. 10 each fully paid up of Shardul Securities & Finance Limited	3,84,000	3,84,000
5,000 (P.Y. 5,000) Equity Shares of Rs. 10 each fully paid up of Ojas Technochem Products Limited	1,23,915	1,23,915
(B)	5,51,895	5,51,895
TOTAL (A+B)	5,51,895	57,51,895
Less : Provision for diminution in the value of Investments	1,66,945	1,67,065
	3,84,950	55,84,830

Particulars	As at March 31,2016	As at March 31, 2015
Aggregate market value of quoted investments	5,36,630	5,51,200
Aggregate book value of quoted investments	5,51,895	5,51,895
Aggregate value of unquoted investments	-	52,00,000

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2016**

(Amount in ₹)

**Note 16 : Long-Term Loans and advances
(Unsecured, considered good)**

Particulars	As at March 31,2016	As at March 31, 2015
Capital Advances	-	1,09,03,501
Security Deposits	83,14,315	80,29,315
MAT Credit Entitlement	95,64,366	16,43,983
Advance Tax & TDS (Net)	68,41,015	63,41,348
Prepaid Interest	5,18,118	18,13,415
	2,52,37,814	2,87,31,562

Capital Advances includes :

Particulars	As at March 31,2016	As at March 31, 2015
Advance given to a Private Limited Company in which director of the Company is interested as director	-	60,00,000

Note 17 : Inventories

Particulars	As at March 31,2016	As at March 31, 2015
<u>Valued at Cost or Net Realisable Value whichever is lower</u>		
Raw Materials and components	96,28,596	76,61,339
Work-in-progress	3,88,85,171	84,14,174
Finished goods	46,38,800	5,42,232
Stores, spares and other consumables	88,32,358	36,85,026
TOTAL	6,19,84,925	2,03,02,771

**Note 18 : Trade Receivables
(Unsecured, considered good)**

Particulars	As at March 31,2016	As at March 31, 2015
Trade receivables outstanding for a period exceeding six months from the date they are due for payment	4,06,83,720	97,10,171
Others	4,98,00,242	4,42,16,542
	9,04,83,962	5,39,26,713

Trade Receivables stated above include debts due by:

Particulars	As at March 31,2016	As at March 31, 2015
Due from a Private Limited Company in which director of the Company is interested as director	1,38,27,118	53,18,637
Due from a Proprietary concern in which relative of director of the Company is proprietor	-	88,18,407

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2016**

(Amount in ₹)

Note 19 : Cash and Bank Balances

Particulars	As at March 31,2016	As at March 31, 2015
Cash & Cash Equivalents		
<u>Balances with banks</u>		
- Current Account	3,93,781	5,17,352
Cash on hand	10,18,402	11,70,172
Other Bank Balances		
Fixed Deposit (Held margin money against non fund based facilities)	19,23,579	20,78,480
	33,35,762	37,66,004

**Note 20 : Short-Term Loans and Advances
(Unsecured, considered good)**

Particulars	As at March 31,2016	As at March 31, 2015
Advances Recoverable in cash or in kind	1,69,10,203	4,43,09,171
Advance to Suppliers	7,20,766	6,54,141
Prepaid Expenses	18,77,657	23,02,878
	1,95,08,626	4,72,66,190

**Note 21 : Other Current Assets
(Unsecured, considered good)**

Particulars	As at March 31,2016	As at March 31, 2015
Interest Receivable	5,15,450	4,51,957
Other Receivable	1,05,00,000	-
	1,10,15,450	4,51,957

Note 22 : Revenue from operations

Particulars	Year ended March 31,2016	Year ended March 31, 2015
Operating Revenues		
Gross Sales	10,18,51,984	4,79,66,380
Conversion Charges	24,25,41,135	18,41,44,213
	34,43,93,119	23,21,10,593
Other Operating Revenues		
Scrap Sales	11,89,265	7,28,704
Manufacturing Consideration (Refer Note 37)	57,77,208	57,77,206
	35,13,59,592	23,86,16,503

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2016**

(Amount in ₹)

Details of products sold

Particulars	Year ended March 31,2016	Year ended March 31, 2015
Manufactured Goods		
Lactose Monohydrate IP/BP	4,07,58,750	-
Lactulose	2,36,92,697	5,90,113
Other	2,92,70,781	2,78,41,727
Traded Goods		
Low Density Polyethylene	81,29,756	1,95,34,540
	10,18,51,984	4,79,66,380

Note 23 : Other Income

Particulars	Year ended March 31,2016	Year ended March 31, 2015
Interest Income		
Interest on Fixed Deposits	1,52,207	4,41,050
Interest on Electricity Deposit	5,72,722	8,21,851
Other non-operating income		
Profit on Sale of Non-Current Investments	88,00,000	-
Gain on Foreign Exchange Fluctuation (Net)	-	7,38,332
Sundry Balances written back (net)	18,24,185	2,44,718
Reversal of Provision for diminution in the value of Investments	120	-
Miscellaneous Income	80,907	-
Dividend from Non-Current Investments	10,240	8,960
Rent Income	9,69,000	9,89,748
	1,24,09,381	32,44,659

Note 24 : Cost of materials consumed

Particulars	Year ended March 31,2016	Year ended March 31, 2015
Raw Materials /Components		
Opening Stock	76,61,339	95,10,577
Add: Purchases	9,25,43,313	3,93,83,305
Less: Closing Stock	96,28,596	76,61,339
	9,05,76,057	4,12,32,543

Details of Raw Material Consumption

Particulars	Year ended March 31,2016	Year ended March 31, 2015
Lactose Monohydrate IP/BP	2,02,96,958	-
Lactulose	3,03,55,080	1,11,07,411
Other	3,99,24,018	3,01,25,132
	9,05,76,056	4,12,32,543

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2016**

(Amount in ₹)

Note 25 : Purchase of Stock-in-Trade

Particulars	Year ended March 31,2016	Year ended March 31, 2015
Purchases	79,68,769	1,93,49,469
	79,68,769	1,93,49,469

Details of Purchase of Stock-in-Trade

Particulars	Year ended March 31,2016	Year ended March 31, 2015
Low Density Polyethylene	79,68,769	1,93,49,469
	79,68,769	1,93,49,469

Note 26 : Changes in inventories of finished goods, work-in-progress

Particulars	Year ended March 31,2016	Year ended March 31, 2015
<u>Opening Inventory</u>		
Finished Goods	5,42,232	30,85,396
Work-In-Progress	84,14,174	26,37,233
	89,56,406	57,22,629
<u>Closing Inventory</u>		
Finished Goods	46,38,800	5,42,232
Work-In-Progress	3,88,85,171	84,14,174
	4,35,23,971	89,56,406
	(3,45,67,565)	(32,33,777)

Details of inventories of finished goods

Particulars	Year ended March 31,2016	Year ended March 31, 2015
Finished Goods		
Lactulose	46,38,800	5,42,232
Work - in - Progress		
Lactulose	3,39,78,176	84,14,174
Other	49,06,995	-
	4,35,23,971	89,56,406

Note 27 : Employee benefits expense

Particulars	Year ended March 31,2016	Year ended March 31, 2015
Salaries and Wages	7,01,23,156	5,61,32,659
Directors Remuneration	77,38,800	56,25,000
Gratuity Expenses	10,56,304	7,31,617
Contribution to PF & Other Funds	13,85,697	9,89,564
Staff welfare expenses	6,18,467	3,82,298
	8,09,22,424	6,38,61,138

Note: Salaries and Wages include amount paid towards contractual wages Rs.3,49,96,306/- (P.Y. Rs.2,58,62,191).

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2016**

(Amount in ₹)

Note 28 : Finance costs

Particulars	Year ended March 31,2016	Year ended March 31, 2015
Interest Expenses		
Interest to Banks & Financial Institutions	3,93,44,277	2,06,36,168
Interest on Unsecured Loan	36,27,112	42,28,956
Bank Charges	11,84,222	16,95,946
	4,41,55,611	2,65,61,069

Note 29 : Other expenses

Particulars	Year ended March 31,2016	Year ended March 31, 2015
Stores and spares consumed	1,61,04,258	98,75,875
Power and Fuel expenses	4,62,37,416	3,12,19,080
Laboratory materials consumed	19,86,729	14,37,687
ETP Plant expenses	1,62,829	5,77,478
Rent	23,72,847	22,71,235
<u>Repairs to :</u>		
- Building	12,67,674	3,07,147
- Machinery	10,51,548	10,44,531
- Others	18,56,360	7,37,704
Insurance Charges	11,02,240	13,24,216
Rates and Taxes	56,647	1,52,299
Legal and Professional	40,03,909	29,88,967
Communication Expenses	11,03,396	9,72,613
Electricity Charges	2,85,868	2,30,927
Auditor's Remuneration	6,57,023	5,65,548
Travelling Expenses	27,16,623	35,64,376
Vehicle Expenses	14,88,131	18,56,795
Printing & Stationery	4,28,275	3,37,666
Freight Outward	3,81,903	6,555
Sales Promotion Charges	20,51,538	12,67,607
Bad Debts	80,32,071	-
Foreign Exchange Loss (Net)	6,48,772	-
Sales Tax Paid	68,131	56,892
Miscellaneous Expenses	17,52,242	37,18,873
	9,58,16,430	6,45,14,070

Auditors Remuneration includes :

Particulars	Year ended March 31,2016	Year ended March 31, 2015
Audit Fees	4,80,000	4,51,125
Taxation Mzatters	1,08,989	35,771
Other Services	68,034	78,652
TOTAL	6,57,023	5,65,548

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2016**

(Amount in ₹)

Note 30 : Add / (Less) : Prior Period Income / (Expenses)

Particulars	Year ended March 31,2016	Year ended March 31, 2015
Prior Period Income		
Job Work	-	1,10,000
	-	-

Note 31 : Earnings per equity share:

Particulars	Year ended March 31,2016	Year ended March 31, 2015
Basic / Dilutive Earnings per Share		
Profit attributable to Equity shareholders	2,80,24,946	49,95,406
Weighted average number of equity shares	84,79,820	83,20,277
Basic Earnings Per Share	3.30	0.60
Dilutive Earnings Per Share	3.30	0.60
Face value per Share	10.00	10.00

Note 32 : Contingent Liabilities

Particulars	Year ended March 31,2016	As at March 31,2015
i) Guarantee given by Bank on behalf of the Company	1,05,000	8,05,000
ii) Letter of Credit	1,06,99,821	1,13,58,199
iii) Custom Duty against Export Obligation (Refer Note (a) below)	1,37,36,224	1,65,10,288
iv) Disputed Income Tax Liability (A.Y. 2013-14)	20,22,573	-
TOTAL	2,45,41,045	2,86,73,487

Note (a): The Company has obtained license under Export Promotion Capital Goods Scheme (EPCG) for purchase of capital goods on zero percent custom duty. Under the EPCG the Company needs to fulfill certain export obligations, failing which, it is liable for payment of custom duty. Export Obligations amounting to Rs.37,12,79,689 (PY Rs.48,82,86,691/-) needs to be completed within 6 years from the date of purchase of respective license.

Note 33 : Commitments

Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for is Rs. Nil (PY: Rs.7,48,39,714/-).

Note 34 : In the opinion of the Board the Current Assets and Long Term Loans and advances, are realisable in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet. The provision for all known liabilities is adequate and not in excess of amount reasonably necessary.

Note 35 : Balances of trade receivables, payables, loans and advances are subject to confirmation, reconciliation and consequential adjustment, if any. Consequently revenue impact, presently is not ascertainable, will be considered as and when determined.

Note 36 :

- a) During the FY 2013-14, the Company had commenced production of its upgraded manufacturing facility to manufacture up to 10000 metric tons 200 Mesh Lactose per year exclusively for Kerry Indegredients India Private Limited (KIPL) and accordingly as per the manufacturing agreement with KIPL, has recognised during the year income of Rs.57,77,208 (P.Y. Rs.57,77,206/-) on proportionate basis out of total Advance Manufacturing Consideration amounting to Rs. 5,77,72,000 and the balance of Rs. 57,77,208/- (P.Y. Rs. 57,77,208/- is disclosed under the head "Other Current liability" and Rs.3,70,70,345 /-(P.Y. Rs.4,28,47,553 /-) is disclosed under the head "Other Long term liability".
- b) During the FY2014-2015, Company had received an advance amounting to Rs. 2,60,00,000/- from Sanofi India Limited for

ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

(Amount in ₹)

procurement of machinery, equipment and carrying out civil work for structural modification of manufacturing facility exclusively meant for Sanofi India Limited through an agreement dated 10th April, 2014 and addendum thereto dated 1st January, 2015. As per said agreement with Sanofi India Limited, it has adjusted Rs. 76,47,178 by way of monthly deductions by Sanofi India Limited equivalent to 20% of the Conversion and Packaging charges billed to Sanofi India Limited by Lactose (India) Limited in F.Y 2015-2016 out of total advance of Rs. 2,60,00,000/- and the balance of Rs.1,83,52,822 (P.Y.36,00,000/-) is disclosed under the head "Other Current liability" and Rs.Nil (P.Y.Rs. 2,24,00,000/-) is disclosed under the head "Other Long term liability" on estimated basis.

Note 37 : Disclosure pursuant to Accounting Standard – 15 'Employee Benefits'

Assumptions	Year ended March 31, 2016	Year ended March 31, 2015
Salary Growth *	7.00%	7.00%
Discount Rate	7.70%	9.00%
Withdrawal Rate	5% at younger ages and reducing to 1% at older ages according to graduated scale.	5% at younger ages and reducing to 1% at older ages according to graduated scale.
Mortality Rate	Indian Assured Lives Mortality (2006-08) Ult.	Indian Assured Lives Mortality (2006-08) Ult.

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

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

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Present value of obligation as at the beginning of the year:	40,94,513	34,40,606
Interest cost	3,15,278	2,75,248
Current service cost	4,66,766	3,11,987
Benefits paid	(4,98,502)	(77,711)
Actuarial (gain) / loss on obligation	2,74,260	1,44,383
Closing Present value of obligation	46,52,315	40,94,513

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

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Actuarial gain/ (loss) for the year obligation	-	-
Total (gain)/ loss for the year	2,74,260	1,44,383
Actuarial (gain)/ loss recognised during the year.	2,74,260	1,44,383

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

Particulars	Year ended March 31, 2016	As at March 31, 2015
Present value of obligation as at the end of the year	46,52,315	40,94,513
Funded value of assets (unfunded)	-	-
Net assets / (liability) recognised in balance sheet	(46,52,315)	(40,94,513)
- Non-Current Assets / (Liabilities)	(45,55,191)	(39,50,327)
- Current Assets / (Liabilities)	(97,124)	(1,44,186)

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2016**

(Amount in ₹)

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

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Current service cost	4,66,766	3,11,987
Past service cost	-	-
Interest cost	3,15,278	2,75,248
Expected return on plan assets	-	-
Net actuarial (gain) / loss recognized in the year	2,74,260	1,44,383
Expenses recognised in the statement of profit and loss	10,56,304	7,31,618

(v) Amounts of Gratuity for the current year are as follows:

Particulars	Year Ended 31.03.2016
Defined benefit obligation	46,52,315
Plan assets	-
Surplus/(deficit)	(46,52,315)
Experience adjustments on plan liabilities	1,53,964
Experience adjustments on plan assets	-
Actuarial gain/(loss) due to change in assumption	-

Note 38 : Segment Reporting

Basis of preparation

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

Note 39 : Related Party disclosures

a. List of related parties

Relationship	Name of the Party
Directors	Mrs. Sangita Maheshwari (Whole time director)
	Mr. Atul Maheshwari (Managing Director)
	Mr. SS Toshniwal
Relative of Director	Mr. Yash Maheshwari
	Mrs. Madhu Toshniwal
Enterprises having same Key Management Personnel and / or their Relatives	Eurolife Healthcare Private Limited
	Madhusa Projects Private Limited
	Himalayan Herbal Foods
	Madhusa Holdings Private Limited
	Madhusa Biotech Private Limited
	Lotus Global Private Limited
	Omega Colors Private Limited

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2016**

(Amount in ₹)

b. Transactions entered with Related Parties during the year

Name of Party	Nature of Transaction	Year ended March 31, 2016	Year ended March 31, 2015
Mr. Atul Maheshwari	Director's Remuneration	40,94,400	35,00,000
	Loans Taken	13,50,000	30,00,000
	Interest Paid	3,77,372	4,92,102
	Loan Repayment	20,12,500	9,08,240
	Equity Contribution (Including Premium)	-	28,97,735
Mrs. Sangita Maheshwari	Director's Remuneration	36,38,400	21,25,000
	Rent	4,32,000	3,96,000
	Advance Rent payment	2,20,000	-
	Loans Taken	39,25,000	48,56,810
	Loan Repayment	39,25,000	23,08,472
	Equity Contribution (Including Premium)	-	16,89,787
	Interest Paid	6,19,095	8,69,147
Mrs. Madhu Toshniwal	Consultancy Charges paid	3,90,000	3,60,000
	Sale of Investment (Shares)	70,00,000	
Mr. Yash Maheshwari	Salary	-	30,000
Mr SS Toshniwal	Loan Taken	15,50,000	80,00,000
	Loan Repayment	15,50,000	-
	Interest Paid	9,88,559	9,03,507
	Sale of Investment (Shares)	70,00,000	
Himalayan Herbal Foods	Sales	-	1,95,34,540
Lotus Global Pvt Ltd	Purchases	35,785	40,529
Madhusha Projects Private Limited	Loan Taken	37,50,000	-
	Repayment of Loans Taken	37,50,000	1,01,46,823
	Interest Paid	7,21,022	14,68,218
	Sales	2,43,66,261	-
Madhusha biotech Private Limited	Advance Given against Property	-	60,00,000
	Advance received back against property	60,00,000	-
Eurolife Healthcare Private Limited	Sales	23,11,850	2,61,17,167
	Purchases	6,857	-
	Reimbursement of Expenses	3,76,410	
	Advance from customer	51,23,998	-
Omega Colors Private Limited	Compensation Paid	-	7,27,450

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2016**

(Amount in ₹)

c. Balance Outstanding of Related Parties :

Name of Party	Receivable / Payable	As at March 31, 2016	As at March 31, 2015
Mrs Sangita Maheshwari	Unsecured Loan Payable	60,89,416	55,32,331
	Director Remuneration Payable	2,51,950	2,29,500
	Advance given against rent	2,20,000	-
Mr. Atul Maheshwari	Unsecured Loan Payable	33,20,027	36,42,892
	Director Remuneration Payable	3,13,250	2,90,800
Mrs. Madhu Toshniwal	Consultancy Charges Payable	32,500	27,500
	Receivable against sale of Investment	97,93,210	-
Mr. SS Toshniwal	Unsecured Loan Payable	97,93,210	89,03,507
	Receivable against sale of Investment	52,50,000	-
Lotus Global Pvt Ltd	Trade Payables	76,314	40,529
Himalayan Herbal Foods	Trade Receivables	-	88,18,407
Madhusha biotech Private Limited	Advance Against Property	-	60,00,000
Madhusha Projects Private Limited	Unsecured Loan Payable	65,05,065	58,56,145
	Trade Receivables	1,38,27,118	-
Eurolife Healthcare Private Limited	Trade Receivables	-	53,18,637
	Trade Payables	-	7,58,127
	Advance From Customer	51,23,998	-

Note 40 : Information pursuant to para 5(viii) of the General Instructions to the Statement of Profit and Loss

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

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Stock-in-Trade	79,68,769	1,93,49,469
Capital goods	-	60,03,286
TOTAL	79,68,769	1,93,49,469

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

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Travelling Expenses	7,13,160	5,78,966
TOTAL	7,13,160	5,78,966

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2016**

(Amount in ₹)

(c) Consumption of raw materials:

Particulars		Year Ended March 31,2016		Year Ended March 31,2015	
		Amount	Percentage	Amount	Percentage
Manufacturing -	Imported	2,02,96,958	22%	-	-
	Indigenous	7,02,79,099	78%	4,12,32,543	100%
TOTAL		9,05,76,057	100%	4,12,32,543	100%
Spares -	Imported	-	-	-	-
	Indigenous	1,61,04,258	100%	98,75,875	100%
TOTAL		1,61,04,258	100%	98,75,875	100%

(e). Earning in foreign exchange Currency

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Exported of Goods on F.O.B. Value	88,70,238	-
TOTAL	88,70,238	-

Note 41 : Previous year's figures have been re-grouped / re-classified to conform to this year's classification.

In terms of our report of even date

For S G C O & Co.
Chartered Accountants

Sd/-
Suresh Murarka
Partner
Mem. No. 44739

Place: Mumbai
Date: 30th May, 2016

For and on behalf of the Board

LACTOSE (INDIA) LIMITED

Sd/-
Atul Maheshwari
Managing Director

Place: Mumbai
Date: 30th May, 2016

Sd/-
Sangita Maheshwari
Whole Time Director &
C.F.O.

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

(Amount in ₹)		
Particulars	Year ended March 31, 2016	Year ended March 31, 2015
A. Cash Flow from Operating Activities		
Net Profit before taxation	3,88,46,642	85,80,090
Adjustments for:		
Depreciation on fixed assets	3,34,31,849	1,94,38,890
Provision for Diminution in the Value of investments	-	5,250
Interest expense	3,93,44,277	2,48,65,124
Deduct:		
Dividend Received	(10,240)	(8,960)
Profit on Sale of Investments	(88,00,000)	-
Interest income	(1,52,207)	(4,41,050)
Reversal of Provision for diminution in the value of Investments	(120)	-
Operating Profit before Working Capital changes	10,26,60,201	5,24,39,345
Adjustments for :		
(Increase) / Decrease in inventories	(4,16,82,154)	(21,04,514)
(Increase) / Decrease in trade receivables	(3,65,57,250)	2,22,17,132
Increase/(Decrease) in trade payable	1,83,69,946	(3,88,97,762)
Increase/(Decrease) in long term trade payable	33,32,714	3,07,49,509
Increase/(Decrease) in long term Liability	(1,34,80,374)	-
Increase/(Decrease) in other Current liabilities	(35,78,547)	6,61,16,296
Increase/(Decrease) in other current Assets	(1,05,63,493)	(4,51,957)
Increase/(Decrease) in short term provisions	(76,862)	87,226
Increase/(Decrease) in long term provisions	6,04,864	5,72,981
CASH GENERATED FROM OPERATIONS	1,90,29,046	13,07,28,256
Income tax Paid	42,64,908	33,02,439
Net Cash inflow from/ (outflow) from Operating activities	1,47,64,137	12,74,25,817
B. Cash Flow from Investing Activities		
Purchase of fixed assets (including Capital Work in Progress)	(1,93,50,092)	(22,25,75,306)
Fixed Deposits with Banks	1,54,901	(10,75,714)
Sale of Investments	1,40,00,000	-
Long term loans & advances received back / (given)	1,19,13,798	94,34,437
Short term loans & advances received back / (given)	2,77,57,564	(1,98,40,645)
Interest received	1,52,207	4,41,050
Dividend received	10,240	8,960
Net Cash inflow from/ (outflow) from Investing activities	3,46,38,618	(23,36,07,218)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

(Amount in ₹)

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
C. Cash Flow from Financing Activities		
Proceeds / (Repayment) of long term borrowings	(5,41,61,435)	9,21,83,753
Proceeds / (Repayment) of short term borrowings	2,65,02,616	1,34,74,718
Advance for Expansion	-	1,66,22,794
Proceeds from issue of Share Warrant/ Equity shares	1,73,25,000	36,43,200
Interest paid	(3,93,44,277)	(2,48,65,124)
Net Cash inflow from/ (outflow) from Financing activities	(4,96,78,096)	10,10,59,341
Net increase / (decrease) in cash and cash equivalents	(2,75,341)	(51,22,060)
Cash and cash equivalents at the beginning of the year	16,87,524	68,09,584
Cash and cash equivalents at the end of the year	14,12,183	16,87,524

Notes 1 : Cash and Cash Equivalents at the end of the year consists of cash in hand and balances with banks are as follow :

Particulars	As at March 31, 2016	As at March 31, 2015
Cash in hand	10,18,402	11,70,172
Bank balances	3,93,781	5,17,352
	<u>14,12,183</u>	<u>16,87,524</u>

Note 2 : Previous year's figures have been regrouped and rearranged wherever necessary in order to conform to current year's figures.

In terms of our report of even date

For S G C O & Co.
Chartered Accountants

Sd/-
Suresh Murarka
Partner
Mem. No. 44739

Place: Mumbai
Date: 30th May, 2016

For and on behalf of the Board

LACTOSE (INDIA) LIMITED

Sd/-
Atul Maheshwari
Managing Director

Place: Mumbai
Date: 30th May, 2016

Sd/-
Sangita Maheshwari
Whole Time Director &
C.F.O

LACTOSE (INDIA) LIMITED

CIN: L15201GJ1991PLC015186

REGISTERED OFFICE : VILLAGE POICHA (RANIA), SURVEY NO. 6, SAVLI, DIST. VADODARA – 391780

Tel: 02667244729, Email ID:investor.lactose@gmail.com Web: www.lactoseindialimited.com

ATTENDANCE SLIP

ANNUAL GENERAL MEETING 29TH September 2016

DP ID – Client ID / :
Folio No .

Name & Address :
Of sole Member

Name of the Joint :
Holder(s)

No of Shares held :

I certify that I am a member / Proxy for the member of the Company.

I hereby record my presence at the Annual General Meeting of the Company at Village Poicha (Rania), Survey no. 6, Savli, dist. Vadodara – 391780 at 3.00 p. m. on 29th of September 2016

Member / Proxy's Signature

ELECTRONIC VOTING PARTICULARS

EVSN (Electronic Voting Sequence Number)	User ID	(Pan / Seq.No)
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160823028		
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NOTE: Please read the complete instructions given under the Note (The Instructions for shareholders voting electronically) to the Notice of the Annual General Meeting. The Voting time starts from 26th September 2016 from 9.00 a.m. onwards and ends on 28th September 2016 at 5.00 pm. The voting module shall be disabled by CDSL for voting thereafter.

LACTOSE (INDIA) LIMITED

CIN: L15201GJ1991PLC015186

REGISTERED OFFICE : VILLAGE POICHA (RANIA), SURVEY NO. 6, SAVLI, DIST. VADODARA – 391780

Tel: 02667244729, Email ID: investor.lactose@gmail.com Web: www.lactoseindialimited.com

Form No. MGT-11

PROXY FORM

**(Pursuant to section 105(6) of the companies Act, 2013 and Rule 19(3) of the Companies
(Management and Administration) Rules, 2014)**

Name of the Member(s): _____

Registered Address: _____

Email Id: _____

Folio No./client ID No. _____ **DP ID No.** _____

I/We being the member(s) of Shares of Expo Gas Container Limited, hereby appoint

1. Name : _____ Email Id: _____

Address: _____

Or failing him

Signature: _____

2. Name : _____ Email Id: _____

Address: _____

Or failing him

Signature: _____

3. Name : _____ Email Id: _____

Address: _____

Signature: _____

As my/our proxy to attend and vote (on a poll) for me/us and my/our behalf at the 25th Annual General Meeting of the Company to be held on Thursday, 29 September, 2016 at 3.00 p.m. at Village Poicha (Rania), Survey No. 6, Savli, Dist. Vadodara – 391780 at any adjournment thereof in respect of such resolutions as are indicated below:

1. Adoption of Annual Accounts and reports thereon for the financial year ended 31st March, 2016.
2. Reappointment of Mr. Abhjiti Periwal, as Director of the Company.
3. To appoint auditor and fix their remuneration.
4. To Revise the remuneration payable to Managing Director of the Company.
5. To Revise the remuneration payable to Whole Time Director of the Company.
6. To Appoint Mr. Yash Maheshwari to the place of Profit

Signed this _____ day of _____ 2016.

Signature of share holder _____ Signature of Proxy holder(s) _____

Note: This form of Proxy in order to be effective should be duly completed and deposited at the registered office of the Company, not less than 48 hours before the commencement of the Meeting

Dear Shareholder

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

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

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

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

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

Thanking you

Yours sincerely,

For Lactose (India) Limited

Atul Maheshwari

Managing Director

Folio No. / DP ID & Client ID _____

Name of 1st Registered Holder _____

Name of Joint Holder(s) _____

E-mail Address (To Be Registered) _____

Mobile No. _____

Date: _____

Signature: _____

BOOK - POST

If undelivered, please return to :

LACTOSE (INDIA) LIMITED

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