

LACTOSE (INDIA) LIMITED



26th

ANNUAL REPORT 2016-2017

LACTOSE (INDIA) LIMITED

BOARD OF DIRECTORS

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

AUDITORS

S G C O & Co. LLP

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

CORPORATE OFFICE

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

BANKERS

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

REGISTRAR & SHARE TRANSFER AGENT

Big Share Services Pvt. Ltd.
1st Floor, Bharat Tin Works Building,
Opp. Vasant Oasis, Makwana Road,
Marol, Andheri (East), Mumbai - 400059.
ISIN No. - INE058I01013
BSE Scrip Code - 524202
Company Identification No: L15201GJ1991PLC015186

REGISTERED OFFICE & WORKS

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

COMPANY SECRETARY

Mr. Jay Bhatt
(Company Secretary & Compliance Officer)

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Members of Lactose (India) Limited will be held on Wednesday, 9th August, 2017 at 04:00 p.m. at the Registered office of the Company situated at Survey No. 6, Village Poicha (Rania) Savli, Vadodara Gujarat - 391780, to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Audited Financial Statements including of the Company for the financial year ended 31st March, 2017, together with the Reports of the Board of Directors and Auditors thereon;
2. To appoint a Director in place of Mrs. Sangita Maheshwari (**DIN: 00369898**), who retires by rotation and, being eligible, offers herself for re-appointment;
3. To appoint Statutory Auditors and to fix their remuneration and in this regard, 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 Sections 139 to 142 of Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 and other applicable provisions, if any, (Including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s. K. M. Tulsian & Associates Chartered Accountants, Mumbai, (Firm Regd. No. 111075W), be and are hereby appointed as Statutory Auditors of the Company in place of retiring auditors M/s. S G C O & Co. LLP (formerly known as S G C O & Co.) to hold office from the conclusion of this Annual General Meeting till the conclusion of AGM to be held in the FY 2022-23 for a term of five consecutive years (subject to ratification at every Annual General Meeting held after this Annual General Meeting) on such remuneration as may be mutually agreed between the Company and the Statutory Auditors.

RESOLVED FURTHER THAT any Director or Company Secretary of the Company, be and is hereby authorized to sign and submit the necessary application and forms with appropriate authorities and to perform all such acts, deeds and things as he may in his absolute discretion deem necessary or desirable for and on behalf of the Company for the purpose of giving effect to aforesaid resolution.”

SPECIAL BUSINESS

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

Adoption of New Set of Articles of Association in Place of Existing Articles of Association

“RESOLVED THAT in accordance with the provisions of Section 14 and other applicable provisions, if any, of the Companies Act, 2013 (“the Act”) read with the relevant rules thereunder (including any statutory modification or re-enactment thereof, for the time being in force)

and in accordance with rules, regulations/guidelines, if any, prescribed by any relevant authorities from time to time, to the extent applicable and such other approvals, permissions and sanctions, as may be necessary, the consent of the Members of the Company be and is hereby accorded to the Company to amend the existing Articles of Association of the Company by substituting the new set of Articles of Associations.

RESOLVED FURTHER THAT any Director or Company Secretary of the Company, be and is hereby authorized to sign and submit the necessary application and forms with appropriate authorities and to perform all such acts, deeds and things as he may in his absolute discretion deem necessary or desirable for and on behalf of the Company for the purpose of giving effect to aforesaid resolution.”

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

Issue, Offer & Allot 10,60,000 Convertible Warrants on preferential basis

“RESOLVED THAT pursuant to the provisions of Section 42, 62 and all other applicable provisions, if any, of the Companies Act, 2013 and the Rules made there under (including any statutory modification(s) or re-enactment thereof, for the time being in force) and in accordance with the enabling provisions of the Memorandum and Articles of Association of the Company, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (“ICDR Regulations”), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 (“Listing Regulations”), various rules, circulars, press notes, and rules, regulations, notifications, circulars issued thereunder, and any other Rules / Regulations / Guidelines, if any, prescribed by the Securities and Exchange Board of India, Stock Exchanges where the shares of the Company are listed and the Listing Agreements entered into by the Company with the Stock Exchanges and/or any other statutory / regulatory authority, and subject to the approval(s), consent(s), permission(s) and/or sanction(s), if any, of the appropriate authorities, as may be required, and subject to such conditions as may be prescribed by any of them while granting any such approval(s), consent(s), permission(s), and/or sanction(s), the consent of the members of the Company be and is hereby accorded to create, offer, issue and allot, by way of a preferential issue, from time to time and in one or more tranches, an aggregate of 10,60,000 (Ten Lakhs Sixty Thousand) warrants convertible into equivalent number of equity shares of a face value of Rs. 10/- each of the Company (“Warrants”), at any time within a period of 18 months from the date of allotment of Warrants, at an exercise price of Rs. 122.10 (including a premium of Rs. 112.10) per equity share (“Exercise Price”) to the Promoter Group of the Company, as detailed hereunder, in such manner and on such terms and conditions as may be determined by the Board in its absolute discretion;

Lactose (India) Limited

Name of the Proposed Allottee(s)	Address	Class or classes of persons	Number of Convertible Warrants to be allotted
Mr. Atul Maheshwari	1302, Spring Tower, ICC G.D. Ambedkar Road, Next to Wadala Telephone Exchange, Dadar (East), Mumbai - 400014.	Promoters group	2,50,000
Mrs. Sangita Maheshwari	1302, Spring Tower, ICC G.D. Ambedkar Road, Next to Wadala Telephone Exchange, Dadar (East), Mumbai - 400014.	Promoters group	2,50,000
Mr. Yash Maheshwari	1302, Spring Tower, ICC G.D. Ambedkar Road, Next to Wadala Telephone Exchange, Dadar (East), Mumbai - 400014.	Promoters group	30,000
Mr. Shyamsunder Toshniwal	83, Goolrukh, 10 th Floor, Worli Sea Face, Worli, Mumbai 40002	Promoters group	2,15,000
Mrs. Madhu Toshniwal	83, Goolrukh, 10 th Floor, Worli Sea Face, Worli, Mumbai 40002	Promoters group	2,15,000
M/s. Madhusa Projects Private Limited	69 A, Mittal Chambers, Nariman Point, Mumbai 400021	Promoters group	1,00,000

RESOLVED FURTHER THAT the equity share(s) allotted pursuant to the conversion of the Warrants shall rank pari passu with the existing equity shares of the Company, from the date of their allotment. Such new equity shares when issued and allotted as aforesaid shall be entitled for dividend for the complete financial year, if any, declared for the financial year of the Company in which the shares are allotted.

RESOLVED FURTHER THAT the allotment of Warrants pursuant to this resolution shall be made within 15 days from the date of passing special resolution as specified under Regulation 74 of the SEBI ICDR Regulations, and where it is so required by any authority including the Stock Exchanges, the Board shall have the full powers to re-compute the price of the Warrants issued and allotted.

RESOLVED FURTHER THAT the "Relevant Date" in relation to the issuance of Equity Shares and Convertible Warrants in accordance with Chapter VII of SEBI ICDR Regulations, would be 10th July, 2017.

RESOLVED FURTHER THAT an amount equivalent to 25% of the total consideration per Warrant shall be paid by Warrant holder on or prior to the date of allotment of Warrants and balance shall be paid on or prior to the date of allotment of Equity Shares pursuant to exercise of option against each such Warrant.

RESOLVED FURTHER THAT the Warrants so issued and allotted to promoters group as mentioned above shall be subject to lock-in for a period of Three years from the date of allotment in accordance with SEBI ICDR Regulations.

RESOLVED FURTHER THAT any Director or Company Secretary of the Company, be and is hereby authorized to sign and submit the necessary application and forms with appropriate authorities and to perform all such acts, deeds and things as he may in his absolute discretion deem necessary or desirable for and on behalf of the Company for the purpose of giving effect to aforesaid resolution."

By Order of the Board

Date : 20th May, 2017

Place : Mumbai

Regd. Office:

Survey No. 6, Village
Poicha (Rania),
Savli Vadodara,
Gujarat - 391780

Sd/-

Atul Maheshwari

DIN: 00255202
(Managing Director)

NOTES TO NOTICE

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (AGM) IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE ON A POLL ON HIS BEHALF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. A Proxy form MGT-11 is sent herewith.

Corporate members intending to send their authorized representatives to attend the Meeting are requested to send to the Company a certified copy of the Resolution authorizing their representative to attend and vote on their behalf at the Meeting.

A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company. A Member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or member.

- An Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 (herein after referred to as "the Act", in respect of item 4 & 5 is annexed hereto. As required in terms of Regulation 36(3) of the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015, relevant information in respect of the Directors seeking appointment and re-appointment at the AGM is annexed hereto.
- The Register of Members and the Share Transfer books of the Company will remain closed from Friday, 4th August, 2017 to Wednesday, 9th August, 2017 (both days inclusive) for annual closing for the financial year 2016-17.
- The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company or its Registrar and Share Transfer Agent M/s. Bigshare Services Private Limited.

5. Queries on financial statements and operations of the Company, if any, may be sent to the Company Secretary seven days in advance of the meeting so as to enable the Management to keep the information ready at the meeting.
6. All transfer deeds, requests for change of address, bank particulars /mandates /ECS mandates, PAN should be lodged with Company's Registrar and Share Transfer Agent M/s. Bigshare Services Private Limited, in case of shares held in physical form on or before Friday, 28th July, 2017. The above details in respect of the shares held in electronic form should be sent to the respective Depository Participants by the members well in time.
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.
9. Under Section 72 of the Act, members are entitled to make nomination in respect of shares held by them in physical mode. Members desirous of making nominations are requested to send their request in Form No. SH.13 to the Company's Registrar and Share Transfer Agent.
10. As a measure of economy, Members are requested to bring their copy of Annual Report to the meeting. Members / Proxies should bring the attendance slip duly filled in and signed for attending the meeting.
11. The Annual Report of the Company circulated to the members of the Company will be made available on the Company's website at www.lactoseindialimited.com.
12. 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.

13. Procedure for voting through electronic means

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 26th 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 Saturday, 5th August, 2017 at 9 a.m. and ends on Tuesday, 8th August, 2017 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 Wednesday, 2nd August, 2017 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	<p>Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <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)	<p>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.</p> <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.

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- (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. 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
14. The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
15. Mrs. Priyanka Lahoti, Practicing Company Secretary (Membership No: 23930), has been appointed as the scrutinizer to scrutinize the voting and remote e-voting process in a fair and transparent manner.
16. The Scrutinizer shall after the conclusion of voting at the AGM, first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favor or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
17. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company www.lactoseindialimited.com and on the website of CDSL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Limited, Mumbai.
- 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 Saturday, 5th August, 2017 at 9 a.m. and ends on Tuesday, 8th August, 2017 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 Wednesday, 2nd August, 2017, 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.

By Order of the Board

Date : 20th May, 2017
Place : Mumbai

Sd/-
Atul Maheshwari
DIN: 00255202
(Managing Director)

Regd. Office:
Survey No. 6, Village
Poicha (Rania),
Savli Vadodara,
Gujarat - 391780

EXPLANATORY STATEMENT

In Conformity with the Provisions of Section 102(1) of the Companies Act, 2013 the following Explanatory Statement sets out all the material facts relating to the item of Special Business at item no. 4 & 5 of the Notice dated 20th May, 2017 and the same should be taken as forming part of the notice.

Item No. 4

The existing Articles of Association (AOA) are based on the Companies Act, 1956 and several regulations in the existing Articles of Association are no longer in conformity with the new Companies Act, 2013.

Since many sections of the New Act have come into force, several regulations of the existing AOA of the Company require alteration or deletions. In to order avoid future uncertainties it is decided to amend and adopt the new set of Articles of Association of the Company in continuity with Companies Act, 2013, in place of the existing Articles of Association.

The Board recommends the Special Resolution set out at Item no. 4 of the Notice for approval by the shareholders.

None of the Directors and Key Managerial Personnel of the Company and their relatives are interested financial or otherwise, in the resolution set out at Item No. 4 of the Notice.

Item No. 5

Keeping in view the growing business requirements and proposed expansion plans and diversifications, your Company needs to strengthen its financial position and net worth by augmenting long term resources. In the process of improving market share and enhances shareholders' value. Implementation of these would require infusion of additional funds. In addition, the Company also requires funds for working capital requirements. The Company has accordingly proposed the preferential issue of its securities and as a reflection of the confidence that the promoters have in the future of the Company, the promoter & promoters group entities of the Company have agreed to subscribe to and infuse further capital to strengthen its financial position and net worth.

To meet the funding requirements the Company proposes to issue an aggregate of up to 10,60,000 Convertible Warrants on a preferential basis Convertible into equivalent number of equity shares of the Company of Face value of Rs. 10/- each (hereinafter referred to as "Warrants") at anytime within a period of 18 months from the date of allotment at an exercise price of Rs. 122.10/- (including a premium of Rs. 112.10/-) per equity share ("Exercise Price" or such adjusted numbers for any bonus, stock splits or consolidation, reduction or other reorganization of the capital structure of the company) to the Promoter Group entities of the Company, as detailed hereunder, in such manner and on such terms and conditions as may be determined by the Board in its absolute discretion;

The convertible price of the Warrants is not lower than the price computed in accordance with Regulation 76 of the Securities and Exchange Board of India (Issuance of Capital and Disclosure Requirements) Regulations, 2009 ("SEBI ICDR Regulations").

The preferential issue shall have the effect of increasing the shareholding of the promoter/ promoter group in the Company as mentioned in para (i) herein below.

Given below is a statement of disclosures as required under Regulation 73 of Chapter VII of the SEBI (Issue of Capital And Disclosure requirements) Regulations, 2009 & Section 62 of the Act read with Rule 13 of the Companies (Share Capital and Debentures) Rules, 2014 and other terms of issue of Convertible warrants on Private Placement basis:

a) The Objects of the issue: Your Company is in the process of improving market share and enhances shareholders' value, implementation of these would require infusion of additional funds in the Company. Further to strengthen the financial position, to meet working capital requirements & to augment the financial resources of the Company the management has proposed the preferential issue of convertible warrants.

b) Total Number of shares or other securities to be issued:

The Company proposed to issue 10,60,000 Convertible warrants of face value of Rs. 10/- each at the premium of Rs. 112.10/- aggregating to Rs. 12,94,26,000/- (Rupees Twelve Crores Ninety Four Lakh Twenty Six Thousand only).

The price or price band at/within which the allotment is proposed: The proposed issue will be made at Rs. 122.10/- inclusive of face value of Rs. 10/- each and a Premium of Rs. 112.10/- aggregating to Rs. 12,94,26,000/- (Rupees Twelve Crores Ninety Four Lakh Twenty Six Thousand only).

c) Basis on which the price has been arrived: The price of the present issue has been arrived based on the certificate issued by S G C O & Co. LLP Statutory Auditors of the Company. Further the minimum price as mentioned in the Valuation Report has been calculated as per the pricing formula prescribed under the ICDR Regulations for the preferential issue of Convertible Warrants is Rs. 122.10 (Rupees One Hundred and Twenty-Two & Ten Paise), being higher of

- the average of the high and low of the closing prices of the equity shares of Lactose India Limited quoted on the BSE Limited for 26 weeks prior to the relevant date viz. Rs. 110.70 (Rupees One Hundred and Ten & Seventy Paise), and
- the average of the high and low of the closing prices of the equity shares of Lactose India Limited quoted on the BSE Limited for 2 weeks prior to the relevant date viz. Rs. Rs. 122.10 (Rupees One Hundred and Twenty-Two & Ten Paise).

d) Relevant date with reference to which the price has been arrived at: The "Relevant Date" as per the ICDR Regulations for determining the minimum price for the preferential issue of Convertible Warrants is 10th July, 2017, being 30 days prior to the date of the Annual General Meeting i.e. 9th August, 2017

e) The class or classes of persons to whom allotment is proposed to be made:

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Name of the Proposed Allottee(s)	Address	Class or classes of persons	Number of Convertible Warrants to be allotted
Mr. Atul Maheshwari	1302, Spring Tower, ICC G.D. Ambedkar Road, Next to Wadala Telephone Exchange, Dadar (East), Mumbai - 400014.	Promoters group	2,50,000
Mrs. Sangita Maheshwari	1302, Spring Tower, ICC G.D. Ambedkar Road, Next to Wadala Telephone Exchange, Dadar (East), Mumbai - 400014.	Promoters group	2,50,000
Mr. Yash Maheshwari	1302, Spring Tower, ICC G.D. Ambedkar Road, Next to Wadala Telephone Exchange, Dadar (East), Mumbai - 400014.	Promoters group	30,000
Mr. Shyamsunder Toshniwal	83, Goolrukh, 10 th Floor, Worli Sea Face, Worli, Mumbai 40002	Promoters group	2,15,000
Mrs. Madhu Toshniwal	83, Goolrukh, 10 th Floor, Worli Sea Face, Worli, Mumbai 40002	Promoters group	2,15,000
M/s. Madhusa Projects Private Limited	69 A, Mittal Chambers, Nariman Point, Mumbai 400021	Promoters group	1,00,000

- f) **Intention of promoters, directors or key managerial personnel to subscribe to the offer:** The Promoter and Promoter group, shall be subscribing to all the Warrants under the Preferential Issue. Letter(s) of intent from the aforesaid proposed allottee(s) agreeing to subscribe to the offer has been received. The allottee(s) intend to subscribe to the tune of 10,60,000 Convertible Warrants of Rs. 122.10/- each for cash. 25% payable on Convertible Warrants at the time of application. Rest of the amount at the time of conversion of warrants into equity shares which will be within 18 months from the date of Issue.
- g) **The proposed time within which the allotment shall be completed:** The Warrants are proposed to be allotted within 15 days of the passing of the Special Resolution approving their respective allotment. Provided that where the allotment is pending on account of pendency of any approval of such allotment by any regulatory authority or the Central Government, the allotment shall be completed within 15 days from the date of such approval.
- h) **The names of the proposed allottee(s) and the percentage of post preferential offer warrants that may be held by them:**

Proposed Allottee(s)	Percentage of post Preferential Offer Warrants
Mr. Atul Maheshwari	23.58%
Mrs. Sangita Maheshwari	23.58%
Mr. Yash Maheshwari	2.83%
Mr. Shyamsunder Toshniwal	20.28%
Mrs. Madhu Toshniwal	20.28%
M/s. Madhusa Projects Private Limited	9.43%
Total	100%

- i) **The change in control, if any, in the Company that would occur consequent to preferential offer:** The change in control will occur over a period of time as and when the Convertible Warrants gets converted in to the equity shares & allotted to the promoter's group.
- j) **The number of persons to whom allotment on preferential basis have already been made during the year, in terms of number of securities as well as price:** Not Applicable
- k) **The justification for the allotment proposed to be made for consideration other than cash together with valuation report of the registered valuer:** Not Applicable as the allotment shall be made against the cash.
- l) **Lock in period:** i) The Warrants and the equity shares to be allotted pursuant to exercise of entitlement attached to Warrants shall be subject to 'lock-in' as per the ICDR Regulations. The Warrants so issued and allotted as above shall be subject to lock-in for a period of Three years from the date of allotment in accordance with SEBI ICDR Regulations. Such locked in equity shares may however be transferred to and amongst the Promoters / Promoter Group subject to the provisions of ICDR Regulations.
- ii) The entire pre-preferential allotment shareholding, if any, of the proposed allottee(s) shall be locked in from the Relevant Date up to a period of six months from the date of trading approval as per Regulation 78(6) of the ICDR Regulations.
- m) **The proposed pre-issue and post issue shareholding pattern of the Company:**

Equity Share Capital

No.	Category	Pre Issue		Post Issue	
		No. of Shares held	% of Share-holding	No. of Shares held	% of Share-holding
A	Promoters holding:				
A1	Indian:				
1.	Individuals/HUF	20,85,183	21.54	20,85,183	21.54
2.	Bodies Corporate	-	-	-	-
3.	Financial Institutions/ Banks	-	-	-	-
4.	Others	9,96,242	10.29	9,96,242	10.29
	Sub-Total (A1)	30,81,425	31.84	30,81,425	31.84
A2	Foreign Promoters	-	-	-	-
	Sub-Total (A2)	-	-	-	-
	TOTAL A (A1+A2)	30,81,425	31.84	30,81,425	31.84
B	Non-Promoters holding:				
B1.	Institutions				
	Financial Institutions/ Banks	77,920	0.81	77,920	0.81
	Sub-Total (B1)	77,920	0.81	77,920	0.81
B2.	Non-Institution:				
	Bodies Corporate	13,35,948	13.80	13,35,948	13.80
	Individuals	42,67,239	44.09	42,67,239	44.09
	Clearing Members	10,030	0.10	10,030	0.10
	Indian Public	-	-	-	-
	Others (Including NRIs)	9,06,438	9.36	9,06,438	9.36
	Sub-Total (B2)	65,19,655	67.36	65,19,655	67.36
	TOTAL B (B1+B2)	65,97,575	68.16	65,97,575	68.16
	GRAND TOTAL (A+B)	96,79,000	100	96,79,000	100

Convertible Warrants:

No.	Category	Pre Issue		Post Issue	
		No. of Convertible warrants held	% of holding	No. of Convertible warrants held	% of holding
A	Promoters holding:				
	Indian:				
1.	Individuals/HUF	-	-	9,60,000	90.57%
2.	Bodies Corporate	-	-	1,00,000	9.43%
	Sub-Total (A)	-	-	10,60,000	100%
2	Foreign Promoters				
B	Non-Promoters holding:				
1.	Institutional Investors	-	-	-	-
2.	Non-Institution:	-	-	-	-
	Private Corporate Bodies	-	-	-	-

Lactose (India) Limited

	Directors and Relatives	-	-	-	-
	Indian Public	-	-	-	-
	Others (Including NRIs)	-	-	-	-
	Sub-Total (B)	-	-	-	-
	GRAND TOTAL	-	-	10,60,000	100%

By Order of the Board

Date : 20th May, 2017

Place : Mumbai

Sd/-
Atul Maheshwari
DIN: 00255202
(Managing Director)

Regd. Office:

Survey No. 6, Village Poicha (Rania),
Savli Vadodara,
Gujarat - 391780

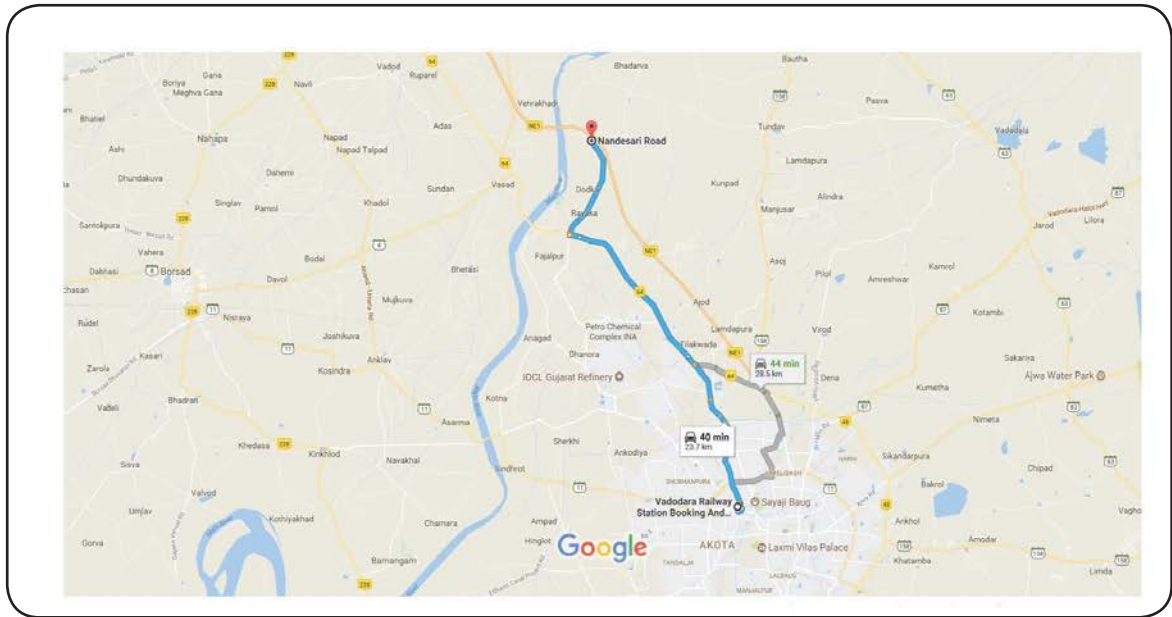
APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS

The details pertaining to appointment or re-appointment of the Directors as required to be provided pursuant to Regulation 36(3) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 are as follows:

Name of the Director	Mrs. Sangita Maheshwari
Date of Birth	06 th February, 1967
Date of Appointment	24 th January, 2014
Expertise in specific functional area	Finance
Qualification	Graduate & equivalent
List of outside Directorship held as on 31 st March, 2017 (Excluding Private Limited Companies and Foreign Companies)	NIL
Chairman/Member of the Committee of Board of Directors of the Company as on 31 st March, 2017	NIL
No of Shares held in the Company as on 31 st March, 2017	10,24,910 Equity shares

ROUTE MAP OF THE VENUE OF THE AGM

Prominent Landmark: Swaminarayan Mandir - Poicha



Lactose (India) Limited

DIRECTOR'S REPORT

To,

The Members,

Your Directors have pleasure in presenting the Twenty Sixth Annual Report of the Company together with the Audited Statement of the Accounts for the year ended on 31st March, 2017.

FINANCIAL STATEMENT:

(Rs. In Lacs)

Particulars	2016-17	2015-16
Operating and other Income	3617.79	3569.58
Expenditure	2843.36	2846.80
Profit before Depreciation and Tax	722.39	598.69
Depreciation	340.56	334.32
Profit before Tax	381.83	264.37
Prior period Items	0	0
Profit before Tax	381.83	264.37
Provision for Current Tax	91.13	83.37
Deferred Tax	154.11	104.11
Minimum Alternate Tax Credit Entitlement	(88.46)	(79.20)
Taxation of Earlier Years	3.07	(0.062)
After Tax	221.98	156.16

DIVIDENDS:

In order to preserve funds for future activities & expansion plans of the Company, the Board of Directors of your Company do not recommend any Dividend on equity shares for the FY 2016-17.

REVIEW OF OPERATIONS:

During the year under review, revenue of the Company was Rs. 3565.74 lakhs as compared to Rs. 3445.49 lakhs in the corresponding previous year. The Company earned a profit after tax of Rs. 274.03 lakhs as compared to Rs. 280.25 lakhs in the previous year.

TRANSFER TO RESERVE:

The Company has not transferred any amount to reserves during the Financial Year 2016-17.

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 Authorised Share Capital of the Company as on 31st March, 2017 is Rs. 12,00,00,000/- (Rupees Twelve Crores only). The Issued, Subscribed and Paid-Up Equity Share Capital as on 31st March, 2017 is Rs. 9,67,90,000/- (Rupees Nine Crores Sixty Seven Lakhs Ninety Thousand only). During the year under review, the Company had allotted equity shares on conversion of Convertible Warrants issued on preferential basis to M/s. Gyaneshwar Multitrade Private Limited in the below mentioned manner:

Sr. No	Name of the Allottee(s)	Category	No. of Shares allotted	Date of Allotment	Price per share
1.	M/s. Gyaneshwar Multitrade Private Limited	Non-promoter	4,20,000	05 th August, 2016	Rs. 27.50
2.	M/s. Gyaneshwar Multitrade Private Limited	Non-promoter	4,20,000	21 st December, 2016	Rs. 27.50

During the year under review, the Company has not issued shares with differential voting rights nor has issued any sweat equity shares as on 31st March, 2017.

None of the Directors of the Company holds instrument convertible into equity shares of the Company.

DIRECTORS:

In accordance with the provisions of Section 152 of the Act, and that of Articles of Association of the Company, Mrs. Sangita Maheshwari, Whole-time Director of the Company retires by rotation at ensuing Annual General Meeting of the Company and being eligible, has offered herself for re-appointment.

Further, in accordance with the provisions of Section 196, 197, 203 & Schedule V of the Companies Act, 2013 the Board of Directors of the Company in their meeting held on 28th May, 2016 appointed Mrs. Sangita Maheshwari as Chief Financial Officer – Key Managerial Personnel of the Company in addition to her position as Whole-time Director.

As stipulated under the Regulation 36(3) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, brief resume of the Director proposed to be re-appointed is given in the Notice convening Twenty Sixth Annual General Meeting.

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:

During the FY 2016-17 Seven (7) Board Meetings were conveyed and held by the Company. 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 during the year under review.

NOMINATION AND REMUNERATION POLICY:

Pursuant to Provisions of Section 178 of the Companies Act, 2013 and Regulation 19 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and on the recommendation of the Nomination & Remuneration committee the Board has adopted policy for selection and appointment of Directors, Senior Management and their remuneration. The details of Remuneration Policy is stated in the Corporate Governance Report. 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:

Pursuant to the provisions of Section 139(2)(b)(ii) an audit firm which has completed its two terms of five consecutive years, shall not be eligible for re-appointment as auditors in the same Company for five years from the completion of such term. Further M/s. S G C O & Co. LLP (formerly known as S G C O & Co.) has already completed the two terms as mentioned above therefore they are not eligible for re-appointment. Further the Company in its Board Meeting dated 20th May, 2017 appointed **M/s. K. M. Tulsian & Associates Chartered Accountants, Mumbai, (Firm Regd. No. 111075W)** as statutory Auditors of the Company for term of five years. The Consent & Eligibility letter had been received from M/s. K. M. Tulsian & Associates., Chartered Accountants, Mumbai confirming their willingness and eligibility for acting as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of AGM to be held in the FY 2022-23 for a term of five consecutive years (subject to ratification at every Annual General Meeting held after this Annual General Meeting).

The Notes on Accounts referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

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 Secretarial Auditors, **Mrs. Priyanka Lahoti, Practicing Company Secretary, Mumbai (Certificate of Practice No. 8654), have issued Secretarial Audit Report for the Financial Year 2016-17** which is annexed as "Annexure A" and forms part of this Report.

STATEMENT PURSUANT TO SEBI (LISTING OBLIGATIONS & DISCLOSURE REQUIREMENTS) REGULATION 2015:

The Company's Equity shares are listed at Bombay Stock Exchange Limited. The Annual listing fee for the year 2017-18 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 B"

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.

Lactose (India) Limited

FOREIGN CURRENCY EARNING AND OUTGO

		Rs. in Lacs
i)	CIF Value of Imports	31.45
ii)	Expenditure in foreign currency	13.69
iii)	Foreign Exchange earned	NIL

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 C" 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 D".

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 OR INVESTMENTS BY THE COMPANY UNDER SECTION 186:

The details of Loan, Guarantees and Investments made by the Company under the provisions of Section 186 of the Companies Act, 2013 are provided in the notes to the Financial Statements.

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:

To the best of knowledge and belief and according to the information and explanation obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Act.

- That in the preparation of the annual financial statements, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- That such accounting policies as mentioned in Notes to the Financial Statements have been selected and applied

consistently and judgements have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2017 and of the profit of the company for the year ended on that date;

- That 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;
- That the annual financial statements have been prepared on a going concern basis;
- That proper internal financial controls were in place and that the financial controls were adequate and were operating effectively.
- That 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. During the FY 2016-17 Five (5) Audit Committee's Meetings were conveyed and held by the Company. The details of which are given in the Corporate Governance Report.

STAKEHOLDERS RELATIONSHIP COMMITTEE:

During the FY 2016-17 Four (4) Stakeholders Relationship Committee's Meetings were conveyed and held by the Company. The details of which are given in the Corporate Governance Report. 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 57.95% of the total shares were dematerialized with no unresolved pending investor grievances

NOMINATION & REMUNERATION COMMITTEE:

During the FY 2016-17 Two (2) Nomination & Remuneration Committee's Meetings were conveyed and held by the Company. The details of which are given in the Corporate Governance Report. 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 zero tolerance towards sexual harassment at the workplace and towards this end, has adopted a policy in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder. All employees (permanent, contractual, temporary, trainees) are covered under the said policy. An Internal Complaints Committee has also been set up to redress complaints received on sexual harassment.

During the financial year under review, the Company has not received any complaints from any of the employees of the Company.

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.

MATERIAL CHANGES:

There are no material changes and commitments, affecting the financial position of the Company, which have occurred between the end of the financial year of the Company i.e. 31st March, 2017 to which these financial statements relate and date of this report.

RISK MANAGEMENT POLICY:

As per the Act, and as part of good corporate governance the Company has constituted the Risk Management Committee. The Committee has laid down the procedures to inform to the Board about the risk assessment and minimization procedures and the Board shall be responsible for framing, implementing and monitoring the risk management plan and policy for the Company.

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

The Committee reviewed the risk trend, exposure and potential impact analysis carried out by the management. It was specifically confirmed to the Committee by the MD and the CFO that the mitigation plans are finalised and up to date, owners are identified and the progress of mitigation actions are monitored.

PREVENTION OF INSIDER TRADING:

The Company has adopted a code of conduct for prevention of insider trading with a view to regulate trading in securities by the Directors and designated employees of the Company. The Code requires pre-clearance for dealing in the Company's shares and prohibits the purchase or sale of Company shares by the Directors and the designated employees while in possession of unpublished price sensitive information in relation to the Company and during the period when the Trading Window is closed. The Board is responsible for implementation of the Code.

All Directors and the designated employees have confirmed compliance with the Code.

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

Sd/-
(Atul Maheshwari)
Managing Director
DIN:00255202

Sd/-
(Sangita Maheshwari)
Whole-time Director &
CFO
DIN:00369898

Date : 20th May, 2017
Place : Mumbai

Regd. Office
Survey No. 6, Village Poicha
(Rania) Savli, Vadodara
Gujarat – 391780

ANNEXURE "A" TO THE DIRECTOR'S REPORT

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial 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 **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 limited verification of the Company'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 ended on 31st March, 2017, 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 herewith report that maintenance of proper and updated Books, Papers, Minutes Books, filing of Forms and Returns with applicable regulatory authorities and maintaining other records is responsibility of management and of the Company. Our responsibility is to verify the content of the documents produced before us, make objective evaluation of the content in respect of compliance and report thereon. We have examined on test check basis, the Books, Papers, Minute Books, Forms and Returns filed and other records maintained by the Company and produced before us for the financial year ended March 31, 2017, as per 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") to the extent applicable to the Company: -
 - 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, 1992 (upto 14th May 2015) and Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (effective from 15th May, 2015);
 - c. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993;
 - d. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - e. 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;
 - f. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
No such transaction during the year under review.
 - g. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
No such transaction during the year under review.
 - h. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
No such transaction during the year under review.
 - i. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
No such transaction during the year under review.
- VI. The Management has identified and confirmed the applicable Acts, Laws and Regulations specifically applicable to the Company as mentioned bellows:
- 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
- Explosives Act, 1884 and Explosives Rules, 2008
- Drugs and Cosmetic Acts, 1940 and Rules thereunder
- Drug (Price Control) Order, 2013
- The Central Excise Act, 1944
- The Customs Act, 1962
- The Central Sales Tax Act, 1956
- Service Tax Rules, 1994
- Information Technology Act, 2000
- The Minimum Wages Act, 1948
- The Employees Compensation Act, 1923
- The Maternity Benefit Act, 1961
- The Indian Electricity Rules, 1956
- The Standard Weight and Measurement Act, 1976
- Food Safety And Standards Act, 2006
- The Patents Act, 1970
- The Trade Marks Act, 1999
- Indian Boilers Act, 1923

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

- i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- ii) The Listing Agreements entered into by the Company with the Stock Exchange(s), where the securities of the Company is Listed and Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements), Regulations 2015.

During the year under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, and Standards, etc. as mentioned above **subject to the following observations:**

- (a) ***E-form MGT-14 not filed for approval of financial statement and the Director's Report under section 179 of the Act; the management of the Company has intimated that the Company is under process of filing the compounding application for the same.***

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. The changes in the composition of the Board of Directors were took place during the year under review were carried out in compliance with the provisions of the Act.

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.

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 the Company has:

1. approved appointment of Mrs. Sangita Maheshwari as Chief Financial Officer of the Company with effect from 28th May, 2016.
2. approved the revision in Remuneration of Mr. Atul Maheshwari, Managing Director & Mrs. Sangita Maheshwari, Whole-time Director of the Company in the Annual General Meeting held on 29th September, 2016.
3. appointed Mr. Yash Maheshwari as Manager (New Business Development) to the place of profit in the Annual General Meeting held on 29th September, 2016.

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

- (i) Public/Right issue of shares / debentures / sweat equity etc. **except** there was conversion of second and third tranche of Convertible Warrants into equity Shares and approval of the said shares were obtained from Stock Exchange & the same were admitted for trading.
- (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:

1. 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.
2. 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.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws and regulations and happening.
5. 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.
6. 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.

Sd/-

Priyanka Lahoti

Date: 20th May, 2017
Place: Mumbai

Practising Company Secretaries
CP No.: 8654

Lactose (India) Limited

ANNEXURE “B” 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 31.03.2017	Previous year 31.03.2016
1)	Electricity		
	Purchase Unit (KWH)	3782985	3715050
	Total Amount (Amount in Lacs)	289.34	288.19
	Rate per Unit (Amount in Rupees)	7.65	7.75
2)	Agro Waste Briquettes		
	Quantity (MTS)	3962	3527
	Total Amount (Amount in Lacs)	243.20	215.74
	Average Rate/ Ton (Amount in Rupees)	6137.79	6117
3)	Bio Coal		
	Quantity (MTS)	162	NIL
	Total Amount (Amount In Lacs)	9.55	NIL
	Average Rate/ Ton (Amount in Rupees)	5900	NIL

ANNEXURE “C” 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, 2017:

(I)	The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year :-	
Sr. no.	Name of the Director	Ratio of remuneration to the median remuneration of the employees
1	Mr. Atul Maheshwari, Chairman & Managing Director	17.11 : 1
2	Mrs. Sangita Maheshwari, Whole Time Director & Chief Financial Officer	14.37 : 1
(ii)	The percentage increase in remuneration of each director, CFO , CEO, Company Secretary or Manager, if any, in the financial year :-	
Sr. no.	Name of the Director/CFO/Company Secretary	% Increase over last F.Y.
1	Mr. Atul Maheshwari, Chairman & Managing Director	0.77%
2	Mrs. Sangita Maheshwari, Whole Time Director & Chief Financial	15.74%
3	Mr. Jay Bhatt, Company Secretary & Compliance Officer	Appointed w.e.f. 11 th November, 2016
(iii)	The percentage increase/ decrease in the median remuneration of employees in the financial year	-18.70%
(iv)	The number of permanent employees on the rolls of the Company as on 31st March, 2017	74
(v)	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:	<p>Average Percentile decrease in salaries of employees other than Managerial Personnel, during the year under review was around -9.68%. The decrease in the percentile of annual salaries of employees is on account of increase in number of employees from 52 to 74 though there was annual increment as per the Company policy.</p> <p>Increase in the managerial remuneration for the year was 7.09%</p>

(vi)	The key parameters for any variable component of remuneration availed by the directors	NIL
(vii)	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.
(II) Statement showing details of Employees of the Company as per Section 197 (12) read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:		
In pursuant to the provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names of top ten employees in terms of remuneration drawn is provided in a separate annexure forming part of this Report. Pursuant to the provisions of the first proviso to Section 136(1) of the Companies Act, 2013 the Annual Report excluding the aforesaid information is being sent to the members of the Company. The said information is available for inspection at the Registered Office of the Company during working hours and any member interested in obtaining such information may write to the Company Secretary of the Company and the same will be furnished without any fee.		

ANNEXURE “D” TO THE DIRECTOR’S REPORT

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

As on the financial year ended 31st March, 2017

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

I REGISTRATION & OTHER DETAILS:		
i	CIN	L15201GJ1991PLC015186
ii	Registration Date	11 th March, 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 & contact details	Survey No. 6, Village Poicha, (Rania), Savli Vadodara, Gujarat - 391780 Tel: +91- 22 2411 7030, Fax: +91- 22 2411 7034 Email Id: lactose@vsnl.com
vi	Whether listed company	Yes
vii	Name , Address & contact details of the Registrar & Transfer Agent, if any.	M/s. Bigshare Services Private Limited Address: 1st Floor, Bharat Tin Works Building, Opp. Vasant Oasis, Makwana Road, Marol, Andheri (East), Mumabi - 400059.

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 & Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1	Manufacturing of Lactose Monohydrate	10509	50%
2	Manufacturing of Pharmaceuticals	21002	50%

Lactose (India) Limited

III PARTICULARS OF HOLDING , SUBSIDIARY & ASSOCIATE COMPANIES									
Sl. No.	Name & Address of the Company	CIN / GLN		Holding/ Subsidiary/ Associate		% Of Shares Held		Applicable Section	
Not Applicable									
IV SHAREHOLDING PATTERN (Equity Share capital Break up as % to total Equity)									
i) Category-wise Share Holding: As per Attachment									
Category of Shareholders	No. of Shares held at the beginning of the year 01.04.2016				No. of Shares held at the end of the year 31.03.2017				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	20,97,383	0	20,97,383	23.73	20,85,183	0	20,85,183	21.54	-2.19
b) Central Govt.or State Govt.	0	0	0	0	0	0	0	0	0
c) Bodies Corporates	0	0	0	0	0	0	0	0	0
d) Bank/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
i) Directors Relatives	4,78,058	0	4,78,058	5.41	4,78,058	0	4,78,058	4.94	-0.47
ii) Group Companies	5,28,248	0	5,28,248	5.98	5,18,184	0	5,18,184	5.35	-0.62
SUB TOTAL:(A) (1)	31,03,689	0	31,03,689	35.12	30,81,425	0	30,81,425	31.84	-3.28
(2) Foreign									
a) NRI- Individuals	0	0	0	0	0	0	0	0	0
b) Other Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other...	0	0	0	0	0	0	0	0	0
SUB TOTAL (A) (2)	0	0	0	0	0	0	0	0	0
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	31,03,689	0	31,03,689	35.12	30,81,425	0	30,81,425	31.84	-3.28
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	77,920	77,920	0.88	0	77,920	77,920	0.81	-0.08
C) Central govt	0	0	0	0	0	0	0	0	0
d) State Govt.	0	0	0	0	0	0	0	0	0
e) Venture Capital Fund	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIS	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
SUB TOTAL (B)(1):	0	77,920	77,920	0.88	0	77,920	77,920	0.81	-0.08
(2) Non Institutions									
a) Bodies corporates	60,667	4,37,747	4,98,414	5.64	8,98,401	4,37,547	13,35,948	13.80	8.16
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs.1 lakhs	9,08,490	28,72,225	37,80,715	42.77	9,96,072	27,74,607	37,70,679	38.96	-3.82
ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs	4,56,829	0	4,56,829	5.17	4,96,560	0	4,96,560	5.13	-0.04
c) Others (specify)									
i) Trusts	0	0	0	0	0	0	0	0	0
ii) Clearing Member	5,510	0	5,510	0.06	10,030	0	10,030	0.10	0.04
iii) Non-Resident Indians	98,402	7,80,000	8,78,402	9.95	1,18,817	7,80,000	8,98,817	9.29	-0.65
iv) Non-Resident Indians (Repat)	0	0	0	0	0	0	0	0	0

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v) Non-Resident Indians (Non Repat)	37,521	0	37,521	0.42	7,621	0	7,621	0.08	-0.35
vi) Directors Relatives	0	0	0	0	0	0	0	0	0
vii) Employee	0	0	0	0	0	0	0	0	0
viii) Foreign Nationals	0	0	0	0	0	0	0	0	0
ix) Overseas Bodies Corporates	0	0	0	0	0	0	0	0	0
x) Unclaimed Suspense Account	0	0	0	0	0	0	0	0	0
SUB TOTAL (B)(2):	15,67,419	40,89,972	56,57,391	64.02	25,27,501	39,92,154	65,19,655	67.36	3.35
Total Public Shareholding (B)= (B)(1)+(B)(2)	15,67,419	41,67,892	57,35,311	64.90	25,27,501	40,70,074	65,97,575	68.16	3.27
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	46,71,108	41,67,892	88,39,000	100		40,70,074	96,79,000	100	0

(ii) Shareholding of Promoters

Sl No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share 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	Mr. Sandeep Toshniwal	7,200	0.08	0.00	0	0.00	0.00	-0.08
2	Mr. Yashwardhan Maheshwari	15,360	0.17	0.00	15,360	0.16	0.00	0.00
3	Mr. SS Toshniwal	15,573	0.18	0.00	15,573	0.16	0.00	0.00
4	Mrs. Madhubala Toshniwal	4,98,468	5.64	0.00	4,98,468	5.15	0.00	0.00
5	M/s. Atul Maheshwari HUF	50,000	0.57	0.00	50,000	0.52	0.00	0.00
6	Mrs. Pushpa Maheshwari	1,17,920	1.33	0.00	1,12,920	1.17	0.00	-0.17
7	M/s. Madhusa Projects Private Limited	5,28,248	5.98	0.00	5,18,184	5.35	0.00	-0.62
8	Mr. Atul Maheshwari	8,46,010	9.57	0.00	8,46,010	8.74	0.00	0.00
9	Mrs. Sangita Maheshwari	10,24,910	11.60	0.00	10,24,910	10.59	0.00	0.00
	Total	31,03,689	35.11	0.00	30,81,425	31.84	0.00	-3.28

(iii) Change in Promoters' Shareholding:

Sl. No.	Promoters' Name		Share holding at the beginning of the Year		Cumulative share holding during the year	
			No. of Shares	% of total shares of the company	No of shares	% of total shares of the Company
1	Mr. Sandeep Toshniwal					
A	At the beginning of the year		7,200	0.08	-	-
B	Changes during the year					
	Date	Reason	7,200	0.08	0	0
	16.12.2016	Sell				
C	At the end of the year		-	-	0	0
2	Mrs. Pushpa Maheshwai					
A	At the beginning of the year		1,17,920	1.33	-	-

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B	Changes during the year					
	Date	Reason	5,000	0.17	1,12,910	1.17
	29.04.2016	Sell				
C	At the end of the year		-	-	1,12,920	1.17
3	M/s. Madhusha Projects Private Limited					
A	At the beginning of the year		5,28,248	5.98	-	-
B	Changes during the year					
	Date	Reason				
	29.04.2016	Sell	5,000	0.06	5,23,248	5.92
	06.05.2016	Sell	2,350	0.03	5,20,898	5.90
	13.05.2016	Sell	1,847	0.02	5,19,051	5.88
	20.05.2016	Sell	66	0.00	5,18,985	5.88
	01.07.2016	Sell	1	0.00	5,18,984	5.88
	08.07.2016	Sell	800	0.01	5,18,184	5.87
C	At the end of the year		-	-	5,18,184	5.35

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

Sl. No.	Shareholders' Name		Share holding at the beginning of the Year		Cumulative share holding during the year	
			No. of Shares	% of total shares of the company	No of shares	% of total shares of the Company
1	M/s. Gyaneshwar Multitrade Private Limited					
A	At the beginning of the year		4,20,000	4.34	-	-
B	Changes during the year					
	Date	Reason				
	01.04.2016	Sell	-4,20,000	4.34	0	0
	13.05.2016	Purchase	4,20,000	4.75	4,20,000	4.75
	05.08.2016	Purchase	4,20,000	4.75	8,40,000	9.50
	12.08.2016	Sell	-4,20,000	-4.54	4,20,000	4.97
	30.09.2016	Purchase	420000	4.54	8,40,000	9.50
	07.10.2016	Sell	-4,20,000	-4.54	4,20,000	4.97
	04.11.2016	Purchase	4,20,000	4.54	8,40,000	9.50
	23.12.2016	Purchase	4,20,000	4.53	12,60,000	14.03
	30.12.2016	Sell	-4,20,000	-4.53	8,40,000	9.50
	31.12.2016	Purchase	4,20,000	4.53	12,60,000	14.03
	06.01.2017	Sell	-4,20,000	-4.53	8,40,000	9.50
	31.03.2017	Purchase	4,20,000	4.53	12,60,000	13.57
C	At the end of the year		-	-	12,60,000	13.57
2	Indu Kasat					
A	At the beginning of the year		7,80,000	8.06		
B	Changes during the year		No Change			
C	At the end of the year		-	-	7,80,000	8.06
3	Mr. Onkar Singh					
A	At the beginning of the year		0	0	-	-
B	Changes during the year					
	Date	Reason			0	0
	20.01.2017	Purchase	1,00,120	1.03	1,00,120	1.03
C	At the end of the year		-	-	1,00,120	1.03

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4	Mr. Karan Singh					
A	At the beginning of the year		1,00,000	1.03	-	-
B	Changes during the year					
	Date	Reason				
	17.06.2016	Purchase	5	0	1,00,005	1.03
	09.09.2016	Purchase	115	0.00	115	1.03
	20.01.2017	Sell	-1,00,120	-1.08	0	0
C	At the end of the year		-	-	0	0
5	Mr. Maheshkumar Kankarej					
A	At the beginning of the year		90,100	0.93	-	-
B	Changes during the year					
	Date	Reason				
	06.05.2016	Purchase	900	0.01	91,000	0.94
	20.05.2016	Purchase	964	0.01	91,964	0.95
	27.05.2016	Purchase	2,036	0.02	94,000	0.97
	10.06.2016	Purchase	1,500	0.02	95,500	0.99
	24.06.2016	Purchase	700	0.01	96,200	0.99
	30.06.2016	Purchase	800	1.03	97,000	1
C	At the end of the year		-	-	97,000	1
6	Bank of Baroda					
A	At the beginning of the year		77,500	0.8		
B	Changes during the year		No Change			
C	At the end of the year		-	-	77,500	0.8
7	Mr. Saurabh Parikh					
A	At the beginning of the year		56,756	0.59	-	-
B	Changes during the year					
	Date	Reason				
	11.11.2016	Purchase	800	0.01	57,556	0.59
	18.11.2016	Purchase	450	0.00	58,006	0.60
	25.11.2016	Purchase	1,000	0.01	59,006	0.61
	23.12.2016	Purchase	94	0.00	59,100	0.61
	13.01.2017	Purchase	100	0.00	59,200	0.61
	27.01.2017	Purchase	896	0.01	60,096	0.62
	03.02.2017	Purchase	1,500	0.02	61,596	0.64
	10.02.2017	Purchase	200	0.00	61,796	0.64
	03.03.2017	Purchase	500	0.01	62,296	0.64
C	At the end of the year		-	-	62,296	0.64
8	Mr. Nishant Parikh					
A	At the beginning of the year		50,050	0.52	-	-
B	Changes during the year					
	Date	Reason				
	21.10.2016	Purchase	350	0.00	50,400	0.52
	28.10.2016	Purchase	541	0.01	50,941	0.53
	04.11.2016	Purchase	100	0.00	51,041	0.53
	11.11.2016	Purchase	360	0.00	51,401	0.53
	18.11.2016	Purchase	2,000	0.02	53,401	0.55
	25.11.2016	Purchase	201	0.00	53,602	0.55
	02.12.2016	Purchase	56	0.00	53,658	0.55
	23.12.2016	Purchase	100	0.00	53,758	0.56
	13.01.2017	Purchase	242	0.00	54,000	0.56
	20.01.2017	Purchase	630	0.01	54,630	0.56

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	27.01.2017	Purchase	450	0.00	55,080	0.57
	03.02.2017	Purchase	1,107	0.01	56,187	0.58
	24.02.2017	Purchase	970	0.01	57,157	0.59
	03.03.2017	Purchase	1,469	0.02	58,626	0.61
	10.03.2017	Purchase	5	0.00	58,631	0.61
	24.03.2017	Purchase	49	0.00	58,680	0.61
C	At the end of the year		-	-	58,680	0.61
9	Mr. Ayush Mittal					
A	At the beginning of the year		29,495	0.3	-	-
B	Changes during the year					
	Date	Reason				
	16.12.2016	Purchase	10,000	0.11	39,495	0.41
	23.12.2016	Purchase	23,000	0.25	62,495	0.65
	24.02.2016	Sell	1,008	0.01	61,487	0.64
	03.03.2017	Sell	1,430	0.02	60,057	0.62
	10.03.2017	Sell	2,966	0.03	57,091	0.59
	17.03.2017	Sell	200	0.00	56,891	0.59
	24.03.2017	Sell	1,103	0.01	55,788	0.58
C	At the end of the year		-	-	55,788	0.58
10	Mr. Jalindranath More					
A	At the beginning of the year		54,000	0.56	-	-
B	Changes during the year					
	Date	Reason				
	08.04.2016	Sell	1,000	0.01	53,000	0.56
	15.04.2016	Sell	1,000	0.01	52,000	0.56
	22.04.2016	Sell	2,000	0.02	50,000	0.52
	29.04.2016	Sell	9,000	0.10	41,000	0.42
	06.05.2016	Sell	2,710	0.03	38,290	0.4
	24.06.2016	Sell	503	0.01	37,787	0.39
	30.06.2016	Sell	1,500	0.02	36,287	0.37
	08.07.2016	Sell	1	0.00	36,286	0.37
	05.08.2016	Sell	2,000	0.02	34,286	0.35
	12.08.2016	Sell	5,000	0.05	29,286	0.3
	21.10.2016	Sell	500	0.01	28,786	0.3
	30.12.2016	Sell	2	0.00	28,784	0.3
	17.02.2017	Sell	500	0.01	28,284	0.29
	24.02.2017	Sell	500	0.01	27,784	0.29
	03.03.2017	Sell	1,000	0.01	26,784	0.28
	10.03.2017	Sell	1,784	0.02	25,000	0.26
	17.03.2017	Sell	500	0.01	24,500	0.25
C	At the end of the year		-		24,500	0.25

V. INDEBTEDNESS

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

Indebtness at the beginning of the financial year	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
i) Principal Amount	26,31,12,469	2,93,50,000	0	29,24,62,469
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	30,35,500	0	30,35,500
Total (i+ii+iii)	26,31,12,469	3,23,85,500	0	29,54,97,969

Change in Indebtedness during the financial year				
Additions	3,74,95,320	4,99,75,457		8,74,70,777
Reduction	6,63,81,350	4,23,62,957		10,87,44,307
Net Change	-2,88,86,030	76,12,500		-2,12,73,530
Indebtedness at the end of the financial year				
i) Principal Amount	23,42,26,439	3,69,62,500	0	27,11,88,939
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	39,87,883	0	39,87,883
Total (i+ii+iii)	23,42,26,439	4,09,50,383	0	27,51,76,822

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl.No	Particulars of Remuneration	Name of the MD/WTD/Manager		Total Amount
		Mr. Atul Maheshwari	Mrs. Sangita Maheshwari	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961.	45,03,900	37,83,900	82,87,800
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-
2	Stock option	-	-	-
3	Sweat Equity	-	-	-
4	Commission as % of profit	-	-	-
5	Others, please specify	-	-	-
	Total (A)	45,03,900	37,83,900	82,87,800

B. Remuneration to other directors:

Sl.No	Particulars of Remuneration	Name of the Directors		Total Amount
1	Independent Directors	-	-	-
	(a) Fee for attending board committee meetings	-	-	-
	(b) Commission	-	-	-
	(c) Others, please specify	-	-	-
	Total (1)	-	-	-
2	Other Non Executive Directors	-	-	-
	(a) Fee for attending board committee meetings	-	-	-
	(b) Commission	-	-	-
	(c) Others, please specify.	-	-	-
	Total (2)	-	-	-
3	Other Executive Director	-	-	-
	Total (3)	-	-	-
	Total (B)=(1+2+3)	-	-	-
	Total Managerial Remuneration	-	-	-
	Overall Ceiling as per the Act.	-	-	-

Lactose (India) Limited

D. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
1	Gross Salary	CFO Mrs. Sangita Maheshwari	Company Secretary Mr. Jay Bhatt w.e.f. 11 th Nov, 2016	CEO	Total
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	37,83,900	1,04,125	-	-
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission as % of profit	-	-	-	-
5	Others, please specify	-	-	-	-
	Total	37,83,900	1,04,125	-	-

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority (RD/NCLT/ Court)	Appeal made if any (give details)
A. COMPANY					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. OTHER OFFICERS IN DEFAULT					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

For Lactose (India) Limited

Date: 20th May, 2017
Place: Mumbai

Sd/-
(Atul Maheshwari)
Managing Director
DIN: 00255202
Address: 1302, Spring Tower,
ICC G.D. Ambedkar Road, Next to
Wadala Telephone Exchange,
Dadar (East),
Mumbai - 400014.

Sd/-
(Sangita Maheshwari)
Whole-time Director & CFO
DIN: 00369898
Address: 1302, Spring Tower,
ICC G.D. Ambedkar Road, Next to
Wadala Telephone Exchange,
Dadar (East),
Mumbai - 400014.

**ANNEXURE “E” TO THE DIRECTOR’S REPORT
MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Industry Structure and Development:

The Indian pharmaceuticals market is the third largest in terms of volume and thirteenth largest in terms of value. 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. Of late, consolidation has become an important characteristic of the Indian pharmaceutical market as the industry is highly fragmented.

India enjoys an important position in the global pharmaceuticals sector. The country also has a large pool of scientists and engineers who have the potential to steer the industry ahead to an even higher level.

The Indian pharma industry, which is expected to grow over 15 per cent per annum between 2015 and 2020, will outperform the global pharma industry, which is set to grow at an annual rate of 5 per cent between the same period!. The market is expected to grow to US\$ 55 billion by 2020, thereby emerging as the sixth largest pharmaceutical market globally by absolute size. Branded generics dominate the pharmaceuticals market, constituting nearly 80 per cent of the market share (in terms of revenues).

Indian pharmaceutical exports are poised to grow between 8-10 per cent .

The Government of India unveiled ‘Pharma Vision 2020’ aimed at making India a global leader in end-to-end drug manufacture. Approval time for new facilities has been reduced to boost investments. Further, the government introduced mechanisms such as the Drug Price Control Order and the National Pharmaceutical Pricing Authority to deal with the issue of affordability and availability of medicines.

Mr Ananth Kumar, Union Minister of Chemicals and Petrochemicals, has announced setting up of chemical hubs across the country, early environment clearances in existing clusters, adequate infrastructure, and establishment of a Central Institute of Chemical Engineering and Technology.

Some of the major initiatives taken by the government to promote the pharmaceutical sector in India are as follows:

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 CORPORATE 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 the Company 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:

The Board of Directors ("the Board") of your Company is responsible for and is committed to sound principles of the corporate governance in the Company. The Board plays a crucial role in overseeing how the management serves the interest of the Shareholders and other Stakeholders. This belief is reflected in our governance practice, under which we strive to maintain an effective, informed and independent Board to ensure best practice.

The composition of the Board is in conformity with the Listing Regulations and the Companies Act, 2013 ('the Act'). As on 31st March, 2017, the Board comprised of six Directors consisting of two Executive Director including One Women Director and three Non-Executive Independent Directors, one Non-Executive Director. None of the Non-Executive Director is responsible for day-to-day affairs of the Company.

a) The Composition and Category of the Board of Directors during the FY 2016-17 was as follows:

Name of the Directors	Category
Mr. Atul Maheshwari	Managing Director
Mrs. Sangita Maheshwari	Whole-time Director & CFO
Mr. G. K. Sarda	Non - Executive Independent Director
Mr. Pramod Kalani	Non - Executive Independent Director
Mr. Abhijit K. Periwal	Non - Executive Independent Director
Mr. Shyamsunder B. Toshniwal	Non - Executive Director

b) Meetings and Attendance:

The Company's Governance Policy, which is in pursuance with the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, is strictly followed by

the Board. The Board meets at regular intervals to discuss and decide on Company's business policy along with the other Board business. However, in case of a special and urgent business need, the Board approval is taken by passing resolution by circulation, as permitted by law, which is then confirmed in the ensuing Board Meeting.

Seven Board Meetings were held during the financial year 2016-17 complying with the requirement of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. The maximum interval between any two consecutive Board meetings was well within the allowable gap of one hundred and twenty days. The dates on which the meetings were held are as mentioned below:

Sr. No.	Date of Board Meeting held
1.	28 th May, 2016
2.	30 th May, 2016
3.	05 th August, 2016
4.	10 th August, 2016
5.	11 th November, 2016
6.	21 st December, 2016
7.	10 th February, 2017

Information placed before the Board:

The Board were provided with all the required information wherever applicable and materially significant. The information is submitted either as a part of agenda papers or is tabled in the course of the meeting for enabling them to give their valuable inputs.

The following are tabled for the Board's periodic review/ information/approval:

- Annual Operating Plans of business and any updates thereon;
- Quarterly Results of the Company and its Subsidiaries along with the operating divisions or business segments;
- Status of legal compliances;
- Formation/Re-constitution of the Board Committees;
- Minutes of Unlisted Subsidiaries and audit committee and other committees of the board;
- Inter-Corporate Investment, Loans and Guarantees;
- Appointment / Resignation of Directors/ Senior Managerial Personnel/ Key Managerial Personnel;
- General Notice of Interest of Directors;

Attendance of Directors at Board Meetings, Last Annual General Meeting and number of other Directorship and Chairmanship/Membership of Committees of each Director in various Companies are as under:

Name of the Director	Attendance at Meetings held during financial year 2016-17		Directorship in other Indian Public Limited Companies ¹	No. of Board Committees in which Director is Chairman/ Member ²	
	Board Meetings	Last AGM held on 29 th September, 2016		Chairman	Member
Mr. Atul Maheshwari	7	Present	-	-	-
Mrs. Sangita Maheshwari	7	Present	-	-	-
Mr. G. K. Sarda	7	Present	-	3	-
Mr. Pramod Kalani	7	Present	-	-	3
Mr. Abhijit K. Periwal	2	-	-	-	3
Mr. Shyamsunder B. Toshniwal	7	Present	-	-	-

1. The Directorships exclude Private Limited Companies, Foreign Companies, Section 8 Companies and Alternate Directorship.
2. None of the Director on the Board is a Member of more than Ten Committees or a Chairman of more than Five Committees, across all the Companies in which they are Directors. The Directors have made the necessary disclosures regarding Committee positions.

c) 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.

d) Post-Meeting follow-up mechanism

An effective post meeting follow-up, review and reporting process for the decisions taken by the Board or its Committees are promptly communicated to all those concerned in the Company. Action Taken Report on the progress of the Company is placed at the succeeding Meeting of the Board/ Committee for noting.

e) Separate Meeting of Independent Directors

A separate meeting of Independent Directors of the Company, without the attendance of Non-Independent Directors and members of management, was held on 10th February, 2017 as required under Schedule IV to the Act (Code of Independent Directors) and Regulation 25(3) of the Listing Regulations. At the Meeting the Independent Directors:

- Reviewed the performance of Non-Independent Directors and the Board as a whole;
- Reviewed the performance of the Chairman of the Company, taking into account the views of Executive and Non-Executive Directors; and
- Assessed the quality and timelines of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform the duties.

3. COMMITTEES OF THE BOARD:

Currently, there are 5 Board Committees – Audit Committee, Stakeholders Relationship Committee, Nomination & Remuneration Committee, Risk Management Committee and

Prevention of Sexual Harassment Committee. The terms of reference of these Committees are defined by the Board from time to time. Meeting of each Board Committee is convened by the respective Committee Chairman. The signed minutes of the Committee Meetings are placed before the Board for information and noting. Matters requiring Board's attention are generally discussed with the Board members. The role and composition of these Committees including the number of Meetings held during the financial year and their respective attendance details are provided below.

a) Audit Committee:

All the items listed in Regulation 18(3) read with Part C of Schedule II of the Listing Regulations and in Section 177 of the Act are covered in the terms of reference.

Terms of Reference:

- i. Oversight of the Company's financial reporting process and disclosure of its financial information;
- ii. Recommending to the Board the appointment, re-appointment and removal of statutory auditors, cost auditors, branch auditors and fixation of their remuneration;
- iii. Approval of payments to statutory auditors for any other services rendered by them;
- iv. Reviewing with management the annual financial statements and auditor's report thereon before submission to the Board for approval, focusing primarily on:
 - Matters required to be included in the Director's Responsibility statement to be included in the Board Report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013;
 - Any changes in accounting policies and practices and reasons for the same;
 - Major accounting entries involving estimates based on exercise of judgments by management;
 - Qualifications in draft audit report;

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- Significant adjustments made in the financial statements arising out of audit;
 - The going concern assumption;
 - Compliance with accounting standards;
 - Compliance with listing and legal requirements concerning financial statements;
 - All related party transactions i.e., transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc.
- v. Reviewing with the management, statutory and internal auditors, internal financial controls and risk management system;
 - vi. Reviewing with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board;
 - vii. Reviewing with the management the quarterly and half yearly financial results before submission to the Board;
 - viii. Reviewing the adequacy of internal audit functions, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
 - ix. Scrutinizing the inter-corporate loans & investments;
 - x. Discussion with Internal Auditors, any significant findings and follow up thereon;
 - xi. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
 - xii. Approval or any subsequent modification of transactions of the Company with related parties;
 - xiii. To look into reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors;
 - xiv. Review and monitor the auditor's independence and performance, and effectiveness of audit processes;
 - xv. To review the functioning of the Whistle Blower and Vigil mechanism;
 - xvi. Valuation of undertaking or assets of the company where ever it is necessary;
 - xvii. Approval of appointment of CFO (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
 - xviii. All such other functions as may be specified from time to time;

- xix. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

Composition, Meetings and Attendance

The Board has constituted a well-qualified Audit Committee. All the members of the Committee are Non-Executive Independent Directors including Chairman. They possess sound knowledge on accounts, audit, finance, taxation, internal controls etc. The Company Secretary acts as secretary to the committee in terms of Companies Act, 2013 and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

During the financial year 2016-17 five Meetings were held on 28th May, 2016, 30th May, 2016, 10th August, 2016, 11th November, 2016, and 10th February, 2017.

Name of the Members	Category	No. of Meetings attended
Mr. G. K. Sarda	Chairman (Independent Non-Executive Director)	5
Mr. Pramod Kalani	Member (Independent Non-Executive Director)	5
Mr. Abhijit Periwai	Member (Independent Non-Executive Director)	2

b) Stakeholders Relationship Committee

This Committee is responsible for satisfactory redressal of investors' complaints and recommends measures for overall improvement in the quality of investor services.

This Committee oversees redressal of Shareholders'/ Investors' Grievances and is empowered to perform the following functions on behalf of the Board in relation to handling of Shareholder's/Investors' Grievances. The Broad terms of reference and functions of the Stakeholders Relationship Committee are as follows:

- i. The Committee is entrusted with the responsibility to resolve the grievances of security holders.
- ii. The Committee monitors and reviews the performance and service standards of the Registrar and Share Transfer Agents of the Company and provides continuous guidance to improve the service levels for investors.
- iii. The Committee monitors implementation and compliance with the Company's Code of Conduct for Prohibition of Insider Trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations, 2015.
- iv. The Stakeholders Relationship Committee, inter alia, approves issue of duplicate certificates and oversees and reviews all matters connected with transfer of securities of the Company.

Composition, Meetings and Attendance:

The Committee presently comprises of three Members, all the members are Independent Directors.

During the financial year 2016-17 four meetings were held on 30th May, 2016, 10th August, 2016, 11th November, 2016, and 10th February, 2017

Name of the Members	Category	No. of Meetings attended
Mr. G. K. Sarda	Chairman (Independent Non-Executive Director)	4
Mr. Pramod Kalani	Member (Independent Non-Executive Director)	4
Mr. Abhijit Periwal	Member (Independent Non-Executive Director)	2

Compliance Officer

The Company has appointed Mr. Jay Bhatt, Company Secretary of the Company as a Compliance Officer of the Company.

Shareholders'/Investors' Redressal

During the year under review, the Company had received various complaints for non-receipt of transferred Share Certificates, Annual Reports, Warrants etc. and all the Complaints were solved by the Company. Further no complaint is pending as on the closure of the financial year i.e. 31st March, 2017. To expedite these processes the Board has delegated necessary powers to the Registrar and Share Transfer Agents viz. M/s. Big Share Services Private Limited.

c) Nomination & Remuneration Committee

The Broad terms of reference and functions of the Nomination and Remuneration Committee are as follows:

- Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of the directors, key managerial personnel and other employees;
- Formulation of criteria for evaluation of Independent Directors and the Board;
- Devising a policy on Board diversity;
- Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal. The company shall disclose the remuneration policy and the evaluation criteria in its Annual Report.

Composition, Meetings and Attendance:

The Nomination & Remuneration Committee comprises of three Non-Executive Independent Directors. During the financial year 2016-17, two meetings of the Committee were held on 28th May, 2016 and 10th August, 2016.

Name of the Members	Category	No. of Meetings attended
Mr. G. K. Sarda	Chairman (Independent Non-Executive Director)	2
Mr. Pramod Kalani	Member (Independent Non-Executive Director)	2
Mr. Abhijit Periwal	Member (Independent Non-Executive Director)	2

Performance Evaluation Criteria:

Pursuant to the provisions of the Companies Act, 2013 and provisions of SEBI (Listing Obligation And Disclosure Requirement) Regulations, 2015, a separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board who were evaluated on parameters such as level of engagement and contribution and independence of judgment thereby safeguarding the interest of the Company. The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman and the Non-Independent Directors was carried out by the Independent Directors. The Board also carried out annual performance evaluation of the working of its Audit, Nomination and Remuneration as well as Stakeholder Relationship Committee. The Directors expressed their satisfaction with the evaluation process.

Nomination & Remuneration Policy:

Pursuant to Clause 49 of the Listing Agreement and upon recommendation by the Nomination & Remuneration Committee, the Board of Directors, had adopted the Nomination & Remuneration Policy. This Policy can be viewed on the Company's website viz. www.lactoseindialimited.com in the "Investors" Section.

The Nomination & Remuneration Policy aims at attracting and retaining high caliber talent. The policy of the Company is in consonance with the existing industry practice. The remuneration package of the Executive Directors is determined by the Nomination and Remuneration Committee within the permissible limits, subject to approval by the Board and Shareholders in the General Meeting and as per applicable provisions of the Companies Act, 2013. The Executive Directors are paid remuneration as fixed by the Board/ Shareholders, if any, however, the Non-Executive Independent Directors do not receive any remuneration except sitting fees.

Details of sitting fees paid to the Directors during the financial year 2016-17:

Name of Director	Sitting Fees (Rs.)
Mr. G. K. Sarda	NIL
Mr. Pramod Kalani	NIL
Mr. Abhijit Periwal	NIL

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Details of Remuneration paid to the Managing Director & Whole-time Director during the financial year 2016-17:

Sr. No.	Particulars of Remuneration	Mr. Atul Maheshwari	Mrs. Sangita Maheshwari
		Managing Director (Amount in Rs.)	Whole-time Director (Amount in Rs.)
1.	Gross Salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	45,03,900/- p.a.	37,83,900/- p.a.
2.	Stock Option	-	-
3.	Sweat Equity	-	-
4.	Commission - As % of profit - Others, specify..	-	-
5.	Others, please specify	-	-
	Total	45,03,900/- p.a.	37,83,900/- p.a.

There has been no materially relevant pecuniary transaction or relationship between the Company and its Non-Executive Directors during the year.

The Non-Executive Director of the Company do not hold any convertible instruments of the Company.

Remuneration of Non-Executive Directors:

The Non-Executive Directors shall be entitled to receive remuneration by way of sitting fees, reimbursement of expenses for participation in the Board / Committee meetings. A Non-Executive Director shall be entitled to receive sitting fees for each meeting of the Board or Committee of the Board attended by him not exceeding the sum as may be approved by the Board of Directors within the overall limits prescribed under the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

The Independent Directors of the Company shall not be entitled to participate in Stock Option Scheme of the Company, if any, introduced by the Company.

Familiarisation Programme:

Pursuant to provisions of SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 and upon recommendation by the Nomination & Remuneration

Committee, the Board of Directors had adopted the procedure for Familiarisation Programme for Independent Directors. The details of the Familiarisation Programme for Independent Directors. The details of the Familiarisation Programme can be viewed on the Company's website viz. www.lactoseindialimited.com in the "Investors" Section.

d) Risk Management Committee

As per the Companies Act, 2013 and as part of good corporate governance the Company has constituted the Risk Management Committee. The Committee is required to lay down the procedures to inform to the Board about the risk assessment and minimization procedures and the Board shall be responsible for framing, implementing and monitoring the risk management plan of the Company.

The Committee reviewed the risk trend, exposure and potential impact analysis carried out by the management. It was specifically confirmed to the Committee by the MD and the CFO that the mitigation plans are finalized and up to date, owners are identified and the progress of mitigation actions are monitored. The Risk Management Committee met once in the Financial Year.

The Risk Management Committee comprises of the following members:

Composition, Meetings and Attendance:

The Risk Management Committee consists of three Members and the Chairman is a Non-Executive Director. During the Financial Year 2016-17, one meeting was held on 11th November, 2016:

Name of the Members	Category	No. of Meetings attended
Mr. Atul Maheshwari	Chairman (Managing Director)	1
Mr. G. K. Sarda	Member (Independent Non-Executive Director)	1
Mr. Abhijit Periwal	Member (Independent Non-Executive Director)	1

e) Prevention of Sexual Harassment Committee:

The Company has constituted Prevention of Sexual Harassment Committee as required under Section 4 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. During the year under review no complaint was filed before the said Committee.

Composition, Meetings and Attendance

Prevention of Sexual Harassment Committee consists of three Members and the Chairman is a Non-Executive Director. During the Financial Year 2016-17, one meeting was held on 11th November, 2016.

Name of the Members	Category	No. of Meetings attended
Mr. Atul Maheshwari	Chairman (Managing Director)	1
Mr. G. K. Sarda	Member (Independent Non-Executive Director)	1
Mr. Abhijit Periwal	Member (Independent Non-Executive Director)	1

4. GENERAL BODY MEETINGS

Annual General Meeting:

The Venue, Date, Time of the Annual General Meeting and Special Resolutions passed during the preceding three years are as follows:

2015-16

Venue: Village Poicha (Rania), Survey No. 6, Savli, District Vadodara – 391780

Date and Time: 29th September, 2016 at 03:00 p.m.

Special Resolutions passed:

- Approval of revision in remuneration payable to Mr. Atul Maheshwari, Managing Director of the Company;
- Approval of revision in remuneration payable to Mrs. Sangita Maheshwari, Whole-time Director of the Company;
- Appointment of Mr. Yash Maheshwari as Manager at the place of profit.

2014-15

Venue: Village Poicha (Rania), Survey No. 6, Savli, District Vadodara – 391780

Date and Time: 1st August, 2015 at 05:00 p.m.

Special Resolutions passed:

- Appointment of Mr. Abhijit Periwal as an Independent Director of the Company;
- Issue & allot 12,60,000 (Twelve Lacs sixty thousand) Convertible Warrants on preferential basis.

2013-14

Venue: Village Poicha (Rania), Survey No. 6, Savli, District Vadodara – 391780

Date and Time: 25th September, 2014 at 11:00 a.m.

Special Resolutions passed:

- Appointment of Mrs. Sangita Maheshwari as a Whole-time Director of the Company;
- Appointment of Mr. Shyam Sunder Toshniwal as a Director of the Company;
- Appointment of Mr. Pramod Kalani as an Independent Director;
- Increase in Authorised Share Capital of the Company;
- Alteration in clause V(A) of Memorandum of Association of the Company;
- Alteration in clause 3(A) of Articles of Association of the Company.

5. MEANS OF COMMUNICATION

The quarterly results as reviewed and recommended by the Audit Committee are taken on record by the Board of Directors and submitted to the Stock Exchange in terms of the requirements of Regulation 33 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015. The Audited/ Unaudited Results are published in Business Standard, English daily and in Vadodara Samachar Gujarati daily being the regional language and also displayed on the website of the Company www.lactoseindialimited.com shortly after its submission to the Stock Exchange.

The Company's website is a comprehensive reference on

Lactose's vision, mission, policies, corporate governance, investor relation, updates and news. The section on "Investor Relations" on the website serves to inform the shareholders, by giving complete financial details, shareholding pattern, information relating to Stock Exchange, Registrars, and Share Transfer Agents among others.

6. GENERAL SHAREHOLDER INFORMATION

6.1.	Annual General Meeting:	
	Day, Date and Time	: Wednesday, 09 th August, 2017 at 04:00 p.m.
	Venue	: Survey No. 6, Village Poicha (Rania) Savli, Vadodara Gujarat – 391780
6.2.	Financial Year 2017-18 – Board Meeting Calendar (Tentative):	
	Results for first quarter ended 30 th June, 2017	: On or before 14 th August, 2017
	Results for second quarter ending 30 th September, 2017	: On or before 14 th November, 2017
	Results for third quarter ending 31 st December, 2017	: On or before 14 th February, 2018
	Results for financial year ending 31 st March, 2018	: On or before 29 th May, 2018
6.3.	Book Closure date:	: From Friday, 04 th August, 2017 to Wednesday, 09 th August, 2017
6.4.	Listing of Equity Shares on Stock Exchange:	: BSE Ltd
6.5.	Stock Code:	: 524202
6.6.	Demat ISIN Number in NSDL and CDSL:	: INE058I01013
6.7.	Registrar and Share Transfer Agents:	: M/s. Bigshare Services Private Limited
6.8.	Share Transfer System:	: Share Transfers and Share Certificates are processed and returned within 30 days from the date of receipt subject to the documents being valid and complete in all respects. A summary of transfers/ transmission of securities of the Company from the Registrar and Transfer Agent is placed before every Stakeholders Relationship Committee Meeting.

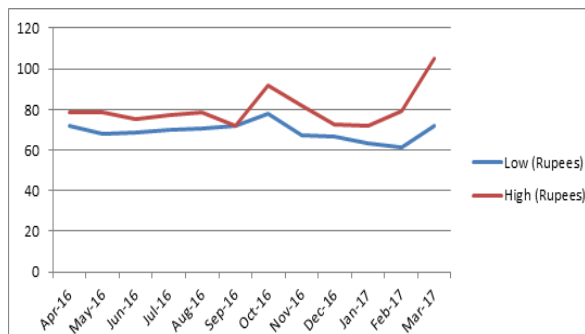
Lactose (India) Limited

6.9	Plant Location:	: Survey No. 6, Village Poicha (Rania) Savli, Vadodara Gujarat – 391780
6.10	Outstanding GDRs/ ADRs/Warrants or any Convertible Instruments:	: The Company has not issued any ADR or GDR or warrants or any convertible instruments, which was likely to impact on equity share capital.

6.11 The Market Price Data of the Company are as given below:

No.	Period	Bombay Stock Exchange	
		High (Rupees)	Low (Rupees)
1.	April-16	78.20	72.00
2.	May-16	78.20	68.20
3.	June-16	75.00	68.25
4.	July-16	77.00	69.65
5.	August-16	78.20	70.60
6.	September-16	72.20	72.20
7.	October-16	92.00	77.65
8.	November-16	81.90	67.00
9.	December-16	72.80	66.45
10.	January-17	72.00	63.15
11.	February-17	79.00	61.00
12.	March-17	105.10	72.00

6.12 Share Price performance in comparison to broad-based indices – BSE Sensex during the year



6.13 Distribution of Shareholding as on 31st March, 2017

Distribution of Shares (Slab-Wise)	Shareholders		Share Amount (Rupees.)	
	Nos.	% of Total Nos.	Amt.	% of Total Amt.
Upto 5,000	15544	95.09	26577900	27.46
5,001-10,000	466	2.85	3749720	3.87
10,001- 100,000	305	1.87	8222530	8.50
1,00,000 & Above	30	0.18	58239850	60.17
Total	16345	100	96790000	100

Shareholding Pattern as on 31st March, 2017:

Category	No. of Shares	% of Shares
Indian Promoters	30,81,425	31.84
Private Corporate Bodies	-	-
Indian Public	65,97,575	68.16
NRI/OBC	-	-
Total	96,79,000	100.00

Physical/NSDL/CDSL/Summary Report as on 31st March, 2017

Particulars	Number of Shares	% of Total Issued Capital
Held in Dematerialised form in CDSL	18,89,125	19.52%
Held in Dematerialised form in NSDL	37,19,801	38.43%
Physical	40,70,074	42.05%
Total No. of Shares	96,79,000	100.00%

6.14	Address for Correspondence:	
	(i) Investors Correspondence:	For Shares held in Physical Form
		M/s. Bigshare Services Private Limited. 1st Floor, Bharat Tin Works Building, Opp. Vasant Osis, Makwana Road, Marol, Andheri (East), Mumbai -400059.
		For Shares held in Demat Form
		To the respective Depository Participants.
	(ii) Any query on Annual Report:	Mr. Jay Bhatt (Company Secretary and Compliance Officer) Lactose (India) Limited G-02, Ground Floor, 'A' Wing, Navbharat Estate, Zakaria Bunder Road, Sewri(West), Mumbai-400015
	(iii) E-mail ID for Investor Grievance	ashish.lactose@gmail.com
	(iv) Corporate Website::	www.lactoseindialimited.com

7. DISCLOSURES

Materially significant related party transactions which may have potential conflict with the interests of the Company at large;

All contracts / arrangements / transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on arm's length basis. As provided under section 134(3)(h) of the Act and Rules made thereunder disclosure of particulars of material transactions with related parties entered into by the Company with related parties in the prescribed format form part of Directors report.

Details of non-compliances, penalties, strictures imposed on the Company by Stock Exchange/SEBI/Statutory Authorities on any matter related to Capital Markets during last three years:

The Company has complied with the requirements of the Stock Exchanges/SEBI and other Statutory Authorities on all matters related to Capital Markets during the last three years. No penalties or strictures have been imposed on the Company by the Stock Exchange or SEBI or any other statutory authorities.

Directors' disqualification under Section 164 and any other provisions of Companies Act, 2013.

None of the Directors are disqualified under Section 164 of the Companies Act, 2013.

Reconciliation of Share Capital Audit:

As stipulated by Securities and Exchange Board of India (SEBI), a qualified Practicing Company Secretary carries out the Reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report there on is submitted to Stock Exchanges and is also placed before the Board of Directors. No discrepancies were noticed during these audits.

Adoption of Insider Trading Policy:

The Company has implemented a policy prohibiting Insider Trading in conformity with applicable regulations of the Securities Exchange Board of India ("SEBI"), which has been laid down for employees, connected persons and persons deemed to be connected, while trading in the securities of the Company. The policy lays down procedures to be followed and disclosures to be made while dealing with shares of the Company and cautioning them of the consequences of violations. The Code of Conduct for Insider Trading is adopted by the Board and uploaded on the website of the Company.

Code of Conduct for Board Members and Senior Management:

The Board has laid down the code of conduct for all the Board members and members of the Management of the Company. Additionally all independent Directors of the Company shall be bound by duties of independent directors as set out in the Companies Act, 2013 read with the Schedules and Rules thereunder.

All the Board members and Management personnel have affirmed compliance with the code of conduct. The Code of Conduct is available on the website of the company.

DECLARATION BY THE MANAGING DIRECTOR

I, Atul Maheshwari, Managing Director of Lactose (India) Limited, hereby declare that all the members of the Board of Directors and the Management Personnel have affirmed compliance with the Code of Conduct, applicable to them as laid down by the Board of Directors in terms of Regulation 26(3) of the Listing Regulations for the year ended 31st March, 2017.

For Lactose (India) Limited

Sd/-

Atul Maheshwari

Managing Director

DIN: 00255202

Mumbai, 20th May, 2017

Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Mandatory Requirements:

The Company has complied with all the mandatory requirements of the Listing Regulations relating to Corporate Governance.

8. CEO / CFO Certification:

The MD & CEO and Chief Financial Officer (CFO) have issued certificate pursuant to the provisions of Regulation 17(8) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 certifying that the financial statements do not contain any materially untrue statement and these statements represent a true and fair view of the Company's affairs. The said certificate is annexed and forms part of the Annual Report.

By Order of the Board

Sd/-

Atul Maheshwari

(Managing Director)

DIN: 00255202

Date : 20th May, 2017

Place : Mumbai

Regd. Office: :

Survey No. 6, Village Poicha (Rania),

Savli Vadodara, Gujarat - 391780

Lactose (India) Limited

AUDITORS' CERTIFICATE

The Members,

Lactose (India) Limited

We have examined the compliance of the conditions of Corporate Governance by Lactose (India) Limited ("the Company"), for the financial year 2016-17, as stipulated in Chapter IV of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to the Listing Agreement of the said Company with stock exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in the provisions as specified in Chapter IV Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to Listing Agreement of the said Company with stock exchanges. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the Management, we hereby certify that the Company has complied with the conditions of Corporate Governance as stipulated in Regulation 27 & Chapter IV Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the financial year 2016-17.

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

For S G C O & Co. LLP

Chartered Accountant

Firm Regn. No. 112081W/W100184

Sd/-

Suresh Murarka

Partner

Membership No. 44739

Date: 20th May, 2017

Place: Mumbai

MD/CEO/CFO CERTIFICATION

The Board of Directors,

Lactose (India) Limited

Survey No.6 Village Poicha(Rania),

Savli, Vadodara-391780

We hereby certify that for the quarter ended 31st March, 2017 on the basis of the review of the financial statements and to the best of our knowledge and belief that:

1. These statements do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading.
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
3. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
4. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the Auditors and the Audit Committee, deficiencies in the designs or operations of internal controls, if any of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
5. We further certify that:
 - a. There have been no significant changes in internal control during the year ended, 31st March, 2017.
 - b. There have been no significant changes in accounting policies during the year ended 31st March, 2017 and that the same have been disclosed in the notes to the financial statements;
 - c. There have been no instances of significant fraud of which we are 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.

FOR LACTOSE (INDIA) LIMITED

Sd/-

(Atul Maheshwari)

Managing Director

DIN: 00255202

Sd/-

(Sangita Maheshwari)

Chief Financial Officer

DIN: 00369898

Date : 20th May, 2017

Place : Mumbai

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, 2017, 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 judgements 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 judgement, 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, 2017, 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 those 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, 2017 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2017 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 30(i) 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.
 - (iv) The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note 39.

For S G C O & Co. LLP
Chartered Accountants
Firm Reg. No. 112081W/W100184

Sd/-
Suresh Murarka
Partner
Mem. No. 44739

Place: Mumbai
Date: 20th May, 2017

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 2017.

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 programme 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 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 and loans provided 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) According 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 was no undisputed amount outstanding at the year end for a period more than six months from the date they become payable except duty of excise amounting to Rs 15,25,087/- (since paid) .
- b) There are no dues of Income Tax, Sales Tax Wealth Tax, Service Tax, Duty of Custom ,Duty of Excise , Value added tax 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) According to the information and explanations given by the management, the Company has utilized the monies raised by the way of term loan for the purpose for which the loan was obtained .The Company has not raised any money by way of initial public offer or further public offer (including debt instruments)
- (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) During the year, the Company has converted 8,40,000 share warrant issued in earlier year into equity shares. The Company has complied with the provisions of section 42 of the Act in this regard and applied the funds received for the purpose of funds 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. LLP
Chartered Accountants
Firm Reg. No. 112081W/W100184

Sd/-
Suresh Murarka
Partner
Mem. No. 44739

Place: Mumbai
Date: 20th May,2017

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 2017.

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, 2017 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, 2017.

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, 2017, 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. LLP
Chartered Accountants
Firm Reg. No. 112081W/W100184

Sd/-
Suresh Murarka
Partner
Mem. No. 44739

Place: Mumbai
Date: 20th May, 2017

Lactose (India) Limited

BALANCE SHEET AS AT MARCH 31, 2017

(Amount in Rs.)

Particulars	Note	As at March 31, 2017	As at March 31, 2016
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	9,67,90,000	8,83,90,000
Reserves and Surplus	3	15,21,58,423	11,00,55,585
Money received against Share Warrants	4	-	57,75,000
		24,89,48,423	20,42,20,585
Non-current liabilities			
Long-Term Borrowings	5	19,62,57,719	22,53,09,884
Deferred Tax Liabilities (Net)	6	4,07,31,758	2,53,20,733
Other Long Term Liabilities	7	8,27,02,042	11,04,72,534
Long-Term Provisions	8	50,26,930	45,55,191
		32,47,18,449	36,56,58,342
Current liabilities			
Short-Term Borrowings	9	8,13,54,221	6,27,36,017
Trade Payables	10	8,22,36,769	6,12,91,997
Other Current Liabilities	11	10,96,85,341	13,57,48,084
Short-Term Provisions	12	42,31,362	46,63,081
		27,75,07,693	26,44,39,179
	TOTAL	85,11,74,565	83,43,18,106
ASSETS			
Non-current Assets			
Fixed Assets	13		
- Tangible assets		61,36,25,077	61,24,63,871
Capital work-in-progress		1,10,01,620	99,02,744
		62,46,26,697	62,23,66,615
Non-Current Investments	14	4,00,020	3,84,951
Long-Term Loans and advances	15	5,05,18,586	3,81,30,378
		67,55,45,303	66,08,81,944
Current Assets			
Inventories	16	6,48,01,544	6,19,84,926
Trade Receivables	17	9,04,81,941	9,04,83,962
Cash and Bank Balances	18	54,58,112	33,35,762
Short-Term Loans and Advances	19	1,48,87,665	66,16,062
Other Current Assets	20	-	1,10,15,450
		17,56,29,262	17,34,36,162
	TOTAL	85,11,74,565	83,43,18,106
Significant accounting policies	1		
Accompanying notes to the financial statements	1 to 40		

In terms of our report of even date

For and on behalf of the Board

For S G C O & Co. LLP

LACTOSE (INDIA) LIMITED

Chartered Accountants

Firm Registration No. 112081W/W100184

Sd/-

Suresh Murarka

Partner

Mem. No. 44739

Place: Mumbai

Date: 20th May, 2017

Sd/-

Atul Maheshwari

Managing Director

DIN 00255202

Place: Mumbai

Date: 20th May, 2017

Sd/-

Sangita Maheshwari

Whole Time Director & C.F.O.

DIN 00369898

Sd/-

Jay Bhatt

Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2017

(Amount in Rs.)			
Particulars	Note	Year ended March 31, 2017	Year ended March 31, 2016
Income :			
Revenue from operations	21	35,79,83,004	35,11,67,818
Less: Excise duty		14,08,773	66,18,756
Net Revenue from operation		35,65,74,231	34,45,49,062
Other Income	22	52,04,366	1,24,09,381
Total Revenue		36,17,78,597	35,69,58,443
Expenses:			
Cost of materials consumed	23	6,30,08,370	9,24,18,242
Purchase of Stock-in-Trade	24	-	79,68,769
Changes in inventories of finished goods, work-in-progress	25	(87,21,163)	(3,45,67,565)
Employee benefits expense	26	9,26,98,101	7,79,90,961
Finance costs	27	4,18,57,830	4,41,55,611
Depreciation and amortization expense	13	3,40,55,630	3,34,31,849
Other expenses	28	9,54,92,414	9,67,13,935
Total Expenses		31,83,91,182	31,81,11,802
Profit/(Loss) before tax		4,33,87,415	3,88,46,641
Less: Tax Expenses:			
Current Tax		91,13,000	83,37,360
MAT Credit (Entitlement)/Utilised		(88,46,195)	(79,20,383)
Deferred Tax Liability / (Assets)		1,54,11,025	1,04,10,881
Tax of Earlier Years		3,06,747	(6,162)
Profit for the year		2,74,02,838	2,80,24,947
Earnings per equity share:	29		
(Nominal value of Rs. 10 each)			
- Basic		2.97	3.30
- Diluted		2.97	3.30
Significant accounting policies	1		
Accompanying notes to the financial statements	1 to 40		

In terms of our report of even date

For and on behalf of the Board

For S G C O & Co. LLP**LACTOSE (INDIA) LIMITED**

Chartered Accountants

Firm Registration No. 112081W/W100184

Sd/-

Suresh Murarka

Partner

Mem. No. 44739

Place: Mumbai

Date: 20th May, 2017

Sd/-

Atul Maheshwari

Managing Director

DIN 00255202

Place: Mumbai

Date: 20th May, 2017

Sd/-

Sangita Maheshwari

Whole Time Director & C.F.O.

DIN 00369898

Sd/-

Jay Bhatt

Company Secretary

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2017**

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, 2017**

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.

Lactose (India) Limited**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2017**

(Amount in `)

Note 2 : Share Capital**a. Details of authorised, issued and subscribed share capital**

Particulars	As at March 31, 2017	As at March 31, 2016
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		
96,79,000 (PY 88,39,000) Equity Shares of Rs.10/- each fully paid up	9,67,90,000	8,83,90,000
	9,67,90,000	8,83,90,000

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, 2017		As at March 31, 2016	
	No of Equity shares held	Holding (%)	No of Equity shares held	Holding (%)
Gyaneshwar Multitrade Private Limited	12,60,000	13.02	-	-
Sangeeta Maheshwari	10,24,910	10.59	10,24,910	11.60
Atul Maheshwari	8,46,010	8.74	8,46,010	9.57
Indu Kasat	7,80,000	8.06	7,80,000	8.82
Madhusa Projects Private Limited	5,18,184	5.35	5,28,248	5.98
Madhu Toshniwal	-	-	4,98,468	5.64

d. Reconciliation of equity shares outstanding

Particulars	As at March 31, 2017		As at March 31, 2016	
	Number	Amount (In Rs.)	Number	Amount (In Rs.)
At the beginning of the year	88,39,000	8,83,90,000	84,19,000	8,41,90,000
Issued during the year (On Conversion of Share Warrants)	8,40,000	84,00,000	4,20,000	42,00,000
At the end of the year	96,79,000	9,67,90,000	88,39,000	8,83,90,000

ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Amount in `)

Note 3 : Reserves and Surplus

Particulars	As at March 31, 2017	As at March 31, 2016
Capital Reserves	75,00,000	75,00,000
Securities Premium Account		
Balance at the beginning of the year	1,42,23,238	68,73,238
Add: Received during the year	1,47,00,000	73,50,000
	2,89,23,238	1,42,23,238
Surplus in the Statement of Profit & Loss		
Balance at the beginning of the year	8,83,32,347	6,03,07,400
Add : Profit for the year	2,74,02,838	2,80,24,947
	11,57,35,185	8,83,32,347
	15,21,58,423	11,00,55,585

Note 4 : Money received against Share Warrants

Particulars	As at March 31, 2017	As at March 31, 2016
Opening Balance	57,75,000	-
Add : Money received against Convertible Share Warrants	1,73,25,000	1,73,25,000
Less: Converted to Equity Shares	2,31,00,000	1,15,50,000
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. 17.50 per warrant (Face value Rs.10 each) in accordance with SEBI guidelines and has received 25 % upfront money amounting to Rs. 86,62,500.

During the FY 2015-16 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 5th February 2016 after receiving balance amounting to Rs.86,62,500.

During the current FY 2016-17 remaining 8,40,000 share warrants had been converted into 8,40,000 fully paid equity shares of Rs. 10 each at a premium of Rs. 17.50 per share after receiving balance amounting to Rs.1,73,25,000.

In terms of the issue, the amount so received from the above issue of shares has been utilized for general corporate purpose.

Lactose (India) Limited

ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Amount in `)

Note 5 : Long-Term Borrowings

Particulars	As at March 31, 2017	As at March 31, 2016
SECURED		
Term Loans		
From Banks	23,42,26,439	26,16,71,330
Less: Current maturities of long term debt	6,65,31,220	5,95,61,446
	16,76,95,219	20,21,09,884
Vehicle Loans		
From Banks	-	13,07,273
From Others	-	1,33,866
	-	14,41,139
Less: Current maturities of long term debt	-	14,41,139
	-	-
UNSECURED		
Loans from Directors	1,50,62,500	1,72,00,000
Inter Corporate Loans	1,35,00,000	60,00,000
TOTAL	19,62,57,719	22,53,09,884

Other information regarding secured loans :

Term loan from banks :

- Term loan from Oriental Bank of Commerce amounting to Rs.10,19,73,439 (PY Rs. 13,79,73,439) 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. It carries an interest rate 4.00% + Base Rate. The loan is repayable in 60 equal monthly installments of Rs. 30,00,000 each, starting from February, 2015. The interest is payable as and when due. The term loan was sanctioned for Rs. 18,00,00,000.
- Term loan from Oriental Bank of Commerce amounting to Rs. 3,43,70,315 (PY Rs. Nil) is secured against Hypothecation of all the Plant & Machineries, furnitures & fixtures, Vehicles and all other assets of the company created out of term loan. The asset shall be charged exclusively to our bank. It carries an interest rate 9.70% (Bank Rate) + 4.25% (Bank's Spread) - 0.25% (Concession). The loan is repayable in 60 equal monthly installments of Rs. 6,25,000 each starting from 07th October, 2016. The Term Loan was sanctioned for Rs. 3,75,00,000.
- Term loan from ICICI Bank amounting to USD 15,09,603.66 (Equivalent to INR .9,78,82,685) (PY USD.18,64,804 equivalent to INR 12,36,97,891) 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 MCLR - 1Y - 9.15% + Spread is 3.70% . The loan is repayable in quarterly installment of USD 88,800.20 , 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 :

- Vehicle loan from ICICI Bank amounting to Rs. Nil (PY Rs.4,34,905) 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. The same has been fully repaid during the year.
- Vehicle loan from ICICI Bank amounting to Rs.Nil (PY Rs. 4,34,914) 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. The same has been fully repaid during the year.
- Vehicle loan from Kotak Mahindra Bank amounting to Rs.Nil (PY Rs.1,87,678) 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. The same has been fully repaid during the year.

ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Amount in `)

- d) Vehicle loan from Kotak Mahindra Bank amounting to Rs.Nil (PY Rs.2,49,776) 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. The same has been fully repaid during the year.

Vehicle Loan from Others :

Vehicle loan from Tata Capital Limited amounting to Rs.Nil (PY Rs. 1,33,866) 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. The same has been fully repaid during the year.

Loan from Directors / Inter Corporate Loans :

Loans from Directors and Inter Corporate Loans are unsecured and repayable only after 31st March, 2018. The loans carry interest @ 12.25% 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, 2017	As at March 31, 2016
Deferred Tax Liability on account of :		
Excess of net block of fixed assets as per books of accounts over net block for tax purpose	6,39,09,859	5,47,40,250
	6,39,09,859	5,47,40,250
Deferred Tax Asset on account of :		
Employee Benefits	17,71,203	14,37,565
Unabsorbed Depreciation	2,14,06,898	2,79,81,952
	4,07,31,758	2,53,20,733

Note 7 : Other Long term Liabilities

Particulars	As at March 31, 2017	As at March 31, 2016
Advance Manufacturing Consideration (Refer Note No. 33(a) and Note No. 33(b))	3,70,70,345	6,12,00,375
Less : Current maturities (Refer Note No. 11)	57,77,208	2,41,30,030
	3,12,93,137	3,70,70,345
Interest Accrued but not due	32,66,456	25,07,718
Unbilled Lease Rentals	-	27,271
Trade Payables	4,81,42,449	7,08,67,200
	8,27,02,042	11,04,72,534

Note 8 : Long-Term Provisions

Particulars	As at March 31, 2017	As at March 31, 2016
Provision for Employee Benefits:		
Gratuity Payable	50,26,930	45,55,191
	50,26,930	45,55,191

Lactose (India) Limited**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2017**

(Amount in `)

Note 9 : Short-Term Borrowings

Particulars	As at March 31, 2017	As at March 31, 2016
SECURED		
Loans repayable on demand		
From Banks	7,29,54,221	5,65,86,017
UNSECURED		
Inter Corporate Loan	84,00,000	61,50,000
	8,13,54,221	6,27,36,017

Other Information regarding loans repayable on demand

- a) Cash Credit Facility from Oriental Bank of Commerce amounting to Rs.5,96,87,139 (PY Rs.3,11,65,018) 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.
- b) Cash Credit Facility from ICICI Bank amounting to Rs. 1,32,67,082 (PY Rs.1,87,50,999) 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 MCLR - 1Y - 9.15% + Spread is 3.70%
- c) Packing Cash Credit Facility from Oriental Bank of Commerce amounting to Rs.Nil (PY Rs.66,70,000) is secured against hypothecation of paid stocks meant for export.

Unsecured Loan

The Company has taken inter corporate loan which carries interest 16.50% and are repayable before 31st March, 2018.

Note 10 : Trade Payables

Particulars	As at March 31, 2017	As at March 31, 2016
Due to Micro, Small and Medium Enterprises	1,23,97,836	88,28,347
Others	6,98,38,933	5,24,63,650
	8,22,36,769	6,12,91,997

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, 2017	As at March 31, 2016
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of accounting year;	1,23,97,836	88,28,347
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, 2017

(Amount in `)

Note 11 : Other Current Liabilities

Particulars	As at March 31, 2017	As at March 31, 2016
Current maturities of long-term debt	6,65,31,220	6,10,02,585
Current maturities of Advance Manufacturing Consideration (Refer Note 33(a) and 33(b))	57,77,208	2,41,30,030
Interest accrued but not due	7,21,427	5,27,782
Payable for Capital Goods	1,58,94,527	2,27,37,608
Duties & Taxes Payable	23,97,064	24,86,604
Rent Deposit Payable	2,00,000	3,40,000
Advance from Customer	80,44,860	87,87,090
Provision for Expenses	70,25,490	63,14,082
Other Payable	30,93,545	94,22,303
	10,96,85,341	13,57,48,084

Note 12 : Short-Term Provisions

Particulars	As at March 31, 2017	As at March 31, 2016
Provision for employee benefits:		
Gratuity	1,80,606	97,124
Provision for Tax (Net of Advance Tax)	40,50,756	45,65,957
	42,31,362	46,63,081

ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Amount in `)

Note 13 : Fixed Assets

Particulars	Gross Block					Accumulated Depreciation				Net Block	
	As at April 1, 2016	Additions during the Year	Additions/ (Deletion) on account of Exchange Differences	Deductions/ Adjustment made during the Year	As at March 31, 2017	Upto March 31, 2016	Depreciation charge for the year*	Adjustments or deductions	Upto March 31, 2017	As at March 31, 2017	As at March 31, 2016
Tangible Assets											
Land - Owned	48,19,242	-	-	-	48,19,242	-	-	-	-	48,19,242	48,19,242
Building - (Factory)	18,93,56,609	-	(2,67,954)	-	18,90,88,655	3,58,03,588	58,98,737	-	4,17,02,326	14,73,86,329	15,35,53,021
Building - (Office)	12,81,075	-	-	-	12,81,075	2,49,094	20,169	-	2,69,263	10,11,812	10,31,981
Plant & Machinery	57,34,59,683	3,47,42,858	(16,63,540)	7,03,000	60,58,36,000	16,01,30,136	2,20,30,879	2,11,333	18,19,49,682	42,38,86,318	41,33,29,547
Furniture & Fixtures	1,37,46,234	15,17,399	-	-	1,52,63,633	67,22,497	13,65,203	-	80,87,700	71,75,933	70,23,737
Vehicles	1,67,00,450	-	-	7,81,266	1,59,19,184	89,22,477	20,04,312	7,42,203	1,01,84,586	57,34,598	77,77,973
Office Equipments	1,07,32,502	62,408	-	-	1,07,94,910	1,03,15,534	1,87,793	-	1,05,03,327	2,91,583	4,16,968
Computers	46,92,901	49,350	-	-	47,42,251	42,26,356	3,34,438	-	45,60,794	1,81,457	4,66,545
Electrical Installations	1,50,18,626	13,42,113	(35,066)	-	1,63,25,672	42,60,499	19,89,378	-	62,49,877	1,00,75,797	1,07,58,126
Assets under Lease											
Buiding (Office)	1,42,05,600	-	-	-	1,42,05,600	9,18,871	2,24,722	-	11,43,593	1,30,62,007	1,32,86,729
Total	84,40,12,921	3,77,14,128	(19,66,561)	14,84,266	87,82,76,222	23,15,49,052	3,40,55,630	9,53,536	26,46,51,147	61,36,25,077	61,24,63,869
Previous Year	82,01,64,052	1,93,29,011	45,19,858	-	84,40,12,921	19,81,17,203	3,34,31,849	-	23,15,49,053	61,24,63,869	62,20,46,849

Capital Work in Progress

Nature of Assets	As at April 1, 2016	Additions during the Year	Capitalisation During the Year	As at March 31, 2017
Plant and Machinery	91,94,660	1,00,55,008	93,98,048	98,51,620
Electrical Installation	5,03,368	-	5,03,368	-
Pre - Operative Expenses	2,04,716	11,50,000	2,04,716	11,50,000
	99,02,744	1,12,05,008	1,01,06,132	1,10,01,620

ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Amount in `)

Note 14 : Non-Current Investments

Particulars	As at March 31, 2017	As at March 31, 2016
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
	5,51,895	5,51,895
Less : Provision for diminution in the value of Investments	1,51,875	1,66,945
	4,00,020	3,84,950
Particulars	As at March 31, 2017	As at March 31, 2016
Aggregate market value of quoted investments	4,00,020	3,84,950
Aggregate book value of quoted investments	5,51,895	5,51,895
Aggregate value of unquoted investments	-	-

**Note 15 : Long-Term Loans and advances
(Unsecured, considered good)**

Particulars	As at March 31, 2017	As at March 31, 2016
Capital Advances	90,00,000	-
Security Deposits	82,55,315	83,14,315
Balance with Government Authorities	97,86,959	1,28,92,564
MAT Credit Entitlement	1,85,15,163	95,64,366
Advance Tax & TDS (Net)	49,61,149	68,41,015
Prepaid Interest	-	5,18,118
	5,05,18,586	3,81,30,378

Capital Advances includes :

Particulars	As at March 31, 2017	As at March 31, 2016
Advance given to a Private Limited Company in which director of the Company is interested as director	90,00,000	-

Lactose (India) Limited**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2017**

(Amount in `)

Note 16 : Inventories

Particulars	As at March 31, 2017	As at March 31, 2016
<u>Valued at Cost or Net Realisable Value whichever is lower</u>		
Raw Materials and components	83,80,613	96,28,596
Work-in-progress	3,83,65,845	3,88,85,171
Finished goods	1,38,79,289	46,38,800
Stores, spares and other consumables	41,75,797	88,32,358
TOTAL	6,48,01,544	6,19,84,925

Note 17 : Trade Receivables

(Unsecured, considered good)

Particulars	As at March 31, 2017	As at March 31, 2016
Trade receivables outstanding for a period exceeding six months from the date they are due for payment	2,55,203	-
Others	9,02,26,738	9,04,83,962
	9,04,81,941	9,04,83,962

Trade Receivables stated above include debts due by:

Particulars	As at March 31, 2017	As at March 31, 2016
Due from a Private Limited Company in which director of the Company is interested as director	-	1,38,27,118

Note 18 : Cash and Bank Balances

Particulars	As at March 31, 2017	As at March 31, 2016
Cash & Cash Equivalents		
<u>Balances with banks</u>		
- Current Account	2,53,682	3,93,781
Cash on hand	3,20,933	10,18,402
Other Bank Balances		
Fixed Deposit (Held margin money against non fund based facilities)	48,83,497	19,23,579
	54,58,112	33,35,762

**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2017**

(Amount in `)

Note 19 : Short-Term Loans and Advances
(Unsecured, considered good)

Particulars	As at March 31, 2017	As at March 31, 2016
Advances Recoverable in cash or in kind	1,78,536	2,56,747
Balance With Government Authorities	63,90,745	8,59,242
Duties and Taxes Receivable	62,04,375	29,01,650
Advance to Suppliers	11,46,901	7,20,766
Prepaid Expenses	9,67,108	18,77,657
	1,48,87,665	66,16,062

Note 20 : Other Current Assets
(Unsecured, considered good)

Particulars	As at March 31, 2017	As at March 31, 2016
Interest Receivable	-	5,15,450
Other Receivable	-	1,05,00,000
	-	1,10,15,450

Note 21 : Revenue from operations

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Sale of products	35,11,66,313	34,42,01,345
Other operating revenue	68,16,691	69,66,473
	35,79,83,004	35,11,67,818
Less: Excise Duty	14,08,773	66,18,756
	35,65,74,231	34,45,49,062
Sale of Product Comprises of:		
Sales	4,80,05,517	10,16,60,210
Conversion Charges	30,31,60,796	24,25,41,135
	35,11,66,313	34,42,01,345
Other Operating Revenues		
Scrap Sales	10,39,483	11,89,265
Manufacturing Consideration (Refer Note 33)	57,77,208	57,77,208
	68,16,691	69,66,473
	35,79,83,004	35,11,67,818

Lactose (India) Limited**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2017**

(Amount in `)

Details of products sold

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Manufactured Goods		
Lactose Monohydrate IP/BP	-	4,07,58,750
Lactulose	2,14,72,838	2,35,00,923
Other	2,65,32,679	2,92,70,781
Traded Goods		
Low Density Polyethylene	-	81,29,756
	4,80,05,517	10,16,60,210

Note 22 : Other Income

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Interest Income		
Interest on Fixed Deposits	2,27,836	1,52,207
Interest on others	11,41,817	5,72,722
Rent Income	9,85,840	9,69,000
Profit on Sale of Non-Current Investments	-	88,00,000
Dividend	-	10,240
Reversal of Provision for diminution in the value of Investments	15,070	120
Sundry Balances written back (Net)	22,54,748	18,24,185
Miscellaneous Income	5,79,055	80,907
	52,04,366	1,24,09,381

Note 23 : Cost of materials consumed

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Raw Materials /Components		
Opening Stock	96,28,596	76,61,339
Add: Purchases	6,17,60,387	9,43,85,498
Less: Closing Stock	83,80,613	96,28,596
	6,30,08,370	9,24,18,242

Details of Raw Material Consumption

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Edible Lactose	-	2,02,96,958
Lactose Monohydrate IP/BP	2,68,02,262	3,03,55,080
Other	3,62,06,108	4,17,66,203
	6,30,08,370	9,24,18,241

ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Amount in `)

Note 24 : Purchase of Stock-in-Trade

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Purchases	-	79,68,769
	-	79,68,769

Details of Purchase of Stock-in-Trade

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Low Density Polyethylene	-	79,68,769
	-	79,68,769

Note 25 : Changes in inventories of finished goods, work-in-progress

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
<u>Opening 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
<u>Closing Inventory</u>		
Finished Goods	1,38,79,289	46,38,800
Work-In-Progress	3,83,65,845	3,88,85,171
	5,22,45,134	4,35,23,971
	(87,21,163)	(3,45,67,565)

Details of inventories of finished goods

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Finished Goods		
Lactulose	55,91,400	46,38,800
Other	82,87,889	-
Work - in - Progress		
Lactulose	3,83,65,845	3,39,78,176
Other	-	49,06,995
	5,22,45,134	4,35,23,971

Note 26 : Employee benefits expense

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Salaries and Wages	8,18,20,195	6,71,91,693
Directors Remuneration	82,87,800	77,32,800
Gratuity Expenses	6,22,077	10,56,304
Contribution to PF & Other Funds	14,22,076	13,85,697
Staff welfare expenses	5,45,953	6,24,467
	9,26,98,101	7,79,90,961

Note: Salaries and Wages include amount paid towards contractual wages Rs.4,68,63,244/- (P.Y. Rs.3,49,96,306/-).

Lactose (India) Limited**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2017**

(Amount in `)

Note 27 : Finance costs

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Interest Expenses		
Interest to Banks & Financial Institutions	3,69,48,228	3,93,44,277
Interest on Unsecured Loan	29,74,476	36,27,112
Bank Charges	19,35,125	11,84,222
	4,18,57,830	4,41,55,611

Note 28 : Other expenses

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Stores and spares consumed	75,73,555	1,16,00,476
Power and Fuel expenses	5,42,10,108	4,63,08,339
Laboratory materials consumed	28,33,901	24,69,717
Rent	24,75,159	23,72,847
<u>Repairs to :</u>		
- Building	14,35,609	15,73,246
- Machinery	14,87,759	12,14,377
- Others	20,31,801	18,85,860
Insurance Charges	10,74,889	11,02,240
Rates and Taxes	6,79,001	56,647
Legal and Professional	41,90,185	40,23,809
Communication Expenses	9,34,853	11,03,396
Auditor's Remuneration	7,31,158	6,57,023
Travelling Expenses	33,16,918	27,16,623
Freight Outward	7,81,596	3,81,903
Sales Promotion Charges	13,02,475	20,51,538
Bad Debts	-	80,32,071
Loss on Sale Of Fixed Assets	9,237	-
Foreign Exchange Loss (Net)	27,878	6,48,772
Miscellaneous Expenses	1,03,96,331	85,15,050
	9,54,92,414	9,67,13,935

Auditors Remuneration includes :

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Audit Fees	5,20,000	4,80,000
Taxation Matters	1,05,340	1,08,989
Other Services	1,05,818	68,034
TOTAL	7,31,158	6,57,023

ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Amount in `)

Note 29 : Earnings per equity share:

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Basic / Dilutive Earnings per Share		
Profit attributable to Equity shareholders	2,74,02,838	2,80,24,947
Weighted average number of equity shares	92,30,233	84,79,820
Basic Earnings Per Share	2.97	3.30
Dilutive Earnings Per Share	2.97	3.30
Face value per Share	10.00	10.00

Note 30 : Contingent Liabilities

Particulars	Year ended March 31, 2017	As at March 31, 2016
i) Disputed Income Tax Liability (A.Y. 2013-14)	20,22,573	20,22,573
ii) Guarantee given by Bank on behalf of the Company	1,05,000	1,05,000
iii) Letter of Credit	2,79,74,838	1,06,99,821
iv) Custom Duty against Export Obligation (Refer Note (a) below)	1,16,63,364	1,37,36,224
TOTAL	4,17,65,775	2,65,63,618

Note (a): The Company has obtained Advance Licence for purchase of raw material and license under Export Promotion Capital Goods Scheme (EPCG) for purchase of capital goods on zero percent custom duty. Under the both licence the Company needs to fulfill certain export obligations, failing which, it is liable for payment of custom duty. Export Obligations amounting to Rs.26,37,04,328 (PY Rs.37,12,79,689/-) needs to be completed under both the licence. This export obligation to be completed within 6 years from the date of purchase of respective EPCG license. In case of advance licence, export obligation to be completed within 18 months from the date of purchase of advance licence

Note 31 : Commitments

Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for is Rs. 2,47,50,000/- (PY: Rs.Nil/-).

Note 32 : 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 33 :

- 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.57,77,208/-) 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 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.Nil (P.Y.1,83,52,822/-) is disclosed under the head "Other Current liability".

Lactose (India) Limited**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2017**

(Amount in `)

Note 34 : Disclosure pursuant to Accounting Standard – 15 ‘Employee Benefits’

Assumptions	Year ended March 31, 2017	Year ended March 31, 2016
Salary Growth *	7.00%	7.00%
Discount Rate	6.85%	7.70%

* 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, 2017	Year ended March 31, 2016
Present value of obligation as at the beginning of the year:	46,52,315	40,94,513
Interest cost	3,18,684	3,15,278
Current service cost	5,50,828	4,66,766
Benefits paid	(66,856)	(4,98,502)
Actuarial (gain) / loss on obligation	(2,47,435)	2,74,260
Closing Present value of obligation	52,07,536	46,52,315

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

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Actuarial gain/ (loss) for the year obligation	-	-
Total (gain)/ loss for the year	(2,47,435)	2,74,260
Actuarial (gain)/ loss recognised during the year.	(2,47,435)	2,74,260

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

Particulars	Year ended March 31, 2017	As at March 31, 2016
Present value of obligation as at the end of the year	52,07,536	52,10,117
Funded value of assets (unfunded)	-	-
Net assets / (liability) recognised in balance sheet	(52,07,536)	(52,10,117)
- Non-Current Assets / (Liabilities)	(50,26,930)	(45,55,191)
- Current Assets / (Liabilities)	(1,80,606)	(6,54,926)

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

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Current service cost	5,50,828	4,66,766
Past service cost	-	-
Interest cost	3,18,684	3,15,278
Expected return on plan assets	-	-
Net actuarial (gain) / loss recognized in the year	(2,47,435)	2,74,260
Expenses recognised in the statement of profit and loss	6,22,077	10,56,304

ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Amount in `)

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

Particulars	Year Ended 31.03.2017	Year Ended 31.03.2016
Defined benefit obligation	52,07,536	52,10,117
Plan assets	-	-
Surplus/(deficit)	(52,07,536)	(52,10,117)
Experience adjustments on plan liabilities	(6,20,943)	1,53,964
Experience adjustments on plan assets	Nil	Nil
Actuarial gain/(loss) due to change in assumption	3,73,508	1,20,296

Amounts of Gratuity for the current and previous four year are as follows:

Particulars	As at year ended				
	31.03.2017	31.03.2016	31.03.2015	31.03.2014	31.03.2013
Defined benefit obligation	52,07,536	46,52,315	40,94,513	34,40,606	34,93,873
Plan assets	Nil	Nil	Nil	Nil	Nil
Surplus/ (deficit)	(52,07,536)	(46,52,315)	(40,94,513)	(34,40,606)	(34,93,873)
Experience adjustment of plan liabilities	(6,20,943)	1,53,964	(1,94,608)	(62,321)	(8,970)
Experience adjustment of plan assets	-	-	-	-	-
actuarial gain/(loss) due to change in assumption	3,73,508	1,20,296	3,38,991	2,803	-
Net actuarial loss/ (gain) for the year	(2,47,435)	2,74,260	1,44,383	(59,518)	(8,970)

Note 35 : 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 36 : 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	Mrs. Madhu Toshniwal
Enterprises having same Key Management Personnel and / or their Relatives	Eurolife Healthcare Private Limited
	Madhusa Projects Private Limited
	Madhusa Biotech Private Limited
	Lotus Global Private Limited
	Omega Colors Private Limited

Lactose (India) Limited**ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2017**

(Amount in `)

b. Transactions entered with Related Parties during the year

Name of Party	Nature of Transaction	Year ended March 31, 2017	Year ended March 31, 2016
Mr. Atul Maheshwari	Director's Remuneration	45,03,900	40,94,400
	Loans Taken	4,25,000	13,50,000
	Interest Expense	3,99,988	3,77,372
	Loan Repayment	-	20,12,500
Mrs. Sangita Maheshwari	Director's Remuneration	37,83,900	36,38,400
	Rent	4,68,000	4,32,000
	Advance Rent payment	-	2,20,000
	Loan Taken	30,75,457	39,25,000
	Loan Repayment	37,53,854	39,25,000
	Interest Expense	7,72,332	6,19,095
Mrs. Madhu Toshniwal	Consultancy Charges paid	5,65,000	3,90,000
	Sale of Investment (Shares)	-	70,00,000
Mr SS Toshniwal	Loan Taken	-	15,50,000
	Loan Repayment	25,00,000	15,50,000
	Interest Expense	7,23,925	9,88,559
	Sale of Investment (Shares)	-	70,00,000
Lotus Global Pvt Ltd	Purchases	-	35,785
Madhusha Projects Private Limited	Loan Taken	1,52,00,000	37,50,000
	Repayment of Loans Taken	1,12,00,000	37,50,000
	Interest Expense	3,11,385	7,21,022
	Advance received	33,73,234	-
	Sales	-	2,43,66,261
Madhusha biotech Private Limited	Advance against property	90,00,000	-
	Advance received back against property	-	60,00,000
Eurolife Healthcare Private Limited	Sales	1,72,90,618	23,11,850
	Purchases	-	6,857
	Reimbursement of Expenses	-	3,76,410
	Advance received	12,98,354	51,23,998
Omega Colors Private Limited	Loan Taken	50,00,000	-
	Interest Expense	69,640	-

ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Amount in `)

c. Balance Outstanding of Related Parties :

Name of Party	Receivable / Payable	As at March 31, 2017	As at March 31, 2016
Mrs Sangita Maheshwari	Loan Payable	59,37,500	60,00,000
	Interest Payable	1,72,994	89,416
	Director Remuneration Payable	3,43,200	2,51,950
	Advance given against rent	-	2,20,000
Mr. Atul Maheshwari	Loan Payable	36,25,000	32,00,000
	Interest Payable	94,180	1,20,027
	Director Remuneration Payable	3,93,200	3,13,250
Mrs. Madhu Toshniwal	Trade Payable	57,500	32,500
	Other receivable	-	97,93,210
Mr. SS Toshniwal	Loan Payable	55,00,000	80,00,000
	Interest Payable	24,44,742	17,93,210
	Other receivable	-	52,50,000
Lotus Global Pvt Ltd	Trade Payables	-	76,314
Madhusa biotech Private Limited	Capital Advance	90,00,000	-
Madhusa Projects Private Limited	Loan Payable	1,00,00,000	60,00,000
	Interest Payable	6,66,239	5,05,065
	Advance received	35,73,234	-
	Trade Receivables	-	1,38,27,118
Eurolife Healthcare Private Limited	Advance From Customer	12,98,354	51,23,998
Omega Colors Private Limited	Loan Payable	50,00,000	-
	Interest Payable	48,436	-

Note 37 : 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, 2017	Year ended March 31, 2016
Raw material	7,98,543	79,68,769
Capital goods	23,46,055	-
TOTAL	31,44,598	79,68,769

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

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Travelling Expenses	13,68,889	7,13,160
TOTAL	13,68,889	7,13,160

Lactose (India) Limited

ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Amount in `)

(c) Consumption of raw materials:

Particulars		Year Ended March 31, 2017		Year Ended March 31, 2016	
		Amount	Percentage	Amount	Percentage
Manufacturing	Imported	7,45,052	1.18%	2,02,96,958	22.00%
	Indigenous	6,22,63,318	98.82%	7,21,21,284	78.07%
TOTAL		6,30,08,370	100%	9,24,18,242	100%
Spares -	Imported	-	-	-	-
	Indigenous	75,73,555	100%	1,16,00,476	100%
TOTAL		75,73,555	100%	1,16,00,476	100%

Note 38 : Unhedged foreign currency exposure

Purpose	Currency	As at March 31, 2017		As at March 31, 2016	
		Amount in foreign currency	Amount in Rupees	Amount in foreign currency	Amount in Rupees
Advance received from customer	US Dollar	46,116	29,90,161	46,116	29,22,453
Loan payable	US Dollar	15,09,604	9,78,82,685	18,64,804	12,36,97,891
Trade Receivable	US Dollar	24,010	15,56,808	-	-
Trade Payable	US Dollar	-	-	44,988	29,84,185

Note 39 : The details of Specified Bank Notes (SBN) held and transacted during the period from 8th November, 2016 to 30th December, 2016 as per notification dated 30th March, 2017 issued by Ministry of Corporate Affairs is as follows :

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11. 2016	3,55,500	1,62,837	-
(+) Withdrawal from bank Accounts	-	3,74,000	3,74,000
(+) Permitted receipts	-	1,54,450	1,54,450
(-) Permitted payments	-	5,35,735	535,735
(-) Amount deposited in Banks	3,55,500	-	355,500
Closing cash in hand as on 30.12. 2016	-	1,55,552	(362,785)

Note 40 : 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. LLP

Chartered Accountants

Firm Registration No. 112081W/W100184

For and on behalf of the Board

LACTOSE (INDIA) LIMITED

Sd/-

Suresh Murarka

Partner

Mem. No. 44739

Place: Mumbai

Date: 20th May, 2017

Sd/-

Atul Maheshwari

Managing Director

DIN 00255202

Sd/-

Sangita Maheshwari

Whole Time Director & C.F.O.

DIN 00369898

Place: Mumbai

Date: 20th May, 2017

Sd/-

Jay Bhatt

Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017

(Amount in `)		
Particulars	Year ended March 31, 2017	Year ended March 31, 2016
A. Cash Flow from Operating Activities		
Net Profit before taxation	4,33,87,415	3,88,46,642
Adjustments for:		
Depreciation on fixed assets	3,40,55,630	3,34,31,849
Loss on sale of Fixed Assets	9,237	-
Interest expense	3,99,22,704	3,93,44,277
Deduct:		
Dividend Received	-	(10,240)
Profit on Sale of Investments	-	(88,00,000)
Interest income	(13,69,653)	(1,52,207)
Reversal of Provision for diminution in the value of Investments	(15,070)	(120)
Operating Profit before Working Capital changes	11,59,90,264	10,26,60,201
Adjustments for :		
(Increase) / Decrease in inventories	(28,16,618)	(4,16,82,154)
(Increase) / Decrease in trade receivables	2,022	(3,65,57,250)
Increase/(Decrease) in trade payable	2,09,44,773	1,83,69,946
Increase/(Decrease) in long term trade payable	(2,27,24,751)	33,32,714
Increase/(Decrease) in long term Liability	(2,33,98,563)	(1,34,80,374)
Increase/(Decrease) in other Current liabilities	(1,32,38,555)	(35,78,547)
Increase/(Decrease) in other current Assets	1,10,15,450	(1,05,63,493)
Increase/(Decrease) in short term provisions	83,482	(76,862)
Increase/(Decrease) in long term provisions	4,71,739	6,04,864
CASH GENERATED FROM OPERATIONS	8,63,29,243	1,90,29,046
Income tax Paid	(81,59,687)	(42,64,908)
Net Cash inflow from/ (outflow) from Operating activities	7,81,69,556	1,47,64,137
B. Cash Flow from Investing Activities		
Purchase of fixed assets (including Capital Work in Progress)	(3,68,46,443)	(1,93,50,092)
Sale Of Fixed Assets	5,21,493	-
Fixed Deposits with Banks	(29,59,918)	1,54,901
Sale of Investments	-	1,40,00,000
Long term loans & advances received back / (given)	(53,17,277)	1,19,13,798
Short term loans & advances received back / (given)	(82,71,603)	2,77,57,564
Interest received	13,69,653	1,52,207
Dividend received	-	10,240
Net Cash inflow from/ (outflow) from Investing activities	(5,15,04,095)	3,46,38,618

Lactose (India) Limited**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017**

(Amount in `)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
C. Cash Flow from Financing Activities		
Proceeds / (Repayment) of long term borrowings	(2,35,23,530)	(5,41,61,435)
Proceeds / (Repayment) of short term borrowings	1,86,18,204	2,65,02,616
Proceeds from issue of Share Warrant/ Equity shares	1,73,25,000	1,73,25,000
Interest paid	(3,99,22,704)	(3,93,44,277)
Net Cash inflow from/ (outflow) from Financing activities	(2,75,03,030)	(4,96,78,096)
Net increase / (decrease) in cash and cash equivalents	(8,37,569)	(2,75,341)
Cash and cash equivalents at the beginning of the year	14,12,183	16,87,524
Cash and cash equivalents at the end of the year	5,74,615	14,12,183

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, 2017	As at March 31, 2016
Cash in hand	3,20,933	10,18,402
Bank balances	2,53,682	3,93,781
	5,74,615	14,12,183

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., LLP

Chartered Accountants

Firm Registration No. 112081W/W100184

Sd/-

Suresh Murarka

Partner

Mem. No. 44739

Place: Mumbai

Date: 20th May, 2017

For and on behalf of the Board

LACTOSE (INDIA) LIMITED

Sd/-

Atul Maheshwari

Managing Director

DIN 00255202

Sd/-

Sangita Maheshwari

Whole Time Director & C.F.O.

DIN 00369898

Place: Mumbai

Date: 20th May, 2017

Sd/-

Jay Bhatt

Company Secretary

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 9th August 2017

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 Survey No. 6, Village Poicha (Rania) Savli, Vadodara Gujarat - 391780 at 4.00 p. m. on 9th of August 2017

Member / Proxy's Signature

ELECTRONIC VOTING PARTICULARS

----- ✂ ----- ✂ -----

EVSN (Electronic Voting Sequence Number)	User ID	(Pan / Seq.No)
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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 5th August 2017 from 9.00 a.m. onwards and ends on 8th August 2017 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 26th Annual General Meeting of the Company to be held on Wednesday, 9th August, 2017 at 4.00 p.m. at Survey No. 6, Village Poicha (Rania) Savli, Vadodara Gujarat - 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, 2017.
2. To appoint Mrs. Sangita Maheshwari as Director of the Company, who retires by rotation.
3. To appoint auditor and fix their remuneration.
4. To adopt new set of Articles of Association in place of existing.
5. To issue, offer and allot 10,60,000 Convertible Warrants on preferential basis.

Signed this _____ day of _____ 2017.

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