



**BAL PHARMA LIMITED**

Your Preferred Partner in  
**Quality Health Care**



**23<sup>rd</sup>** ANNUAL REPORT 2009-2010

**Board of Directors**

|                      |                          |
|----------------------|--------------------------|
| Mr. Shailesh Siroya  | - Managing Director      |
| Dr. S. Prasanna      | - Whole-time Director    |
| Mr. Shrenik Siroya   | - Non-executive Director |
| Dr. G.S.R. Subba Rao | - Independent Director   |
| Mr. Arun Bhan        | - Independent Director   |
| Mr. David Rasquinha  | - Nominee Director       |

**Company Secretary**

Mr. S. Ramji

**Registered Office**

# 21 & 22, Bommasandra Industrial Area,  
Hosur Road, Bangalore - 560 099.

**Plant Locations****Unit I : Formulations**

# 21 & 22, Bommasandra Industrial Area,  
Hosur Road, Bangalore - 560 099.

**Unit II : R & D Centre & Bulk Drugs**

# 61/B, Bommasandra Industrial Area,  
Hosur Road, Bangalore - 560 099.

**Unit III : Parenterals**

# 732/735, Off. National Highway, No. 4,  
Village Kenjal, Dist. Bhor, Maharashtra - 412 217.

**Unit IV : Formulations plant at Uttarakhand**

Plot # 1,2,3 & 69, Sector 4, IIE-Pantnagar,  
Rudrapur, Udham Singh Nagar, Uttarakhand - 263 153.

**Bankers**

Canara Bank  
Punjab National Bank  
EXIM Bank

**Statutory Auditors**

Ostawal & Jain

**Internal Auditors**

Ishwar & Gopal

**Registrar & Share Transfer Agent**

TSR Darashaw Limited,  
# 6-10, Haji Moosa Patrawala Industrial Estate,  
20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011.

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## NOTICE

**NOTICE IS HEREBY GIVEN THAT** the 23rd (Twenty third ) Annual General Meeting of the members of Bal Pharma Limited, will be held at 10.00 AM, on Monday, the 27th September, 2010 at Bharatiya Vidya Bhavan, Race Course Road, Bangalore - 560001 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2010, and the Profit and Loss Account for the financial year ended on that date and the Reports of the Directors and the Auditors thereon;
2. To appoint a Director in place of Mr.Shrenik Siroya, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr.G.S.R Subba Rao, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to authorize the Board to fix their remuneration.

By order of the Board

Bangalore  
09-08-2010

**S. Ramji**  
Company Secretary

**NOTES:**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING MAY APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE ON HIS/HER BEHALF A PROXY NEED NOT BE A MEMBER.**

Proxy, in order to be effective must be deposited the proxy instrument duly filled, at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting. Proxy Form is forwarded as detachable part of Annual Report;

2. Corporate Members intending to send their authorised representative to attend the meeting are requested to send a certified copy of the Board resolution authorizing their representative to attend and vote on their behalf at the meeting.
3. For convenience of the Members and for proper conduct of the meeting, entry to the place of meeting will be regulated by an attendance slip, which is forwarded as detachable part of Annual Report. Members are requested to affix their signature at the place provided in the attendance slip and hand it over at the entrance;
4. The Register of Members and Share Transfer Books of the Company will remain closed on 27-09-2010.
5. Members, who hold shares in dematerialized form, are requested to bring in their Client ID and DP ID nos. for easier identification of attendance at the meeting and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.
6. A member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at least 7 days prior to the meeting, so that, the required information can be made available at the meeting.

7. Members holding shares in physical form are requested to notify immediately any change in their address to the Company's Registrar and transfer Agent TSR Darashaw Limited. Members holds shares in electronic form may intimate any such changes to their respective Depository participants (DPs).
8. Members holding more than one share certificate in different folios are requested to kindly apply for consolidation of the folios and send the relative share certificates to the Company's Registrar and Share Transfer Agent, TSR Darashaw Limited, 503, Barton Centre, 84, M.G. Road, Bangalore – 560 001
9. Members are kindly requested to bring Annual Report 2009-10 along with them to the 23rd Annual General Meeting, since extra copies will not be supplied at the meeting.
10. In order to protect the investors from fraudulent encashment of their dividend warrants or Demand Drafts, the Company hereby offers Electronic Clearing Services (ECS) facility to the shareholders having Bank Accounts at Centers notified for ECS by RBI. RBI is continuously adding more centers for ECS and Members are kindly requested to check with their banker whether their place has been notified by RBI for the purposes of ECS. ECS mandate form is forwarded as detachable part of Annual Report. The Members from the ECS notified centers desirous of payment of dividend through ECS are requested to forward the ECS mandate form duly signed with the required annexure to Company's present Registrar and Share Transfer Agent, TSR Darashaw Limited, Bangalore, on or before 07.09.2010.
11. Pursuant to Section 205A (5) of the Companies Act, 1956, as amended, any money transferred to Unpaid Dividend Account and remaining unclaimed for a period of 7 (seven) years from the date of such transfer to the Unpaid Dividend Account shall be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government, and thereafter, the shareholders shall not be able to claim any Unpaid Dividend from the said fund or from the Company. The Company has since transferred the amount lying in the credit of Unpaid Dividend Account for the financial year 2001-02 to Investor Education and Protection Fund established by the Central Government as stipulated under Section 205C of the Companies Act, 1956 read with Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001. The members who have not encashed the Dividend Warrants for the financial years 2003 to 2004 onwards are requested to write to, TSR Darashaw Limited, the Registrars and Share Transfer Agents of the Company.
12. The Members may now avail of the facility of nomination by nominating, in the prescribed form, a person to whom your shares in the company shall vest in the event of death of member. Interested members may write to the Company's Registrar & Share Transfer Agent for the prescribed form.

By order of the Board

Bangalore  
09-08-2010

**S. Ramji**  
Company Secretary



**ADDITIONAL INFORMATION ON DIRECTORS SEEKING APPOINTMENT AT THE ANNUAL GENERAL MEETING:**

| <b>Name of the Director</b>                  | <b>Mr. Shrenik Siroya</b>  | <b>Dr. G.S.R Subba Rao</b>  |
|--|--|---|
| Date of Birth                                | 10-09-1964   | 21-08-1937  |
| Date of Appointment                          | 30-09-1997   | 08-07-2000  |
| Qualification                                | B.E ( UK)  | B.Sc ( Honors ), M.Sc, D.Sc, PhD, F.A.Sc, F.N.A   |
| Experience / Expertise                       | He has vast experience in managing huge construction contracts and in managing pharmaceutical Companies.   | Formerly Professor and Dean in Indian Institute of Science, (IISc) Bangalore, is also a consultant to many Indian and Foreign Pharmaceutical companies on synthesis of Drugs, intermediates, natural products, Steriod Hormones, combinatorial Synthesis. |
| Other Directorships                          | <ol style="list-style-type: none"> <li>1) Siroya Exports (P) Limited – Director</li> <li>2) Siroya Developers (P) Limited (Erstwhile Siroya Trading Co. (P) Limited) – Director</li> <li>3) Mokalsar Stone Private Limited – Director</li> <li>4) Siroya FM Construction Private Limited – Director</li> <li>5) Siroya Nabar Housing Private Limited - Director</li> <li>6) Mannath Developers (P) Limited - Director</li> <li>7) Siroya FM Infradevelopment (P) Limited - Director</li> <li>8) Basav Chem Limited – Director</li> <li>9) Mannath Properites (P) Limited - Director</li> </ol> | 1) Basav Chem Limited - Director  |
| Other Committee Memberships in the Company   | Bal Pharma Limited<br>a) Audit Committee : Member<br>b) Shareholders & Investors Grievances Committee : Member   | Bal Pharma Limited :<br>a) Audit Committee : Chairman<br>b) Remuneration Committee : Chairman<br>c) Shareholders & Investors Grievances Committee : Chairman  |
| Number of shares held directly or indirectly | 374,700 (3.59%) – Equity Shares  | 4,000 (0.4%)  |



## DIRECTORS' REPORT

To  
The Members

Your Directors have pleasure in presenting the 23rd Annual Report together with the Audited Accounts of the Company for the financial year ended on 31st March, 2010.

### I. FINANCIAL RESULTS:

(₹. in Lakhs)

| Particulars   | 2009-10          | 2008-09   |
|---|------------------|-----------|
| 1) Total Income   | <b>108,15.16</b> | 10667.67  |
| 2) Profits before Depreciation and provision for Taxation     | <b>195.47</b>    | 598.59    |
| <b>Less : Depreciation</b>                                    | <b>285.90</b>    | 188.58    |
| Profits before Taxation and prior year adjustments            | <b>(90.43)</b>   | 410.01    |
| <b>Less :</b>   |                  |           |
| 3) Provision for Taxation                                     | <b>7.33</b>      | 3.52      |
| 4) Fringe Benefit Tax   | -                | 23.47     |
| 5) Deferred Tax   | <b>44.94</b>     | 79.30     |
| 6) Extraordinary/ Non Recurring items                         | -                | -         |
| 7) Prior year adjustment                                      | <b>(0.18)</b>    | 4.44      |
|   | <b>52.08</b>     | 110.73    |
| <b>Add:</b>   |                  |           |
| 8) Profit & Loss Account balance at the beginning of the year | <b>142.89</b>    | 299.28    |
| 9) Profit made available for appropriation                    | <b>906.62</b>    | 699.32    |
|   | <b>763.74</b>    | 998.60    |
| <b>Less:</b>  |                  |           |
| 10) Proposed Dividend on Equity Shares                        | -                | 78.62     |
| 11) Tax on dividends  | -                | 13.36     |
|   | -                | (-) 91.98 |
| 12) Balance Carried to Balance Sheet                          | <b>763.74</b>    | 906.62    |

### 2. DIVIDEND:

In view of the results, your Directors have decided not to recommend payment of dividend for the year, 2009-10.

### 3. MANAGEMENT DISCUSSION AND ANALYSIS:

#### Global Pharmaceutical Industry Challenges

The global pharmaceutical business is becoming more complicated than ever before. Older business models are being challenged by competition; new verticals are coming into play. There will be new developments and alliances, as well as new opportunities and challenges. In such an environment only the rapid, clever and nimble will win.

If present industry overview is taken in to consideration, the global pharmaceutical market in 2010 is projected to grow 4% to 6% exceeding US\$ 825 billion. This growth will be largely driven by strong overall growth in the emerging countries, as well as the rising influence of healthcare access and funding on market demand. Moreover, the global market is expected to grow at 4-7% Compound Annual Growth Rate (CAGR) through 2013. Global pharmaceutical market value is expected to expand to \$975 plus billions by 2013.

#### EMERGING TRENDS:

Emerging markets are set to play a pivotal role in future pharmaceutical success. Emerging pharmaceutical markets are typically small. However, their rapid growth vis-à-vis the more regulated markets make them attractive prospects for the pharmaceutical industry. Rapidly growing economies, increasing population and greater health awareness combined with larger incomes to spend on healthcare will drive the growth of pharmaceuticals in emerging markets. By 2017, IMS forecasts revenues from emerging markets at US\$ 290 billion to US\$ 320 billion, with a CAGR of 12% to 15%.

#### INDIAN PHARMACEUTICAL INDUSTRY:

The Indian Pharmaceutical Industry ranks as a frontrunner among the Country's science based industries with wide ranging capabilities in the complex field of drug manufacture and technology. The industry has been growing at an impressive CAGR in excess of 8-9%, and will touch \$10 billions by 2010.

Indian pharmaceutical industry is the world's 13th largest in terms of value and 14th in terms of volume with over all 60,000 brands in over 60 therapeutic categories. India has world class facilities and expertise in manufacturing with the largest number



of US FDA approved manufacturing units in the world out side US. Ancillary industries are also well developed with support available locally. Quality bulk drugs at competitive prices are assured.

• **Global pharma looks to India: Prospects for growth:**

The huge potential of the Indian pharmaceuticals market is impossible for foreign companies to ignore, given that it will be one of the top 10 sales markets by 2020. India's population is growing rapidly, as is its economy – creating a large middle-class able to afford western medicines. India's epidemiological profile is also changing and the population is ageing, so demand is likely to increase for drugs for cardiovascular problems, disorders of the central nervous system and other chronic diseases such as diabetes which is increasing at an alarming rate. The total market is expected to rise to a value of approximately US \$50 billions by 2020.

**4. BUSINESS OPERATIONS:**

During the year, 2009-10 your Company has achieved an over all turnover of ₹ 108.15 crores as against ₹ 106.67 crores of the previous year. Thus registering a marginal growth of 1.39% on the top line. Despite a marginal increase in sales, the net results after tax decreased from ₹ 2.99 crores of the previous year to a net loss of ₹ 1.42 crores during the current year. The main reason for the fall in net profit is commissioning of our Uttarakhand plant, difference in product mix, and cut-throat competition from large pharma players in Indian and international markets.

The exports formulations division registered a growth of 42.34% by increasing its turnover from ₹ 22.39 crores in the previous year to ₹ 31.87 crores in the current year. Your Company expanded its presence in many new global markets such as Latin America and many African countries.

The bulk drug business both domestic and exports have been very encouraging with the growth of 44.36% as the turn over of the division reached ₹ 42.24 crores as against ₹ 29.26 crores in the previous year. Utilization of facility at Basav Chem Limited (wholly owned subsidiary Company) has also been to its full capacity. Regular supplies of the products are made to developed markets such as Europe, Japan, Australia and Canada where the products are already registered. Various DMF have been filed across the globe to increase our presence in other markets.

The over all exports of your Company increased (by 54.7%) to ₹ 57.35 crores as against 37.07 crores during the year 2008-09.

The govt. Institutional business made a turnover of ₹ 4.44 crores and the Ayurvedic Division has made a turn over of ₹ 2.04 crores during the year 2009-10.

Your Company's branded formulations divisions mainly consisting of Diabetic and Cardiac Products made a net sale of ₹ 23.36 crores as against ₹ 35.21 crores during the last year. This reduction in sales in branded formulation has affected the profit margins of the Company (34% shortfall during the year). This short fall in sale is due to mass attrition of a number of employees from major divisions of the Company.

Appropriate measures are being taken by your management to overcome the reduction in branded formulation sales and to retain the existing market.

**5. RESEARCH & DEVELOPMENT:**

The Research and Development division is actively engaged in the development, scale-up and commercialization of processes for the manufacture of high value API's in niche areas. Production of these products has enabled the Company to market them, both nationally and internationally.

All the products manufactured through the processes developed by the R&D division are backed by complete, internationally accepted, documentation and controls. The quality and purity of these products are established and maintained by sophisticated analytical methods and protocols developed in-house by the R&D and QC divisions.

The ready acceptance of our products in the international market is a clear indicator of their high quality. This is further reinforced by tight quality controls at every stage of the manufacturing process, leading to excellent quality characteristics in our APIs.

All this developmental work has resulted in the generation of valuable intellectual property (IP) which the Company is now in the process of patenting. Simultaneously, Bal Pharma has made a beginning in the development of new chemical entities and some promising leads have been obtained in this direction.

**6. AUDIT COMMITTEE:**

The Audit Committee, a sub-committee of the Board consists of Mr. David Rasquinha (nominee Director of EXIM Bank), Dr. G. S. R. Subba Rao, Independent Director and Mr. Shrenik Siroya, Non-Executive Director.

This Committee headed by Dr.G.S.R Subba Rao, has been discharging its duties under SEBI Guidelines read with the Listing Agreement. The said Committee is also functioning as Audit Committee under Section 292A of the Companies Act, 1956.



**7. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:**

Your Company has an adequate system of internal controls with clearly defined authority limits. They ensure that the Company's assets are protected against loss from unauthorised use or disposition and all transactions are authorised, recorded and reported in conformity with generally accepted accounting principles. These systems are designed to ensure accuracy and reliability of accounting data, promotion of operational efficiency and adherence to the prescribed management policies. These policies are periodically reviewed to meet current business requirements.

Internal Audit is carried out by Messrs. Ishwar & Gopal an independent firm of Chartered Accountants. They interact with the Audit Committee and have reported to the Directors that there is adequate internal control systems in respect of areas carried out by them.

**8. DIRECTORS' RESPONSIBILITY STATEMENT:**

In compliance to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to confirm with reference to statement of Accounts for the financial year ended 31.03.2010:

- (i) that in preparing the Annual Accounts, all applicable Accounting Standards have been followed;
- (ii) that the accounting policies adopted are consistently followed and the judgements or estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit and Loss Account of the Company for the financial year ;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities;
- (iv) That the Directors have prepared the annual accounts on going concern' basis.

**9. SUBSIDIARY COMPANIES:**

The Company had two wholly owned Subsidiary Companies during the financial year, 2009-10. One of the subsidiary companies, Novosynth Research Labs Private Limited applied for striking off its name from the register under Section 560 of the Companies Act, 1956 and the Amalgamation proceedings of Basav Chem Limited with Bal Pharma Limited is before the Honourable High Court of Karnataka.

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Company's interest in subsidiary company, Basav Chem Limited is as given in Annexure I forming part of the Director' Report.

**10. PARTICULARS OF EMPLOYEES:**

A statement of particulars of employees as required under Section 217(2A) of the Companies Act, 1956, is given as Annexure II and forms part of this report.

**11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:**

As per provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, details relating to the Conservation of Energy and Technology Absorption and Foreign Exchange Earnings and Outgoings are given in Annexure forming part of the Directors Report.

**12. PUBLIC DEPOSITS:**

As on date of the Report, the Company has not accepted any public deposits.

**13. DIRECTORS:**

As on date, your Board consists of 6 (six) Directors, 3 (three) of whom are Non-Executive Directors and of which 2 (two) are Independent Directors. 1 (one) of who is Nominee Director of Export Import Bank of India. 2 (two) of whom are Executive Directors. Mr. Shrenik Siroya, Non-Executive Director and Dr. G.S.R. Subba Rao, Independent Director of the Company who retire by rotation at the 23rd Annual General Meeting of the Company and being eligible, offer themselves for reappointment. Your Directors have pleasure in recommending their reappointments.

**14. AUDITORS:**

Messrs Ostawal & Jain, Chartered Accountants, Auditors of the Company, retire at the Annual General Meeting and are eligible for re-appointment.

**15. COST AUDIT:**

Pursuant to Section 233B of the Companies Act, 1956, the Central Government has prescribed Cost Audit of the Company's Formulations Division.

Subject to the approval of the Central Government, the Board has appointed Mr. G.I. Srinivasamurthy as Cost Auditor of the Company for the financial year, 2010-11. The Cost Audit is under process and the Company will submit the Cost Auditors' Report to the Central Government in time.



**16. EMPLOYEE STOCK OPTION SCHEME:**

Pursuant to the provisions of Guideline 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999, as amended, the details of stock options as on 31st March, 2010 under the “Bal Pharma Limited Employees Stock Option Scheme, 2006” is set out in the Annexure – III to the Directors Report.

**17. CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION TO SHARE HOLDERS:**

A detailed report on the Corporate Governance System and practices of the Company are given in a separate section in this Annual Report. Detailed information for the shareholders is given in Additional Shareholders information section.

**18. INSURANCE COVERAGE:**

The Board reports that your Company has adequately insured all the assets of the Company.

**19. APPRECIATION:**

Your Directors place on record their sincere appreciation for significant contribution made by the employees through their dedication, hard work and commitment and the trust reposed on us by the medical fraternity and the patients. Your Board also acknowledges the support and wise counsel extended by Canara Bank, Punjab National Bank, Exim Bank, State Bank of Indore and other Banks and financial institutions, government agencies, shareholders and investors at large. The Directors look forward to having the same support in the our endeavor to help people lead healthier lives.

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

**Bangalore  
9<sup>th</sup> August, 2010**

**Dr. S. Prasanna      Shailesh Siroya**  
Executive Director      Managing Director



**ANNEXURE TO THE DIRECTORS' REPORT**

**ANNEXURE I**

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, and forming part of Directors' Report for the financial year ended on 31<sup>st</sup> March, 2010:

**I. Conservation of Energy:**

| <b>A. POWER AND FUEL CONSUMPTION</b>   |        | <b>2009-10</b>    | <b>2008-09</b> |
|--|--------|-------------------|----------------|
| <b>I. Electricity</b>                  |        |                   |                |
| (a) Purchased Unit                     | (kwhr) | <b>2,7,86,290</b> | 20,88,962      |
| Total Amount                           | (₹.)   | <b>12,852,495</b> | 103,11,288     |
| Rate/Unit                              | (₹.)   | <b>4.61</b>       | 4.94           |
| <b>(b) Own Generation</b>              |        |                   |                |
| (i) Through Diesel Generator Units     | (kwhr) | <b>380,107</b>    | 12,26,027      |
| Units per ltr of Diesel                | (kwhr) | <b>3.17</b>       | 3.28           |
| Cost/unit                              | (₹.)   | <b>16.31</b>      | 11.01          |
| (ii) Through Steam Turbine / Generator |        | <b>Nil</b>        | Nil            |

**B. CONSUMPTION PER UNIT OF PRODUCTION**

| Standards * (if any) | <b>2009-10**</b> | <b>2008-09**</b> |
|----------------------|------------------|------------------|
| i. Electricity       |                  |                  |
| ii. Furnace Unit     |                  |                  |
| iii. Coal            |                  |                  |
| iv. Others           |                  |                  |

\* Owing to the range of products manufactured and the ever changing product mix, it has not been possible to establish standards relating to consumption of energy per unit of production;

\*\* For the same reasons and as per the Records and Books, maintained by the Company, under the Companies Act, 1956, the Company is not in a position to furnish the required information in the prescribed format for the current year and the previous year.

**2. Disclosure of Particulars with respect to Technology absorption:**

| <b>I. Research and Development (R &amp; D)</b>                  |  |
|---|--|
| (a) Specific areas in which R & D is carried out by the Company | The Company's Research and Development department is involved in the development of synthetic processes and procedures for new active pharmaceutical ingredients (APIs).   |
| (b) Benefits derived as a result of the above R & D             | These efforts of the Research & Development department have resulted in the Company being in a position to introduce relatively new medicines in the market. The therapeutic categories to which these medicines belong are antihistamine, antiseizure, anticancer, and dermatology. |

|                           |   |
|---------------------------|---|
| (c) Future plan of action | The Company is now laying greater emphasis on such Research and Development activities with a result of which there will be continued and increased activity in this field. |
|---------------------------|---|

| <b>(d) Expenditure on R &amp; D:</b>                      |  | <b>2009-10</b> | <b>2008-09</b> |
|---|--|----------------|----------------|
| (i) Capital   |  | Nil            | NIL            |
| (ii) Recurring  |  | 85.31          | 87.34          |
| (iii) <b>Total</b>  |  | <b>85.31</b>   | <b>87.34</b>   |
| (iv) Total expenditure as a percentage of total turn over |  | 0.79%          | 084%           |

**3. Technology Absorption, Adaptation and Innovation:**

|  |  |
|--|--|
| (i) Efforts in brief made towards technology absorption, adaptation and innovation   | Several innovative methodologies to prepare new drugs have been developed in-house in the R&D division. These have been absorbed and adopted and made applicable in scale-up operation in pilot plant and manufacturing sections of the company. |
| (ii) Benefits derived as a result of the above efforts e.g., product improvement, cost reduction, product development, import substitution, etc. | The new drugs so manufactured in the plant, adopting technologies developed in-house, are being offered in international markets where they have found ready acceptance.   |
| (iii) In case of imported technology (imported during the last 5 years from the financial year) following information may be furnished:          |  |
| (a) Technology imported  | Nil  |
| (b) Year of import   | Nil  |
| (c) Has the technology been fully absorbed   | Not applicable   |
| (d) If not fully absorbed, areas where this has not taken place, reason therefore and future plan of action:                                     | Not applicable   |

**4. Total Foreign Exchange Earnings and Outgo: (₹. in 000')**

|                                     | <b>2009-10</b>     | <b>2008-09</b> |
|-------------------------------------|--------------------|----------------|
|                                     | <b>(in ₹)</b>      | <b>(in ₹)</b>  |
| Total Foreign Exchange Earnings     | <b>5,73,528.36</b> | 349,531.75     |
| Total Foreign Exchange Outgo        | <b>329,380.48</b>  | 199,073.16     |
| (a) Raw Materials                   | <b>322,103.58</b>  | 186,572.88     |
| (b) Other Foreign currency payments |                    |                |
| (i) Travelling Expenses             | <b>1,612.47</b>    | 2,462.11       |
| (ii) Export Promotion Expenses      | <b>5,612.83</b>    | 5,421.77       |
| (iii) Others - Capital import       | <b>51.60</b>       | 4,616.40       |



**5. Statement pursuant to Section 212 of the Companies Act, 1956 :**

|     |  |   |                                |
|-----|--|---|--------------------------------|
| (1) | Name of the Company  | : | <b>Basav Chem Limited</b>      |
| (2) | The financial year of the subsidiary Company ended on  | : | 31 <sup>st</sup> March, 2010   |
| (3) | Date from which it became subsidiary   | : | 16-12-2007                     |
| (4) | Number of shares held by Bal Pharma with its nominees in the Subsidiary Company at the end of the financial year of the subsidiary company | : | 1,00,000 shares of ₹ 10/- each |
| (5) | Extent of interest of holding Company at the end of the financial year of the Subsidiary Company   | : | 100%                           |
| (6) | Net aggregate amount of the Subsidiary Company's profits (loss) so far it concerns the members of Holding Company                          | : | (₹ 879,777)                    |
|     | a. Not dealt within the holding Company's accounts:  |   |                                |
|     | (i) for the financial year ended on 31-3-2010  | : | Nil                            |
|     | (ii) for the previous financial years  | : | Nil                            |
|     | b. Dealt within the holding Company's accounts   |   |                                |
|     | (i) for the financial year ended on, 31-3-2010   | : | (₹ 879,777)                    |
|     | (ii) for the previous financial year   | : | (₹ 99,281)                     |

**ANNEXURE II**

Statement pursuant to Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975

| Sl. No. | Name & Designation                    | Qualification | Age | Gross Remuneration | Date of Commencement | Total Experience | Last Employment | Share holding 31-03-09 |
|---------|---------------------------------------|---------------|-----|--------------------|----------------------|------------------|-----------------|------------------------|
| I       | Shailesh Siroya*<br>Managing Director | MBA (Finance) | 44  | ₹ 40,00,000**      | 01.08.1994           | 18 years         | Business        | 6.40%                  |

\* Mr. Shailesh Siroya is relative of Mr Shrenik Siroya, Non- Executive Director of the Company.

\*\* Remuneration includes all costs incurred by the Company on the respective personnel i.e. basic salary & Allowances etc.

**ANNEXURE III**

Pursuant to the provisions of Guideline 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999, as amended, the discloser of the particulars of stock options scheme as on 31st March, 2010 under the “Bal Pharma Limited Employees Stock Option Scheme, 2006”

| Sl.No                                   | Description  | Details  |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
|---|--|--|------|------------------------|---------------|----------------------|--|--|-----------------|-------|--------|----------------------|-------|--------|---------------|-------|--------|---|--|--|--------------|-------|-------|---------------|-------|-------|----------------------|-------|-------|--------------------|-------|-------|---------------|-------|-------|------------------------|-------|-------|
| 1                                       | Options Granted  | 2,19,500   |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| 2                                       | The Pricing Formula  | <p>Bal Pharma Limited Employee Stock Option Scheme, 2006 provides for the grant of options as follows:</p> <p>The total number of options granted under ESOP, 2006 shall not exceed 5,22,300 options convertible in to shares of ₹10/- each approximately equivalent to 5% of the present issued equity share capital of the Company</p> <p>The Exercise Price per share shall be 50% of the latest available closing price, previous to the meeting of the Remuneration Committee, in which options are granted, on the Stock Exchange on which shares of the Company are listed and where there is highest trading volume on the said date.</p>  |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| 3                                       | Options vested   | 43,900 (20% of Options granted)  |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| 4                                       | Options Exercised  | 29   |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| 5                                       | The total number of shares arising as a result of exercise of option   | 37,000   |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| 6                                       | Options Lapsed   | <p>Due to rejection of options granted: 6100</p> <p>Due to Termination of employment: 800</p>  |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| 7                                       | Variation of terms of options  | N.A  |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| 8                                       | Money realised by exercise of options  | ₹ 582,750/-  |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| 9                                       | Total number of options in force   | Nil  |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| 10                                      | Details regarding option granted to Directors and Senior managerial personnel  | <table border="1"> <thead> <tr> <th>Name</th> <th>Exercise Price (in ₹.)</th> <th>No.of options</th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>(i) Directors</b></td> </tr> <tr> <td>Dr. S. Prasanna</td> <td>15.75</td> <td>20,000</td> </tr> <tr> <td>Dr. G.S.R. Subba Rao</td> <td>15.75</td> <td>20,000</td> </tr> <tr> <td>Mr. Arun Bhan</td> <td>15.75</td> <td>20,000</td> </tr> <tr> <td colspan="3"><b>(ii) Senior managerial personnel</b></td> </tr> <tr> <td>Mr. M.Sundar</td> <td>15.75</td> <td>8,000</td> </tr> <tr> <td>Dr. Nagarajan</td> <td>15.75</td> <td>8,000</td> </tr> <tr> <td>Dr. Sivaramakrishnan</td> <td>15.75</td> <td>8,000</td> </tr> <tr> <td>Mrs. Archana Mitra</td> <td>15.75</td> <td>8,000</td> </tr> <tr> <td>Mr. Kotian. C</td> <td>15.75</td> <td>8,000</td> </tr> <tr> <td>Mr. Raju Krishna Ekden</td> <td>15.75</td> <td>8,000</td> </tr> </tbody> </table> | Name | Exercise Price (in ₹.) | No.of options | <b>(i) Directors</b> |  |  | Dr. S. Prasanna | 15.75 | 20,000 | Dr. G.S.R. Subba Rao | 15.75 | 20,000 | Mr. Arun Bhan | 15.75 | 20,000 | <b>(ii) Senior managerial personnel</b> |  |  | Mr. M.Sundar | 15.75 | 8,000 | Dr. Nagarajan | 15.75 | 8,000 | Dr. Sivaramakrishnan | 15.75 | 8,000 | Mrs. Archana Mitra | 15.75 | 8,000 | Mr. Kotian. C | 15.75 | 8,000 | Mr. Raju Krishna Ekden | 15.75 | 8,000 |
| Name                                    | Exercise Price (in ₹.)   | No.of options  |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| <b>(i) Directors</b>                    |  |  |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| Dr. S. Prasanna                         | 15.75  | 20,000   |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| Dr. G.S.R. Subba Rao                    | 15.75  | 20,000   |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| Mr. Arun Bhan                           | 15.75  | 20,000   |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| <b>(ii) Senior managerial personnel</b> |  |  |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| Mr. M.Sundar                            | 15.75  | 8,000  |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| Dr. Nagarajan                           | 15.75  | 8,000  |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| Dr. Sivaramakrishnan                    | 15.75  | 8,000  |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| Mrs. Archana Mitra                      | 15.75  | 8,000  |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| Mr. Kotian. C                           | 15.75  | 8,000  |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
| Mr. Raju Krishna Ekden                  | 15.75  | 8,000  |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
|   | (iii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during the year.   | NIL  |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |
|   | (iv) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant. | NIL  |      |                        |               |                      |  |  |                 |       |        |                      |       |        |               |       |        |   |  |  |              |       |       |               |       |       |                      |       |       |                    |       |       |               |       |       |                        |       |       |



| Sl.No | Description   | Details                      |
|-------|---|------------------------------|
| 11    | Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earning Per Share'.   | (₹ 1.36/- per share)         |
| 12    | The difference between the employee compensation costs computed under Intrinsic Value Method and the employee compensation cost that shall have been recognized if the Company had used the Fair Value Methods and its impact on profits and on EPS of the Company. | ₹ 1,37,800/-<br><br>₹ 0.01/- |
| 13    | Weighted-average exercise prices and weighted-average fair values of options for an option whose exercise price either equal or exceeds or is less than the market price of the stock.  | ₹ 15.75/-                    |
| 14    | Description of the method and significant assumptions used during the year to estimate the fair values of options.  | Black Schole Method          |
|       | (i) Risk-free interest rate   | 8%                           |
|       | (ii) Expected life  | 60 months                    |
|       | (iii) Expected volatility   | -                            |
|       | (iv) Expected dividends, and  | NIL                          |
|       | (v) The price of the underlying share in market at the time of option grant   | ₹ 31.45/-                    |

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

**Bangalore  
9<sup>th</sup> August, 2010**

**Dr. S. Prasanna**  
Director

**Shailesh Siroya**  
Managing Director



## REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR, 2009-10

Bal Pharma Limited has a philosophy of Corporate Governance which stems from the belief that, timely disclosures, transparent accounting policies and a strong and independent Board of Directors to go a long way in preserving shareholders trust while maximizing long-term corporate values.

The report on Corporate Governance is pursuant to revised Clause 49 of the Listing Agreement entered in to with the stock exchanges and form part of the report of the Board of Directors. The Company has complied with all applicable requirements of the revised Clause 49 of the Listing Agreement.

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Corporate Governance is a journey for constantly improving sustainable value creation and is an upward moving target. We are committed to meeting the aspirations of our stake holders, including shareholder employees, the government, lenders and society. The Company believes that all of its operations and actions must serve the underlying goals of enhancing overall enterprise value and retain shareholders trust over a sustained period of time.

### 2. BOARD OF DIRECTORS & BOARD COMMITTEES

#### 2.1 Board Meetings:

In accordance with the provisions of the revised Clause 49 of the Listing Agreement, the Board meets at least once in every quarter to review the quarterly financial results and other items of the Agenda and, if necessary, additional meetings are held. The Board meets at least 4 (four) times in a year and the gap between two Board Meetings is not more than four months as per the revised Clause 49 of the Listing Agreement. The Board is appraised and informed of all the important information relating to the business of the Company. The Chairman of the Board, The Managing Director and the Company Secretary discuss the items to be included in the Agenda.

The Board comprises of 6 (six) Directors as on 31st March, 2010, with a Managing Director, 1 (one) Whole-time Director, 1 (one) non-executive Director, 3 (three) Independent Directors (including one nominee Director from Export Import Bank of India). 50% of the Board comprises of independent Directors as per the revised Clause 49 of the Listing Agreement. During the financial year, 2009-10 under review 5 (five) Board meetings were held on 28-05-2009, 29-06-2009, 27-07-2009, 31-10-2009, 27-01-2010 Compositions of the Board, attendance of the members of the Board at the Board meetings and Annual General Meeting along with their Chairmanship/Membership on Boards/Committees during the financial year, 2009-10 are furnished.

#### 2.2 Information placed before the Board :

Information placed before the Board of Directors broadly covers the items specified in revised Clause 49 of the Listing Agreement and such other items which are necessary to facilitate meaningful and focused deliberations on issues concerning the Company and taking decisions in an informed and efficient manner. Besides, the Directors on the Board have complete access to all information as and when necessary.

| Sl No. | Name of the Director | Category         | Attendance at  |                        | Total number of Directorships in Boards of public Limited companies on the date of this report | Total Number of memberships in Committees of Public Limited Companies on the date of this report |           |
|--------|----------------------|------------------|----------------|------------------------|--|--|-----------|
|        |                      |                  | Board Meetings | Last AGM on 25.09.2010 |  | As Chairman  | As Member |
| 1      | Mr. Shailesh Siroya  | Executive        | 05             | Yes                    | 03   | -  | 3         |
| 2      | Dr. S Prasanna       | Executive        | 05             | Yes                    | 02   | 1  | -         |
| 3      | Mr. Shrenik Siroya   | Non-executive    | 02             | No                     | 02   | -  | 3         |
| 4      | Dr. G.S.R. Subbarao  | Independent      | 03             | Yes                    | 01   | 3  | -         |
| 5.     | Mr. Arun Bhan        | Independent      | 03             | No                     | 05   | No   | 1         |
| 6.     | Mr. David Rasquinha  | Nominee Director | 05             | No                     | 02   | No   | 2         |

#### 2.3 BOARD COMMITTEES

Currently, the Board has 4 (four) Committees namely viz. (i) Audit Committee, (ii) Remuneration Committee (iii) Shareholders & Investors Grievances Committee, (iv) Banking Transaction Committee. The Board decides the terms of reference of these Committees and the assignment of its Members thereof.

**3. AUDIT COMMITTEE :**

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the Board's overall responsibilities, an Audit Committee has been constituted by the Board comprising of Three directors, majority of them are Independent Directors including one Nominee Director .The Chairman of the Audit Committee is an independent Director. The Company Secretary acts as the Secretary to the Audit Committee. The Audit Committee consists of the following Members;

| SI No. | Name of the Member            | Category               |
|--------|-------------------------------|------------------------|
| 1.     | Dr. G.S.R Subba Rao, Chairman | Independent Director   |
| 2.     | Mr. David Rasquinha, Member   | Nominee Director       |
| 3.     | Mr. Shrenik Siroya, Member    | Non-executive Director |

The primary objective of the Audit Committee is to monitor and provide effective supervision of our financial reporting process with a view towards ensuring accurate, timely proper disclosure and the transparency, integrity and quality of financial reporting. Our Audit Committee oversee the work carried out in the financial reporting process – by our management, the internal auditors and the independent auditors – and reviews the process and safeguards employed as per the Listing Agreement.

5 (five) Audit Committee meetings were held during the financial year, 2009-10, under review, and the gap between two meetings did not exceed 4 (four) months. These were held on 28-05-2009, 29-06-2009, 27-07-2009, 31-10-2009, 27-01-2010. The following table gives attendance of the Members in the Audit Committee Meeting:

| SI No. | Name of the Member            | Number of meetings attended |
|--------|-------------------------------|-----------------------------|
| 1      | Dr. G S R Subba Rao, Chairman | 3                           |
| 2      | Mr. Shrenik Siroya, Member    | 2                           |
| 3      | Mr. David Rasquinha , Member  | 5                           |

The terms of reference of the Committee also cover the matters specified under Section 292A of the Companies Act, 1956;

**4. REMUNERATION COMMITTEE AND REMUNERATION TO DIRECTORS:**

**4.1 Remuneration policy:** - The Managerial remuneration to Executive Directors of the Company is paid in terms of all applicable provisions / schedules of the Companies Act, 1956 and the rules made thereunder;

**4.2** Remuneration Committee is functioning with the following members as on 31st March, 2010.

| SI No. | Name of the Member            | Category               |
|--------|-------------------------------|------------------------|
| 1      | Dr. G.S.R Subba Rao, Chairman | Independent Director   |
| 2      | Mr. Arun Bhan, Member         | Independent Director   |
| 3      | Mr. Shrenik Siroya, Member    | Non-Executive Director |

**4.3** The terms of reference of the Committee cover the matters specified under revised Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The Committee also functions as 'Remuneration Committee' under Schedule XIII of the Companies Act, 1956;

**4.4** The Remuneration Committee was also authorised to function as 'Compensation Committee' under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;

**4.5** The Remuneration paid to Mr. Shailesh Siroya, Managing Director, Dr. S. Prasanna, Whole-time Director and sitting fee paid to Non-executive Director & Independent Directors during the financial year, 2009-10 are as under:

| SI No | Particulars          | Mr. Shailesh Siroya  | Dr. S Prasanna       | Mr. Shrenik Siroya | Dr. G S R Subba Rao | Mr. Arun Bhan    | Mr. David Rasquinha |
|-------|----------------------|----------------------|----------------------|--------------------|---------------------|------------------|---------------------|
| 1     | Salary & Perquisites | ₹ 40,00,000/-        | ₹ 20,40,000/-        | N.A                | N.A.                | N.A.             | N.A.                |
| 2     | Sitting Fees         | N.A                  | N.A                  | ₹ 11,000/-         | ₹ 8,000/-           | ₹ 3,000/-        | ₹ 10,000/-          |
|       | <b>Total</b>         | <b>₹ 40,00,000/-</b> | <b>₹ 20,40,000/-</b> | <b>₹ 11,000/-</b>  | <b>₹ 8,000/-</b>    | <b>₹ 3,000/-</b> | <b>₹ 10,000/-</b>   |

**5. SHAREHOLDERS' AND INVESTORS' GRIEVANCES COMMITTEE:**

5.1 The Committee consists of the following members of the Board:

| SI No. | Name of the Member            | Category               |
|--------|-------------------------------|------------------------|
| 1      | Dr. G S R Subba Rao, Chairman | Independent Director   |
| 2      | Mr Shrenik Siroya, Member     | Non Executive Director |
| 3      | Mr. Shailesh Siroya, Member   | Managing Director      |

5.2 The terms of reference of the Committee cover the matters specified under revised clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited;

5.3 The Committee regularly meets every fortnight to dispose of the matters under its reference;

5.4 Name and designation of the Compliance Officer: Mr. S.Ramji, Company Secretary;

5.5 Investor complaints handled:

| Year    | Opening balance as on 01.04.2009 | Received | Resolved | Pending as on 31.03.2010 |
|---------|----------------------------------|----------|----------|--------------------------|
| 2009-10 | NIL                              | 61       | 61       | NIL                      |

**6. OTHER COMMITTEES:****6.1 BANKING TRANSACTIONS COMMITTEE:**

Considering the size and the continuous growth of both the Company and its banking transactions, a Sub-Committee of Board, named Banking Transactions Committee was constituted on 30th April, 2006 for approving specific banking transactions, illustrated below:

- To review periodically the banking transactions of the Company;
- To open new bank accounts for the business purposes of the Company, wherever required;
- To close bank accounts of the Company, where required;
- To change signatories to the bank accounts of the Company, where required;
- To borrow funds from various Banks and financial institutions, not exceeding ₹ 50, 00,000/- (Rupees Fifty Lakhs only) for purchase of immovable assets like motor vehicles and utilities and to create charge on these assets;

The Committee comprises of Mr. Shailesh Siroya, Managing Director and Dr. S. Prasanna, Whole-time Director.

**7. GENERAL BODY MEETINGS:**

7.1 The last 3 Annual General Meetings were held as under:

| Financial Year | Date       | Time     | Location  |
|----------------|------------|----------|---|
| 2006-07        | 20-09-2007 | 4.00 PM  | Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001. |
| 2007-08        | 23-09-2008 | 4.00 PM  | Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001. |
| 2008-09        | 25-09-2009 | 10.30 AM | Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001. |

7.2 The special resolutions passed by the Company in its 20th 21st, 22nd Annual General Meeting(s) held on 20-09-2007, 23-09-2008, 25-09-2009 are as under ;

| Date of AGM | AGM No. | Business Transacted by Special Resolution                          |
|-------------|---------|--|
| 20-09-2007  | 20      | NIL  |
| 23-09-2008  | 21      | Revision in remuneration of Dr.S. Prasanna, Whole time Director    |
| 25-09-2009  | 22      | Revision in remuneration of Mr. Shailesh Siroya, Managing Director |



**08. POSTAL BALLOT** – The Company has not passed any resolution by way of Postal Ballot during the financial year 2009-10.

**09. DISCLOSURES:**

Messers Desa Marketing International, Bangalore, under an agreement with the Company, provides service support for enhancing and promoting business interests of the Company and also sourcing various products for the Company. Mr. Shailesh Siroya, Managing Director, is interested in the said agreement and the company has already got approval from the Central Govt. under Section 297 (1) of the Companies Act, 1956 and this agreement has been revised w-e-f 07.06.2008 for a period of three years.

**10. MEANS OF COMMUNICATIONS:**

Unaudited quarterly/half yearly financial results are published in widely circulating national dailies. Press release on the highlights of the quarterly/half yearly results is also given. These are, however, not sent individually to the shareholders. The results are also promptly forwarded to Bombay Stock Exchange Ltd., and National Stock Exchange of India Ltd., wherein the shares are listed. During the financial year 2009-10, the Company has not made any presentation to the institutional investors or analysts.

**11. GENERAL SHAREHOLDER INFORMATION:**

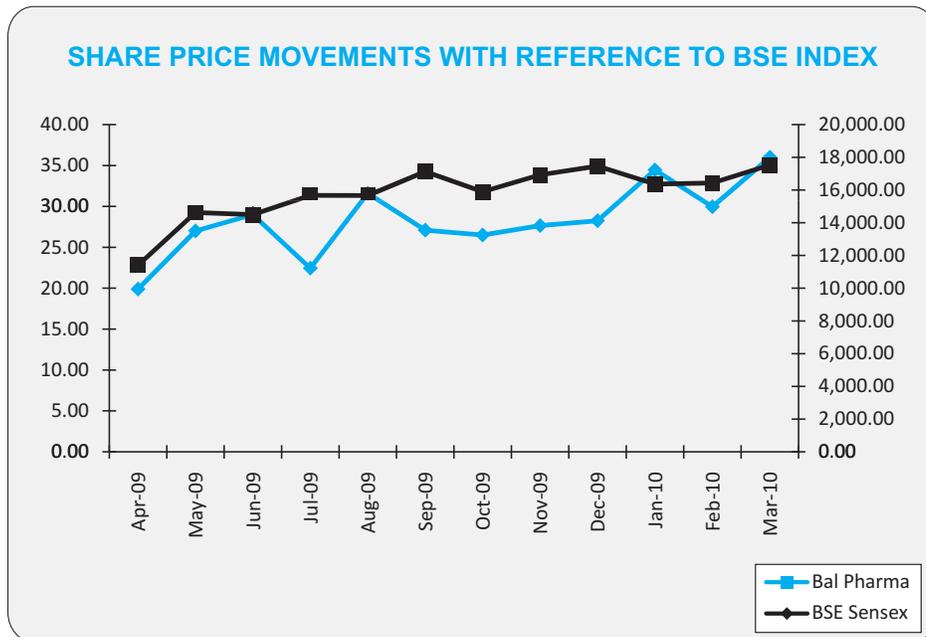
| Sl. No. | Item   | Particulars   |
|---------|--|---|
| 1       | Date of Incorporation  | May 19, 1987  |
| 2       | Date and Time of Annual General Meeting                        | 27th September, 2010 at 10.00 AM  |
| 3       | Venue of Annual General Meeting                                | Bharatiya Vidya Bhavan, Race Course Road, Bangalore - 560001.                     |
| 4       | Date of Book Closure   | 27-09-2010  |
| 5       | Financial Calendar   | 1st April, 2010 - 31st March, 2011  |
| 6       | Financial reporting for the first quarter ended on 30-06-2010  | Last week of July 2010  |
| 7       | Financial reporting for the second quarter ended on 30-09-2010 | Last week of October 2010   |
| 8       | Financial reporting for the third quarter ended on 31-12-2010  | Last week of January 2011   |
| 9       | Financial reporting for the year ended on 31-03-2011           | Last week of April, 2011  |
| 10      | Listing on Stock Exchanges                                     | Bombay Stock Exchange Ltd., (BSE)<br>National Stock Exchange of India Ltd., (NSE) |
| 11      | Stock Code   | BSE Scrip Code - 524824<br>NSE symbol – BALPHARMA                                 |
| 12      | ISIN Number  | INE083D01012  |
| 13      | Outstanding GDR/ADR Warrants                                   | Not Applicable  |

**12. MARKET PRICE DATA:**

Monthly high and low quotations as well as the volume of shares traded at Bombay Stock Exchange Ltd., during 2009-10 are as under:

| Month          | High (₹) | Low (₹) | Trade Volume |
|----------------|----------|---------|--------------|
| April 2009     | 19.90    | 15.29   | 13,00,489    |
| May 2009       | 27.00    | 16.50   | 26,34,403    |
| June 2009      | 29.00    | 20.4    | 58,41,506    |
| July 2009      | 22.45    | 18.00   | 28,53,848    |
| August 2009    | 31.60    | 18.00   | 1,91,42,700  |
| September 2009 | 27.10    | 23.50   | 27,56,387    |
| October 2009   | 26.50    | 23.50   | 19,22,107    |
| November 2009  | 27.65    | 23.10   | 22,81,356    |
| December 2009  | 28.25    | 25.05   | 25,60,064    |
| January 2010   | 34.45    | 26.25   | 63,55,972    |
| February 2010  | 29.95    | 23.15   | 15,53,588    |
| March 2010     | 36.00    | 23.75   | 2,17,64,665  |

\* Share price movements with reference to BSE Index



**12.1 DISCLOSURES REGARDING SUSPENSE ACCOUNT PURSUANT TO SEBI CIRCULAR NO. SEBI/CFD/DIL/LA/1/2009/24/04 DATED APRIL 24, 2009:**

As per the above mentioned Circular, Clause 5A stands for shares issued pursuant to the public issues or any other issue which remain unclaimed and are lying in the escrow account and any unclaimed benefits like Dividend, Bonus shares etc., which are to be credited to the Demat Suspense Account. Your Company is taking steps to streamline all the requirements.

**13. SHARE TRANSFER SYSTEM:**

The Company’s shares are traded in the Stock Exchanges compulsorily in the Demat mode. Share Certificates are either demated or returned within the time prescribed by the authorities.

Periodically, audits are carried out at the office of the Share Transfer Agents by independent Practising Company Secretary and requisite Certificates/Reports are obtained.

TSR Darashaw Limited, Mumbai is Registrar and Share Transfer Agents of the Company for both physical and electronic mode of transfer of share. Transfer of shares held in the physical mode are approved within a maximum period of 15 days, if found in order, in all respects. Shares under objection are returned within 7 days.

- 13.1** Share Transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects. The Demat Requests are processed within 21 days from the date of electronic request. The Shareholders and Investors Grievances Committee whose terms of reference includes approving transfer of shares meets every fortnight. Besides, the Company also engages a Practising Company Secretary to carry out periodical audits.

Shareholders’ correspondence should be addressed to the Company’s Registrar and Transfer Agents at the below – mentioned address. Members may also write to the Compliance Officer at the Office of the Company as stated below:

**Company Secretary & Compliance Officer**

Bal Pharma Limited,  
Corporate Office : 5th Floor, ‘Lakshmi Narayan Complex’,  
10/1, Palace Road, Bangalore – 560 052.  
Tel: 080 - 41379500 Fax: 080 - 22354057



**13.2 Registrars & Share Transfer Agents:**

**TSR Darashaw Limited,**  
6-10, Haji Moosa Patrawala Industrial Estate  
20 Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011.  
Phone:-91-22-66568484 Fax :-91-22-66568494  
Email: - csg-unit@tsrdarashaw.com

**Shareholders can also contact the branch offices/Agencies of TSR Darashaw Limited whose addresses are given below:**

- i. TSR Darashaw Limited, 503, Barton Centre, 84, MG Road, Bangalore – 560 001, Tel: 080-25580019/25320321, Fax: 080-25580019, Email: tsrdlbg@tsrdarashaw.com
- ii. TSR Darashaw Limited, Bungalow No: I E Road, Northern Town, Bistupur, Jamshedpur – 831001, Tel: 0657-2426616, Fax: 0657-2426937, Email: tsrdljsr@tsrdarashaw.com
- iii. TSR Darashaw Limited, Tata Centre, 1st floor, 43, Jawaharlal Nehru Road, Kolkata – 700071. Tel: 033- 22883087, Fax: 033-22883062, Email: tsrdlcal@tsrdarashaw.com
- iv. TSR Darashaw Limited, Plot No: 2/42, Sant Vihar, Ansari Road, Darya Ganj, New Delhi – 110002, Tel: 011-23271805, Fax: 011-23271802, Email: tsrdldel@tsrdarashaw.com

Agent: Shah Consultancy Services Ltd, Sumatinath Complex, 2nd Dhal Pritam Nagar, Ellisbridge, Ashram Road, Ahmedabad – 380006, Telefax: 079 – 26576038, Email ID: shahconsultancy@hotmail.com

**13.3 Statistics under physical transfer during the period from 01.04.2009 to 31.03.2010 :**

| Sl. No.      | Process Period | No. of Transfers | % to total Transfers | No. of Shares |
|--------------|----------------|------------------|----------------------|---------------|
| 1            | 01 -07 days    | 6                | 35.29                | 6400          |
| 2            | 08 - 15 days   | 10               | 58.82                | 1456          |
| 3            | 16 – 21 days   | 1                | 5.9                  | 100           |
| 4            | 22 - 25 days   | 0                | 0                    | 0             |
| 5            | 26 - 30 days   | 0                | 0                    | 0             |
| 6            | Beyond 30 days | 0                | 0                    | 0             |
| <b>TOTAL</b> |                | <b>17</b>        | <b>100</b>           | <b>7956</b>   |

**14. DISTRIBUTION OF SHAREHOLDINGS :**

| Sl. No.      | No. of Equity Shares Held | No. of A/c Holders | % of Shareholding of A/c holders | No. of share Holdings | % of Shareholding |
|--------------|---------------------------|--------------------|----------------------------------|-----------------------|-------------------|
| 1            | 1 TO 500                  | 6990               | 85.31                            | 1,093,392             | 10.43             |
| 2            | 501 TO 1000               | 619                | 7.55                             | 518,005               | 4.94              |
| 3            | 1001 TO 2000              | 275                | 3.36                             | 429,891               | 4.10              |
| 4            | 2001 TO 3000              | 101                | 1.23                             | 258,006               | 2.46              |
| 5            | 3001 TO 4000              | 62                 | 0.76                             | 222,337               | 2.12              |
| 6            | 4001 TO 5000              | 28                 | 0.34                             | 134,721               | 1.29              |
| 7            | 5001 TO 10000             | 61                 | 0.74                             | 438,309               | 4.18              |
| 8            | ABOVE 10000               | 58                 | 0.71                             | 7388,563              | 70.48             |
| <b>TOTAL</b> |                           | <b>8,194</b>       | <b>100</b>                       | <b>1,04,83,224</b>    | <b>100</b>        |

**15. CATEGORIES OF SHAREHOLDING:**

Distribution Schedule – category wise as on 31.03.2010

| Sl. No             | Category                         | No. of Shareholders | No. of Shares held | Percentage shareholding |
|--------------------|----------------------------------|---------------------|--------------------|-------------------------|
| 1.                 | FII                              | 0                   | 0                  | 0.00                    |
| 2.                 | Non-Resident                     | 61                  | 821476             | 7.84                    |
| 3.                 | Other Banks                      | 1                   | 1800               | 0.02                    |
| 4.                 | Mutual Fund                      | 1                   | 200                | 0.00                    |
| 5.                 | Bodies Corporate                 | 301                 | 721964             | 6.89                    |
| 6.                 | Promoters, Directors & Relatives | 30                  | 5421638            | 51.72                   |
| 7.                 | Indian Public                    | 7800                | 3516146            | 33.54                   |
| <b>Grand Total</b> |                                  | <b>8194</b>         | <b>10483224</b>    | <b>100</b>              |

**16. DEMATERIALISATION OF SHARES AND LIQUIDITY:**

The Company has signed agreements with Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL) for dematerialisation of the Company's shares. The ISIN number allotted for the Company is INE 083D01012.

**17. DEMAT PROCESSING SYSTEM:**

Demat Processed during the period 01.04.2009 to 31.03.2010

| SI No. | Process Period | No. of Demat Requests | % to total Requests | No. of Shares |
|--------|----------------|-----------------------|---------------------|---------------|
| 1      | 1 - 7 days     | 11                    | 28.95               | 2924          |
| 2      | 8 - 10 days    | 22                    | 57.89               | 728673        |
| 3      | 11 - 15 days   | 4                     | 10.53               | 657           |
| 4      | 16 - 20 days   | 1                     | 2.63                | 100           |
| 5      | 21 - 25 days   | 0                     | 0                   | 0             |
| 6      | 26 - 30 days   | 0                     | 0                   | 0             |
| 7      | Beyond 30 days | 0                     | 0                   | 0             |
|        | <b>Total</b>   | <b>38</b>             | <b>100</b>          | <b>732354</b> |

**18. DETAILS OF DEMAT THROUGH THE DEPOSITORIES:**

Holding break up in NSDL and CDSL as on 31.03.2010

| Depository Name | Number of Shareholders | No. of Shares Dematerialised | % to total holding |
|-----------------|------------------------|------------------------------|--------------------|
| NSDL            | 4631                   | 7585233                      | 72.36              |
| CDSL            | 1750                   | 1469544                      | 14.02              |
| <b>TOTAL</b>    | <b>6381</b>            | <b>9054777</b>               | <b>86.38</b>       |

**19. EMPLOYEES ACCESS TO AUDIT COMMITTEE (WHISTLE BLOWER POLICY):**

The Company promotes ethical behaviour in all its business activities and has put in place mechanism of reporting illegal or unethical behaviour. As per the requirement of revised Clause 49 of the Listing Agreement, the Company has issued a circular informing the employees about their right to access Audit Committee for the purpose of bringing to the Committee's notice unethical or improper practices in the Company. The Company affirms that no employee has been denied access to the Audit Committee. The Directors and management personnel are obliged to maintain confidentiality of such reporting and ensure that the whistle blowers are not subjected to any discriminatory practices.

**20. MANDATORY REQUIREMENTS UNDER CLAUSE 49 OF THE LISTING AGREEMENT :**

|   |  |
|---|--|
| (1) (a) Non Executive Chairman<br>(b) Tenure of Independent Directors | The Company has no Non-Executive Chairman<br>None of the Independent Directors are on Board for more than 9 years on date. |
| (2) Remuneration Committee  | The Board constituted a Remuneration Committee; a Sub-Committee of the Board.  |
| (3) Audit qualifications  | The statutory financial statements of the Company are unqualified.   |
| (4) Whistle Blower Policy   | A Whistle blower policy is in place  |

The Company is keen and shall be implementing other Non-mandatory requirements in phases in due course.

**21. ADDRESS FOR CORRESPONDENCE:**

**Mr. S. Ramji, Company Secretary & Compliance Officer**

Bal Pharma Limited

**Corporate Office:**

5th Floor, 'Lakshmi Narayan Complex',

10/1, Palace Road, Bangalore – 560052

Tel: 080 - 41379500 Fax: 080 - 22354057

E-mail: secretarial@balpharma.com, investor@balpharma.com



## CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

### To the Members of Bal Pharma Limited

- 1) I have examined the compliance of conditions of Corporate Governance by Bal Pharma Limited for the year ended, 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges, Mumbai.
- 2) The compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
- 3) In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
- 4) I state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.
- 5) I state that in respect of investors' grievances received during the year ended on 31st March, 2010 no investor grievances are pending against the Company as on 31st March 2010, as per the records maintained by the Company and presented to the Shareholders and Investors Grievances Committee.

Bangalore- 560052  
23rd August, 2010

**Vijaykrishna K. T.**  
Practising Company Secretary  
FCS – 1788; CP – 980

**TO THE MEMBERS OF M/s. BAL PHARMA LIMITED**

We have audited the attached Balance Sheet of Bal Pharma Limited as at 31 March 2010, the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report)(Amendment) order, 2004 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

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

- (i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (ii) In our opinion, proper books of accounts as required by law, have been kept by the Company so far as appears from our examination of those books;
- (iii) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable;
- (v) On the basis of the written representations received from the directors, as on 31 March 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 ; and
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, together with the notes thereon and attached thereto and subject to Note no.13

regarding non-confirmation of balances in parties accounts and pending review of old balances, give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company, as at 31st March 2010;
- (b) in the case of the Profit and Loss Account, of the Loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Ostawal & Jain**  
ICAI FRN NO. 002491S  
Chartered Accountants

Bangalore  
Date: 09.08.2010

**T. D. JAIN**  
Partner  
M.M.No: 12034

**ANNEXURE TO THE AUDITOR'S REPORT**

Annexure referred to in Paragraph 3 of the report of the Auditors to the members of Bal Pharma Limited for the year ended 31st March 2010:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. These fixed assets were physically verified by management according to a phased programme designed to cover all the items over a period of three years. Pursuant to the programme, physical verification of certain assets was carried out during the year and we have been informed that no material discrepancies were noticed on such physical verification. Substantial part of fixed assets have not been disposed off during the year, which will affect its status as going concern.
2. The stock of inventory has been physically verified during the year by the management at reasonable intervals. In our opinion, the procedures of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory. The discrepancies noticed during the physical verification of stocks as compared to book records were not material; however, the same has been properly dealt with in the books of account.
3.
  - (a) As per the records of the Company, it had granted interest free unsecured loan to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The Company has granted interest free unsecured advance to its subsidiary companies. The maximum amount involved ₹ 64, 86,537/- and the year end balance of loan was ₹ 64, 60,000/-.
  - (b) Based on the information received and the explanations given, the terms and conditions of the advance are prima facie not prejudicial to the interest of the Company.



- (c) As informed to us, no repayment was due during the year.
- (d) As per records of the Company, it has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly sub-clauses (f) and (g) of clause 4(iii) of the order is not applicable.
4. In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. We have not observed any major weakness in the internal control system during the course of our audit.
5. In our opinion, and according to the information and explanations given by the management, we are of the opinion that contracts and arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section and such transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the Company.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules prescribed by the Central government for maintenance of cost records under Section 209(1) (d) of the Act; and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not however made a detailed examination of records with a view to determining whether they are accurate and complete.
9. a) According to the information and explanations given to us and on the basis of our examination of books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs duty, Excise duty, Cess and any other material statutory dues during the year with the appropriate authorities.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues were in arrears as at 31 March 2010 for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us, there are no amounts in respect of Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty and Cess that have not been deposited with appropriate authorities on account of any dispute other than those mentioned in Annexure I to this report.
10. The Company has no accumulated losses. The Company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to its bankers or to any financial institution. The Company did not have any outstanding debentures during the year.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the Order is not applicable.
13. The Company is not a chit fund, nidhi or mutual benefit fund/society. Accordingly, clause 4(xiii) of the Order is not applicable.
14. Accordingly to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly clause 4(xiv) of the Order is not applicable.
15. Based on the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. In our opinion and according to information and explanations given to us and on the basis of examination of books of accounts, the term loans obtained by the Company were applied for the purpose for which such loans were obtained.
17. According to the information and explanations given to us, and on an overall examination of balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investments.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year. Accordingly, clause (xviii) of the Order is not applicable.
19. The Company has not issued any debentures. Hence the requirements of clause (xix) of paragraph 4 of the Order are not applicable to the Company.
20. The company has not raised any money by way of public issue during the year.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For **Ostawal & Jain**  
ICAI FRN NO. 002491S  
Chartered Accountants

Bangalore  
Date : 09.08.2010

**T. D. JAIN**  
Partner  
M.M.No: 12034



Annexure I as referred to para 9 of annexure to the auditor's report

| Name of the Statute                    | Nature of dues                  | Amount in ₹ | Period to which Amount relates | Forum where dispute is pending                 |
|--|---------------------------------|-------------|--------------------------------|--|
| The Central Excise Act, 1944           | Central Excise Duty and penalty | 8,68,598    | 2000-01                        | Customs, Excise, Service Tax Appellate, Mumbai |
| The Kerala General sales Tax Act, 1963 | Local Sales Tax                 | 7,49,720    | 2002-03                        | The Deputy Commissioner (Appeals), Ernakulam   |
| The Central Excise Act, 1944           | Central Excise Duty             | 10,34,757   | 1996-97                        | Supreme court of India                         |
| The Central Excise Act, 1944           | Central Excise Duty             | 8,98,929    | 1997-98                        | Supreme court of India                         |
| The Income Tax Act 1961                | TDS                             | 89,50,429   | 2004-05 to 2008-09             | Commissioner of Income Tax Appeals             |

#### On the Consolidated Financial statements of M/s. BAL PHARMA LTD., and its subsidiaries

We have examined the attached Consolidated Balance Sheet of M/s. Bal Pharma Ltd., ("the company") and its subsidiaries (collectively referred to as the "Bal Pharma's Group") as at 31 March 2010 and also the Consolidated profit and loss account and Consolidated cash flow statement for the year ended on that date annexed thereto. These Consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these Consolidated financial statements based on our audit.

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

The consolidated financial statements have been prepared by the company's management in accordance with the requirements of Accounting Standard (AS) '21-consolidated financial statements', issued by the Institute of Chartered Accountants Of India and on the basis of the separate audited financial statements of M/s. Bal Pharma Ltd., and

its subsidiary M/s. Basav Chem Ltd included in the consolidated financial statements.

In our opinion and to the best of our information and according to the explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of M/s. Bal Pharma Ltd., and its aforesaid subsidiaries, the Consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Consolidated Balance sheet of the consolidated state of affairs of Bal Pharma's Group as at 31 March 2010;
- (ii) in the case of Consolidated Profit and Loss Account, of the consolidated results of operations of Bal Pharma's Group for the year ended on that date; and
- (iii) in the case of Consolidated Cash Flow Statement, of the Consolidated cash flows of Bal Pharma's Group for the year ended on that date.

For **Ostawal & Jain**  
ICAI FRN NO. 002491S  
Chartered Accountants

Bangalore  
Date : 09.08.2010

**T. D. JAIN**  
Partner  
M.M.No: 12034



## BALANCE SHEET AS AT 31.03.2010

|  | SCH | AS AT 31.03.2010   |                    | AS AT 31.03.2009   |                    |
|--|-----|--------------------|--------------------|--------------------|--------------------|
|  |     | ₹                  | ₹                  | ₹                  | ₹                  |
| <b>SOURCES OF FUNDS</b>                          |     |                    |                    |                    |                    |
| <b>I. SHAREHOLDERS' FUND</b>                     |     |                    |                    |                    |                    |
| a. Share Capital                                 | 1   | 104,832,240        |                    | 104,832,240        |                    |
| b. Reserves & Surplus                            | 2   | 255,465,692        | 360,297,932        | 269,310,145        | 374,142,385        |
| <b>II. LOAN FUNDS</b>                            |     |                    |                    |                    |                    |
| a. Secured Loans                                 | 3   | 544,090,068        |                    | 463,390,933        |                    |
| b. Unsecured Loans                               | 4   | 97,470             | 544,187,538        | 8,292,182          | 471,683,115        |
| <b>III. DEFERRED TAX LIABILITY (NET)</b>         |     |                    |                    |                    |                    |
|  | 5   |                    | 61,775,598         |                    | 57,147,344         |
| <b>TOTAL</b>                                     |     |                    | <b>966,261,068</b> |                    | <b>902,972,844</b> |
| <b>APPLICATIONS OF FUNDS</b>                     |     |                    |                    |                    |                    |
| <b>I. FIXED ASSETS</b>                           |     |                    |                    |                    |                    |
| a. Gross Block                                   | 6   | 639,234,491        |                    | 663,911,101        |                    |
| b. Less: Accumulated Depreciation                |     | 145,403,116        |                    | 118,821,898        |                    |
| c. Net Block                                     |     | 493,831,375        |                    | 545,089,203        |                    |
| d. Capital Work in Progress                      |     | -                  | 493,831,375        | 3,987,740          | 549,076,943        |
| <b>II. INVESTMENTS</b>                           |     |                    |                    |                    |                    |
|  | 7   |                    | 550,000            |                    | 896,000            |
| <b>III. CURRENT ASSETS, LOANS &amp; ADVANCES</b> |     |                    |                    |                    |                    |
| a. Inventories                                   | 8   | 286,224,499        |                    | 239,369,107        |                    |
| b. Sundry Debtors                                |     | 319,172,267        |                    | 292,858,622        |                    |
| c. Cash & Bank Balances                          |     | 16,148,069         |                    | 14,478,522         |                    |
| d. Loans & Advances                              |     | 76,012,898         |                    | 72,516,877         |                    |
| <b>Total (A)</b>                                 |     | <b>697,557,733</b> |                    | <b>619,223,128</b> |                    |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>      |     |                    |                    |                    |                    |
| a. Current Liabilities                           | 9   | 269,999,020        |                    | 291,923,669        |                    |
| b. Provisions                                    |     | 7,999,658          |                    | 23,363,348         |                    |
| <b>Total (B)</b>                                 |     | <b>277,998,678</b> |                    | <b>315,287,017</b> |                    |
| <b>NET CURRENT ASSETS (A-B)</b>                  |     |                    | <b>419,559,055</b> |                    | <b>303,936,111</b> |
| <b>IV. INTANGIBLE ASSETS</b>                     |     |                    |                    |                    |                    |
| Gross Carrying Amount                            | 10  | 91,254,578         |                    | 82,723,689         |                    |
| Less: Cumulative Amortisation & impairment loss  |     | 38,933,940         |                    | 33,659,899         |                    |
| Net Carrying Amount                              |     |                    | 52,320,638         |                    | 49,063,790         |
| <b>TOTAL</b>                                     |     |                    | <b>966,261,068</b> |                    | <b>902,972,844</b> |
| <b>NOTES ON ACCOUNTS</b>                         | 20  |                    |                    |                    |                    |

As per our report of even date

For **OSTAWAL & JAIN**  
Chartered Accountants  
ICAI FRN No. 002491S

FOR &amp; ON BEHALF OF THE BOARD

**T. D. Jain**  
Partner  
M. No. 012034

**S. Ramji**  
AVP Finance & Company Secretary

**Dr. S. Prasanna**  
Director

**Shailesh Siroya**  
Managing Director

Bangalore  
09.08.2010

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010**

| Particulars   | SCH | Year Ended 31.03.2010 |                      | Year Ended 31.03.2009 |                      |
|---|-----|-----------------------|----------------------|-----------------------|----------------------|
|   |     | ₹                     | ₹                    | ₹                     | ₹                    |
| <b>I. INCOME</b>                                      |     |                       |                      |                       |                      |
| Sales & Services                                      | 11  | 1,081,515,642         |                      | 1,065,543,117         |                      |
| Less : Excise Duty                                    |     | 19,263,191            | 1,062,252,452        | 29,564,312            | 1,035,978,805        |
| Other Income  | 12  |                       | 29,404,630           |                       | 1,168,577            |
|   |     |                       | <b>1,091,657,082</b> |                       | <b>1,037,147,382</b> |
| <b>II. EXPENDITURE</b>                                |     |                       |                      |                       |                      |
| Cost of Materials Consumed                            | 13  | 600,000,868           |                      | 532,067,548           |                      |
| Manufacturing Expenses                                | 14  | 61,954,384            |                      | 48,876,970            |                      |
| Employees Remuneration & Benefits                     | 15  | 111,757,438           |                      | 102,132,216           |                      |
| Selling & Distribution Expenses                       | 16  | 185,346,254           |                      | 195,146,762           |                      |
| Administration Expenses                               | 17  | 44,431,900            |                      | 46,856,384            |                      |
| Financial Expenses                                    | 18  | 62,603,973            |                      | 47,120,796            |                      |
| Amortization of Intangible Assets                     | 19  | 5,274,041             |                      | 5,657,090             |                      |
| Depreciation  | 6   | 28,070,198            | 1,099,439,056        | 18,341,061            | 996,198,827          |
| <b>III. Profit for the year</b>                       |     |                       | <b>(7,781,974)</b>   |                       | 40,948,555           |
| Add/(Less) : Prior Year Adjustment                    |     |                       | -                    |                       | (411,280)            |
| <b>IV. Profit Before Income Tax</b>                   |     |                       | <b>(7,781,974)</b>   |                       | 40,537,275           |
| Provision for Income Tax - Current Year               |     |                       | -                    |                       | 1,628,385            |
| Provision for wealth tax                              |     |                       | 52,795               |                       | 40,613               |
| (Excess) / Short Provision for Tax - Earlier Years    |     |                       | 945,441              |                       | (1,318,398)          |
| Deferred Tax (As Per AS 22)                           |     |                       | 4,628,254            |                       | 7,822,681            |
| Fringe Benefit Tax                                    |     |                       | -                    |                       | 2,336,116            |
| <b>V. Profit After Tax</b>                            |     |                       | <b>(13,408,464)</b>  |                       | 30,027,878           |
| <b>VI. Balance Brought Forward From Previous Year</b> |     |                       | <b>94,364,195</b>    |                       | 73,534,953           |
|   |     |                       | <b>80,955,731</b>    |                       | 103,562,831          |
| <b>VII. Appropriations</b>                            |     |                       |                      |                       |                      |
| Proposed Dividend:                                    |     |                       |                      |                       |                      |
| - Equity Shares                                       |     |                       | -                    | 7,862,418             |                      |
| Provision for Corporate Tax on Dividend               |     |                       |                      |                       |                      |
| - Equity Shares                                       |     |                       | -                    | 1,336,218             | 9,198,636            |
| <b>VIII. Balance Carried to Balance Sheet</b>         |     |                       | <b>80,955,731</b>    |                       | 94,364,195           |
| <b>EARNINGS PER SHARE</b>                             |     |                       |                      |                       |                      |
| Basic EPS   |     |                       | (1.28)               |                       | 2.87                 |
| Diluted EPS   |     |                       | (1.27)               |                       | 2.85                 |
| No: of Equity Shares                                  |     |                       | 10,483,224           |                       | 10,483,224           |
| <b>NOTES ON ACCOUNTS</b>                              | 20  |                       |                      |                       |                      |

As per our report of even date

For **OSTAWAL & JAIN**  
Chartered Accountants  
ICAI FRN No. 002491S**FOR & ON BEHALF OF THE BOARD****T. D. Jain**  
Partner  
M. No. 012034**S. Ramji**  
AVP Finance & Company Secretary**Dr. S. Prasanna**  
Director**Shailesh Siroya**  
Managing DirectorBangalore  
09.08.2010



## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2010

|  | AS AT 31.03.2010 |             | AS AT 31.03.2009 |             |
|--|------------------|-------------|------------------|-------------|
|  | ₹                | ₹           | ₹                | ₹           |
| <b>SCHEDULE - I</b>  |                  |             |                  |             |
| <b>SHARE CAPITAL</b>   |                  |             |                  |             |
| <b>AUTHORISED</b>  |                  |             |                  |             |
| 11,000,000 ( P Y 11,000,000) Equity Shares of ₹ 10 each  | 110,000,000      |             | 110,000,000      |             |
| 400,000 ( P Y 400,000) Redeemable Preference Shares of ₹ 100 each  | 40,000,000       | 150,000,000 | 40,000,000       | 150,000,000 |
| <b>ISSUED, SUBSCRIBED &amp; PAID UP</b>  |                  |             |                  |             |
| <b>EQUITY SHARE CAPITAL</b>  |                  |             |                  |             |
| 10,483,224 ( P Y 10,483,224) Equity Shares of ₹ 10 each fully paid   |                  | 104,832,240 |                  | 104,832,240 |
|  |                  | 104,832,240 |                  | 104,832,240 |
| <b>Note:</b>   |                  |             |                  |             |
| 1. 3,040,000 equity shares of ₹10/- each have been issued as Bonus Shares by capitalisation of reserves  |                  |             |                  |             |
| 2. NIL ( P Y 37000 )equity shares of ₹10/-each have been allotted to the eligible employees of the Company on exercise of the vested stock in accordance with the terms of the 'Bal Pharma Limited ESOP (Refer note 16, Schedule 20) |                  |             |                  |             |
| <b>SCHEDULE - 2</b>  |                  |             |                  |             |
| <b>RESERVES &amp; SURPLUS</b>  |                  |             |                  |             |
| 1. Capital Reserve   |                  | 3,000,000   |                  | 3,000,000   |
| 2. Securities Premium  |                  |             |                  |             |
| Opening Balance  | 145,637,950      |             | 144,720,350      |             |
| Add: Premium on ESOP Allotment   | -                | 145,637,950 | 917,600          | 145,637,950 |
| 3. General Reserve   |                  | 24,015,000  |                  | 24,015,000  |
| 4. Employee Stock options outstanding  |                  |             |                  |             |
| Balance at the beginning   | 3,293,745        |             | 4,038,600        |             |
| Add : Options granted  | -                |             | -                |             |
| Less: Transferred to securities premium account on exercise of options   | -                |             | 704,850.00       |             |
| Less : Options forfeited/surrendered   | 1,190,625        |             | 40,005           |             |
| Balance at end of the Year (A)   | 2,103,120        |             | 3,293,745        |             |
| Deferred stock compensation cost   |                  |             |                  |             |
| Balance at the beginning   | 1,000,745        |             | 1,750,844        |             |
| Add : Options granted  | -                |             | -                |             |
| Less : Options forfeited/surrendered   | 1,190,625        |             | 40,005           |             |
| Less : Amorzaton   | (435,989)        |             | 710,094          |             |
| Balance at end of the Year (B)   | 246,109          |             | 1,000,745        |             |
| (A) - (B)  |                  | 1,857,011   | -                | 2,293,000   |
| 5. P & L Account -Surplus  |                  |             |                  |             |
| Opening Balance  | 94,364,195       |             | 73,534,953       |             |
| Add: Surplus for the year  | (13,408,464)     | 80,955,731  | 20,829,242       | 94,364,195  |
|  |                  | 255,465,692 |                  | 269,310,145 |
| <b>SCHEDULE - 3</b>  |                  |             |                  |             |
| <b>SECURED LOANS</b>   |                  |             |                  |             |
| <b>TERM LOANS</b>  |                  |             |                  |             |
| AXIS Bank  | -                |             | 1,433,132        |             |
| EXIM Bank  | 175,154,637      |             | 189,660,800      |             |
| State Bank of Indore   | 32,488,866       |             | 17,398,455       |             |
| Others   | 4,466,087        | 212,109,590 | 5,545,977        | 214,038,364 |
| <b>WORKING CAPITAL LOAN</b>  |                  |             |                  |             |
| Canara Bank  | 166,419,609      |             | 92,594,271       |             |
| Exim Bank  | 34,530,834       |             | 14,100,334       |             |
| Punjab National Bank   | 129,204,629      |             | 88,691,617       |             |
| ICICI Bank Ltd.,   | 1,825,406        | 331,980,478 | 53,966,347       | 249,352,569 |
|  |                  | 544,090,068 |                  | 463,390,933 |



**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2010 (Contd...)**

|  | AS AT 31.03.2010 |                   | AS AT 31.03.2009 |                   |
|--|------------------|-------------------|------------------|-------------------|
|  | ₹                | ₹                 | ₹                | ₹                 |
| <b>SCHEDULE - 4</b>                              |                  |                   |                  |                   |
| <b>UNSECURED LOANS</b>                           |                  |                   |                  |                   |
| Punjab National Bank                             |                  | 97,470            |                  | 6,169,002         |
| Department of Scientific and industrial Research |                  | -                 |                  | 2,123,180         |
|  |                  | <b>97,470</b>     |                  | <b>8,292,182</b>  |
| <b>SCHEDULE - 5</b>                              |                  |                   |                  |                   |
| <b>DEFERRED TAX LIABILITY</b>                    |                  |                   |                  |                   |
| Opening Balance                                  |                  | 57,147,344        |                  | 49,324,663        |
| Add: Liability created for the year              |                  | 4,628,254         |                  | 7,822,681         |
|  |                  | <b>61,775,598</b> |                  | <b>57,147,344</b> |

**SCHEDULE 6**

**FIXED ASSETS AS ON 31.03.2010**

| ASSETS                   | GROSS BLOCK        |                   |                   |                    | DEPRECIATION       |                   |                  |                    | NET BLOCK          |                    |
|--------------------------|--------------------|-------------------|-------------------|--------------------|--------------------|-------------------|------------------|--------------------|--------------------|--------------------|
|                          | As at 01.04.2009   | Additions         | Deletions         | AS AT 31.03.2010   | AS AT 01.04.2009   | For the Year      | Deletions        | AS AT 31.03.2010   | AS AT 31.03.2010   | AS AT 31.03.2009   |
| Leasehold Land           | 12,493,430         | -                 | -                 | 12,493,430         | -                  | 146,982           | -                | 146,982            | 12,346,448         | 12,493,430         |
| Freehold Land            | 29,015,735         | -                 | 23,318,252        | 5,697,483          | -                  | -                 | -                | -                  | 5,697,483          | 29,015,735         |
| Building                 | 199,862,832        | 2,034,757         | 10,762,500        | 191,135,089        | 23,625,195         | 6,478,175         | 1,108,167        | 28,995,203         | 162,139,886        | 176,237,637        |
| Plant & Machinery        | 194,015,100        | 2,168,999         | 297,329           | 195,886,770        | 32,579,494         | 9,267,262         | 41,876           | 41,804,880         | 154,081,890        | 161,435,606        |
| Utilities                | 105,779,371        | 2,333,780         | 3,222,911         | 104,890,240        | 24,752,527         | 4,967,695         | 338,937          | 29,381,285         | 75,508,955         | 81,026,844         |
| Furniture & Fixtures     | 14,616,846         | 2,924,145         | -                 | 17,540,991         | 5,158,252          | 1,016,753         | -                | 6,175,005          | 11,365,986         | 9,458,594          |
| Misc Fixed Assets        | 90,992,369         | 1,965,483         | -                 | 92,957,852         | 26,968,344         | 4,544,391         | -                | 31,512,735         | 61,445,117         | 64,024,025         |
| Vehicles                 | 17,135,418         | 1,497,218         | -                 | 18,632,636         | 5,738,086          | 1,648,940         | -                | 7,387,026          | 11,245,610         | 11,397,332         |
| <b>Total</b>             | <b>663,911,101</b> | <b>12,924,382</b> | <b>37,600,992</b> | <b>639,234,491</b> | <b>118,821,898</b> | <b>28,070,198</b> | <b>1,488,980</b> | <b>145,403,116</b> | <b>493,831,375</b> | <b>545,089,203</b> |
| Previous Year            | 363,648,835        | 302,376,908       | 21,114,642        | 663,911,101        | 101,175,038        | 18,341,061        | 694,201          | 118,821,898        | 545,089,203        | 262,473,797        |
| Capital Work-in Progress |                    |                   |                   |                    |                    |                   |                  |                    | -                  | 3,987,740          |

|  | AS AT 31.03.2010 |                    | AS AT 31.03.2009 |                    |
|--|------------------|--------------------|------------------|--------------------|
|  | ₹                | ₹                  | ₹                | ₹                  |
| <b>SCHEDULE - 7</b>  |                  |                    |                  |                    |
| <b>INVESTMENTS</b>   |                  |                    |                  |                    |
| <b>QUOTED :</b>  |                  |                    |                  |                    |
| Non Trade :(at Cost) (Market Value as on 31.03.2010 not available) |                  |                    |                  |                    |
| (i) Lamina Foundries Limited                                       |                  |                    |                  |                    |
| 10,000 (P.Y. 10,000) Equity Shares of ₹ 10 each fully paid         |                  | 371,850            |                  | 371,850            |
| (ii) Sri Jayalakshmi Autospin Limited                              |                  | 736,000            |                  | 736,000            |
| 73,600 (P.Y. 73,600) Equity Shares of ₹ 10 each fully paid         |                  |                    |                  |                    |
| Less: Provision for diminution in value                            |                  | <b>(1,107,850)</b> |                  | <b>(1,107,850)</b> |

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2010 (Contd...)**

|  | AS AT 31.03.2010   |                    | AS AT 31.03.2009   |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | ₹                  | ₹                  | ₹                  | ₹                  |
| <b>UN QUOTED :</b>   |                    |                    |                    |                    |
| <b>Trade :</b>   |                    |                    |                    |                    |
| <b>In Subsidiary Company</b>   | <b>346,000</b>     | <b>-</b>           | <b>346,000</b>     |                    |
| Novosynth Research Labs Pvt. Ltd.,<br>(346 Equity Shares(PY 346) of ₹ 1000 each fully paid)                          |                    |                    |                    |                    |
| Less : Provision for diminution  | <b>346,000</b>     | <b>-</b>           | <b>-</b>           | <b>346,000</b>     |
| Basav Chem Limited<br>(100,000 Equity Shares ( PY-NIL) of ₹ .10 each fully paid)                                     |                    | <b>500,000</b>     |                    | <b>500,000</b>     |
| <b>Non Trade :</b>   |                    |                    |                    |                    |
| EQUITY SHARES of<br>The Shamrao Vithal Co- Operative Bank Ltd.,<br>(5,000 Shares( PY 5,000) of ₹ 10 each fully paid) |                    | <b>50,000</b>      |                    | <b>50,000</b>      |
|  |                    | <b>550,000</b>     |                    | <b>896,000</b>     |
| <b>SCHEDULE- 8</b>   |                    |                    |                    |                    |
| <b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>  |                    |                    |                    |                    |
| <b>1. INVENTORIES</b><br>(As valued & certified by the Management)   |                    |                    |                    |                    |
| Raw Materials  | <b>75,208,578</b>  |                    | <b>78,991,015</b>  |                    |
| Packing Materials  | <b>20,233,352</b>  |                    | <b>14,635,467</b>  |                    |
| Work in Progress   | <b>41,316,481</b>  |                    | <b>50,193,765</b>  |                    |
| Finished Goods   | <b>148,136,117</b> |                    | <b>94,513,402</b>  |                    |
| Stores & Consumables   | <b>1,329,971</b>   | <b>286,224,499</b> | <b>1,035,458</b>   | <b>239,369,107</b> |
| <b>2. SUNDRY DEBTORS</b><br>(Unsecured, considered good)   |                    |                    |                    |                    |
| Debts outstanding for more than six months   | <b>58,903,510</b>  |                    | <b>55,148,859</b>  |                    |
| Other Debts  | <b>260,268,757</b> | <b>319,172,267</b> | <b>237,709,763</b> | <b>292,858,622</b> |
| <b>3. CASH &amp; BANK BALANCES</b>   |                    |                    |                    |                    |
| Cash in Hand   | <b>206,487</b>     |                    | <b>269,279</b>     |                    |
| Balance with Scheduled Banks:  |                    |                    |                    |                    |
| - In EEFC  | <b>733,208</b>     |                    | <b>852,333</b>     |                    |
| - In Fixed Deposit   | <b>12,282,950</b>  |                    | <b>11,630,591</b>  |                    |
| - in Current Account   | <b>2,925,425</b>   | <b>16,148,069</b>  | <b>1,726,319</b>   | <b>14,478,522</b>  |
| <b>4. LOANS &amp; ADVANCES</b><br>(Unsecured, considered good)   |                    |                    |                    |                    |
| Advances recoverable in cash or in kind or for value to be received  | <b>35,407,576</b>  |                    | <b>17,229,787</b>  |                    |
| Deposit with Govt. dept. & Others  | <b>24,310,790</b>  |                    | <b>30,655,908</b>  |                    |
| Advance Income Tax & TDS   | <b>1,389,068</b>   |                    | <b>11,643,250</b>  |                    |
| Advance to suppliers   | <b>8,207,783</b>   |                    | <b>6,166,124</b>   |                    |
| Indira Vikas Patra   | <b>3,000</b>       |                    | <b>3,000</b>       |                    |
| National Savings Certificate   | <b>10,725</b>      |                    | <b>10,725</b>      |                    |
| Advance to Subsidiary Companies  | <b>6,460,000</b>   |                    | <b>6,462,755</b>   |                    |
| Interest Accrued but not due on deposits   | <b>223,956</b>     | <b>76,012,898</b>  | <b>345,328</b>     | <b>72,516,877</b>  |
|  |                    | <b>697,557,733</b> |                    | <b>619,223,129</b> |



**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2010 (Contd...)**

|   | AS AT 31.03.2010 |                    | AS AT 31.03.2009 |                    |
|---|------------------|--------------------|------------------|--------------------|
|   | ₹                | ₹                  | ₹                | ₹                  |
| <b>SCHEDULE- 9</b>  |                  |                    |                  |                    |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>                   |                  |                    |                  |                    |
| <b>CURRENT LIABILITIES</b>                                    |                  |                    |                  |                    |
| Trade Creditors :   |                  |                    |                  |                    |
| - Dues to medium and small enterprises( Refer notes SI No 25) | -                |                    | -                |                    |
| - Other Dues  | 171,732,096      |                    | 164,167,683      |                    |
| Capital Creditors   | 4,725,428        |                    | 17,434,076       |                    |
| Creditors for Expenses  | 40,084,356       |                    | 44,236,325       |                    |
| Advances from customers                                       | 20,308,091       |                    | 27,166,447       |                    |
| Dues to Subsidiaries  | 1,095,649        |                    | 817,121          |                    |
| Other Current Liabilities                                     | 19,860,424       |                    | 27,739,581       |                    |
| Book Overdraft on account of issue of cheques                 | 1,609,801        |                    | 1,280,091        |                    |
| Deposits received from customers                              | 9,196,954        |                    | 8,021,954        |                    |
| Unclaimed Rights Issue Application Money                      | 141,750          |                    | 141,750          |                    |
| Unclaimed Dividends- Equity (Refer Notes SI No 26)            | 1,244,471        | 269,999,020        | 918,641          | 291,923,669        |
| <b>PROVISIONS</b>   |                  |                    |                  |                    |
| Gratuity  | 7,921,645        |                    | 7,435,580        |                    |
| Provision for Tax   | 78,013           |                    | 4,393,016        |                    |
| Provision for Fringe Benefit Tax                              | -                |                    | 2,336,116        |                    |
| Dividend Payable(Equity Shares)                               | -                |                    | 7,862,418        |                    |
| Corporate Tax on Dividend Payable:                            |                  |                    |                  |                    |
| Equity Shares   | -                | 7,999,658          | 1,336,218        | 23,363,348         |
|   |                  | <b>277,998,678</b> |                  | <b>315,287,017</b> |

**SCHEDULE 10**

**INTANGIBLE ASSETS AS ON 31.03.2010**

| INTANGIBLE ASSETS       | Gross Carrying Amount |                  |                                   |                   | Cumulative Amortization |                              |                                  | Net Carrying amount |                   |                   |
|-------------------------|-----------------------|------------------|-----------------------------------|-------------------|-------------------------|------------------------------|----------------------------------|---------------------|-------------------|-------------------|
|                         | As on 01.04.2009      | Additions        | Gross carrying amount adjustments | As at 31.03.2010  | As on 01.04.2009        | Amortization during the year | Retirement/ Disposal adjustments | As at 31.03.2010    | as at 31.03.2010  | As at 31.03.2009  |
| R & D expenses          | 71,033,217            | 8,530,889        | -                                 | 79,564,106        | 23,114,378              | 5,045,057                    | -                                | 28,159,435          | 51,404,671        | 47,918,839        |
| Development expenditure | 11,690,472            | -                | -                                 | 11,690,472        | 10,545,521              | 228,984                      | -                                | 10,774,505          | 915,967           | 1,144,951         |
| <b>Total</b>            | <b>82,723,689</b>     | <b>8,530,889</b> | <b>-</b>                          | <b>91,254,578</b> | <b>33,659,899</b>       | <b>5,274,041</b>             | <b>-</b>                         | <b>38,933,940</b>   | <b>52,320,638</b> | <b>49,063,790</b> |
| Previous Year           | 73,990,185            | 8,733,504        | -                                 | 82,723,689        | 28,002,809              | 5,657,090                    | -                                | 33,659,899          | 49,063,790        | 45,987,376        |

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010**

|   | 2009-2010            |                      | 2008-2009            |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | ₹                    | ₹                    | ₹                    | ₹                    |
| <b>SCHEDULE - 11</b>                                  |                      |                      |                      |                      |
| <b>INCOME FROM SALES &amp; SERVICES</b>               |                      |                      |                      |                      |
| Exports:  |                      |                      |                      |                      |
| Sales   | 573,528,355          |                      | 368,465,586          |                      |
| Incentives  | 13,832,643           |                      | 6,563,942            |                      |
|   | <u>587,360,998</u>   |                      | <u>375,029,528</u>   |                      |
| Domestic Sales  | 532,014,635          |                      | 725,861,412          |                      |
|   | <u>1,119,375,633</u> |                      | <u>1,100,890,940</u> |                      |
| Less: Goods Returns                                   | 40,150,485           | 1,079,225,148        | 42,999,917           | 1,057,891,023        |
| Conversion charges                                    |                      | 2,290,494            |                      | 7,652,094            |
|   |                      | <u>1,081,515,642</u> |                      | <u>1,065,543,117</u> |
| <b>SCHEDULE - 12</b>                                  |                      |                      |                      |                      |
| <b>OTHER INCOME</b>                                   |                      |                      |                      |                      |
| Interest -  |                      |                      |                      |                      |
| Bank  |                      | 728,794              |                      | 1,080,398            |
| Dividend Income                                       |                      | 8,888                |                      | 8,888                |
| Foreign exchange fluctuation (Net)                    |                      | 7,849,579            |                      | -                    |
| Profit on Sale of Fixed Assets (Net)                  |                      | 18,882,954           |                      | -                    |
| Misc. Income  |                      | 272,633              |                      | 6,976                |
| Provisions / Creditors no longer payable written back |                      | 1,661,782            |                      | 72,315               |
|   |                      | <u>29,404,630</u>    |                      | <u>1,168,577</u>     |
| <b>SCHEDULE- 13</b>                                   |                      |                      |                      |                      |
| <b>COST OF MATERIALS CONSUMED</b>                     |                      |                      |                      |                      |
| <b>RAW MATERIALS</b>                                  |                      |                      |                      |                      |
| Opening Stock   | 78,991,015           |                      | 82,853,951           |                      |
| Add : Purchases                                       | 553,156,784          |                      | 369,453,146          |                      |
| Less : Closing Stock                                  | 75,208,578           | 556,939,221          | 78,991,015           | 373,316,082          |
| <b>PACKING MATERIALS</b>                              |                      |                      |                      |                      |
| Opening Stock   | 14,635,467           |                      | 17,291,457           |                      |
| Add : Purchases                                       | 56,493,994           |                      | 46,064,651           |                      |
| Less : Closing Stock                                  | 20,233,352           | 50,896,109           | 14,635,467           | 48,720,641           |
| <b>WORK IN PROGRESS</b>                               |                      |                      |                      |                      |
| Opening Stock   | 50,193,765           |                      | 55,653,735           |                      |
| Closing Stock   | 41,316,481           | 8,877,284            | 50,193,765           | 5459970              |
| <b>FINISHED GOODS</b>                                 |                      |                      |                      |                      |
| Opening Stock   | 94,005,657           |                      | 97,431,481           |                      |
| Less:Closing Stock                                    | 148,136,117          | (54,130,460)         | 94,005,657           | 3,425,824            |
| <b>PURCHASE OF TRADED GOODS</b>                       |                      |                      |                      |                      |
|   |                      | 37,418,713           |                      | 101,145,031          |
|   |                      | <u>600,000,868</u>   |                      | <u>532,067,548</u>   |

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010**

|  | 2009-2010  |             | 2008-2009  |             |
|--|------------|-------------|------------|-------------|
|  | ₹          | ₹           | ₹          | ₹           |
| <b>SCHEDULE - 14</b>                             |            |             |            |             |
| <b>MANUFACTURING EXPENSES</b>                    |            |             |            |             |
| Consumables and Stores-opening stock             | 1,035,458  |             | 1,269,518  |             |
| Add : Purchases                                  | 10,836,257 |             | 8,384,693  |             |
| Less : Closing Stock                             | 1,329,971  | 10,541,744  | 1,035,458  | 8,618,753   |
| Power & Fuel                                     | 18,336,936 |             | 19,470,973 |             |
| Water Charges                                    | 1,091,185  |             | 1,090,004  |             |
| Laboratory and Testing                           | 5,645,031  |             | 5,375,265  |             |
| Labour charges paid                              | 11,547,292 | 36,620,444  | 4,782,349  | 30,718,591  |
| Repairs & Maintenance:                           |            |             |            |             |
| Building   | 82,736     |             | 41,254     |             |
| Machinery  | 4,352,638  |             | 3,575,707  |             |
| Others   | 7,116,889  | 11,552,263  | 4,721,631  | 8,338,592   |
| Excise duty on finished goods stock              |            | 3,239,934   |            | 1,201,034   |
|  |            | 61,954,384  |            | 48,876,970  |
| <b>SCHEDULE - 15</b>                             |            |             |            |             |
| <b>EMPLOYEES REMUNERATION &amp; BENEFITS</b>     |            |             |            |             |
| Salaries Wages & Allowances                      |            | 88,601,547  |            | 76,557,537  |
| Bonus & Exgratia                                 |            | 3,037,791   |            | 3,284,876   |
| PF & E.S.I Contributions                         |            | 6,936,567   |            | 6,961,730   |
| Employees Welfare                                |            | 6,380,049   |            | 6,137,197   |
| Recruitment & Training                           |            | 711,408     |            | 1,157,316   |
| Gratuity   |            | 486,065     |            | 1,803,466   |
| Amortization of deferred stock compensation cost |            | (435,989)   |            | 710,094     |
| Remuneration to Directors                        |            | 6,040,000   |            | 5,520,000   |
|  |            | 111,757,438 |            | 102,132,216 |
| <b>SCHEDULE - 16</b>                             |            |             |            |             |
| <b>SELLING &amp; DISTRIBUTION EXPENSES</b>       |            |             |            |             |
| Advertisement                                    |            | 221,768     |            | 246,578     |
| Seminar, Conference & Exhibition Expenses        |            | 3,686,942   |            | 2,925,755   |
| Freight & Handling Charges on Export Sales       |            | 26,913,697  |            | 15,980,426  |
| Commission on Sales                              |            | 4,188,078   |            | 4,896,422   |
| Field Staff Salaries & Incentives                |            | 55,669,865  |            | 68,902,125  |
| Field Staff Travelling Expenses                  |            | 33,583,783  |            | 37,261,036  |
| Freight Outwards & Others                        |            | 6,131,736   |            | 8,741,193   |
| Breakages & Expired Goods                        |            | 21,719,582  |            | 7,761,790   |
| Other Selling Expenses                           |            | 20,119,804  |            | 32,646,992  |
| Sales Promotional Items                          |            | 13,110,999  |            | 15,784,445  |
|  |            | 185,346,254 |            | 195,146,762 |



## SCHEDULES FORMING PART OF PROFIT &amp; LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010

|  | 2009-2010  |                   | 2008-2009  |                   |
|--|------------|-------------------|------------|-------------------|
|  | ₹          | ₹                 | ₹          | ₹                 |
| <b>SCHEDULE - 17</b>                     |            |                   |            |                   |
| <b>ADMINISTRATION EXPENSES</b>           |            |                   |            |                   |
| Travelling expenses - Inland             |            |                   |            |                   |
| - Directors                              | 280,313    |                   | 422,825    |                   |
| - Others                                 | 2,802,582  |                   | 4,388,769  |                   |
| Travelling expenses - Foreign            |            |                   |            |                   |
| - Directors                              | 2,333,172  |                   | 566,754    |                   |
| - Others                                 | 3,521,625  | 8,937,692         | 2,694,781  | 8,073,129         |
| Repairs and Maintenance - Office         | 1,408,611  |                   | 1,876,063  |                   |
| Rates & Taxes                            | 2,541,171  |                   | 829,463    |                   |
| Conveyance                               | 2,745,689  |                   | 3,257,862  |                   |
| Postage, Telegram & Telephone            | 3,659,616  |                   | 3,787,144  |                   |
| Legal & Professional charges             | 4,709,916  |                   | 5,181,582  |                   |
| Printing & Stationery                    | 3,663,200  |                   | 3,782,416  |                   |
| Insurance                                | 2,847,093  |                   | 2,375,900  |                   |
| Rent                                     | 5,917,704  |                   | 7,655,948  |                   |
| Donations                                | 26,500     |                   | 14,401     |                   |
| Directors Sitting fees                   | 34,200     |                   | 69,550     |                   |
| Electricity Charges                      | 819,142    |                   | 752,729    |                   |
| Audit Fees                               | 320,200    |                   | 334,521    |                   |
| Balances / Advances baddebts written off | 23,554     |                   | 2,140,852  |                   |
| Security Charges                         | 1,594,029  |                   | 962,491    |                   |
| Registration Fees                        | 1,119,363  |                   | 80,327     |                   |
| Vehicle Operation and Maintenance        | 2,106,267  |                   | 2,442,600  |                   |
| Foreign exchange fluctuation (Net)       | -          |                   | 748,638    |                   |
| Loss on Sale of Fixed Assets (Net)       | -          |                   | 177,771    |                   |
| Subscription & Membership                | 1,087,118  |                   | 1,983,785  |                   |
| Diminution in the value of Investment    | 346,000    |                   | -          |                   |
| Miscellaneous Expenses                   | 524,835    | 35,494,208        | 329,212    | 38,783,255        |
|  |            | <b>44,431,900</b> |            | <b>46,856,384</b> |
| <b>SCHEDULE - 18</b>                     |            |                   |            |                   |
| <b>FINANCIAL CHARGES</b>                 |            |                   |            |                   |
| Interest on Term Loan                    | 27,089,227 |                   | 7,945,183  |                   |
| Interest on Working Capital Loan         | 27,682,559 |                   | 29,103,721 |                   |
| Other Interest                           | 1,842,331  | 56,614,117        | 2,218,093  | 39,266,997        |
| Bank Charges                             |            | 5,989,856         |            | 7,853,799         |
|  |            | <b>62,603,973</b> |            | <b>47,120,796</b> |
| <b>SCHEDULE - 19</b>                     |            |                   |            |                   |
| <b>AMORTISATION OF INTANGIBLE ASSETS</b> |            |                   |            |                   |
| Development Expenses                     |            | 228,984           |            | 228,984           |
| Research and Development Expenses        |            | 5,045,057         |            | 5,428,106         |
|  |            | <b>5,274,041</b>  |            | <b>5,657,090</b>  |



## SCHEDULE 20

### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31.03.2010**

#### **A. SIGNIFICANT ACCOUNTING POLICIES**

##### **a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements are prepared and presented in accordance with Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The Management evaluates and adopts all recently issued or revised accounting standards on an ongoing basis.

##### **b) USE OF ESTIMATES**

The preparation of the financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenditure for the year. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

##### **c) REVENUE RECOGNITION**

Revenue from domestic sale of goods is recognized when significant risks and rewards in respect of ownership of products are transferred to customers. Revenue from export sales is recognized when the significant risks and rewards of ownership of products are transferred to the customer, which is based upon the terms of the applicable contract.

Revenue from product sales is stated inclusive of Excise Duty and exclusive of returns, sales tax and applicable trade discounts and allowances.

Service income is recognized as per the terms of contracts with customers when the related services are performed, or the agreed milestones are achieved.

Dividend income is recognized when the unconditional right to receive the income is established. Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Export entitlements under the Duty entitlement Pass Book ('DEPB') and Focus Marketing incentive scheme are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

Profit on sale of investments is recorded on transfer of title from the company and is determined as the difference between the sales price and the then carrying value of the investment.

##### **d) FIXED ASSETS**

Fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use and all pre-operative expenses till the commencement of commercial production are capitalized.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress.

##### **e) DEPRECIATION**

Depreciation on owned fixed assets is provided for on the straight line method as per the rates and in the manner pre-scribed under Schedule XIV of the Companies Act 1956. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Premium on leasehold land is amortized over the initial period of lease. Individual low cost assets (acquired for less than ₹ 5,000/-) are entirely depreciated in the year of acquisition.



**f) VALUATION OF INVENTORIES**

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

|   |   |
|---|---|
| Raw materials                                     | First in-first-out (FIFO)                                       |
| Stores and spares                                 | First in-first-out (FIFO)                                       |
| Work-in-process and finished goods (manufactured) | FIFO and including an appropriate share of production overheads |
| Finished goods (traded)                           | Actual cost of purchase   |

**g) RETIREMENT BENEFITS**

**A. Gratuity**

In accordance with Indian laws, Bal Pharma Limited provide for gratuity, a defined benefit retirement plan covering all eligible employees of the Company. In accordance with the payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment of an amount based on the respective employee's salary and tenure of employment and vesting occurs upon completion of five years of service. The measurement date used for determining retirement benefits for gratuity is March 31.

Provision for gratuity & compensated absences is made on the basis of actuarial valuation at the balance sheet date, carried out by an independent actuary.

Contributions payable to the recognised provident fund, which is defined contribution scheme, are charged to the profit and loss account

**B. Short Term Employees Benefits**

Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered. These benefits include leave travel allowance, bonus / performance incentives.

**h) INVESTMENTS**

Investments are either classified as current or long-term based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

**i) FOREIGN CURRENCY TRANSACTIONS AND BALANCES**

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

**j) EXPENDITURE ON RESEARCH AND DEVELOPMENT**

In accordance with the Accounting Standard 26 on Intangible Assets, the Management has recognized Revenue Expenditure, direct as well as allocated, on R & D projects for development of new products and processes as Intangible Assets, since it is of the opinion that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. These assets shall be amortized over a period of ten years starting from the year of commercial production. However, Revenue Expenditure on projects, which have become unsuccessful are charged off as an expense in the year in which they are abandoned. Capital expenditure incurred on research and development is capitalized as fixed assets and depreciated in accordance with the depreciation policy of the company.



**k) LEASES**

Leases under which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired on or after April 01, 2001 are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Lease payments under operating leases are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

**l) INCOME TAX EXPENSE**

Income tax expense comprises current tax and deferred tax charge or credit.

**Current tax**

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

**Deferred tax**

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and is written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

**m) EARNINGS PER SHARE**

In determining earnings per share, the company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per Share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

**n) EMPLOYEE STOCK OPTION SCHEMES**

In accordance with the Securities and Exchange Board of India guidelines, the excess of the market price of shares, at the date of grant of options under the employee stock option schemes, over the exercise price is treated as employee compensation and amortized over the vesting period.

**o) PROVISIONS AND CONTINGENT LIABILITIES**

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

**p) IMPAIRMENT OF ASSETS**

The Company assesses at each balance sheet date whether there is any indication that an asset may be Impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previous assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical Cost.

**B. NOTES ON ACCOUNTS**

1) National Savings Certificates have been deposited with Commercial Tax Department.

**2) EXPORT BENEFITS:**

The Company has accounted an amount of ₹ 13,832,643/- (P.Y. ₹ 6,563,942/-) being the net amount of credit under the DEPB and other schemes as announced by the Import Export Policy. The same will be utilized for off-setting the customs duty on future imports. The accumulated amount outstanding on this account as on 31.03.2010 is ₹ 11,415,647/- (P.Y. ₹ 9,131,052/-) and the same is reflected under loans and advances.

**3) MARKET DEVELOPMENT EXPENSES:**

Expenditure incurred on Market development amounting to ₹ 228,984/- (P.Y. ₹ 228,984/-) has been written off during the year. Balance on this account as on 31.03.2009 is ₹ 9,15,967/- (P.Y. ₹ 1,144,951/-).

**4) RESEARCH & DEVELOPMENT REVENUE EXPENSES:**

An amount of ₹ 8,530,889/- (P.Y. ₹ 8,733,504/-) has been incurred during the year on research and development of new products and processes in the R & D Centre. The same is proposed to be amortized over a period of 10 years commencing from the year of commercial production. Amount written off during the year on account of the above was ₹ 5,045,057/- (P.Y. ₹ 5,428,106/-). The balance on this account as on 31.03.2010 is ₹ 51,404,671/- (P.Y. ₹ 47,918,839/-).

5) During the year an amount of ₹ NIL (P.Y. ₹ 25,133,403/-) being interest on term loans for acquisition of qualifying capital assets was capitalised.

6) The Company has provided for ₹ 7,15,595/- (P.Y. ₹ 5,99,217/-) being Excise Duty on Finished Goods lying at various manufacturing units as at 31.03.2010.

**7) BREAK-UP OF DEFERRED TAX ASSETS AND LIABILITIES:**

|  | 31.03.2010<br>₹.  | 31.03.2009<br>₹.  |
|--|-------------------|-------------------|
| Deferred tax Assets recognized for timing differences due to:      |                   |                   |
| A. Current Liabilities   | 3,180,792         | 2,903,912         |
| B. Sec 40a(ia) Disallowances                                       | 229,700           | 229,700           |
| C. Carried forward losses  | 2,584,977         | -                 |
| D. Provision for diminution in the value of investment             | 114,933           | -                 |
|  | <b>6,110,402</b>  | <b>3,133,612</b>  |
| Deferred tax Liabilities recognized for timing differences due to: |                   |                   |
| A. Depreciation and other differences in block of fixed assets     | 58,494,560        | 49,694,009        |
| B. Others  | 9,391,440         | 10,586,949        |
|  | <b>67,886,000</b> | <b>60,280,958</b> |
| Net Deferred Tax Liabilities                                       | <b>61,775,598</b> | 57,147,344        |
| Charge to Profit & Loss Account                                    | <b>4,628,254</b>  | 7,822,681         |

**8) CONTINGENT LIABILITIES NOT PROVIDED FOR ( in Rupees)**

a) Guarantees issued by Company's bankers ₹. 6,810,977/- (P.Y. ₹. 20,936,720/-)

b) Letter of credit ₹. 54,582,725/- (P.Y. ₹ 71,135,406/-).

c) Estimated value of contracts remaining to be executed on capital account and not provided for ₹. NIL/- (P.Y. ₹. 1,434,335/-).



## 9) CIF VALUE OF IMPORTS:

(in ₹)

|   | 31.03.2010         | 31.03.2009  |
|---|--------------------|-------------|
| 1. Raw Materials                                    | 322,103,581        | 186,572,876 |
| 2. Capital Goods<br>(Including spares & components) | 51,597             | 4,616,402   |
|   | <b>320,975,758</b> | 191,189,278 |

## 10) A) EXPENDITURE IN FOREIGN CURRENCY

|                               | 31.03.2010       | 31.03.2009       |
|-------------------------------|------------------|------------------|
| a. Travelling Expenditure     | 1,612,475        | 2,462,114        |
| b. Registration Fee           | 1,077,345        | 1,708,986        |
| c. Commission on Export sales | 1,413,580        | 2,597,789        |
| d. Sales Promotion            | 4,027,898        | 1,114,997        |
|                               | <b>8,131,298</b> | <b>7,883,886</b> |

## B) EARNINGS IN FOREIGN CURRENCY (in Rupees)

|                         | 31.03.2010  | 31.03.2009  |
|-------------------------|-------------|-------------|
| a. FOB Value of Exports | 538,692,125 | 349,531,750 |

## 11) Gratuity Plan:

The following table set out the status of the plan as required under AS 15(revised):

## Change in defined benefit obligation

(Amount in ₹)

|                                    | Gratuity (Funded) |            | Leave Encashment (unfunded) |
|------------------------------------|-------------------|------------|-----------------------------|
|                                    | 2009-10           | 2008-09    | 2009-10                     |
| Opening defined benefit obligation | 10,291,331        | 8,901,687  | -                           |
| Interest cost                      | 705,401           | 646,197    | -                           |
| Current Service Cost               | 1,750,962         | 2,032,201  | 819,123                     |
| Benefits paid                      | (428,340)         | (667,198)  | -                           |
| Actuarial losses / (Gain)          | (1,741,782)       | (621,556)  | 834,882                     |
| Closing defined benefit obligation | <b>10,577,572</b> | 10,291,331 | 1,654,005                   |

## Change in plan assets

|   |                  |           |   |
|---|------------------|-----------|---|
| Plan Assets at beginning of the year, at fair value | 2,855,751        | 3,269,573 | - |
| Expected Return on plan Assets (estimated)          | 211,300          | 231,000   | - |
| Contributions                                       | -                | -         | - |
| Benefits settled                                    | (428,340)        | (667,198) | - |
| Actuarial gain/(loss) on plan assets                | 17,216           | 22,376    | - |
| Plan Assets at end of the year, at fair value       | <b>2,655,927</b> | 2,855,751 | - |

## Reconciliation of present value of the obligation and the fair value of the plan assets

|  |                       |            |             |
|--|-----------------------|------------|-------------|
| Fair Value of plan assets at the end of the year                       | 2,655,927             | 2,855,751  | -           |
| Present value of the defined benefit obligation at the end of the year | 10,577,572            | 10,291,331 | 1,654,005   |
| Asset/(Liability) recognized in the balance sheet                      | <b>(7,921,645.00)</b> | -7,435,580 | (1,654,005) |

**Cost for the period**

|   | Gratuity (Funded) |           | Leave Encashment (unfunded) |
|---|-------------------|-----------|-----------------------------|
|   | 2009-10           | 2008-09   | 2009-10                     |
| Current Service Cost  | 1,750,962         | 2,032,201 | 819,123                     |
| Interest Cost   | 705,401           | 646,197   | -                           |
| Expected Return on Plan Asset                               | (211,300)         | -231,000  | -                           |
| Net Actuarial (Gain)/Loss recognized for the year           | (1,758,998)       | 643,932   | 834,882                     |
| Expense/(Income) recognized in the statement of P/L account | 486,065           | 1,803,466 | 1,654,005                   |

**Movements in the Liability recognized in Balance sheet**

|  |           |           |           |
|--|-----------|-----------|-----------|
| Opening Liability                                  | 7,435,580 | 5,632,114 | -         |
| Expense/income recognized for the period, as above | 486,065   | 1,803,406 | 1,654,005 |
| Contribution paid                                  | -         | -         | -         |
| Closing Liability                                  | 7,921,645 | 7,435,580 | 1,654,005 |

**Assumptions at the valuation date**

|   |       |       |       |
|---|-------|-------|-------|
| Discount factor                         | 7.00% | 7.00% | 8.00% |
| Salary Escalation rate                  | 5.50% | 5.50% | 5.50% |
| Rate of Return (Expected) on plan Asset | 8.00% | 8.00% | -     |
| Retirement age                          | 58    | 58    | 58    |

**12) SECURITY FOR LOANS IN SCHEDULE (3) TO BALANCE SHEET:**

- 12.1 Hire purchase finance provided by various financial institutions is secured by a charge on the assets financed by the respective institutions.
- 12.2 The Working Capital Loan financed by Canara Bank, ICICI Bank, Punjab National Bank, and EXIM Bank under a Consortium arrangement with pari passu charge is secured against hypothecation of stock and book debts and first charge on fixed assets other than those financed by the term lending institutions.
- 12.3 Loan obtained from State Bank of Indore is secured by hypothecation of assets of Unit II and Unit III, and Unit IV funded by them.
- 12.4 Secured loans obtained from EXIM Bank of ₹ .21.55 Crores towards establishment of Formulation Plant at Uttaranchal first pari passu charge on the entire immovable and Hypothecation of whole of moveable fixed assets, both present and future of the Company including:
- Movable plant and machinery, Equipment, Appliances, furniture, vehicles, machinery spares and stores, tools and accessories, whether or not installed and
  - Related movables in the course of transit or delivery whether now belonging or which may hereafter belong to the Company or which may be held by any person at any place within or outside India to the order or disposition of the company and all document or title including bills of lading, shipping documents, policies of insurance and other instruments and documents relating to such movables together with benefits of all rights thereto.
- 12.5 All the Secured Loans have been guaranteed by two Directors including Managing Director in their personal Capacity.

- 13) Balances of Sundry debtors, sundry creditors, loans and advances, receivables and payables are subject to confirmation/reconciliation, if any.
- 14) In the opinion of the Board of directors adequate provision has been made in the accounts for all known liabilities and the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the value stated in the balance sheet.
- 15) The Company's significant leasing arrangements are in respect of operating leases for premises (office, stores, godowns, residential, guest houses, etc.) These are cancelable operating leases and these lease agreements are normally renewed on expiry. The aggregate lease rentals payable are charged as rent under Schedule 17.

**16) EMPLOYEE STOCK OPTION SCHEME**

Bal Pharma Limited's Employee Stock Option Scheme – 2006 (ESOP 2006) : The Company instituted the 2006 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 23-09-2004. The Scheme covers all non promoter directors and employees and its subsidiaries. Under the scheme, the compensation Committee of the Board ('the Committee') shall administer the Scheme and grant stock options to eligible directors and employees of the Company and its subsidiaries. The Committee shall determine the employees eligible for receiving the options, the number of options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for the options issued on the date of the grant.

The market value of a share on each grant date is defined as the average of the two weeks high and low price of the share preceding the date of grant of option on the stock exchange where there is highest trade volume during that period.

In case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed under each option agreement by the Committee, failing which they would stand cancelled.

The company under ESOP-2006 had granted 2, 19,500 options to eligible employees. The vesting period for the options granted varies from 12 to 60 months.

\*Stock option activity under ESOP-2006 was as follows:

| Particulars                          | 31.03.2010 | 31.03.2009 |
|--------------------------------------|------------|------------|
| Options outstanding at the beginning | 172,900    | 2,12,000   |
| Add: Options Granted                 | -          | -          |
| Less: Options forfeited/Surrendered  | 62,500     | 2,100      |
| Less: Options exercised              | -          | 37,000     |
| Options outstanding at the end       | 110,400    | 172,900    |

\* Exercise Price : ₹. 15.75/-

- 17)** During the year, Novosynth Research labs Private Limited, a 100% subsidiary of Bal Pharma Limited applied for striking off its name from the register as defunct company under section 560 of the Companies Act, 1956. Pursuant to the above, the company has provided for diminution in the value of its investment in the said subsidiary

**18) RELATED PARTY DISCLOSURES:**

A. The related parties where control exists are the subsidiaries. There are no other parties over which the Company has control.

B. Related parties where control / significant influence exist or with whom transactions have taken place during the year:

- i) Subsidiaries: Basav Chem Limited  
Novosynth Research Labs Private Ltd
- ii) Enterprises where principal / promoter shareholders have control or significant influence (Significant interest entities) :  
Micro Labs Ltd – Enterprise owned by some of the promoter shareholders
- iii) Others:- (a) Desa Marketing International - Enterprise owned by the Managing Director of the Company.  
(b) Siroya Developers (P) Ltd. - Enterprise owned by relatives of Managing Director of the Company.  
(c) Siroya Constructions - Enterprise over which the Managing Director of the Company exercises joint control with other Partners.

C. Key managerial Personnel represented on the board:

- |                   |                       |
|-------------------|-----------------------|
| Shailesh D.Siroya | - Managing Director   |
| Dr.S.Prasanna     | - Whole time Director |



## D. Particulars of related party transactions :

**The following is a summary of significant related party transactions****(Amount in ₹)**

|  | 31.03.2010 | 31.03.2009 |
|--|------------|------------|
| i) Sales to Significant entities   | 16,860,572 | 3,757,522  |
| ii) Purchase from Significant entities   | 6,851,437  | 27,001     |
| iii) Commission paid to Enterprises owned by the Managing Director of the company  | 7,891,216  | 4,505,022  |
| iv) Rent paid to subsidiaries  | -          | 1,980,000  |
| v) Job work charges paid to subsidiaries   | 4,732,622  | -          |
| vi) Loans to subsidiaries  | -          | 600        |
| vii) Repayment of advance to significant interest entities   | 8,000,000  | -          |
| viii) Customer advances from significant interest entities   | -          | 8,000,000  |
| ix) Interest paid to significant interest entities   | 466,667    | -          |
| x) Repayment of loan by subsidiaries   | 1,537      | -          |
| xi) Advance given to enterprises over which Managing Director of the Company exercises joint control with other partners           | 32,352     | -          |
| xii) Repayment of advance from enterprises over which Managing Director of the Company exercises joint control with other partners | 90,620     | -          |

## E. Details of remuneration paid to the Managing Director and whole time Director are given in Note.No.19 of Schedule 20.

## F. The Company has the following amounts due from / to related parties:

| Particulars  | 31.03.2010 | 31.03.2009 |
|--|------------|------------|
| i) Due from related parties  |            |            |
| a) Subsidiaries : (Included in loans and advances)   | 6,460,000  | 6,462,155  |
| b) Significant interest entities (Included in Sundry Debtors)  | 6,014,741  | 104,730    |
| c) Enterprise in which Managing Director of the Company exercises joint Control with other partners (included in loans and advances) | -          | 58,268     |
| ii) Due to related parties   |            |            |
| Enterprises owned by Managing Director of the Company (Included in current liabilities)  | 3,475,539  | 4,607,429  |
| iii) Subsidiaries (Included in current liabilities)  | 1,095,641  | 817,121    |
| iv) Significant interest entities( included in current liabilities)  | -          | 8,000,000  |

**19) Particulars of Managerial Remuneration:**

The remuneration paid to Managerial personnel during the year :

|                       | Managing Director |           | Whole time Directors |           |
|-----------------------|-------------------|-----------|----------------------|-----------|
|                       | 31.3.2010         | 31.3.2009 | 31.3.2010            | 31.3.2009 |
| Salaries & Allowances | 4,000,000         | 3,600,000 | 20,40,000            | 19,20,000 |
| Commission            | Nil               | Nil       | Nil                  | Nil       |
| Perquisites           | Nil               | Nil       | Nil                  | Nil       |

**20) Computation of net profit in accordance with Section 349 of the Companies Act, 1956 :**

| Particulars  |            | Amount (₹.)        |
|--|------------|--------------------|
| <b>Net Profit before taxation as per profit and loss account</b> |            | <b>(7,781,974)</b> |
| Add :  |            |                    |
| Depreciation provided in the accounts                            | 28,070,198 |                    |
| Managerial Remuneration  | 6,040,000  |                    |
| Provision for diminution in value of investment                  | 346,000    |                    |
| Directors' sitting fee   | 34,200     | 34,490,398         |
|  |            | 26,708,424         |
| Less :   |            |                    |
| Depreciation under Section 350 of the Act                        | 28,070,198 |                    |
| Profit on sale of fixed assets                                   | 18,882,954 | 46,953,152         |
| Net Profit/Loss for the purpose of Section 269                   |            | (20,244,728)       |
| Managerial Remuneration to Whole time Directors                  |            | 60,40,000          |



The remuneration paid to Mr. Shailesh D Siroya, Managing Director and Dr. S. Prasanna, Wholetime Director, is in accordance with the stipulations under Schedule XIII, Part II, Section II(B) of the Companies Act, 1956, and in terms of the shareholders approval by way of special resolution in the 17th Annual General Meeting held on 23rd September 2004, and 19th Annual General Meeting held on 20th September, 2006, and 21st Annual General meeting held on 23rd September 2008 and 22nd Annual General Meeting held on 25th September 2009.

**21) Auditor's Remuneration:**

(Amount in ₹)

|   | 31.3.2010      | 31.3.2009      |
|---|----------------|----------------|
| Statutory Audit Fees                    | 2,00,000       | 1,70,000       |
| Tax Audit Fees                          | 50,000         | 50,000         |
| Other services                          | 40,200         | 84,521         |
| Reimbursement of out of pocket expenses | 50,000         | 30,000         |
|   | <b>340,200</b> | <b>334,521</b> |

**22) Details of Imported & Indigenous Raw Materials, Stores & Spare Parts consumed :**

|                 | 31.03.2010         | % of Total Consumption | 31.03.2009         | % of Total Consumption |
|-----------------|--------------------|------------------------|--------------------|------------------------|
| Raw Materials   |                    |                        |                    |                        |
| Imported        | 195,507,115        | 31.5%                  | 192,601,014        | 51.6%                  |
| Indigenous      | 361,432,106        | 64.9%                  | 180,715,068        | 48.4%                  |
| <b>Total</b>    | <b>556,939,221</b> |                        | <b>373,316,082</b> |                        |
| Stores & Spares |                    |                        |                    |                        |
| Imported        | NIL                | 0%                     | NIL                | 0%                     |
| Indigenous      | 10,541,744         | 100%                   | 86,18,753          | 100%                   |

**23) QUANTITATIVE INFORMATION**

a) Installed capacity (as certified by the Management )

| PRODUCT       | UNIT         | 31.03.2010 | 31.03.2009 |
|---------------|--------------|------------|------------|
| Tablets       | Million Nos. | 3770       | 3770       |
| Capsules      | Million Nos. | 100        | 100        |
| Liquids       | Kilo Litres  | 750        | 750        |
| Ointment      | Metric Tonne | 75         | 75         |
| IV-Fluids     | Million Nos. | 07         | 07         |
| Eye/Ear Drops | Million Nos. | 19         | 19         |
| Bulk Drugs    | Metric Tonne | 38         | 38         |

b) Licensed Capacity-- Not Applicable

Notes : Installed capacities are as certified by Management and have not been verified by the auditors as this a technical matter.

c) Particulars of Production, Sale and Stock

(Value in 000's)

| Sl. No. | Particulars | Unit      | Opening Stock |         | Production and Purchase |            |           | Sales      |            | Closing Stock |           |
|---------|-------------|-----------|---------------|---------|-------------------------|------------|-----------|------------|------------|---------------|-----------|
|         |             |           | qty           | value   | qty                     | qty        | Value     | qty        | Value      | qty           | Value     |
| 1       | Tablets     | 000 Nos   | 29754.6       | 55282.7 | 426455.12               | 705.06     | 13324.39  | 446103.73  | 409807.71  | 10811.04      | 109773.75 |
|         |             |           | (23523)       | (86568) | (674973)                | (119759.3) | (57864.6) | (788500.7) | (533711.3) | (29754.6)     | (55282.7) |
| 2       | Capsules    | 000 Nos   | 5625          | 6468.7  | 32933.42                | 126.42     | 5850.80   | 32610.48   | 71097.63   | 6074.35       | 23970.11  |
|         |             |           | (2507)        | (3824)  | (24950)                 | (24260.5)  | (32330.7) | (46092.5)  | (61164.8)  | (5625)        | (6468.7)  |
| 3       | Liquids     | Kilo Ltrs | 91.5          | 3296.1  | 26487.96                | 1704.36    | 15404.30  | 8841.21    | 103913.57  | 19442.61      | 4881.72   |
|         |             |           | (72.1)        | (2590)  | (1299.7)                | (48.1)     | (9738.1)  | (1328.4)   | (70780.2)  | (91.2)        | (3296.1)  |
| 4       | Ointments   | Kgs       | 19439.9       | 28666.1 | 35551.41                | 179.14     | 3839.23   | 51538.92   | 21881.43   | 3631.618      | 2813.62   |
|         |             |           | (2216)        | (3235)  | (62985.6)               | (3983)     | (1211.6)  | (49744.7)  | (84566)    | (19439.9)     | (28666.1) |
| 5       | EED         | Million   | 0.1           | 265.7   | 3.73                    | --         | --        | 1.8        | 5692.22    | 2.028         | 1999.43   |
|         |             |           | (0.001)       | (7.00)  | (5.4)                   | (--)       | (--)      | (5.3)      | (8462.9)   | (0.1)         | (265.7)   |
| 6       | Bulk Drugs  | Kgs       | 4.0           | 26.3    | 64733.75                | --         | --        | 61960.00   | 449112.19  | 2777.50       | 4697.48   |
|         |             |           | (194)         | (1208)  | (38650.3)               | (--)       | (--)      | (38840.3)  | (292642)   | (4.0)         | (26.3)    |



d)

| RAW MATERIALS CONSUMED | UNIT    | QUANTITY               | VALUE (₹.000)        |
|------------------------|---------|------------------------|----------------------|
| Powder                 | Kgs     | 1,029,731<br>(807,985) | 523,943<br>(358,183) |
| Liquids                | Ltrs    | 608,125<br>(431,381)   | 25,327<br>(10,430)   |
| Capsule                | 000'Nos | 123,703<br>(59,390)    | 7,669<br>(4,703)     |

- 24) (a) The claim for differential excise duty of ₹. 1,034,757 on Physician Samples demanded by the Central Excise Dept in the year 1999-2000 was decided in Company's favor by CESTAT in the year 2006-2007. However, the Commissioner of Central Excise, Bangalore filed a civil appeal in the Supreme Court of India against the said order of CESTAT, which is still pending.
- (b) The claim for differential excise duty of ₹.8.98 lakhs on physician's sales for the period September 1997 to February 1998 demanded by Central Excise Dept in respect of Unit I was contested and CESTAT, Bangalore upheld our appeal. However, Commissioner of Central Excise, Bangalore filed a civil appeal in the Supreme court of India against the said order of CESTAT, which is still pending.
- (c) The claim of duty and penalty of ₹.868,598 for the period May 2000 to November 2001 by Central Excise in respect of Unit III is being contested and under the directions of CESTAT, Mumbai a pre-deposit of ₹.30,000/- has been made. The same is still pending decision.
- (d) A Sales Tax claim of ₹.749,720/- on treating stock transfer as sales in Ernakulam by the Commercial Taxes, Special Circle I, KGST is being contested and a deposit of ₹.253,729 has been made. The application is being heard by the Deputy Commissioner, Ernakulam and is still pending decision.
- (e) During the year, the Income Tax Officer (TDS) raised a demand of ₹.89, 50, 429 towards non deduction of TDS under the provisions of Income Tax Act, 1961 for the assessment years 2004-05 to 2008-09 on all principal to principal purchase transactions entered into by it during the said assessment years. The company filed an appeal before the commissioner of income Tax Appeals-V- HMT Bhavan Bangalore against the said order and as per the directions of the commissioner, the company deposited 25% of the demand amounting to ₹.22, 37,610/-. The said appeal is still pending. The management is however, confident of favorable appeal order.
- (f) The Company is also involved in other lawsuits, claims, investigations and proceedings including patent and commercial matters, which arise in the ordinary course of business, however, there are no such matters pending that the company expects to be material in relation to its business
- 25) The company, though has initiated the process, but is yet to obtain confirmation from suppliers who have registered themselves under the Micro Small Medium Enterprise Development Act, 2006 (MSMED Act, 2006). Based on the information available with the company, the balance due to Micro & Small Enterprises as defined under the MSMED Act, 2006 is ₹.NIL. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

**26) Unclaimed Dividends on Equity Shares:**

| Year         | Amount<br>(₹)    |
|--------------|------------------|
| 2002-03      | 1,71,432         |
| 2003-04      | 1,84,828         |
| 2004-05      | 49,859           |
| 2005-06      | 1,65,071         |
| 2006-07      | 1,25,370         |
| 2007-08      | 3,73,096         |
| 2008-09      | 1,74,815         |
| <b>Total</b> | <b>1,244,471</b> |

**27) Calculation of EPS (Basic and Diluted)**

(Amount in ₹)

|  | Year ended<br>March 31, 2010 | Year ended<br>March 31, 2009 |
|--|------------------------------|------------------------------|
| 1. Opening No of shares  | 10,483,224                   | 10,446,224                   |
| 2. Total Shares Outstanding  | 10,483,224                   | 10,483,224                   |
| 3. Weighted average number of shares   | 10,483,224                   | 10,455,474                   |
| 4. Profit after Taxation available to Equity Shareholder                         | (134.08)                     | 300.27                       |
| 5. EPS   | (1.28)                       | 2.87                         |
| <b>DILUTED</b>   |                              |                              |
| 6. Weighted average number of shares (including employee Stock options dilution) | 10,527,910                   | 10,546,718                   |
| 7. Diluted EPS   | (1.27)                       | 2.85                         |

- 28)** During the financial year 2007-2008, the company entered into a share purchase agreement with the promoters and shareholders of Basav Chem Limited to acquire 100% control through purchase of existing Equity shares held by them. In accordance with the agreement, the company purchased 100,000 equity shares of ₹ 10/- each @ ₹. 5/-per share and paid the amount directly to the erstwhile shareholders. Also, the Company cleared Basav Chem Ltd's secured and unsecured loans. Further, during the year, the Company has already filed for amalgamation of Basav Chem limited with itself. An amount of ₹. 6,460,000/- (P.Y. 6,461,537) paid by the company towards discharge of Basav Chem Limited's liabilities is disclosed as advance to subsidiary.
- 29)** The Company is primarily engaged in a single business segment of manufacturing and marketing of Pharmaceutical Formulations and Active Pharmaceutical Ingredients and is managed as ONE entity, for its various activities and is governed by a similar set of risks and returns.

Geographical segments

In the view of the management, the Indian and Export Markets represent geographical segments

Sales by market:

The following is the distribution of the Company's sales by geographical market:

| <b>GEOGRAPHICAL SEGMENTS</b> | <b>2009-2010</b>   | <b>2008-2009</b>    |
|------------------------------|--------------------|---------------------|
| India                        | 494,154,644        | 690,513,589         |
| Other than India             | 587,360,998        | 368,465,586         |
| <b>Total</b>                 | <b>108,151,564</b> | <b>1058,979,175</b> |

Assets and additions to fixed assets by geographical area: The following table shows the carrying amount of segment assets and additions to fixed assets by geographical area in which the assets are located

| Particulars                       | 2009-2010     |             | 2008-2009     |             |
|-----------------------------------|---------------|-------------|---------------|-------------|
|                                   | India         | Others*     | India         | Others*     |
| Carrying amount of segment assets | 1,019,624,139 | 172,314,970 | 1,064,251,470 | 103,156,765 |
| Additions to fixed assets         | 12,924,382    | --          | 302,376,908   | --          |

\* Others represent receivables from debtors located outside India.

- 30)** Figures in brackets pertain to previous year.

- 31)** Previous year figures have been regrouped /rearranged wherever necessary.

As per our report of even date

For **OSTAWAL & JAIN**  
Chartered Accountants  
ICAI FRN No. 002491S

**FOR & ON BEHALF OF THE BOARD**

**T. D. Jain**  
Partner  
M. No. 012034

**S. Ramji**  
AVP Finance & Company Secretary

**Dr. S. Prasanna**  
Director

**Shailesh Siroya**  
Managing Director

Bangalore  
09.08.2010

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010**

(Rupees in '000)

|   | 31.03.2010       | 31.03.2009       |
|---|------------------|------------------|
| <b>A CASH FLOW FROM OPERATING ACTIVITIES</b>                |                  |                  |
| Profit Before Tax   | (7,782)          | 40,537           |
| <b>Adjustments for :</b>                                    |                  |                  |
| Gratuity  | 486              | 1,803            |
| Depreciation  | 28,070           | 18,341           |
| Misc.expenditure written off                                | 5,274            | 5,658            |
| Others-ESOP amortisation                                    | (436)            | 710              |
| Interest Received   | (729)            | (1,080)          |
| Dividend Income   | (9)              | (8)              |
| Diminution in value of investment                           | 346              | -                |
| Provision no longer payable                                 | -                | (68)             |
| Profit on sale of fixed assets                              | (18,883)         | 178              |
| Interest Paid   | 56,614           | 39,267           |
| <b>Operating Profit before working capital changes</b>      | <b>62,952</b>    | <b>105,338</b>   |
| <b>Adjustments for:</b>                                     |                  |                  |
| (Increase)/Decrease in inventories                          | (46,855)         | 15,639           |
| R& D Expenditure  | (8,531)          | (8,734)          |
| (Increase)/ Decrease in trade & other Payables              | (21,925)         | 85,168           |
| (Increase)/ Decrease in trade & other Receivables           | (29,810)         | (60,120)         |
| Income Tax Paid   | (7,649)          | (9,567)          |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>                   | <b>(114,770)</b> | <b>22,386</b>    |
|   | <b>(51,818)</b>  | <b>127,724</b>   |
| <b>B CASH FLOW FROM INVESTMENT ACTIVITIES</b>               |                  |                  |
| Purchase of Fixed Assets                                    | (12,924)         | (113,842)        |
| Increase/Decrease in CWIP                                   | 3,988            | -                |
| Sale of Fixed Assets  | 54,995           | 1,230            |
| Dividend Income   | 9                | 8                |
| <b>Net Cash from investing Activities</b>                   | <b>46,067</b>    | <b>(112,604)</b> |
| <b>C CASH FLOW FROM FINANCING ACTIVITIES</b>                |                  |                  |
| Proceeds from ESOP allotment                                | -                | 583              |
| Proceeds( Payments) from Long term borrowings               | (1,929)          | (5,660)          |
| Working Capital Borrowings                                  | 82,628           | 49,202           |
| Payments of Unsecured Loans                                 | (8,195)          | (23,358)         |
| Interest paid on borrowings                                 | (56,614)         | (39,267)         |
| Interest received   | 729              | 1,080            |
| Dividend & dividend tax paid                                | (9,199)          | (12,222)         |
| <b>Net Cash from financing Activities</b>                   | <b>7,420</b>     | <b>(29,642)</b>  |
| <b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS ( A+B+C)</b> | <b>1,670</b>     | <b>(14,522)</b>  |
| Opening Cash  | 14,478           | 29,000           |
| Closing Cash  | 16,148           | 14,478           |
| <b>NET CASH CHANGE</b>                                      | <b>1,670</b>     | <b>(14,522)</b>  |

**Notes:**

1. Direct Taxes paid is treated as arising from Operating Activities and is not bifurcated between operating investing and financing activities
2. Previous year figure have been regrouped/ reclassified wherever necessary .

As per our report of even date

For **OSTAWAL & JAIN**  
Chartered Accountants  
ICAI FRN No. 002491S

**FOR & ON BEHALF OF THE BOARD**

**T. D. Jain**  
Partner  
M. No. 012034

**S. Ramji**  
AVP Finance & Company Secretary

**Dr. S. Prasanna**  
Director

**Shailesh Siroya**  
Managing Director

Bangalore  
09.08.2010

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE**

|   |            |                    | ₹ 000's |
|---|------------|--------------------|---------|
| <b>I REGISTRATION</b>                                       | 8368       | STATE CODE         | 08      |
| Balance sheet Date  | 31.03.2010 |                    |         |
| <b>II CAPITAL RAISED DURING THE YEAR</b>                    |            |                    |         |
| Public issue  | NIL        | Right issue        | NIL     |
| Bonus issue   | NIL        | Private placement  | NIL     |
| <b>III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS</b> |            |                    |         |
| Total Laibilities   | 966261     | Total Assets       | 966261  |
| <b>SOURCE OF FUNDS</b>                                      |            |                    |         |
| Paid-up Capital   | 104832     | Secured Loans      | 544090  |
| Reserves & Surplus  | 255466     | UnSecured Loans    | 97      |
| Deferred Tax  | 61775      |                    |         |
| <b>APPLICATION OF FUNDS</b>                                 |            |                    |         |
| Net Fixed Assets  | 493831     | Net Current Assets | 41559   |
| Investments   | 550        | Misc.Expenditure   | 52321   |
| <b>IV PERFORMANCE OF THE COMPANY</b>                        |            |                    |         |
| Turnover  | 1091657    | Profit After Tax   | (13408) |
| Total Expenditure   | 1099439    | Earnings per share | (1.28)  |
| Profit Before Tax   | (7782)     | Dividend           | -       |

**IV GENERIC NAME OF THREE PRINCIPAL PRODUCTS OF THE COMPANY AS PER MONETARY TERMS:**

|                        |              |
|------------------------|--------------|
| Item Code ( ITC code)  | 29420029     |
| Production Description | Gliclazide   |
| Item Code ( ITC code)  | 30042064     |
| Production Description | Azithromycin |
| Item Code ( ITC code)  | 29333990     |
| Production Description | Ebastine     |



## CONSOLIDATED BALANCE SHEET AS AT 31.03.2010

|  | SCH | AS AT 31.03.2010   |                    | AS AT 31.03.2009   |                    |
|--|-----|--------------------|--------------------|--------------------|--------------------|
|  |     | ₹.                 | ₹.                 | ₹.                 | ₹.                 |
| <b>SOURCES OF FUNDS</b>                          |     |                    |                    |                    |                    |
| <b>I. SHAREHOLDERS' FUND</b>                     |     |                    |                    |                    |                    |
| a. Share Capital                                 | 1   | 104,832,240        |                    | 104,832,240        |                    |
| b. Reserves & Surplus                            | 2   | 252,789,177        | 357,621,417        | 267,513,407        | 372,345,647        |
| <b>II. LOAN FUNDS</b>                            |     |                    |                    |                    |                    |
| a. Secured Loans                                 | 3   | 544,090,068        |                    | 463,390,933        |                    |
| b. Unsecured Loans                               | 4   | 97,470             | 544,187,538        | 8,292,182          | 471,683,115        |
| <b>III. DEFERRED TAX LIABILITY (NET)</b>         |     |                    |                    |                    |                    |
|  | 5   |                    | 62,367,814         |                    | 57,874,479         |
| <b>TOTAL</b>                                     |     |                    | <b>964,176,769</b> |                    | <b>901,903,241</b> |
| <b>APPLICATIONS OF FUNDS</b>                     |     |                    |                    |                    |                    |
| <b>I. FIXED ASSETS</b>                           |     |                    |                    |                    |                    |
| a. Gross Block                                   | 6   | 649,871,809        |                    | 674,548,419        |                    |
| b. Less: Accumulated Depreciation                |     | 152,364,081        |                    | 125,263,149        |                    |
| c. Net Block                                     |     | 497,507,728        |                    | 549,285,270        |                    |
| d. Add: Capital Work in Progress                 |     | -                  | 497,507,728        | 3,987,740          | 553,273,010        |
| <b>II. INVESTMENTS</b>                           |     |                    |                    |                    |                    |
|  | 7   |                    | 150,000            |                    | 150,000            |
| <b>III. CURRENT ASSETS, LOANS &amp; ADVANCES</b> |     |                    |                    |                    |                    |
| a. Inventories                                   | 8   | 286,224,499        |                    | 238,861,362        |                    |
| b. Sundry Debtors                                |     | 319,172,267        |                    | 292,858,622        |                    |
| c. Cash & Bank Balances                          |     | 16,148,069         |                    | 14,888,989         |                    |
| d. Loans & Advances                              |     | 70,494,902         |                    | 67,208,357         |                    |
| <b>Total (A)</b>                                 |     | <b>692,039,737</b> |                    | <b>613,817,330</b> |                    |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>      |     |                    |                    |                    |                    |
| a. Current Liabilities                           | 9   | 269,612,188        |                    | 291,104,407        |                    |
| b. Provisions                                    |     | 8,229,146          |                    | 23,632,106         |                    |
| <b>Total (B)</b>                                 |     | <b>277,841,334</b> |                    | <b>314,736,513</b> |                    |
| <b>NET CURRENT ASSETS (A-B)</b>                  |     |                    | <b>414,198,403</b> |                    | <b>299,080,817</b> |
| <b>IV. INTANGIBLE ASSETS</b>                     |     |                    |                    |                    |                    |
| Gross Carrying Amount                            | 10  | 91,254,578         |                    | 83,059,313         |                    |
| Less: Cumulative Amortisation & impairment loss  |     | 38,933,940         |                    | 33,659,899         |                    |
| Net Carrying Amount                              |     |                    | 52,320,638         |                    | 49,399,414         |
| <b>TOTAL</b>                                     |     |                    | <b>964,176,769</b> |                    | <b>901,903,241</b> |
| <b>NOTES ON ACCOUNTS</b>                         |     |                    |                    |                    |                    |
|  | 20  |                    |                    |                    |                    |

As per our report of even date  
For **OSTAWAL & JAIN**  
ICAI FRN No. 002491S  
Chartered Accountants

**FOR & ON BEHALF OF THE BOARD**

**T. D. Jain**  
Partner  
M. No. 012034

**S. Ramji**  
AVP Finance & Company Secretary

**Dr. S. Prasanna**  
Director

**Shailesh Siroya**  
Managing Director

Bangalore  
09.08.2010



## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010

| Particulars   | SCH | 31.03.2010    |                      | 31.03.2009    |                      |
|---|-----|---------------|----------------------|---------------|----------------------|
|   |     | ₹.            | ₹.                   | ₹.            | ₹.                   |
| <b>I. INCOME</b>                                      |     |               |                      |               |                      |
| Sales & Services                                      | 11  | 1,081,515,642 |                      | 1,065,543,117 |                      |
| Less : Excise Duty                                    |     | 19,263,191    |                      | 29,564,312    |                      |
|   |     |               | 1,062,252,452        |               | 1,035,978,805        |
| Other Income  | 12  |               | 29,427,974           |               | 1,224,247            |
|   |     |               | <u>1,091,680,426</u> |               | <u>1,037,203,052</u> |
| <b>II. EXPENDITURE</b>                                |     |               |                      |               |                      |
| Cost of Materials Consumed                            | 13  | 600,000,868   |                      | 532,067,548   |                      |
| Manufacturing Expenses                                | 14  | 59,752,653    |                      | 49,001,944    |                      |
| Employees Remuneration & Benefits                     | 15  | 114,096,703   |                      | 103,063,735   |                      |
| Selling & Distribution Expenses                       | 16  | 185,431,959   |                      | 195,170,006   |                      |
| Administration Expenses                               | 17  | 44,972,928    |                      | 45,260,689    |                      |
| Financial Expenses                                    | 18  | 62,604,479    |                      | 47,122,664    |                      |
| Amortization of Intangible Assets                     | 19  | 5,274,041     |                      | 5,657,090     |                      |
| Depreciation  | 6   | 28,589,912    | 1,100,723,543        | 18,858,089    | 996,201,764          |
| <b>III. Profit for the year</b>                       |     |               | (9,043,117)          |               | 41,001,288           |
| Add /(Less) : Prior Year Adjustment                   |     |               | (18,860)             |               | (444,280)            |
| <b>IV. Profit Before Income Tax</b>                   |     |               | (9,061,977)          |               | 40,557,008           |
| Provision for Income Tax - Current Year               |     |               | -                    |               | 1,629,325            |
| Provision for wealth tax                              |     |               | 52,795               |               | 40,613               |
| (Excess) / Short Provision for Tax - Earlier Years    |     |               | 680,134              |               | (1,318,398)          |
| Deferred Tax (As Per AS 22)                           |     |               | 4,493,335            |               | 7,930,104            |
| Fringe Benefit Tax                                    |     |               | -                    |               | 2,346,766            |
| <b>V. Profit After Tax</b>                            |     |               | (14,288,241)         |               | 29,928,598           |
| <b>VI. Balance Brought Forward From Previous Year</b> |     |               | 90,661,732           |               | 69,931,770           |
|   |     |               | <u>76,373,491</u>    |               | <u>99,860,368</u>    |
| <b>VII. Appropriations</b>                            |     |               |                      |               |                      |
| Proposed Dividend:                                    |     |               |                      |               |                      |
| - Equity Shares                                       |     | -             |                      | 7,862,418     |                      |
| Provision for Corporate Tax on Dividend               |     |               |                      |               |                      |
| - Equity Shares                                       |     | -             |                      | 1,336,218     |                      |
|   |     |               |                      |               | 9,198,636            |
| <b>VIII. Balance Carried to Balance Sheet</b>         |     |               | <u>76,373,491</u>    |               | <u>90,661,732</u>    |
| <b>EARNINGS PER SHARE</b>                             |     |               |                      |               |                      |
| Basic EPS   |     |               | (1.36)               |               | 2.85                 |
| Diluted EPS   |     |               | (1.36)               |               | 2.85                 |
| No: of Equity Shares                                  |     |               | 10,483,224           |               | 10,483,224           |
| <b>NOTES ON ACCOUNTS</b>                              | 20  |               |                      |               |                      |

As per our report of even date  
For **OSTAWAL & JAIN**  
ICAI FRN No. 002491S  
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

**T. D. Jain**  
Partner  
M. No. 012034

**S. Ramji**  
AVP Finance & Company Secretary

**Dr. S. Prasanna**  
Director

**Shailesh Siroya**  
Managing Director

Bangalore  
09.08.2010

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31.03.2010**

|   | 31.03.2010   |             | 31.03.2009  |             |
|---|--------------|-------------|-------------|-------------|
|   | ₹.           | ₹.          | ₹.          | ₹.          |
| <b>SCHEDULE - 1</b>   |              |             |             |             |
| <b>SHARE CAPITAL AUTHORISED</b>   |              |             |             |             |
| 11,000,000 (P Y 11,000,000) Equity Shares of ₹ 10 each  | 110,000,000  |             | 110,000,000 |             |
| 400,000 (P Y 400,000) Redeemable Preference Shares of ₹ 100 each  | 40,000,000   | 150,000,000 | 40,000,000  | 150,000,000 |
| <b>ISSUED, SUBSCRIBED &amp; PAID UP EQUITY SHARE CAPITAL</b>  |              |             |             |             |
| 10,483,224 (P Y 10,483,224) Equity Shares of ₹ 10 each fully paid   |              | 104,832,240 |             | 104,832,240 |
|   |              | 104,832,240 |             | 104,832,240 |
| Note :  |              |             |             |             |
| 1. 3,040,000 equity shares of ₹ 10/- each have been issued as Bonus Shares by capitalisation of reserves  |              |             |             |             |
| 2. NIL (P.Y. 37,000) equity shares of ₹ 10/- each have been allotted to the eligible employees of the Company on exercise of the vested stock options in accordance with the terms of the 'Bal Pharma Limited' ESOP. (Refer note 16, Schedule 20) |              |             |             |             |
| <b>SCHEDULE - 2</b>   |              |             |             |             |
| <b>RESERVES &amp; SURPLUS</b>   |              |             |             |             |
| 1. Capital Reserve  | -            | 4,905,725   | -           | 4,905,725   |
| 2. Securities Premium   |              |             |             |             |
| Opening Balance   | 145,637,950  |             | 144,720,350 |             |
| Add: Premium on Esop Allotment  | -            | 145,637,950 | 917,600     | 145,637,950 |
| 3. General Reserve  |              | 24,015,000  |             | 24,015,000  |
| 4. Employee Stock options outstanding   |              |             |             |             |
| Balance at the beginning  | 3,293,745    |             | 4,038,600   |             |
| Add : Options granted   | -            |             | -           |             |
| Less : Transferred to securities premium account on exercise of options   | -            |             | 704,850.00  |             |
| Less : Options forfeited/surrendered  | 1,190,625    |             | 40,005      |             |
| Balance at end of the Year (A)  | 2,103,120    |             | 3,293,745   |             |
| Deferred stock compensation cost  |              |             |             |             |
| Balance at the beginning  | 1,000,745    |             | 1,750,844   |             |
| Add : Options granted   | -            |             | -           |             |
| Less : Options forfeited/surrendered  | 1,190,625    |             | 40,005      |             |
| Less : Amortization   | (435,989)    |             | 710,094     |             |
| Balance at the end of the year (B)  | 246,109      | 1,857,011   | 1,000,745   | 2,293,000   |
| (A) - (B)   |              |             |             |             |
| 5. P & L Account -Surplus   |              |             |             |             |
| Opening Balance   | 90,661,732   |             | 69,931,770  |             |
| Add: Surplus for the year   | (14,288,241) | 76,373,491  | 20,729,962  | 90,661,732  |
|   |              | 252,789,177 |             | 267,513,407 |
| <b>SCHEDULE - 3</b>   |              |             |             |             |
| <b>SECURED LOANS</b>  |              |             |             |             |
| <b>TERM LOANS</b>   |              |             |             |             |
| UTI   | -            |             | 1,433,132   |             |
| EXIM Bank   | 175,154,637  |             | 189,660,800 |             |
| State Bank of Indore  | 32,488,866   |             | 17,398,455  |             |
| Others  | 4,466,087    | 212,109,590 | 5,545,977   | 214,038,364 |
| <b>WORKING CAPITAL LOAN</b>   |              |             |             |             |
| Canara Bank   | 166,419,609  |             | 92,594,271  |             |
| Exim Bank   | 34,530,834   |             | 14,100,334  |             |
| Punjab National Bank  | 129,204,629  |             | 88,691,617  |             |
| ICICI Bank Ltd.,  | 1,825,406    | 331,980,478 | 53,966,347  | 249,352,569 |
|   |              | 544,090,068 |             | 463,390,933 |



**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31.03.2010 (Contd..)**

|  | 31.03.2010 |                   | 31.03.2009 |                   |
|--|------------|-------------------|------------|-------------------|
|  | ₹          | ₹                 | ₹          | ₹                 |
| <b>SCHEDULE - 4</b>                              |            |                   |            |                   |
| <b>UNSECURED LOANS</b>                           |            |                   |            |                   |
| Punjab National Bank                             |            | 97,470            |            | 6,169,002         |
| Department of Scientific and industrial Research |            | -                 |            | 2,123,180         |
|  |            | <u>97,470</u>     |            | <u>8,292,182</u>  |
| <b>SCHEDULE - 5</b>                              |            |                   |            |                   |
| <b>DIFFERED TAX LIABILITY</b>                    |            |                   |            |                   |
| Opening Balance                                  |            | 57,874,479        |            | 49,944,375        |
| Add: Liability created for the year              |            | 4,493,335         |            | 7,930,104         |
|  |            | <u>62,367,814</u> |            | <u>57,874,479</u> |

**SCHEDULE 6**  
**FIXED ASSETS AS ON 31.03.2010**

| ASSETS                   | GROSS BLOCK         |                   |                   |                     | DEPRECIATION        |                   |                  |                     | NET BLOCK           |                     |
|--------------------------|---------------------|-------------------|-------------------|---------------------|---------------------|-------------------|------------------|---------------------|---------------------|---------------------|
|                          | AS AT<br>01.04.2009 | Additions         | Deletion          | AS AT<br>31.03.2010 | AS AT<br>01.04.2009 | For<br>the Year   | Deletion         | AS AT<br>31.03.2010 | AS AT<br>31.03.2010 | AS AT<br>31.03.2009 |
| Leasehold Land           | 12,583,430.00       | -                 | -                 | 12,583,430          | -                   | 146,982           | -                | 146,982             | 12,436,448          | 12,493,430          |
| Freehold Land            | 29,015,735          | -                 | 23,318,252        | 5,697,483           | -                   | -                 | -                | -                   | 5,697,483           | 29,105,735          |
| Building                 | 203,264,052         | 2,034,757         | 10,762,500        | 194,536,309         | 25,499,598          | 6,630,856         | 1,108,167        | 31,022,287          | 163,514,022         | 177,764,454         |
| Plant & Machinery        | 200,790,931         | 2,168,999         | 297,329           | 202,662,601         | 36,944,690          | 9,602,581         | 41,876           | 46,505,395          | 156,157,206         | 163,846,241         |
| Utilities                | 105,839,528         | 2,333,780         | 3,222,911         | 104,950,397         | 24,794,155          | 4,976,575         | 338,937          | 29,431,793          | 75,518,604          | 81,045,373          |
| Furniture & Fixtures     | 14,641,027          | 2,924,145         | -                 | 17,565,172          | 5,178,029           | 1,017,550         | -                | 6,195,579           | 11,369,593          | 9,462,998           |
| Misc Fixed Assets:       | 91,278,298          | 1,965,483         | -                 | 93,243,781          | 27,108,590          | 4,566,428         | -                | 31,675,018          | 61,568,763          | 64,169,708          |
| Vehicles                 | 17,135,418          | 1,497,218         | -                 | 18,632,636          | 5,738,087           | 1,648,940         | -                | 7,387,027           | 11,245,609          | 11,397,331          |
| <b>Total</b>             | <b>674,548,419</b>  | <b>12,924,382</b> | <b>37,600,992</b> | <b>649,871,809</b>  | <b>125,263,149</b>  | <b>28,589,912</b> | <b>1,488,980</b> | <b>152,364,081</b>  | <b>497,507,728</b>  | <b>549,285,270</b>  |
| Previous Year            | 373,491,524         | 303,171,537       | 21,114,642        | 674,548,419         | 107,099,261         | 18,858,089        | 694,201          | 125,263,149         | 549,285,270         | 266,392,263         |
| Capital Work-in Progress |                     |                   |                   |                     |                     |                   |                  |                     |                     | 3,987,740           |

**SCHEDULE - 7**  
**INVESTMENTS**  
**QUOTED :**

Non Trade : (at Cost) (Market Value as on 31.03.2010 not available)

(i) Lamina Foundries Limited

10,000 (P.Y. 10,000) Equity Shares of ₹ 10 each fully paid

371,850

371,850

(ii) Sri Jayalakshmi Autospin Limited

73,600 (P.Y. 73,600) Equity Shares of ₹ 10 each fully paid

736,000

736,000

Less: Provision for diminution in value

(1,107,850)

(1,107,850)

-

**UN QUOTED :**

**Trade :**

The Saraswat Co-operative Bank Limited

100,000

100,000

**Non Trade :**

EQUITY SHARES of The Shamrao Vithal Co- Operative Bank Ltd.,

( 5,000 Shares (PY 5,000) of ₹ 10 each fully paid)

50,000

50,000

150,000

150,000

**SCHEDULE- 8**

**CURRENT ASSETS, LOANS & ADVANCES**

**I. INVENTORIES**

(As valued & certified by the Management)

Raw Materials

75,208,578

78,991,015

Packing Materials

20,233,352

14,635,467

Work in Progress

41,316,481

50,193,765

Finished Goods

148,136,117

94,005,657

Stores & Consumables

1,329,971

286,224,499

1,035,458

238,861,362

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31.03.2010 (Contd..)**

|   | 31.03.2010  |                    | 31.03.2009  |                    |
|---|-------------|--------------------|-------------|--------------------|
|   | ₹           | ₹                  | ₹           | ₹                  |
| <b>SCHEDULE- 8 (Contd..)</b>  |             |                    |             |                    |
| <b>2. SUNDRY DEBTORS</b>  |             |                    |             |                    |
| (Unsecured, considered good)  |             |                    |             |                    |
| Debts outstanding for more than six months                          | 58,903,510  |                    | 55,148,859  |                    |
| Other Debts   | 260,268,757 | 319,172,267        | 237,709,763 | 292,858,622        |
| <b>3. CASH &amp; BANK BALANCES</b>                                  |             |                    |             |                    |
| Cash in Hand  | 206,487     |                    | 664,990     |                    |
| Balance with Scheduled Banks:                                       |             |                    |             |                    |
| - in EEFC   | 733,208     |                    | 852,333     |                    |
| - in Fixed Deposit  | 12,282,950  |                    | 11,630,591  |                    |
| - in Current Account  | 2,925,425   | 16,148,069         | 1,741,075   | 14,888,989         |
| <b>4. LOANS &amp; ADVANCES</b>                                      |             |                    |             |                    |
| (Unsecured, considered good)  |             |                    |             |                    |
| Advances recoverable in cash or in kind or for value to be received | 35,741,758  |                    | 17,399,666  |                    |
| Deposit with Govt. dept. & Others                                   | 24,346,730  |                    | 30,710,708  |                    |
| Advance Income Tax & TDS  | 1,960,950   |                    | 12,572,807  |                    |
| Advance to suppliers  | 8,207,783   |                    | 6,166,124   |                    |
| Indira Vikas Patra  | 3,000       |                    | 3,000       |                    |
| National Savings Certificate  | 10,725      |                    | 10,725      |                    |
| Interest Accrued but not due on deposits                            | 223,956     | 70,494,902         | 345,328     | 67,208,357         |
|   |             | <b>692,039,737</b> |             | <b>613,817,331</b> |
| <b>SCHEDULE- 9</b>  |             |                    |             |                    |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>                         |             |                    |             |                    |
| <b>CURRENT LIABILITIES</b>  |             |                    |             |                    |
| <b>Trade Creditors :</b>  |             |                    |             |                    |
| - Dues to Medium and small enterprises ( Refer notes SI No 24)      | -           |                    | -           |                    |
| - Other Dues  | 171,732,096 |                    | 164,167,683 |                    |
| Capital Creditors   | 4,725,428   |                    | 17,434,076  |                    |
| Creditors for Expenses  | 40,471,617  |                    | 44,612,096  |                    |
| Advances from customers   | 20,308,091  |                    | 27,166,447  |                    |
| Other Current Liabilities   | 20,170,471  |                    | 27,361,670  |                    |
| Book Overdraft on account of issue of cheques                       | 1,621,309   |                    | 1,280,091   |                    |
| Deposits received from customers                                    | 9,196,954   |                    | 8,021,954   |                    |
| Unclaimed Rights Issue Application Money                            | 141,750     |                    | 141,750     |                    |
| Unclaimed Dividends- Equity (Refer Notes SI No 25)                  | 1,244,471   | 269,612,188        | 918,641     | 291,104,407        |
| <b>PROVISIONS</b>   |             |                    |             |                    |
| Gratuity  | 8,151,133   |                    | 7,692,748   |                    |
| Provision for Tax   | 78,013      |                    | 4,393,956   |                    |
| Provision for Fringe Benefit Tax                                    | -           |                    | 2,346,766   |                    |
| Dividend Payable (Equity Shares)                                    | -           |                    | 7,862,418   |                    |
| Corporate Tax on Dividend Payable:                                  |             |                    |             |                    |
| Equity Shares   | -           | 8,229,146          | 1,336,218   | 23,632,106         |
|   |             | <b>277,841,334</b> |             | <b>314,736,513</b> |



**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31.03.2010 (Contd..)**

**SCHEDULE - 10**

(Amount in ₹)

**INTANGIBLE ASSETS AS ON 31.03.2010**

| Intangible Assets            | Gross Carrying Amount |                  |                                   | Cumulative Amortization |                   |                              | Net Carrying amount              |                   |                   |                   |
|------------------------------|-----------------------|------------------|-----------------------------------|-------------------------|-------------------|------------------------------|----------------------------------|-------------------|-------------------|-------------------|
|                              | As on 01.04.2009      | Additions        | Gross carrying amount adjustments | Aa at 31.03.2010        | As on 01.04.2009  | Amortization during the year | Retirement/ Disposal adjustments | As at 31.03.2010  | As at 31.03.2010  | As at 31.03.2009  |
| R&D expenses                 | 71,033,217            | 8,530,889        | -                                 | 79,564,106              | 23,114,378        | 5,045,057                    | -                                | 28,159,435        | 51,404,671        | 47,918,839        |
| Development expenditure      | 11,690,472            | 0                | -                                 | 11,690,472              | 10,545,521        | 228,984                      | -                                | 10,774,505        | 915,967           | 1,144,951         |
| Misc.Expenditure (Novosynth) | 335,623               | 10,377           | -                                 | 346,000                 | 0                 | 346,000                      | -                                | 0                 | 0                 | 335,623           |
| <b>Total</b>                 | <b>83,059,312</b>     | <b>8,541,266</b> | <b>0</b>                          | <b>91,600,578</b>       | <b>33,659,899</b> | <b>5,620,041</b>             | <b>-</b>                         | <b>38,933,940</b> | <b>52,320,638</b> | <b>49,399,414</b> |
| Previous Year                | 73,990,185            | 8,733,504        | -                                 | 82,723,689              | 28,002,809        | 5,657,090                    | -                                | 33,659,899        | 49,399,414        | 45,987,376        |

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010**

| Particulars   | 2009-2010            |                      | 2008-2009            |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | ₹                    | ₹                    | ₹                    | ₹                    |
| <b>SCHEDULE - 11</b>                                  |                      |                      |                      |                      |
| <b>INCOME FROM SALES &amp; SERVICES</b>               |                      |                      |                      |                      |
| Exports:  |                      |                      |                      |                      |
| Sales   | 573,528,355          |                      | 368,465,586          |                      |
| Incentives  | 13,832,643           |                      | 6,563,942            |                      |
|   | <u>587,360,998</u>   |                      | <u>375,029,528</u>   |                      |
| Domestic Sales  | 532,014,635          |                      | 725,861,412          |                      |
|   | <u>1,119,375,633</u> |                      | <u>1,100,890,940</u> |                      |
| Less: Goods Returns                                   | 40,150,485           | 1,079,225,148        | 42,999,917           | 1,057,891,023        |
| Conversion charges                                    |                      | 2,290,494            |                      | 7,652,094            |
|   |                      | <u>1,081,515,642</u> |                      | <u>1,065,543,117</u> |
| <b>SCHEDULE - 12</b>                                  |                      |                      |                      |                      |
| <b>OTHER INCOME</b>                                   |                      |                      |                      |                      |
| Interest -  |                      |                      |                      |                      |
| Bank  |                      | 752,138              |                      | 1,140,018            |
| Dividend Income                                       |                      | 8,888                |                      | 8,888                |
| Foreign exchange fluctuation (Net)                    |                      | 7,849,579            |                      | -                    |
| Profit on Sale of Fixed Assets (Net)                  |                      | 18,882,954           |                      | -                    |
| Misc. Income  |                      | 272,633              |                      | 6,976                |
| Provisions / Creditors no longer payable written back |                      | 1,661,782            |                      | 68,365               |
|   |                      | <u>29,427,974</u>    |                      | <u>1,224,247</u>     |
| <b>SCHEDULE- 13</b>                                   |                      |                      |                      |                      |
| <b>COST OF MATERIALS CONSUMED</b>                     |                      |                      |                      |                      |
| <b>RAW MATERIALS</b>                                  |                      |                      |                      |                      |
| Opening Stock   | 78,991,015           |                      | 82,853,951           |                      |
| Add : Purchases                                       | 553,156,784          |                      | 369,453,146          |                      |
| Less : Closing Stock                                  | 75,208,578           | 556,939,221          | 78,991,015           | 373,316,082          |
| <b>PACKING MATERIALS</b>                              |                      |                      |                      |                      |
| Opening Stock   | 14,635,467           |                      | 17,291,457           |                      |
| Add : Purchases                                       | 56,493,994           |                      | 46,064,651           |                      |
| Less : Closing Stock                                  | 20,233,352           | 50,896,109           | 14,635,467           | 48,720,641           |
| <b>WORK IN PROGRESS</b>                               |                      |                      |                      |                      |
| Opening Stock   | 50,193,765           |                      | 55,653,735           |                      |
| Closing Stock   | 41,316,481           | 8,877,284            | 50,193,765           | 5,459,970            |
| <b>FINISHED GOODS</b>                                 |                      |                      |                      |                      |
| Opening Stock   | 94,005,657           |                      | 97,431,481           |                      |
| Less : Closing Stock                                  | 148,136,117          | (54,130,460)         | 94,005,657           | 3,425,824            |
| Purchase of Traded goods                              |                      | 37,418,713           |                      | 101,145,031          |
|   |                      | <u>600,000,868</u>   |                      | <u>532,067,548</u>   |

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010 (Contd..)**

| Particulars                                      | 2009-2010  |                    | 2008-2009  |                    |
|--|------------|--------------------|------------|--------------------|
|  | ₹          | ₹                  | ₹          | ₹                  |
| <b>SCHEDULE - 14</b>                             |            |                    |            |                    |
| <b>MANUFACTURING EXPENSES</b>                    |            |                    |            |                    |
| Consumables and Stores-opening stock             | 1,035,458  |                    | 1,269,518  |                    |
| Add : Purchases                                  | 11,548,022 |                    | 8,384,693  |                    |
| Less : Closing Stock                             | 1,329,971  | 11,253,509         | 1,035,458  | 8,618,753          |
| Power & Fuel                                     | 19,324,998 |                    | 19,470,973 |                    |
| Water Charges                                    | 1,200,085  |                    | 1,090,004  |                    |
| Laboratory and Testing                           | 5,884,750  |                    | 5,375,265  |                    |
| Labour charges paid                              | 6,814,670  | 33,224,503         | 4,782,349  | 30,718,591         |
| Repairs & Maintenance:                           |            |                    |            |                    |
| Building   | 82,736     |                    | 129,312    |                    |
| Machinery  | 4,617,648  |                    | 3,598,525  |                    |
| Others   | 7,334,324  | 12,034,708         | 4,735,729  | 8,463,566          |
| Excise Duty on Finished Goods stock              |            | 3,239,934          |            | 1,201,034          |
|  |            | <b>59,752,653</b>  |            | <b>49,001,944</b>  |
| <b>SCHEDULE - 15</b>                             |            |                    |            |                    |
| <b>EMPLOYEES REMUNERATION &amp; BENEFITS</b>     |            |                    |            |                    |
| Salaries Wages & Allowances                      |            | 90,708,363         |            | 77,086,372         |
| Bonus & Exgratia                                 |            | 3,087,895          |            | 3,284,876          |
| PF & E.S.I Contributions                         |            | 7,027,215          |            | 7,050,877          |
| Employees Welfare                                |            | 6,499,426          |            | 6,193,566          |
| Recruitment & Training                           |            | 711,408            |            | 1,157,316          |
| Gratuity   |            | 458,385            |            | 2,060,634          |
| Amortisation of deferred stock compensation cost |            | (435,989)          |            | 710,094            |
| Remuneration to Directors                        |            | 6,040,000          |            | 5,520,000          |
|  |            | <b>114,096,703</b> |            | <b>103,063,735</b> |
| <b>SCHEDULE - 16</b>                             |            |                    |            |                    |
| <b>SELLING &amp; DISTRIBUTION EXPENSES</b>       |            |                    |            |                    |
| Advertisement                                    |            | 221,768            |            | 269,822            |
| Seminar, Conference & Exhibition Expenses        |            | 3,686,942          |            | 2,925,755          |
| Freight & Handling Charges on Export Sales       |            | 26,913,697         |            | 15,980,426         |
| Commission on Sales                              |            | 4,188,078          |            | 4,896,422          |
| Field Staff Salaries & Incentives                |            | 55,669,865         |            | 68,902,125         |
| Field Staff Travelling Expenses                  |            | 33,583,783         |            | 37,261,036         |
| Freight Outwards & Others                        |            | 6,217,441          |            | 8,741,193          |
| Breakages & Expired Goods                        |            | 21,719,582         |            | 7,761,790          |
| Other Selling Expenses                           |            | 20,119,804         |            | 32,646,992         |
| Sales Promotional Items                          |            | 13,110,999         |            | 15,784,445         |
|  |            | <b>185,431,959</b> |            | <b>195,170,006</b> |

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010 (Contd..)**

| Particulars                               | 2009-2010  |            | 2008-2009  |            |
|---|------------|------------|------------|------------|
|   | ₹          | ₹          | ₹          | ₹          |
| <b>SCHEDULE - 17</b>                      |            |            |            |            |
| <b>ADMINISTRATION EXPENSES</b>            |            |            |            |            |
| Travelling expenses - Inland              |            |            |            |            |
| - Directors                               | 280,313    |            | 427,375    |            |
| - Others                                  | 2,911,546  |            | 4,464,535  |            |
| Travelling expenses - Foreign             |            |            |            |            |
| - Directors                               | 2,333,171  |            | 566,754    |            |
| - Others                                  | 3,521,625  | 9,046,655  | 2,694,781  | 8,153,445  |
| Repairs and Maintenance - Office          | 1,483,531  |            | 1,925,688  |            |
| Rates & Taxes                             | 2,555,971  |            | 906,529    |            |
| Conveyance                                | 2,745,689  |            | 3,257,862  |            |
| Postage, Telegram & Telephone             | 3,777,953  |            | 3,878,385  |            |
| Legal & Professional charges              | 4,734,166  |            | 5,208,344  |            |
| Printing & Stationery                     | 3,752,312  |            | 3,792,802  |            |
| Insurance                                 | 2,847,093  |            | 2,388,674  |            |
| Rent                                      | 5,929,704  |            | 5,675,948  |            |
| Donations                                 | 26,500     |            | 14,401     |            |
| Directors Sitting fees                    | 34,200     |            | 65,000     |            |
| Electricity Charges                       | 819,142    |            | 752,729    |            |
| Audit Fees                                | 367,775    |            | 362,096    |            |
| Balances / Advances/ baddebts written off | 23,554     |            | 2,140,852  |            |
| Security Charges                          | 1,594,029  |            | 962,491    |            |
| Registration Fees                         | 1,119,363  |            | 80,327     |            |
| Vehicle Operation and Maintenance         | 2,123,690  |            | 2,442,600  |            |
| Foreign exchange fluctuation (Net)        | -          |            | 748,638    |            |
| Loss on Sale of Fixed Assets (Net)        | -          |            | 177,771    |            |
| Subscription & Membership                 | 1,089,118  |            | 2,000,786  |            |
| Diminution in the value of Investment     | 346,000    |            | -          |            |
| Miscellaneous Expenses                    | 556,482    | 35,926,273 | 325,321    | 37,107,244 |
|   |            | 44,972,928 |            | 45,260,689 |
| <b>SCHEDULE - 18</b>                      |            |            |            |            |
| <b>FINANCIAL CHARGES</b>                  |            |            |            |            |
| Interest on Term Loan                     | 27,089,227 |            | 7,945,183  |            |
| Interest on Working Capital Loan          | 27,682,559 |            | 29,103,721 |            |
| Other Interest                            | 1,842,331  | 56,614,117 | 2,218,093  | 39,266,997 |
| Bank Charges                              |            | 5,990,363  |            | 7,855,667  |
|   |            | 62,604,479 |            | 47,122,664 |
| <b>SCHEDULE - 19</b>                      |            |            |            |            |
| <b>AMORTISATION OF INTANGIBLE ASSETS</b>  |            |            |            |            |
| Development Expenses - Amortized          |            | 228,984    |            | 228,984    |
| R&D Expenses - Amortized                  |            | 5,045,057  |            | 5,428,106  |
|   |            | 5,274,041  |            | 5,657,090  |



**SCHEDULE 20-NOTES TO CONSOLIDATED ACCOUNTS:**

**A. SIGNIFICANT ACCOUNTING POLICIES**

**a) BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements of Bal Pharma Limited and its subsidiaries ('the group' or 'the Company') have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The Management evaluates and adopts all recently issued or revised accounting standards on an ongoing basis.

**b) USE OF ESTIMATES**

The preparation of the consolidated financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the consolidated financial statements and reported amounts of revenues and expenditures for the year. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

**c) PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements are prepared in accordance with 'AS-21' "Consolidated Financial Statement" issued by the Institute of Chartered Accountants of India.

The Consolidated Financial Statements relate to Bal Pharma Limited. ("the Company") and its Subsidiary Companies ("the Group"). The consolidated Financial Statements have been prepared on the following basis:

The financial statements of the Company and the subsidiaries have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra group balances/ transactions and resulting unrealized profits or losses in full. Unrealized losses resulting from intra group transactions have also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the group.

The excess/deficit of cost to the parent company of its investment in the subsidiaries over its portion of equity at the respective dates on which investments in such entities were made is recognized in the financial statements as Goodwill/Capital Reserve.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The Subsidiary Companies considered in the consolidated financial statements are

| <b>Name of the Company</b> | <b>Country of incorporation</b> | <b>Voting power held as at 31 March 2010 (in percentage)</b> |
|----------------------------|---------------------------------|--|
| Basav Chem Limited         | India                           | 100%   |

**d) REVENUE RECOGNITION**

Revenue from domestic sale of goods is recognized when significant risks and rewards in respect of ownership of products are transferred to customers. Revenue from export sales is recognized when the significant risks and rewards of ownership of products are transferred to the customer, which is based upon the terms of the applicable contract.

Revenue from product sales is stated inclusive of Excise Duty and exclusive of returns, sales tax and applicable trade discounts and allowances.

Service income is recognized as per the terms of contracts with customers when the related services are performed, or the agreed milestones are achieved.

Dividend income is recognized when the unconditional right to receive the income is established. Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Export entitlements under the Duty entitlement Pass Book ("DEPB") and Focus Marketing incentive scheme are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.



Profit on sale of investments is recorded on transfer of title from the company and is determined as the difference between the sales price and the then carrying value of the investment.

**e) FIXED ASSETS**

Fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use and all pre-operative expenses till the commencement of commercial production are capitalized.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress.

**f) DEPRECIATION**

Depreciation on owned fixed assets of the parent Company is provided for on the straight line method as per the rates and in the manner prescribed under Schedule XIV of the Companies Act 1956. Whereas depreciation on fixed assets of the Subsidiary (Basav Chem Limited) is provided for on the written down value method as per the rates and in the manner prescribed under the schedule XIV of the Companies Act 1956. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Premium on leasehold land is amortized over the initial period of lease. Individual low cost assets (acquired for less than ₹ 5,000/-) are entirely depreciated in the year of acquisition.

**g) VALUATION OF INVENTORIES**

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

|   |   |
|---|---|
| Raw materials                                     | First in-first-out (FIFO)                                       |
| Stores and spares                                 | First in-first-out (FIFO)                                       |
| Work-in-process and finished goods (manufactured) | FIFO and including an appropriate share of production overheads |
| Finished goods (traded)                           | Actual cost of purchase   |

**h) RETIREMENT BENEFITS**

**A. Gratuity**

In accordance with Indian laws, Bal Pharma Limited and its subsidiary in India provide for gratuity, a defined benefit retirement plan covering all eligible employees of the Company and its subsidiary. In accordance with the payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment of an amount based on the respective employee's salary and tenure of employment and vesting occurs upon completion of five years of service. The measurement date used for determining retirement benefits for gratuity is March 31.

Provision for gratuity & compensated absences is made on the basis of actuarial valuation at the balance sheet date, carried out by an independent actuary.

Contributions payable to the recognised provident fund, which is defined contribution scheme, are charged to the profit and loss account.

**B. Short Term Employees Benefits**

Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered. These benefits include leave travel allowance, bonus/performance incentives.

**i) INVESTMENTS**

Investments are either classified as current or long-term based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

**j) FOREIGN CURRENCY TRANSACTIONS AND BALANCES**

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.



Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

**k) EXPENDITURE ON RESEARCH AND DEVELOPMENT**

In accordance with the Accounting Standard 26 on Intangible Assets, the Management has recognized Revenue Expenditure, direct as well as allocated, on R & D projects for development of new products and processes as Intangible Assets, since it is of the opinion that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. These assets shall be amortized over a period of ten years starting from the year of commercial production. However, Revenue Expenditure on projects, which have become unsuccessful are charged off as an expense in the year in which they are abandoned. Capital expenditure incurred on research and development is capitalized as fixed assets and depreciated in accordance with the depreciation policy of the company.

**l) LEASES**

Leases under which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired on or after April 01, 2001 are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease payments under operating leases are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

**m) INCOME TAX EXPENSE**

Income tax expense comprises current tax and deferred tax charge or credit.

**Current tax**

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

**Deferred tax**

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and is written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

**n) EARNINGS PER SHARE**

In determining earnings per share, the company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per Share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

**o) EMPLOYEES STOCK OPTION SCHEMES**

In accordance with the Securities and Exchange Board of India guidelines, the excess of the market price of shares, at the date of grant of options under the Employee Stock Option Schemes, over the exercise price is treated as employee compensation and amortized over the vesting period.

**p) PROVISIONS AND CONTINGENT LIABILITIES**

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

**q) IMPAIRMENT OF ASSETS**

The Company assesses at each balance sheet date whether there is any indication that an asset may be Impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previous assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical Cost.

**B. NOTES ON ACCOUNTS**

1) National Savings Certificates have been deposited with Commercial Tax Department.

**2) EXPORT BENEFITS:**

The Company has accounted an amount of ₹ 13,832,643/- (P.Y. ₹ 6,563,942/-) being the net amount of credit under the DEPB and other schemes as announced by the Import Export Policy. The same will be utilized for off-setting the customs duty on future imports. The accumulated amount outstanding on this account as on 31.03.2010 is ₹ 11,415,647/- (P.Y. ₹ 9,131,052/-) and the same is reflected under loans and advances.

**3) MARKET DEVELOPMENT EXPENSES:**

Expenditure incurred on Market development amounting to ₹ 228,984/- (P.Y. ₹ 228,984/-) has been written off during the year. Balance on this account as on 31.03.2010 is ₹ 9,15,967/- (P.Y. ₹ 1,144,951/-).

**4) RESEARCH & DEVELOPMENT REVENUE EXPENSES:**

An amount of ₹ 8,530,889/- (P.Y. ₹ 8,733,504/-) has been incurred during the year on research and development of new products and processes in the R & D Centre. The same is proposed to be amortized over a period of 10 years commencing from the year of commercial production. Amount written off during the year on account of the above was ₹ 5,045,057/- (P.Y. Rs 5,428,106/-) the balance on this account as on 31.03.2010 is ₹ 51,404,671/- (P.Y. Rs 47,918,839/-).

5) During the year an amount of ₹ NIL (P.Y. ₹ 25,133,403/-) being interest on term loans for acquisition of qualifying capital assets was capitalised.

6) The Company has provided for ₹ 7,15,595/- (P.Y. ₹ 5,99,217/-) being Excise Duty on Finished Goods lying at various manufacturing units as at 31.03.2010.

**7) BREAK-UP OF DEFERRED TAX ASSETS AND LIABILITIES:**

|  | 31.03.2010<br>₹   | 31.03.2009<br>₹   |
|--|-------------------|-------------------|
| Deferred tax Assets recognized for timing differences due to:      |                   |                   |
| A. Current Liabilities   | 3,251,704         | 2,991,323         |
| B. Sec 40a(ia) Disallowances                                       | 229,700           | 229,70            |
| C. Current Year Loss   | 2,584,977         | -                 |
| D. Provision for diminution in the value of investment             | 114,933           | -                 |
|  | <b>6,181,314</b>  | <b>3,221,023</b>  |
| Deferred tax Liabilities recognized for timing differences due to: |                   |                   |
| A. Depreciation and other differences in block of fixed assets     | 59,157,687        | 50,508,556        |
| B. Others  | 9,391,441         | 10,586,946        |
|  | <b>68,549,128</b> | <b>61,095,502</b> |
| Net Deferred Tax Liabilities                                       | <b>62,367,814</b> | <b>57,874,479</b> |
| Charge to Profit & Loss Account                                    | <b>4,493,335</b>  | <b>7,930,104</b>  |

**8) CONTINGENT LIABILITIES NOT PROVIDED FOR ( in Rupees)**

- Guarantees issued by Company's bankers ₹ 6,810,977/- (P.Y. ₹ 20,936,720/-)
- Letter of credit ₹ 54,582,725/- (P.Y. Rs 71,135,406/-).
- Estimated value of contracts remaining to be executed on capital account and not provided for ₹ NIL/- (P.Y. ₹ 1,434,335/-)



## 9) CIF VALUE OF IMPORTS :

(Amount in ₹)

|   | 31.03.2010  | 31.03.2009  |
|---|-------------|-------------|
| 1. Raw Materials                                    | 322,103,581 | 186,572,876 |
| 2. Capital Goods<br>(Including spares & components) | 51,597      | 4,616,402   |
|   | 320,975,758 | 191,189,278 |

## 10) A. EXPENDITURE IN FOREIGN CURRENCY

|                                | 31.03.2010 | 31.03.2009 |
|--------------------------------|------------|------------|
| a. Travelling Expenditure      | 1,612,475  | 2,462,114  |
| b. Registration Fee            | 1,077,345  | 1,708,986  |
| c. Commission on Export sales  | 1,413,580  | 2,597,789  |
| d. Stall & Exhibition Expenses | 905,992    | --         |
| e. Sales Promotion             | 2,215,914  | 1,114,997  |
|                                | 7,225,306  | 7,883,886  |

## B) EARNINGS IN FOREIGN CURRENCY

|                         | 31.03.2010  | 31.03.2009  |
|-------------------------|-------------|-------------|
| a. FOB Value of Exports | 538,692,125 | 349,531,750 |

## 11) Gratuity &amp; Leave Encashment Plan:

The following table set out the status of the plan as required under AS 15(revised):

## Change in defined benefit obligation

(Amount in Rupees)

|                                    | Gratuity         |                  | Leave Encashment |
|------------------------------------|------------------|------------------|------------------|
|                                    | As at 31.03.2010 | As at 31.03.2009 | 2009-10          |
| Opening defined benefit obligation | 10,548,499       | 9,126,598        | ---              |
| Interest Cost                      | 723,403          | 663,065          | ---              |
| Current Service Cost               | 1,782,325        | 2,064,547        | 838,235          |
| Benefits Paid                      | (428,340)        | 667,198          | ---              |
| Actuarial losses/(Gain)            | (1,818,827)      | (638,513)        | 837,437          |
| Closing defined benefit obligation | 10,807,060       | 10,548,499       | 1,675,672        |

## Change in Plan Assets

|  |           |           |     |
|--|-----------|-----------|-----|
| Plan Assets at beginning of the year at fair value | 2,855,751 | 3,269,573 | --- |
| Expected Return plan assets (estimated)            | 211,300   | 231,000   | --- |
| Contributions                                      | ---       | ---       | --- |
| Benefits Settled                                   | (428,340) | (667,198) | --- |
| Actuarial gain/(loss)                              | 17,216    | 22,376    | --- |
| Plan Assets at the end of the year at fair value   | 2,655,927 | 2,855,751 | --- |

## Reconciliation of present value of the obligation and fair value of the plan assets

|  |             |             |             |
|--|-------------|-------------|-------------|
| Fair Value of plan assets at the beginning of the year                 | 7,692,748   | 2,855,751   | ---         |
| Present value of the defined benefit obligation at the end of the year | 10,549,892  | 10,548,499  | (1,675,672) |
| Assets/(Liability) recognized in the balance sheet                     | (7,921,645) | (7,692,748) | (1,675,672) |

**Cost for the period**

|  | As at 31.03.2010 | As at 31.03.2009 | 2009-10   |
|--|------------------|------------------|-----------|
| Current Service Cost                               | 1,782,325        | 2,064,547        | 838,235   |
| Interest ost                                       | 723,403          | 663,065          | ---       |
| Expected Return on Plan Assets                     | (211,300)        | (231,000)        | ---       |
| Net Actuarial (Gain)/ Loss recognized for the year |                  |                  | 837,437   |
|  | (1,836,043)      | 660,889          |           |
| Expense/(Income) recognized in the P/L A/c         | 458,385          | 2,060,634        | 1,675,672 |

**Movement in the Liability recognized in Balance sheet**

|   |           |           |           |
|---|-----------|-----------|-----------|
| Opening Liability                                 | 7,692,748 | 5,632,114 | ---       |
| Expense/income recognized for the period as above | 458,385   | 2,060,634 | 1,675,672 |
| Contribution paid                                 | ---       | ---       | ---       |
| Closing Liability                                 | 8,151,133 | 7,692,748 | 1,675,672 |

**Assumptions at the valuation date**

|  |       |       |       |
|--|-------|-------|-------|
| Discount Factor                          | 7.00% | 7.00% | 8.00% |
| Salary Escalation Rate                   | 5.50% | 5.50% | 5.50% |
| Rate of Return (Expected) on Plan Assets | 8.00% | 8.00% | ----- |
| Retirement Age                           | 58    | 58    | 58    |

**12) SECURITY FOR LOANS IN SCHEDULE (3) TO BALANCE SHEET:**

- 12.1 Hire purchase finance provided by various financial institutions is secured by a charge on the assets financed by the respective institutions.
- 12.2 The Working Capital Loan financed by Canara Bank, ICICI Bank, Punjab National Bank, and EXIM Bank under a Consortium arrangement with pari passu charge is secured against hypothecation of stock and book debts and first charge on fixed assets other than those financed by the term lending institutions.
- 12.3 Loan obtained from State Bank of Indore is secured by hypothecation of assets of Unit II and Unit III, and Unit IV funded by them.
- 12.4 Secured loans obtained from EXIM Bank of ₹ 21.55 Crores towards establishment of Formulation Plant at Uttaranchal first pari pause charge on the entire immovable and Hypothecation of whole of moveable fixed assets, both present and future of the Company including:
- Moveable plant and machinery, Equipment, Appliances, furniture, vehicles, machinery spares and stores, tools and accessories, whether or not installed and
  - Related movables in the course of transit or delivery whether now belonging or which may hereafter belong to the Company or which may be held by any person at any place within or outside India to the order or disposition of the company and all document or title including bills of lading, shipping documents, policies of insurance and other instruments and documents relating to such movables together with benefits of all rights thereto.
- 12.5 All the Secured Loans have been guaranteed by two Directors including Managing Director in their personal Capacity.
- 13) Balances of Sundry debtors, sundry creditors, loans and advances, receivables and payables are subject to confirmation/reconciliation, if any.
- 14) In the opinion of the Board of directors adequate provision has been made in the accounts for all known liabilities and the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the value stated in the balance sheet.
- 15) The Company's significant leasing arrangements are in respect of operating leases for premises (office, stores, godowns, residential, guest houses, etc.) These are cancelable operating leases and these lease agreements are normally renewed on expiry. The aggregate lease rentals payable are charged as rent under Schedule 17.

**16) EMPLOYEE STOCK OPTION SCHEME**

**Bal Pharma Limited's Employee stock option scheme – 2006 (ESOP 2006)** : The Company instituted the 2006 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 23-09-2004. The Scheme covers all non promoter directors and employees and its subsidiaries. Under the scheme, the compensation Committee of the Board ('the Committee') shall administer the Scheme and grant stock options to eligible directors and employees of the Company and its subsidiaries. The Committee shall determine the employees eligible for receiving the options, the number of options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for the options issued on the date of the grant.



The market value of a share on each grant date is defined as the average of the two weeks high and low price of the share preceding the date of grant of option on the stock exchange where there is highest trade volume during that period.

In case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed under each option agreement by the Committee, failing which they would stand cancelled.

The company under ESOP-2006 had granted 2, 19,500 options to eligible employees. The vesting period for the options granted varies from 12 to 60 months.

\* Stock option activity under ESOP-2006 was as follows :

| Particulars                          | 31.03.2010 | 31.03.2009 |
|--------------------------------------|------------|------------|
| Options outstanding at the beginning | 172,900    | 2,12,000   |
| Add: Options Granted                 | -----      | -----      |
| Less: Options forfeited/Surrendered  | 62,500     | 2,100      |
| Less: Options exercised              | -----      | 37,000     |
| Options outstanding at the end       | 110,400    | 172,900    |

\* Exercise Price : ₹ 15.75/-

- 17) During the year Novosynth Research labs Private Limited, a 100% subsidiary of Bal Pharma Ltd. applied for striking off its name from the register as defunct company under section 560 of the Companies Act, 1956. pursuant to the above, the company has provided for diminution in the value of its investment in the said subsidiary.

**18) RELATED PARTY DISCLOSURES:**

**A. Related parties where control / significant influence exist or with whom transactions have taken place during the year :**

- i) Enterprises where principal / promoter shareholders have control or significant influence (Significant interest entities):

Micro Labs Ltd – Enterprise owned by some of the promoter shareholders

- iii) Others:-

- (a) Desa Marketing International - Enterprise owned by the Managing Director of the Company.
- (b) Siroya Developers (P) Ltd. - Enterprise owned by relatives of Managing Director of the Company.
- (c) Siroya Constructions - Enterprise over which the Managing Director of the Company exercises joint control with other Partners.

**B. Key managerial Personnel represented on the board:**

- Shailesh D.Siroya - Managing Director
- Dr.S.Prasanna - Whole time Director
- Shrenik D Siroya - Director

**C. Particulars of related party transactions :**

The following is a summary of significant related party transactions:

(in Rupees)

|  | 31.03.2010 | 31.03.2009 |
|--|------------|------------|
| i) Sales to Significant interest entities  | 16,860,572 | 3,757,522  |
| ii) Purchases from Significant interest entities   | 6,851,437  | 27,001     |
| iii) Commission paid to Enterprise owned by the Managing Director of the Company   | 7,891,216  | 4,505,022  |
| iv) Repayment of advance from significant interest entities  | 80,00,000  | ---        |
| v) Customer advances from significant interest entities  | ---        | 80,00,000  |
| vi) Interest Paid to significant interest entities   | 4,66,667   | ---        |
| vii) Repayment of advance from enterprises over which Managing Director of the Company exercises joint Control with other partners | 90,620     | ---        |
| viii) Advance given to enterprises over which Managing Director of the Company exercises joint Control with other partners         | 32,352     | ---        |

- D. Details of remuneration paid to the Managing Director and Whole-time Directors are given in Note.No.19 of Schedule 20.

**E. The Company has the following amounts due from / to related parties: (Amount in ₹)**

| Particulars  | 31.03.2010 | 31.03.2009 |
|--|------------|------------|
| i) Due from related parties :  |            |            |
| a. Significant interest entities (Included in Sundry Debtors)  | 6,014,741  | 104,730    |
| b. Enterprise in which Managing Director of the Company exercises joint Control with other partners (included in loans and advances) | ---        | 58,268     |
| ii) Due to related parties   |            |            |
| Enterprises owned by Managing Director of the Company (Included in current liabilities)  | 3,475,539  | 4,607,429  |
| iii) Significant interest entities (included in current liabilities)   | ----       | 80,00,000  |

**19) Particulars of Managerial Remuneration:**

The remuneration paid to Managerial personnel during the year :

|                       | Managing Director |           | Whole time Directors |           |
|-----------------------|-------------------|-----------|----------------------|-----------|
|                       | 31.3.2010         | 31.3.2009 | 31.3.2010            | 31.3.2009 |
| Salaries & Allowances | 4,000,000         | 3,600,000 | 20,40,000            | 19,20,000 |
| Commission            | Nil               | Nil       | Nil                  | Nil       |
| Perquisites           | Nil               | Nil       | Nil                  | Nil       |

**20) Auditor's Remuneration**

|   | 31.3.2010 | 31.3.2009 |
|---|-----------|-----------|
| Statutory Audit Fees                    | 2,27,575  | 1,70,000  |
| Tax Audit Fees                          | 50,000    | 50,000    |
| Other services                          | 40,200    | 84,521    |
| Reimbursement of out of pocket expenses | 50,000    | 30,000    |
|   | 3,67,775  | 3,34,521  |

**21) Details of Imported & Indigenous Raw Materials, Stores & Spare Parts consumed :**

|                          | 31.03.2010         | % of Total Consumption | 31.03.2009         | % of Total Consumption |
|--------------------------|--------------------|------------------------|--------------------|------------------------|
| Raw Materials            |                    |                        |                    |                        |
| Imported                 | 195,507,115        | 35.1%                  | 192,601,014        | 51.6%                  |
| Indigenous               | 361,432,106        | 64.9%                  | 180,715,068        | 48.4%                  |
| <b>Total</b>             | <b>556,939,221</b> |                        | <b>373,316,082</b> |                        |
| Stores & Spares Imported | NIL                | 0%                     | NIL                | 0%                     |
| Indigenous               | 11,253,509         | 100%                   | 86,18,753          | 100%                   |

**22) QUANTITATIVE INFORMATION**

a) Installed capacity (as certified by the Management )

| PRODUCT        | UNIT         | 31.03.2010 | 31.03.2009 |
|----------------|--------------|------------|------------|
| Tablets        | Million Nos. | 3770       | 3770       |
| Capsules       | Million Nos. | 100        | 100        |
| Liquids        | Kilo Litres  | 750        | 750        |
| Ointment       | Metric Tonne | 75         | 75         |
| IV-Fluids      | Million Nos. | 07         | 07         |
| Eye / Ear Drop | Million Nos. | 19         | 19         |
| Bulk Drugs     | Metric Tonne | 38         | 38         |

b) Licensed Capacity -- Not Applicable

**Notes :** Installed capacities are as certified by Management and have not been verified by the auditors as this a technical matter.



c) Particulars of Production, Sale and Stock

(Values in '000's)

| Sl.no | Particulars | Unit      | Opening Stock      |                    | Production and Purchase |                      |                       | Sales                   |                         | Closing Stock         |                        |
|-------|-------------|-----------|--------------------|--------------------|-------------------------|----------------------|-----------------------|-------------------------|-------------------------|-----------------------|------------------------|
|       |             |           | qty                | value              | qty                     | Qty                  | Value                 | qty                     | Value                   | qty                   | Value                  |
| 1     | Tablets     | 000 Nos   | 29754.6<br>(23523) | 55282.7<br>(86568) | 426455.12<br>(674973)   | 705.06<br>(119759.3) | 13324.39<br>(57864.6) | 446103.73<br>(788500.7) | 409807.71<br>(533711.3) | 10811.04<br>(29754.6) | 109773.75<br>(55282.7) |
| 2     | Capsules    | 000 Nos   | 5625<br>(2507)     | 6468.7<br>(3824)   | 32933.42<br>(24950)     | 126.42<br>(24260.5)  | 5850.80<br>(32330.7)  | 32610.48<br>(46092.5)   | 71097.63<br>(61164.8)   | 6074.35<br>(5625)     | 23970.11<br>(6468.7)   |
| 3     | Liquids     | Kilo Ltrs | 91.5<br>(72.1)     | 3296.1<br>(2590)   | 26487.96<br>(1299.7)    | 1704.36<br>(48.1)    | 15404.30<br>(9738.1)  | 8841.21<br>(1328.4)     | 103913.57<br>(70780.2)  | 19442.61<br>(91.2)    | 4881.72<br>(3296.1)    |
| 4     | Ointments   | Kgs       | 19439.9<br>(2216)  | 28666.1<br>(3235)  | 35551.49<br>(62985.6)   | 179.14<br>(3983)     | 3839.23<br>(1211.6)   | 51538.92<br>(49744.7)   | 21881.43<br>(84566)     | 3631.618<br>(19439.9) | 2813.62<br>(28666.1)   |
| 5     | EED         | Million   | 0.1<br>(0.001)     | 265.7<br>(7.00)    | 3.73<br>(5.4)           | ---                  | ---                   | 1.8<br>(5.3)            | 5692.22<br>(8462.9)     | 2.028<br>(0.1)        | 1999.43<br>(265.7)     |
| 6     | Bulk Drugs  | Kgs       | 4.0<br>(194)       | 26.3<br>(1208)     | 64733.75<br>(38650.3)   | ---                  | ---                   | 61960.00<br>(38840.3)   | 449112.19<br>(292642)   | 2777.50<br>(4.0)      | 4697.48<br>(26.3)      |

d) RAW MATERIALS CONSUMED

| RAW MATERIALS CONSUMED | UNIT    | QUANTITY               | VALUE (₹ 000)        |
|------------------------|---------|------------------------|----------------------|
| Powder                 | Kgs     | 1,029,731<br>(807,985) | 523,943<br>(358,183) |
| Liquids                | Ltrs    | 608,125<br>(431,381)   | 25,327<br>(10,430)   |
| Capsule                | 000'Nos | 123,703<br>(59,390)    | 7,669<br>(4,703)     |

- 23) (a) The claim for differential excise duty of ₹ 1,034,757 on Physi-cian Samples demanded by the Central Excise Dept in the year 1999-2000 was decided in Company's favor by CESTAT in the year 2006-2007. However, the Commissioner of Central Excise, Bangalore filed a civil appeal in the Supreme Court of India against the said order of CESTAT, which is still pending.
- (b) The claim for differential excise duty of ₹ 8.98 lakhs on physician's sales for the period September 1997 to February 1998 demanded by Central Excise Dept in respect of Unit I was contested and CESTAT, Bangalore upheld our appeal. However, Commissioner of Central Excise, Bangalore filed a civil appeal in the Supreme court of India against the said order of CESTAT, which is still pending.
- (c) The claim of duty and penalty of ₹ 868,598 for the period May 2000 to November 2001 by Central Excise in respect of Unit III is being contested and under the directions of CESTAT, Mumbai a pre-deposit of ₹ 30,000/- has been made. The same is still pending for discussion.
- (d) A Sales Tax claim of ₹ 749,720/- on treating stock transfer as sales in Ernakulam by the Commercial Taxes, Special Circle I, KGST is being contested and a deposit of ₹ 253,729 has been made. The application has being heard by the Deputy Commissioner, Ernakulam & is still pending for discussion.
- (e) During the year Income Tax Officer (TDS) raised a demand of ₹ 89,50,429 towards non deduction of TDS under the provisions of Income Tax Act, 1961 for the assessment year 2004-05 to 2008-09 on all principal to principal purchase transactions entered into by it during the said assessment years. The company filed an appeal before the commissioner of income Tax Appeals-V HMT Bhavan Bangalore against the said order and as per direction of the commissioner the company deposited 25% of the demanded amount amounting to ₹ 22, 37,610/-. The said appeal is still pending. The management is however confident of favourable appeal order.
- (f) The Company is also involved in other lawsuits, claims, investigations and proceedings including patent and commercial matters, which arise in the ordinary course of business, however, there are no such matters pending that the company expects to be material in relation to its business
- 24) The company though has initiated the process, but is yet to obtain confirmation from suppliers who have registered themselves under the Micro Small Medium Enterprise Development Act, 2006 (MSMED Act, 2006). Based on the information available with the company, the balance due to Micro & Small Enterprises as defined under the MSMED Act, 2006 is ₹ NIL. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.



| 25) Unclaimed Dividends on Equity Shares: | Year         | Amount<br>(₹)    |
|---|--------------|------------------|
|   | 2002-03      | 1,71,432         |
|   | 2003-04      | 1,84,828         |
|   | 2004-05      | 49,859           |
|   | 2005-06      | 1,65,071         |
|   | 2006-07      | 1,25,370         |
|   | 2007-08      | 3,73,096         |
|   | 2008-09      | 1,74,815         |
|   | <b>Total</b> | <b>1,244,471</b> |

**26) Calculation of EPS (Basic and Diluted)**

| Sl No. | Particulars  | Year ended<br>31 March 2010 | Year ended<br>31 March 2009 |
|--------|--|-----------------------------|-----------------------------|
| 1.     | Opening No of shares   | 10,483,224                  | 10,446,224                  |
| 2.     | Total Shares Outstanding   | 10,483,224                  | 10,483,224                  |
| 3.     | Weighted average number of shares  | 10,483,224                  | 10,455,474                  |
| 4.     | Profit after Taxation available to Equity Shareholder                        | (142.88)                    | 299.27                      |
| 5.     | EPS  | (1.36)                      | 2.87                        |
|        | <b>DILUTED</b>   |                             |                             |
| 6.     | Weighted average number of shares (including employee stock option dilution) | 10,527,910                  | 10,546,718                  |
| 7.     | Diluted EPS  | (1.36)                      | 2.85                        |

- 27) The Company is primarily engaged in a single business segment of manufacturing and marketing of Pharmaceutical Formulations and Active Pharmaceutical Ingredients and is managed as ONE entity, for its various activities and is governed by a similar set of risks and returns.

**Geographical segments**

In the view of the management, the Indian and Export Markets represent geographical segments.

**Sales by market:**

The following is the distribution of the Company's sales by geographical market:

| Geographical segments | 2009-2010            | 2008-2009            |
|-----------------------|----------------------|----------------------|
| India                 | 494,154,644          | 690,513,589          |
| Other than India      | 587,360,998          | 375,029,528          |
| <b>Total</b>          | <b>1,081,515,642</b> | <b>1,065,543,117</b> |

Assets and additions to fixed assets by geographical area: The following table shows the carrying amount of segment assets and additions to fixed assets by geographical area in which the assets are located.

| Particulars                       | 2009-2010     |             | 2008-2009     |             |
|-----------------------------------|---------------|-------------|---------------|-------------|
|                                   | India         | Others*     | India         | Others*     |
| Carrying amount of segment assets | 1,017,382,495 | 172,314,970 | 1,064,251,470 | 103,156,765 |
| Additions to fixed assets         | 12,924,382    | ---         | 303,171,537   | ---         |

\*Others represent receivables from debtors located outside India

- 29) Figures in brackets pertain to previous year.  
30) Previous year figures have been regrouped /rearranged wherever necessary.

As per our report of even date  
For **OSTAWAL & JAIN**  
ICAI FRN No. 002491S  
Chartered Accountants

**FOR & ON BEHALF OF THE BOARD**

**T. D. Jain**  
Partner  
M. No. 012034

**S. Ramji**  
AVP Finance & Company Secretary

**Dr. S. Prasanna**  
Director

**Shailesh Siroya**  
Managing Director

Bangalore  
09.08.2010

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010**

|   | (₹ in '000)      |                  |
|---|------------------|------------------|
|   | 31.03.2010       | 31.03.2009       |
| <b>A CASH FLOW FROM OPERATING ACTIVITIES</b>  |                  |                  |
| Profit Before Tax   | (9,062)          | 40,557           |
| <b>Adjustments for :</b>  |                  |                  |
| Gratuity  | 458              | 2,060            |
| Depreciation  | 28,590           | 18,858           |
| Misc.expenditure written off  | 5,274            | 5,658            |
| Others-ESOP amortisation  | (436)            | 710              |
| Interest Received   | (729)            | (1,080)          |
| Dividend Income   | (9)              | (8)              |
| Diminution in value of investment   | 346              | -                |
| Provision no longer payable   | -                | (68)             |
| (Profit)/Loss on Sale of Fixed Assets   | (18,883)         | 178              |
| Interest Paid   | 56,614           | 39,267           |
| <b>Operating Profit before working capital changes</b>  | <b>62,163</b>    | <b>106,132</b>   |
| <b>Adjustments for</b>  |                  |                  |
| (Increase)/Decrease in inventories  | (46,855)         | 15,639           |
| Research and Development Expenditure  | (8,531)          | (8,734)          |
| (Increase)/ Decrease in trade & other Payables  | (21,722)         | 85,245           |
| (Increase)/Decrease in trade & other Receivables  | (29,876)         | (59,235)         |
| Income Tax paid   | (7,395)          | (10,132)         |
|   | <b>(114,379)</b> | <b>22,783</b>    |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>   | <b>(52,216)</b>  | <b>128,915</b>   |
| <b>B CASH FLOW FROM INVESTING ACTIVITIES</b>  |                  |                  |
| Purchase of Fixed Assets  | (12,924)         | (114,637)        |
| (Increase)/Decrease in CWIP   | 3,988            | -                |
| Sale of Fixed Assets  | 54,995           | 1,230            |
| Dividend Income   | 9                | 8                |
|   | <b>46,068</b>    | <b>(113,399)</b> |
| <b>C CASH FLOW FROM FINANCING ACTIVITIES</b>  |                  |                  |
| Proceeds from ESOP allotment  | -                | 583              |
| Proceeds( Payments) from Long term borrowings   | (1,929)          | (5,660)          |
| Workign Capital Borrowings  | 82,628           | 49,202           |
| Payments of Unsecured Loans   | (8,197)          | (23,358)         |
| Interest paid on borrowings   | (56,614)         | (39,267)         |
| Interest received   | 729              | 1,080            |
| Dividend & dividend tax paid  | (9,199)          | (12,222)         |
|   | <b>7,418</b>     | <b>(29,642)</b>  |
| <b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>  | <b>1,271</b>     | <b>(14,126)</b>  |
| Opening cash  | 14,877           | 29,003           |
| Closing Cash  | 16,148           | 14,877           |
| <b>NET CASH CHANGE</b>  | <b>1,271</b>     | <b>(14,126)</b>  |
| <b>Notes:</b>   |                  |                  |
| 1. Direct Taxes paid is treated as arising from Operating Activities and is not bifurcated between operating, investing and Financing Activities. |                  |                  |
| 2. Previous year figures have been regrouped / reclassified wherever necessary.   |                  |                  |

As per our report of even date

For **OSTAWAL & JAIN**

ICAI FRN No. 002491S

Chartered Accountants

**FOR & ON BEHALF OF THE BOARD**

**T. D. Jain**  
Partner  
M. No. 012034

**S. Ramji**  
AVP Finance & Company Secretary

**Dr. S. Prasanna**  
Director

**Shailesh Siroya**  
Managing Director

Bangalore  
09.08.2010

Your Directors have pleasure in presenting the Annual Report together with the Audited Accounts of your Company for the financial year ended on 31<sup>st</sup> March, 2010.

## 1. FINANCIAL RESULTS:

(₹. in Lakhs)

| Particulars   | 2009-10  | 2008-09  |
|---|----------|----------|
| 1) Total Income   | 47.56    | 20.40    |
| 2) Profits before Depreciation and provision for Taxation     | (7.60)   | 5.37     |
| <b>Less:</b> Depreciation                                     | 5.20     | 5.17     |
| Profits before Taxation                                       | (12.80)  | 0.20     |
| <b>Less:</b>  |          |          |
| 3) Provision for Taxation                                     | (2.65)   | -        |
| 4) Fringe Benefit Tax   | -        | 0.11     |
| 5) Deferred Tax   | (1.35)   | 1.07     |
| 6) Extraordinary/<br>Non recurring items                      | - (4.00) | - (1.18) |
|   | (8.80)   | 0.99     |
| <b>Add:</b>   |          |          |
| 7) Profit & Loss Account balance at the beginning of the year | -        | -        |
| 8) Profit made available for appropriation                    | -        | -        |
| <b>Less:</b>  |          |          |
| 9) Proposed Dividend on Equity Shares                         | -        | -        |
| 10) Tax on dividends  | -        | -        |
| 11) Balance Carried to Balance Sheet                          | (8.80)   | 0.99     |

## 2. DIVIDEND:

Your Board has not recommended any dividend for the year 2009-10.

## 3. PERFORMANCE:

Your Company's total income of ₹. 47.56 Lakhs includes ₹. 47.33 Lakhs as conversion charges from its holding Company, Bal Pharma Limited.

## 4. PROSPECTS FOR THE CURRENT YEAR:

The amalgamation proceedings of Basav Chem Limited with Bal Pharma Limited is before the honorable high court of Karnataka.

## 5. SECRETARIAL COMPLIANCE CERTIFICATE:

Your Board in its meeting held on 22.07.2009 has appointed Mr. Vijaykrishna K T, Company Secretary in whole-time practice, Bangalore under Section 383A of the Companies Act, 1956 to issue Secretarial Compliance Certificate for the year 2009-10.

## 6. PARTICULARS OF EMPLOYEES:

There was no employee whose remuneration was in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956

## 7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND FOREIGN EXCHANGE OUTGO:

Intimation pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is not given as there is nothing to report

## 8. DIRECTORS' RESPONSIBILITY STATEMENT:

In compliance to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to confirm with reference to statement of Accounts for the financial year ended on 31.03.2010:

- that in preparing the Annual Accounts, all applicable Accounting Standards have been followed;
- that the accounting policies adopted are consistently followed and the judgements or estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and Loss Account of the Company for the financial year ;
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities;
- that the Directors have prepared the annual accounts on 'going concern' basis.

## 9. DEPOSITS:

As on date of the Report, the Company has not accepted any public deposits.

## 10. DIRECTORS:

As on date, your Board consists of following directors:

- Mr. Shailesh Siroya
- Mr. Shrenik Siroya
- Dr. G.S.R. Subba Rao

Mr. Shailesh Siroya retire by rotation at the Annual General Meeting of the Company and being eligible, offer himself for reappointment. Your Directors have pleasure in recommending his reappointment.

## 11. AUDITORS:

Messrs Ostawal & Jain, Chartered Accountants, Auditors of the Company, retire at the Annual General Meeting and are eligible for reappointment.

## 12. APPRECIATION:

The Directors place on record their appreciation of the co-operation and guidance provided by Banks and financial institutions, members of the medical profession, customers, suppliers and other business associates. Your Directors also place their appreciation of the good work rendered by all the employees. The Directors express their gratitude to all shareholders for the confidence reposed in the Management.

For and on behalf of the Board of Directors

Sangli  
9<sup>th</sup> August, 2010

Dr. G. S. R. Subba Rao  
Director

Shailesh Siroya  
Director

**TO THE MEMBERS OF BASAV CHEM LIMITED**

We have audited the attached Balance Sheet of BASAV CHEM LIMITED as at 31st March 2010, the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) order, 2004 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

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

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable;
- (v) On the basis of the written representations received from the directors, as on 31 March 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 ; and
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view

in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company, as at 31st March 2010;
- (b) in the case of the Profit and Loss Account, of the Loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Ostawal & Jain**  
Chartered Accountants  
ICAI FRN No.002491S

Sd/-

**T. D. JAIN**

Partner

M.M.No: 12034

Bangalore

Date: 09.08.2010

**ANNEXURE TO THE AUDITOR'S REPORT**

Annexure referred to in Paragraph 3 of the report of the Auditors to the members of BASAV CHEM LIMITED for the year ended 31st March 2010:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. These fixed assets were physically verified by management at reasonable intervals during the year. No material discrepancies were noticed on such physical verification. Substantial part of fixed assets have not been disposed off during the year, which will affect its status as going concern.
2. The Company does not carry on any own manufacturing or trading activity. The Company is in the business of manufacturing of Pharmaceutical products on job work basis. Accordingly sub-clause (a), (b) and (c) of clause 4(ii) of the order are not applicable.
3. (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly Sub Clauses (b), (c) and (d) of clause 4(iii) of the Order are not applicable.  
(b) The Company has taken interest free unsecured loan from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The Company has taken interest free unsecured advance from its holding company. The maximum balance outstanding during the year was ₹.64, 86,537/- and the year end balance of advance was ₹.64, 60,000/-.
- (c) Based on the information received and the explanations given, the terms and conditions of the advance are prima facie not prejudicial to the interest of the Company.

- (d) As informed to us, the repayment of the dues was regular during the year.
4. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business, for the purchase of inventory and fixed assets and for the sale of services. We have not observed any major weakness in the internal control system during the course of our audit.
  5. (a) According to the information and explanations given to us and relevant records produced before us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.  
(b) According to information and explanations given by the management and relevant records produced before us, we are of the opinion that transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices.
  6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the Company.
  7. The provisions of clause 4(vii) of the Order are not applicable to the Company.
  8. As informed to us, the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956.
  9. a) According to the information and explanations given to us and on the basis of our examination of books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs duty, Excise duty, Cess and any other material statutory dues during the year with the appropriate authorities.  
b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues were in arrears as at 31 March 2010 for a period of more than six months from the date they became payable.  
c) According to the information and explanations given to us, there are no amounts in respect of Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty and Cess that have not been deposited with appropriate authorities on account of any dispute.
  10. The Company has accumulated losses in excess of 50% of its net worth as at the end of the financial year. The Company has incurred cash losses in the financial year under report however there were no cash losses in the immediately preceding financial year.
  11. The Company has not defaulted in repayment of dues to its bankers or to any financial institution. The Company did not have any outstanding debentures during the year.
  12. According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted any loans and/or advance on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the Order is not applicable.
  13. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund, nidhi or mutual benefit fund/society. Accordingly, clause 4(xiii) of the Order is not applicable.
  14. In our opinion and accordingly to the information and explanations given to us, the Company does not deal in shares, securities, debentures and other investments. Accordingly clause 4(xiv) of the Order is not applicable. The shares, securities, debentures and other investments are held by the Company in its own name.
  15. Accordingly to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, clause 4(xv) of the Order is not applicable.
  16. In our opinion and according to information and explanations given to us and on the basis of examination of books of accounts, the Company has not taken any term loan during the year. Accordingly, clause 4(xvi) of the Order is not applicable.
  17. According to the information and explanations given to us, and on an overall examination of Balance sheet and Cash Flow Statement of the Company, funds raised by the Company on short-term basis have not been used to finance Long-Term Investments.
  18. The Company has not made any allotment of shares during the year. Accordingly, clause (xviii) of the Order is not applicable.
  19. The Company has not issued any debentures. Hence the requirements of clause (xix) of paragraph 4 of the Order are not applicable to the Company.
  20. The company is not listed and hence, provisions of clause 4(xx) of the Order are not applicable.
  21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For **Ostawal & Jain**  
Chartered Accountants  
ICAI FRN No.002491S

Sd/-  
**T. D. JAIN**  
Partner

Bangalore  
Date: 09.08.2010

M.M.No: 12034

**BALANCE SHEET AS AT 31.03.2010**

|   | SCH | AS AT 31.03.2010 |                  | AS AT 31.03.2009 |                  |
|---|-----|------------------|------------------|------------------|------------------|
|   |     | ₹.               | ₹.               | ₹.               | ₹.               |
| <b>SOURCES OF FUNDS</b>                           |     |                  |                  |                  |                  |
| <b>I. SHAREHOLDERS' FUND</b>                      |     |                  |                  |                  |                  |
| a. Share Capital                                  | 1   |                  | 1,000,000        |                  | 1,000,000        |
| b. Reserves & Surplus                             | 2   |                  | 1,405,725        |                  | 1,405,725        |
| <b>II. LOAN FUNDS</b>                             |     |                  |                  |                  |                  |
| a. Secured Loans                                  |     |                  | -                |                  | -                |
| b. Unsecured Loans                                | 3   |                  | 6,460,000        |                  | 6,461,537        |
| <b>III. DEFERRED TAX LIABILITY (NET)</b>          |     |                  |                  |                  |                  |
| <b>TOTAL</b>                                      | 4   |                  | <u>592,215</u>   |                  | <u>727,135</u>   |
|   |     |                  | <u>9,457,940</u> |                  | <u>9,594,397</u> |
| <b>APPLICATIONS OF FUNDS</b>                      |     |                  |                  |                  |                  |
| <b>I. FIXED ASSETS</b>                            |     |                  |                  |                  |                  |
| a. Gross Block                                    | 5   |                  | 10,637,318       |                  | 10,637,318       |
| b. Less: Accumulated Depreciation                 |     |                  | 6,960,965        |                  | 6,441,251        |
| c. Net Block                                      |     |                  | 3,676,353        |                  | 4,196,067        |
| <b>II. INVESTMENTS</b>                            |     |                  |                  |                  |                  |
|   | 6   |                  | 100,000          |                  | 100,000          |
| <b>III. CURRENT ASSETS, LOANS &amp; ADVANCES</b>  |     |                  |                  |                  |                  |
| a. Inventories                                    | 7   |                  | -                |                  | -                |
| b. Sundry Debtors                                 |     |                  | 1,095,649        |                  | 817,121          |
| c. Cash & Bank Balances                           |     |                  | -                |                  | 398,873          |
| d. Loans & Advances                               |     |                  | 942,004          |                  | 1,154,235        |
| <b>Total (A)</b>                                  |     |                  | <u>2,037,653</u> |                  | <u>2,370,229</u> |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>       |     |                  |                  |                  |                  |
| a. Current Liabilities                            | 8   |                  | 708,819          |                  | 505,605          |
| b. Provisions                                     |     |                  | 229,488          |                  | 268,758          |
| <b>Total (B)</b>                                  |     |                  | <u>938,307</u>   |                  | <u>774,363</u>   |
| <b>NET CURRENT ASSETS (A-B)</b>                   |     |                  | <b>1,099,346</b> |                  | <b>1,595,866</b> |
| <b>IV. Intangible Assets</b>                      |     |                  | -                |                  | -                |
| <b>V. Profit and Loss account (Debit Balance)</b> | 9   |                  | 4,582,241        |                  | 3,702,464        |
| <b>TOTAL</b>                                      |     |                  | <u>9,457,940</u> |                  | <u>9,594,397</u> |
| <b>NOTES ON ACCOUNTS</b>                          | 14  |                  |                  |                  |                  |

As per our report of even date

 For **OSTAWAL & JAIN**  
 Chartered Accountants  
 ICAI FRN No. 002491S

**FOR & ON BEHALF OF THE BOARD**
**T. D. Jain**  
 Partner  
 M. No. 012034

**Dr. G. S. R. Subba Rao**  
 Director

**Shailesh Siroya**  
 Managing Director

 Bangalore  
 09.08.2010

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010

|  | SCH | Year Ended 31.03.2010 |             | Year Ended 31.03.2009 |           |
|--|-----|-----------------------|-------------|-----------------------|-----------|
|  |     | ₹.                    | ₹.          | ₹.                    | ₹.        |
| <b>I. INCOME</b>                                   |     |                       |             |                       |           |
| Conversion Charges Income                          |     | 4,732,622             |             | -                     |           |
| Rental Income                                      |     | -                     |             | 1,980,000             |           |
| Other Income                                       | 10  | 23,344                | 4,755,966   | 59,620                | 2,039,620 |
|  |     |                       | 4,755,966   |                       | 2,039,620 |
| <b>II. EXPENDITURE</b>                             |     |                       |             |                       |           |
| Manufacturing Expenditure                          | 11  | 2,530,891             |             | 110,876               |           |
| Employees Remuneration & Benefits                  | 12  | 2,339,265             |             | 931,518               |           |
| Administration Expenses                            | 13  | 626,733               |             | 425,598               |           |
| Financial Expenses                                 | 14  | 507                   |             | 1,868                 |           |
| Depreciation                                       |     | 519,714               | 6,017,110   | 517,028               | 1,986,888 |
| <b>III. Profit for the year</b>                    |     |                       | (1,261,144) |                       | 52,732    |
| Add/(Less): Prior Year Adjustment                  |     |                       | (18,860)    |                       | (33,000)  |
| <b>IV. Profit Before Income Tax</b>                |     |                       | (1,280,004) |                       | 19,732    |
| Provision for Income Tax - Current Year            |     |                       | -           |                       | 940       |
| (Excess) / Short Provision for Tax - Earlier Years |     |                       | (265,307)   |                       | -         |
| Deferred Tax (As Per AS 22)                        |     |                       | (134,920)   |                       | 107,423   |
| Fringe Benefit Tax                                 |     |                       | -           |                       | 10,650    |
| <b>V. Profit After Tax</b>                         |     |                       | (879,777)   |                       | (99,281)  |
| <b>VI. Balance Carried to Balance Sheet</b>        |     |                       | (879,777)   |                       | (99,281)  |
| <b>Earnings per share</b>                          |     |                       |             |                       |           |
| Basic EPS  |     |                       | (8.80)      |                       | (0.99)    |
| Diluted EPS  |     |                       | (8.80)      |                       | (0.99)    |
| No. of Equity Shares                               |     |                       | 100,000     |                       | 100,000   |
| <b>NOTES ON ACCOUNTS</b>                           | 15  |                       |             |                       |           |

As per our report of even date  
For **OSTAWAL & JAIN**  
Chartered Accountants  
ICAI FRN No. 002491S

FOR & ON BEHALF OF THE BOARD

**T. D. Jain**  
Partner  
M. No. 012034

**Dr. G. S. R. Subba Rao**  
Director

**Shailesh Siroya**  
Managing Director

Bangalore  
09.08.2010

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2010**

|   | AS AT 31.03.2010 |                  | AS AT 31.03.2009 |                  |
|---|------------------|------------------|------------------|------------------|
|   | ₹.               | ₹.               | ₹.               | ₹.               |
| <b>SCHEDULE - 1</b>   |                  |                  |                  |                  |
| <b>SHARE CAPITAL</b>  |                  |                  |                  |                  |
| <b>AUTHORISED</b>   |                  |                  |                  |                  |
| 2,00,000 (P Y 2,00,000) Equity Shares of ₹. 10 each   |                  | <u>2,000,000</u> |                  | <u>2,000,000</u> |
| <b>ISSUED, SUBSCRIBED &amp; PAID UP</b>   |                  |                  |                  |                  |
| <b>EQUITY SHARE CAPITAL</b>   |                  |                  |                  |                  |
| 100,000 (P Y 100,000) Equity Shares of ₹ 10 each fully paid<br>(The entire share capital is being held by M/s. Bal Pharma Limited, the holding company) |                  | <u>1,000,000</u> |                  | <u>1,000,000</u> |
|   |                  | <u>1,000,000</u> |                  | <u>1,000,000</u> |
| <b>SCHEDULE - 2</b>   |                  |                  |                  |                  |
| <b>RESERVES &amp; SURPLUS</b>   |                  |                  |                  |                  |
| I. Capital Reserve  |                  | <u>1,405,725</u> |                  | <u>1,405,725</u> |
|   |                  | <u>1,405,725</u> |                  | <u>1,405,725</u> |
| <b>SCHEDULE - 3</b>   |                  |                  |                  |                  |
| <b>UNSECURED LOANS</b>  |                  |                  |                  |                  |
| M/s. Bal Pharma Limited (100% Holding Company)  |                  | <u>6,460,000</u> |                  | <u>6,461,537</u> |
|   |                  | <u>6,460,000</u> |                  | <u>6,461,537</u> |
| <b>SCHEDULE - 4</b>   |                  |                  |                  |                  |
| <b>DEFERRED TAX LIABILITY</b>   |                  |                  |                  |                  |
| Opening Balance   |                  | <u>727,135</u>   |                  | 619,712          |
| Add: Liability created for the year   |                  | <u>(134,920)</u> |                  | 107,423          |
|   |                  | <u>592,215</u>   |                  | <u>727,135</u>   |

**SCHEDULE 5**

**FIXED ASSETS AS ON 31.03.2010**

| ASSETS                | GROSS BLOCK       |           |           |                   | DEPRECIATION     |                |           |                  | NET BLOCK        |                  |
|-----------------------|-------------------|-----------|-----------|-------------------|------------------|----------------|-----------|------------------|------------------|------------------|
|                       | As at 01.04.2009  | Additions | Deletions | As At 31.03.2010  | As at 01.04.2009 | For the year   | Deletions | As at 31.03.2010 | As at 31.03.2010 | As at 31.03.2009 |
| Land                  | 90,000            | -         | -         | 90,000            | -                | -              | -         | -                | 90,000           | 90,000           |
| Factory Building      | 3,401,220         | -         | -         | 3,401,220         | 1,874,403        | 152,681        | -         | 2,027,084        | 1,374,136        | 1,526,817        |
| Plant & Machinery     | 6,775,831         | -         | -         | 6,775,831         | 4,365,196        | 335,319        | -         | 4,700,515        | 2,075,316        | 2,410,635        |
| Utilities             | 60,157            | -         | -         | 60,157            | 11,098           | 8,880          | -         | 19,978           | 40,179           | 49,059           |
| Laboratory Equipments | 258,247           | -         | -         | 258,247           | 166,167          | 12,808         | -         | 178,975          | 79,272           | 92,080           |
| Furniture & Fixtures  | 24,181            | -         | -         | 24,181            | 19,776           | 797            | -         | 20,573           | 3,608            | 4,405            |
| Computers             | 27,682            | -         | -         | 27,682            | 4,611            | 9,228          | -         | 13,839           | 13,843           | 23,071           |
| <b>Total</b>          | <b>10,637,318</b> | <b>-</b>  | <b>-</b>  | <b>10,637,318</b> | <b>6,441,251</b> | <b>519,714</b> | <b>-</b>  | <b>6,960,965</b> | <b>3,676,353</b> | <b>4,196,067</b> |
| Previous Year         | 9,842,689         | 794,629   | -         | 10,637,318        | 5,924,223        | 517,028        | -         | 6,441,251        | 4,196,067        | 3,918,466        |

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2010 (Contd.)

|   | AS AT 31.03.2010 |                  | AS AT 31.03.2009 |                  |
|---|------------------|------------------|------------------|------------------|
|   | ₹.               | ₹.               | ₹.               | ₹.               |
| <b>SCHEDULE - 6</b>   |                  |                  |                  |                  |
| <b>INVESTMENTS</b>  |                  |                  |                  |                  |
| <b>UN QUOTED :</b>  |                  |                  |                  |                  |
| <b>Non Trade :</b>  |                  |                  |                  |                  |
| (i) The Saraswat Co-Operative Bank Limited                          |                  | 100,000          |                  | 100,000          |
| 4,000 (P.Y. 4000) Equity Shares of ₹. 25 each fully paid            |                  |                  |                  |                  |
|   |                  | <u>100,000</u>   |                  | <u>100,000</u>   |
| <b>SCHEDULE- 7</b>  |                  |                  |                  |                  |
| <b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>                         |                  |                  |                  |                  |
| <b>I. SUNDRY DEBTORS</b>  |                  |                  |                  |                  |
| (Unsecured, considered good)  |                  |                  |                  |                  |
| Debts outstanding for more than six months                          |                  | -                |                  | -                |
| Other Debts*  | 1,095,649        | 1,095,649        | 817,121          | 817,121          |
| * Due from M/s Bal Pharma Limited, the holding company              |                  |                  |                  |                  |
| <b>2. CASH &amp; BANK BALANCES</b>                                  |                  |                  |                  |                  |
| Cash in Hand  |                  | -                | 395,711          |                  |
| Balance with Scheduled Banks:                                       |                  |                  |                  |                  |
| - in Current Account  |                  | -                | 3,162            | 398,873          |
| <b>3. LOANS &amp; ADVANCES</b>                                      |                  |                  |                  |                  |
| (Unsecured, considered good)  |                  |                  |                  |                  |
| Advances recoverable in cash or in kind or for value to be received | 334,182          |                  | 169,878          |                  |
| Advance Income Tax & TDS  | 571,882          |                  | 929,557          |                  |
| Deposit with Govt. department and other                             | 35,940           | 942,004          | 54,800           | 1,154,235        |
|   |                  | <u>2,037,653</u> |                  | <u>2,370,229</u> |
| <b>SCHEDULE- 8</b>  |                  |                  |                  |                  |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>                         |                  |                  |                  |                  |
| <b>A. CURRENT LIABILITIES</b>                                       |                  |                  |                  |                  |
| Creditors for Expenses  | 387,261          |                  | 375,771          |                  |
| Book overdraft on account of issue of cheques                       | 11,508           |                  | -                |                  |
| Other Current Liabilities   | 310,050          | 708,819          | 129,834          | 505,605          |
| <b>B. PROVISIONS</b>  |                  |                  |                  |                  |
| Gratuity  | 229,488          |                  | 257,168          |                  |
| Provision for Tax   | -                |                  | 940              |                  |
| Provision for Fringe Benefit Tax                                    | -                | 229,488          | 10,650           | 268,758          |
|   |                  | <u>938,307</u>   |                  | <u>774,363</u>   |

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010**

|  | 2009-2010 |                  | 2008-2009 |                  |
|--|-----------|------------------|-----------|------------------|
|  | ₹         | ₹                | ₹         | ₹                |
| <b>SCHEDULE - 9</b>                            |           |                  |           |                  |
| <b>Profit and Loss Account (Debit Balance)</b> |           |                  |           |                  |
| I. P & L Account                               |           |                  |           |                  |
| Opening Balance                                | 3,702,464 |                  | 3,603,183 |                  |
| Add : Loss for the year                        | 879,777   | 4,582,241        | 99,281    | 3,702,464        |
|  |           | <u>4,582,241</u> |           | <u>3,702,464</u> |
| <b>SCHEDULE - 10</b>                           |           |                  |           |                  |
| <b>OTHER INCOME</b>                            |           |                  |           |                  |
| Interest Income                                |           | 23,344           |           | 59,620           |
|  |           | <u>23,344</u>    |           | <u>59,620</u>    |
| <b>SCHEDULE - 11</b>                           |           |                  |           |                  |
| <b>EMPLOYEES REMUNERATION &amp; BENEFITS</b>   |           |                  |           |                  |
| <b>MANUFACTURING EXPENSES</b>                  |           |                  |           |                  |
| Power and Fuel Charges                         | 988,062   |                  | -         |                  |
| Laboratory Expenses                            | 28,395    |                  | -         |                  |
| Consumables & Stores                           | 711,765   |                  | -         |                  |
| Electrical Maintenance                         | 66,886    |                  | -         |                  |
| Factory Maintenance                            | 150,549   |                  | 88,058    |                  |
| Freight Charges                                | 60,354    |                  | -         |                  |
| Machinery Maintenance                          | 265,010   |                  | 22,818    |                  |
| Water Charges                                  | 108,900   |                  |           |                  |
| Other Manufacturing Expenses                   | 150,970   | 2,530,891        | -         | 110,876          |
|  |           | <u>2,530,891</u> |           | <u>110,876</u>   |
| <b>SCHEDULE - 12</b>                           |           |                  |           |                  |
| <b>EMPLOYEES REMUNERATION &amp; BENEFITS</b>   |           |                  |           |                  |
| Salaries & allowances                          | 2,106,816 |                  | 528,835   |                  |
| Employer's contribution to PF                  | 90,648    |                  | 89,147    |                  |
| Bonus  | 50,104    |                  | -         |                  |
| Employees Welfare                              | 119,377   |                  | 56,368    |                  |
| Gratuity                                       | (27,680)  | 2,339,265        | 257,168   | 931,518          |
|  |           | <u>2,339,265</u> |           | <u>931,518</u>   |

## SCHEDULES FORMING PART OF PROFIT &amp; LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010

|                                | 2009-2010 |                | 2008-2009 |                |
|--------------------------------|-----------|----------------|-----------|----------------|
|                                | ₹         | ₹              | ₹         | ₹              |
| <b>SCHEDULE - 13</b>           |           |                |           |                |
| <b>ADMINISTRATION EXPENSES</b> |           |                |           |                |
| Travelling Expenses            | 128,964   |                | 75,766    |                |
| Freight outward                | 85,705    |                | -         |                |
| Vehicle Maintenance            | 17,423    |                | 14,098    |                |
| Rates & Taxes                  | 14,800    |                | 77,066    |                |
| Rent                           | 12,000    |                | -         |                |
| Postage & Courier Charges      | 65,708    |                | 21,569    |                |
| Office Maintenance             | 74,920    |                | 49,625    |                |
| Legal & Professional charges   | 24,250    |                | 26,762    |                |
| Printing & Stationery          | 89,112    |                | 10,386    |                |
| Insurance                      | -         |                | 12,774    |                |
| Pooja Expenses                 | 4,400     |                | -         |                |
| Audit Fees                     | 27,575    |                | 27,575    |                |
| Advertisement                  | -         |                | 23,244    |                |
| Membership & subscription      | 2,000     |                | 17,001    |                |
| Telephone Charges              | 52,629    |                | 69,672    |                |
| Miscellaneous Expenses         | 27,247    | 626,733        | 60        | 425,598        |
|                                |           | <u>626,733</u> |           | <u>425,598</u> |
| <b>SCHEDULE - 14</b>           |           |                |           |                |
| <b>FINANCIAL CHARGES</b>       |           |                |           |                |
| Bank Charges                   |           | 507            |           | 1,868          |
|                                |           | <u>507</u>     |           | <u>1,868</u>   |

**SCHEDULE 15**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31.03.2010**

**A. SIGNIFICANT ACCOUNTING POLICIES**

**a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements are prepared and presented in accordance with Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The Management evaluates and adopts all recently issued or revised accounting standards on an ongoing basis.

**b) USE OF ESTIMATES**

The preparation of the financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenditure for the year. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

**c) REVENUE RECOGNITION**

Rental income is recognized on accrual basis over the lease term.

Service income is recognized as per the terms of the contracts with customers when the related services are performed, or the agreed milestones are achieved.

Dividend income is recognized when the unconditional right to receive the income is established. Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Profit on sale of investments is recorded on transfer of title from the company and is determined as the difference between the sales price and the then carrying value of the investment.

**d) FIXED ASSETS**

Fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress.

**e) DEPRECIATION**

Depreciation on fixed assets is provided for on the Written down value method as per the rates and in the manner prescribed under Schedule XIV of the Companies Act 1956. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual low cost assets (acquired for less than ₹. 5,000/-) are entirely depreciated in the year of acquisition.

**f) INVESTMENTS**

Investments are either classified as current or long-term based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

**g) FOREIGN CURRENCY TRANSACTIONS AND BALANCES**

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

**h) INCOME TAX EXPENSES**

Income tax expense comprises current tax and deferred tax charge or credit.

**Current tax**

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

**Deferred tax**

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and is written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

**i) EARNINGS PER SHARE**

In determining earnings per share, the company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

**j) PROVISIONS AND CONTINGENT LIABILITIES**

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

**k) IMPAIRMENT OF ASSETS**

The Company assesses at each balance sheet date whether there is any indication that an asset may be Impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previous assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical Cost.

**l) RETIREMENT BENEFITS****A. Gratuity**

In accordance with Indian laws, the company provides for gratuity, a defined benefit retirement plan covering all eligible employees of the Company. In accordance with the payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment of an amount based on the respective employee's salary and tenure of employment and vesting occurs upon completion of five years of service. The measurement date used for determining retirement benefits for gratuity is March 31.

Provision for gratuity & compensated absences is made on the basis of actuarial valuation at the balance sheet date, carried out by an independent actuary.

Contributions payable to the recognized provident fund, which is defined contribution scheme, are charged to the profit and loss account.

B. Short Term Employees Benefits

Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

**B. NOTES ON ACCOUNTS**

- 1) During the financial year 2007-2008, the promoters and the shareholders of the company entered into an agreement with Bal pharma Limited for the sale of company's shares. Pursuant to the agreement, Bal Pharma Limited acquired 100% control through purchase of existing Equity shares held by them @ ₹. 5/- per share and paid the amount directly to the erstwhile shareholders. Also, Bal Pharma Limited, cleared the companies secured and unsecured loans. Further, during the year, the company has already filed for amalgamation with Bal Pharma Ltd, its holding company. An amount of ₹.6, 460,000/- outstanding to Bal Pharma Ltd. towards discharge of Company's liabilities is disclosed under unsecured loans.
- 2) The company has received rental income of ₹.NIL (P.Y. 1,980,000/-) which is in respect of factory building and all its other fixed assets given on cancelable operating lease to Bal Pharma Limited.

**3) BREAK-UP OF DEFERRED TAX ASSETS AND LIABILITIES:**

|  | 31.03.2010<br>₹. | 31.03.2009<br>₹. |
|--|------------------|------------------|
| Deferred tax Assets recognized for timing differences due to:      |                  |                  |
| A. Current Liabilities   | 70,912           | 87,411           |
|  | <b>70,912</b>    | <b>87,411</b>    |
| Deferred tax Liabilities recognized for timing differences due to: |                  |                  |
| A. Depreciation and other differences in block of fixed assets     | 663,127          | 814,546          |
|  | <b>663,127</b>   | <b>814,546</b>   |
| Net Deferred Tax Liabilities                                       | 592,215          | 727,135          |
| Charge to Profit & Loss Account                                    | <b>(134,920)</b> | <b>107,423</b>   |

**4) RELATED PARTY DISCLOSURES:**

A. Related parties where control / significant influence exists or with whom transactions have taken place during the year :

- i) Holding Company: Bal Pharma Limited

B. Key managerial Personnel represented on the board:

- Mr. Shailesh D.Siroya  
Mr. Shrenik D Siroya

C. Particulars of related party transactions :

|  | 31.03.2010<br>₹. | 31.03.2009<br>₹. |
|--|------------------|------------------|
| The following is a summary of significant related party transactions |                  |                  |
| i) Rental income from holding company                                | -                | 1,980,000        |
| ii) Job work charges from holding company                            | 4,732,622        | -                |
| iii) Repayment of loan to holding company                            | 1,537            | -                |

D. The Company has the following amounts due from / to related parties:

|   | 31.03.2010<br>₹. | 31.03.2009<br>₹. |
|---|------------------|------------------|
| i) Due from related parties                     |                  |                  |
| a. Holding Company (Included in Sundry Debtors) | 1,095,641        | 817,121          |
| ii) Due to related parties                      |                  |                  |
| Holding Company (Included in unsecured loans)   | 6,460,000        | 6,461,537        |

5) Auditor's Remuneration

|                      | 31.03.2010 | 31.03.2009 |
|----------------------|------------|------------|
|                      | ₹          | ₹          |
| Statutory Audit Fees | 27,575     | 27,575     |
|                      | 27,575     | 27,575     |

6) Quantitative information as required by clause 3(ii) part II of schedule VI of Companies Act, 1956 is either nil or not applicable.

7) The company though has initiated the process but is yet to obtain confirmation from suppliers who have registered themselves under the Micro Small Medium Enterprise Development Act, 2006 (MSMED Act, 2006). Based on the information available with the company, the balance due to Micro & Small Enterprises as defined under the MSMED Act, 2006 is ₹.NIL. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

8) CONTINGENT LIABILITIES NOT PROVIDED FOR ( in Rupees)

- a) Guarantee issued by Company's bankers ₹. NIL (P.Y. ₹. NIL).
- b) Letter of credit ₹. NIL (P. Y. NIL).
- c) Estimated value of contracts remaining to be executed on capital account and provided for ₹. NIL(P.Y. NIL).

|   | 31.03.2010 | 31.03.2009 |
|---|------------|------------|
| 9) CIF VALUE OF IMPORTS : (in Rupees)       | NIL        | NIL        |
| 10) A. EXPENDITURE IN FOREIGN CURRENCY      | NIL        | NIL        |
| B. EARNINGS IN FOREIGN CURRENCY (in Rupees) | NIL        | NIL        |

11) Gratuity and Leave Encashment plan

The following table set out the status of the plan as required under AS 15(revised)

(Amount in ₹)

| Change in defined benefit obligation | Gratuity ( unfunded) |          | Leave Encashment (unfunded) |
|--------------------------------------|----------------------|----------|-----------------------------|
|                                      | 2009-10              | 2008-09  | 2009-10                     |
| Opening defined benefit obligation   | 257,168              | 224,911  | ---                         |
| Interest Cost                        | 18,002               | 16,868   | ---                         |
| Current Service Cost                 | 31,363               | 32,346   | 19,112                      |
| Benefits Paid                        | ---                  | ---      | ---                         |
| Actuarial losses/(Gain)              | (77,045)             | (16,957) | 2,555                       |
| Closing defined benefit obligation   | 229,488              | 257,168  | 21,667                      |

Change in Plan Aseets

|  |     |     |     |
|--|-----|-----|-----|
| Plan Assets at beginning of the year at fair value | --- | --- | --- |
| Expected Return plan assets (estimated)            | --- | --- | --- |
| Contributions                                      | --- | --- | --- |
| Benefits Settled                                   | --- | --- | --- |
| Actuarial gain/(loss)                              | --- | --- | --- |
| Plan Assets at the end of the year at fair value   | --- | --- | --- |

Reconciliation of present value of the obligation and fair value of the plan assets

|  |           |           |          |
|--|-----------|-----------|----------|
| Fair Value of plan assets at the beginning of the year                 | ---       | ---       | ---      |
| Present value of the defined benefit obligation at the end of the year | (229,488) | (257,168) | (21,667) |
| Assets/(Liability) recognized in the balance sheet                     | (229,488) | (257,168) | (21,667) |

**Cost for the period**

|  |                 |          |        |
|--|-----------------|----------|--------|
| Current Service Cost                               | <b>31,363</b>   | 32,346   | 19,112 |
| Interest Cost                                      | <b>18,002</b>   | 16,868   | ---    |
| Expected Return on Plan Assets                     | ---             | ---      | ---    |
| Net Actuarial (Gain)/ Loss recognized for the year | <b>(77,045)</b> | (16,957) | 2,555  |
| Opening plan assets recognized on 01 April 2008    | ---             | 224,911  | -----  |
| Expense/(Income) recognized in the P/L A/c         | <b>(27,680)</b> | 257,168  | 21,667 |

**Movement in the Liability recognized in Balance sheet**

|  |                 |         |        |
|--|-----------------|---------|--------|
| Opening Liability                        | <b>257,168</b>  | ---     | ---    |
| Expense/income recognized for the period | <b>(27,680)</b> | 257,168 | 21,667 |
| Contribution paid                        | ---             | ---     | ---    |
| Closing Liability                        | <b>229,488</b>  | 257,168 | 21,667 |

**Assumptions at the valuation date**

|  |              |       |       |
|--|--------------|-------|-------|
| Discount Factor                          | <b>7.00%</b> | 7.00% | 8.00% |
| Salary Escalation Rate                   | <b>5.50%</b> | 6.00% | 5.50% |
| Rate of Return (Expected) on Plan Assets | ---          | ---   | ---   |
| Retirement Age                           | <b>58</b>    | 58    | 58    |

**12) Calculation of EPS (Basic and Diluted)**

| Sl No. | Particulars                       | Year ended<br>31 March 2010 | Year ended<br>31 March 2009 |
|--------|-----------------------------------|-----------------------------|-----------------------------|
| 1.     | Opening No of shares              | <b>100,000</b>              | 100,000                     |
| 2.     | Weighted average number of shares | <b>100,000</b>              | 100,000                     |
| 3.     | Profit after Taxation (₹ in lacs) | <b>(8.80)</b>               | (.99)                       |
| 4.     | EPS                               | <b>(8.80)</b>               | (0.99)                      |
|        | <b>DILUTED</b>                    |                             |                             |
| 5.     | Weighted average number of shares | <b>100,000</b>              | 100,000                     |
| 6.     | Diluted EPS                       | <b>(8.80)</b>               | (0.99)                      |

- 13) Balances of Sundry debtors, sundry creditors, loans and advances, receivables and payables are subject to confirmation/reconciliation, if any.
- 14) In the opinion of the Board of directors adequate provision has been made in the accounts for all known liabilities and the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the value stated in the balance sheet.
- 15) Previous year figures have been regrouped /rearranged wherever necessary.

As per our report of even date  
For **OSTAWAL & JAIN**  
Chartered Accountants  
ICAI FRN No. 002491S

**FOR & ON BEHALF OF THE BOARD**

**T. D. Jain**  
Partner  
M. No. 012034

**Dr. G. S. R. Subba Rao**  
Director

**Shailesh Siroya**  
Managing Director

Bangalore  
09.08.2010

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

|  | (₹ in '000) |            |
|--|-------------|------------|
|  | 31.03.2010  | 31.03.2009 |
| <b>A CASH FLOW FROM OPERATING ACTIVITIES</b>   |             |            |
| Profit Before Tax  | -1280       | 20         |
| <b>Adjustments for :</b>   |             |            |
| Depreciation   | 520         | 517        |
| Gratuity   | -28         | 257        |
| <b>Operating profit before working capital changes</b>   | <b>-788</b> | 794        |
| Adjustments for :  |             |            |
| Increase/ (Decrease) in Trade & other payables   | 203         | 77         |
| Increase/ (Decrease) in Trade & Other Receivables  | -66         | 885        |
| Income Tax Paid  | 254         | -565       |
| Net Cash from Operating Activities   | <b>391</b>  | 397        |
|  | <b>-397</b> | 1191       |
| <b>B CASH FLOW FROM INVESTMENT ACTIVITIES</b>  |             |            |
| Purchase of Fixed Assets   | 0           | -795       |
|  | <b>0</b>    | -795       |
| <b>C CASH FLOW FROM FINANCING ACTIVITIES</b>   |             |            |
| Proceeds from Long Term Borrowings   | 0           | 0          |
| Share Application money  | 0           | 0          |
| Unsecured Loans  | -2          | 0          |
| Interest paid  | 0           | 0          |
| Dividend & Tax on Dividend paid  | 0           | 0          |
| Net Cash from financing activity   | <b>-2</b>   | 0          |
| <b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>   | <b>-399</b> | <b>396</b> |
| Opening cash   | 399         | 3          |
| Closing Cash   | <b>0</b>    | 399        |
| <b>NET CASH CHANGE</b>   | <b>-399</b> | <b>396</b> |
| <b>Notes:</b>  |             |            |
| 1. Direct Taxes paid is treated as arising from Operating Activities and is not bifurcated between operating, investing and Financing Activities |             |            |
| 2. Previous year figures have been regrouped / reclassified wherever necessary.  |             |            |

As per our report of even date  
For **OSTAWAL & JAIN**  
Chartered Accountants  
ICAI FRN No. 002491S

FOR & ON BEHALF OF THE BOARD

**T. D. Jain**  
Partner  
M. No. 012034

**Dr. G. S. R. Subba Rao**  
Director

**Shailesh Siroya**  
Managing Director

Bangalore  
09.08.2010

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE**

|   |            |                    | ₹ 000's |
|---|------------|--------------------|---------|
| <b>I REGISTRATION</b>                                       | 49815      | STATE CODE         | 08      |
| Balance sheet Date  | 31.03.2010 |                    |         |
| <br>  |            |                    |         |
| <b>II CAPITAL RAISED DURING THE YEAR</b>                    |            |                    |         |
| Public issue  | NIL        | Right issue        | NIL     |
| Bonus issue   | NIL        | Private placement  | NIL     |
| <br>  |            |                    |         |
| <b>III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS</b> |            |                    |         |
| Total Liabilities   | 9457       | Total Assets       | 9457    |
| <br>  |            |                    |         |
| <b>SOURCE OF FUNDS</b>                                      |            |                    |         |
| Paid-up Capital   | 1000       | Secured Loans      | 6460    |
| Reserves & Surplus  | 1406       | UnSecured Loans    | 592     |
| Deferred Tax  | 592        |                    |         |
| <br>  |            |                    |         |
| <b>APPLICATION OF FUNDS</b>                                 |            |                    |         |
| Net Fixed Assets  | 3676       | Net Current Assets | 1099    |
| Investments   | 100        | Misc. Expenditure  | -       |
| <br>  |            |                    |         |
| <b>IV PERFORMANCE OF THE COMPANY</b>                        |            |                    |         |
| Turnover  | 4735       | Profit After Tax   | (880)   |
| Total Expenditure   | 6035       | Earnings per share | (8.80)  |
| Profit Before Tax   | (1280)     | Dividend           | -       |

## ELECTRONIC CLEARING SERVICE (ECS) MANDATE FORMAT

To : **M/s. Bal Pharma Limited, Bangalore - 560 099.**

I wish to participate in the Electronic Clearing Service introduced by Reserve bank of India. As requested, I give below the details of my bank account, to which you may electronically credit the payment due to me against the reference folio number mentioned against Point 1 :

1. Ref Folio No. / Client I.D. No. with D.P.I.D. No : \_\_\_\_\_
2. Particulars of the Bank : \_\_\_\_\_
3. a. Name of the Bank : \_\_\_\_\_
- b. Branch Address : \_\_\_\_\_
- c. 9 digit code number of the Bank & Branch as appearing on the MICR cheque issued by the bank\*
- d. Account type  
(Please tick) :  Savings  Current  Cash Credit
- e. Ledger Folio No. (if any) of your bank account : \_\_\_\_\_
- f. Account No. :

I hereby declare that the particulars given above are correct and complete. I undertake to inform any subsequent changes in the above particulars before the relevant book closure date (s). If the payment transaction is delayed or not effected at all for any reason(s) beyond the control of the Company, I would not hold the Company responsible.

Date : \_\_\_\_\_

Signature of the first holder

(\* The nine digit code number of your bank and branch is mentioned on the MICR band next to the cheque number (The following is not necessary if a blank cancelled cheque leaf or photocopy of cheque is enclosed with the form)

### VERIFICATION BY THE BANK

Certified that the particulars furnished above are correct as per our records.

Bank's Stamp : \_\_\_\_\_  
Date : \_\_\_\_\_

Signature of the Authorised  
Official from the Bank



### Bal Pharma Limited

Regd. Office : 21 & 22, Bommasandra Industrial Area, Hosur Road, Bangalore - 560 099.

### ATTENDANCE SLIP

|  |   |   |
|--|---|---|
| To be handed over at the entrance of the meeting hall<br>Name and Address<br><div style="border: 1px solid black; height: 40px; width: 100%;"></div> | No. of Shares <input style="width: 50px;" type="text"/> | Folio/Client I.D. No<br>with D.P. I.D. No. <input style="width: 150px;" type="text"/> |
|  |   | <b>23rd Annual<br/>General Meeting<br/>27.09.2010</b>                                 |

I hereby certify that I am a Registered Shareholder of the Company.

I hereby record my presence at the above Annual General Meeting of the Company.

A Member/Proxy wishing to attend the meeting must complete this Attendance Slip and hand it over at the entrance of the meeting hall.

|  |  |
|--|--|
| Name of Proxy (if any) in BLOCK LETTERS<br><div style="border: 1px solid black; height: 40px; width: 100%;"></div> | Signature of Member / Proxy<br><div style="border: 1px solid black; height: 40px; width: 100%;"></div> |
|--|--|



### Bal Pharma Limited

Regd. Office : 21 & 22, Bommasandra Industrial Area, Hosur Road, Bangalore - 560 099.

### PROXY FORM

|   |   |
|---|---|
| No. of Shares <input style="width: 50px;" type="text"/> | Folio/Client I.D. No<br>with D.P. I.D. No. <input style="width: 150px;" type="text"/> |
|---|---|

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member / members of BAL PHARMA LIMITED hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ or failing him / her \_\_\_\_\_  
of \_\_\_\_\_ as my / or proxy to attend and vote for me/us on my / our behalf at the  
23rd Annual General Meeting of the Members of Bal Pharma Limited to be held on Monday, the 27th September, 2010 at 10.00 a.m. at Bharatiya  
Vidya Bhavan, Race Course Road, Bangalore - 560 001.

Signed .....

Affix  
Revenue  
Stamp  
Re. 1.00

NOTE : Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member. This form duly completed should be deposited at the Registered Office of the Company at Bangalore not later than 48 hours before the commencement of the meeting.



# FINANCIAL SUMMARY - LAST 10 YEARS AT A GLANCE

(₹ in Lakhs)

|                                   | 2009-10   | 2008-09  | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 | 2000-01 |
|-----------------------------------|-----------|----------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>A.) Sales and Earnings</b>     |           |          |         |         |         |         |         |         |         |         |
| Gross Sales                       | 11,216.66 | 11085.45 | 9135.98 | 7861.31 | 7647.41 | 6003.73 | 6204.63 | 5765.04 | 4523.67 | 3796.31 |
| Net Sales                         | 10,815.16 | 10655.43 | 9034.56 | 7618.17 | 7462.04 | 5799.26 | 6046.50 | 5513.87 | 4408.72 | 3771.58 |
| Profit before Tax                 | (90.62)   | 405.57   | 420.30  | 315.92  | 357.03  | 220.22  | 284.03  | 275.50  | 213.10  | 152.11  |
| Tax                               | 52.26     | 106.28   | 134.59  | 114.23  | 64.45   | 32.38   | 23.81   | 13.36   | 14.33   | 9.42    |
| Profit after Tax                  | (142.88)  | 299.29   | 285.71  | 201.69  | 292.58  | 187.84  | 260.22  | 262.14  | 198.77  | 142.69  |
| Retained Earnings                 | (142.88)  | 207.30   | 163.50  | 110.03  | 200.71  | 61.86   | 103.12  | 149.19  | 113.47  | 57.39   |
| <b>B. Assets and Liabilities</b>  |           |          |         |         |         |         |         |         |         |         |
| Net Fixed Assets                  | 4,975.08  | 5532.73  | 4592.82 | 3123.62 | 2222.25 | 1903.83 | 1611.32 | 1439.17 | 1370.52 | 1257.89 |
| Investments                       | 1.50      | 1.50     | 1.50    | 15.04   | 241.37  | 13.58   | 13.58   | 13.58   | 13.71   | 11.79   |
| Net Current Assets                | 4,141.98  | 2990.81  | 3476.93 | 3775.59 | 4328.40 | 2959.32 | 2441.56 | 2127.18 | 1753.16 | 1566.75 |
| Miscellaneous Expenditure         | 523.21    | 493.99   | 463.22  | 427.80  | 435.49  | 436.71  | 363.43  | 278.39  | 210.32  | 172.85  |
| Share Capital                     | 1,048.32  | 1048.32  | 1044.62 | 1044.62 | 1044.62 | 741     | 973     | 773     | 773     | 773     |
| Reserves & Deferred Tax Liability | 3,151.57  | 3253.88  | 2958.05 | 2758.08 | 2582.35 | 1623.09 | 1329.24 | 1226.14 | 1073.03 | 959.68  |
| Loan Funds                        | 544.09    | 4716.83  | 4531.81 | 3539.35 | 3600.54 | 2949.35 | 2127.65 | 1859.18 | 1501.68 | 1276.60 |
| <b>C. Ratios</b>                  |           |          |         |         |         |         |         |         |         |         |
| Earnings Per Share ₹.             | (1.36)    | 2.85     | 2.74    | 1.93    | 2.90    | 1.55    | 2.63    | 3.34    | 2.98    | 1.95    |
| Dividend per Equity share %       | -         | 7.5      | 10.00   | 7.5     | 7.5     | 7.5     | 15      | 12      | 10      | 10      |
| Book value per Equity Share ₹.    | 29.40     | 36.33    | 33.54   | 27.88   | 26.75   | 22.15   | 20.98   | 21.52   | 20.72   | 23.73   |

## OUR MISSION

A full fledged Global player catering to the needs of medical fraternity and Pharmaceutical Industry



## BOOK POST

### Bal Unit - I at Bangalore

- Plant commissioned in the Year 1992
- WHO - GMP Certified & ISO 9001:2000 approved
- Manufacture of Finished Dosage Forms

### Bal Unit - 2 at Bangalore

- Plant Commissioned in the year 1996
- Multi Purpose API facility approved as per WHO-GMP guidelines
- Manufacture of Drug Intermediates
- Full fledged R & D lab approved by Department of Science & Technology



### Bal Unit - 3 with FFS Technology at Pune

- Plant renovated as per WHO-GMP guidelines
- Engaged in SVP and LVP (Intravenous) by Form Fill & Seal technology

### Bal Unit-4 at Uttarakhand

- State - of art plant designed for regulated market in excise free zone
- Formulation Plant in 4 1/2 acres land, having a construction area of 88000 sq.ft.



## BAL PHARMA LIMITED

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E-mail: [secretarial@balpharma.com](mailto:secretarial@balpharma.com)