



21st  
Annual Report  
**2007-2008**



**Bal Pharma Limited**



Preferred Partner In Quality Health Care

**Board of Directors**

Mr. Shailesh Siroya	- Managing Director
Dr. S. Prasanna	- Whole-time Director
Mr. A.R Hegde	- Whole time Director up to 30-05-2007
Mr. Shrenik Siroya	- Non-executive Director
Dr. G.S.R. Subba Rao	- Independent Director
Mr. Arun Bhan	- Independent Director
Mr. David Rasquinha	- Nominee Director - w.e.f. 09-03-2007

**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.

**Unit IV : Formulations plant at Uttaranchal**

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

**Bankers**

Canara Bank  
Punjab National Bank  
ICICI Bank Limited  
EXIM Bank

**Auditors**

Ostawal & Jain

**Registrar & Share Transfer Agent**

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

**CONTENTS**

	Page Nos.
Notice	I
Directors' Report	
Report on Corporate Governance	
Auditor's Report of Bal Pharma Limited	
Auditor's Report of Basav Chem Limited	
Auditor's Report on the Consolidated Financial Statements	
Financial Statements of Bal Pharma Limited	
Financial Statements of Basav Chem Limited (100 % subsidiary)	
Financial Statements of Novosynth Research Labs Private Ltd. (100 % subsidiary)	
Consolidated Financial Statements	
Attendance Slip & Proxy Form	Attached
ECS Mandate Form	Attached



## NOTICE

**NOTICE IS HEREBY GIVEN THAT** the 21st (Twenty First) Annual General Meeting of the members of Bal Pharma Limited, will be held at 4.00 PM on Tuesday, the 23<sup>rd</sup> September, 2008 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 on 31<sup>st</sup> March, 2008, 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 declare dividend ;
3. To appoint a Director in place of Mr.Shrenik Siroya, who retires by rotation and being eligible, offers himself for re-appointment;
4. 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;
5. To appoint Auditors and to authorize the Board to fix their remuneration;

**SPECIAL BUSINESS:**

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

**“RESOLVED THAT** pursuant to, and in accordance with, the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any re-enactment or modifications thereof, approval of the members be and is hereby accorded to the re-appointment of, and remuneration payable to, Dr. S. Prasanna, as Whole Time Director of the Company for a period of 5 years, as recommended by the Board of Directors and the Remuneration Committee with effect from 01.10.2008 up to 30.09.2013 with all inclusive of remuneration of Rs. 1,70,000/- (Rupees One Lakh Seventy Thousand only) per month and perquisites but exclusive of the followings:

- i) Contribution to provident fund, superannuation fund or annuity fund to the extent they either singly or put together are not taxable under the Income Tax Act, 1961;
- ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
- iii) Encashment of leave at the end of the tenure.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board or any Committee thereof be authorized on behalf of the Company to take all necessary steps in this regard in order to facilitate the legal and / or procedural formalities and to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the Members of the Company.

**FURTHER RESOLVED THAT** the Board of Directors be empowered to alter the remuneration payable to Dr. S. Prasanna so long as any such increase or variation be within the limits prescribed under Schedule XIII of the Companies Act, 1956.

**MINIMUM REMUNERATION:**

**FURTHER RESOLVED THAT** in the event of absence or inadequacy of profits in any financial year during the currency of tenure of the appointment, the entire applicable remuneration by way of salary and perquisites mentioned above shall be paid as minimum remuneration, subject to the provisions under Schedule XIII of the Companies Act, 1956.”

By order of the Board

Bangalore  
30-07-2008

**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 the 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 be closed for 13 Days from 11-09-2008 to 23-09-2008 (Both days inclusive) for determining the names of the members eligible for dividend on equity shares, if declared at the meeting.
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 M/s 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, M/s. TSR Darashaw Limited.
9. Dividend, if declared, will be paid on or before 22-10-2008, to those members whose names appear on the Company's Register of Members as on the date of 21<sup>st</sup> AGM. In respect of shares held in electronic form, dividend will be payable on the basis of beneficial ownership, as per details furnished by NSDL and CDSL for this purpose;
10. Members are kindly requested to bring Annual Report 2007-08 along with them to the 21<sup>st</sup> Annual General Meeting, since extra copies will not be supplied at the meeting;
11. 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, M/s. TSR Darashaw Limited, on or before 07.09.2008.
12. 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 1994-95 and 1995-96 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 Company did not declare dividend for the financial years 1996-97, 1997-98 and 1998-99. The members who have not encashed the Dividend Warrants for the financial years 2001-2002 onwards are requested to write to, M/s. TSR Darashaw Limited, the Registrars and Share Transfer Agents of the Company.
13. You 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.
14. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of item 6 is annexed hereto;

**Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956  
Item no .6**

Dr. S. Prasanna was appointed as Whole time Director in the 16<sup>th</sup> Annual General Meeting held on 17-09-2003 for a period of 5 years w.e.f 01-10-2003 and was paid Rs.1 lakh only/- per month as remuneration. His remuneration was revised in the 19<sup>th</sup> AGM held on 20<sup>th</sup> September, 2006 from Rs.1 lakh per month to Rs. 1.5 lakh per month in terms of Schedule XIII of the Companies Act, 1956 as follows :

Salary Per month	Rs 150,000/-
Provident fund, superannuation fund	Contribution to Provident fund , Superannuation Fund, to the extent they , either singly or put together, are not taxable under the Income Tax Act, 1961
Gratuity	Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and
Leave Encashment	Encashment of leave at the end of the tenure

The above appointment is valid up to 30-09-2008. He is heading the Research & Development centre of the Company. As the Company benefits immensely from his vast and extensive experience, your Directors (based on the recommendation of the Remuneration Committee in their meeting held on 30-07-2008) recommended the proposal for renewal of his appointment for a further period of 5 years from 01-10-2008 to 30-09-2013.

Keeping in mind the industry norms and remuneration paid to similar appointees in other Companies and the active role played by Dr. S.Prasanna as Whole Time Director, the Remuneration Committee of the Company, in its meeting held on 30-07-2008 and Board in its meeting held on 30-07-2008 considered and recommended the proposal for revising the managerial remuneration of the Whole Time Director, Dr. S. Prasanna with effect from 01.10.2008 from Rs. 1,50,000/- ( Rupees One lakh fifty thousand only/-) per month to Rs.1,70,000/- ( Rupees one lakh seventy thousand only/-) per month, as per the limits specified in part II Schedule XIII of the Companies Act, 1956. The proposed amount is inclusive of salary and perquisites but excluding;

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;
- (ii) Gratuity payable at a rate not exceeding half month's salary for each completed year of service; and
- (iii) Encashment of Leave at the end of the tenure.

The remuneration recommended may be deemed as the minimum remuneration payable in the event of loss or inadequacy of Profits.

The above may be treated as abstract of terms of appointment in terms of Section 302 of the Companies Act, 1956.

The Board recommends the resolution for approval of the members.

None of the Directors other than Dr. S. Prasanna, is concerned / interested in the said resolution.

By order of the Board

Bangalore  
30-07-2008

**S. Ramji**  
Company Secretary

**ADDITIONAL INFORMATION RELEVANT TO Dr.S.PRASANNA, WHOLE TIME DIRECTOR (AS PER SCETION II PART II OF SHEDULE XIII OF THE COMPANIES ACT 1956).****GENERAL INFORMATION:**

1.	Nature of Industry	Pharmaceutical Industry
2.	Date or expected date of commencement of Commercial Production	The Company was incorporated on 19-05-1987 as a Private Limited Company and its Commercial Production started from 1992
3.	Financial performance based on given Indicators	For the FY ended on 31-03-2008. (Rs. In Crores ) Turnover and other Income : 90.93 Profit before tax : 4.20 Net worth : 35.03
4.	Export Performance and net foreign exchange collaborations	The Company's export income was Rs. 33.72 Crores in 2007-08 and there was no foreign exchange collaboration.
5.	Foreign investments or collaborations, if any	Nil

**Information about the Whole Time Director whose remuneration is under review**

1	Name of the Director	Dr. S. Prasanna
2.	Back ground details	Dr. S. Prasanna has been associated with the Company from the inception. He has Phd in Organic Chemistry and extensive exposure as a research scientist. He has been heading the R& D Centre of the Company
3.	Immediate past remuneration	Rs 1,50,000/- was paid as salary and perquisites during 2007-08 which is in line with the provisions of Schedule XIII of the Companies Act ,1956 & in terms of approval accorded by the members in the 19 <sup>th</sup> AGM held on 20 <sup>th</sup> September, 2006.
4.	Job profile and his suitability	Dr. Prasanna is heading the R& D centre of the Company. He has been associated with the Company right from the inception. With his extensive experience and knowledge, he is the most appropriate person to guide the original research efforts of the Company.
5.	Remuneration Proposed	Details of remuneration proposed have been given in the notice. Taking into consideration the size of the Company, profile of the appointee, responsibilities shouldered by them, the remuneration proposed is commensurate with the remuneration packages paid or is comparable to other Companies in the industry. Further more, the Company has been steadily achieving enhanced profitability, which is attributed to a great extent to the above Whole Time Director who are responsible for the day to day affairs of the Company.
6.	Pecuniary relationship with the managerial person	Dr. S. Prasanna, besides the above remuneration, does not have any pecuniary relationship with the Company, and its managerial personnel

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

Name of the Director	Mr. Shrenik Siroya	Dr. G.S.R Subba Rao
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	1. Siroya Exports (P) Limited – Director. 2. Siroya Developers (P) Limited (Erstwhile Siroya Trading Co.(P) Limited )– Director. 3. Mokalsar Stone Private Limited – Director. 4. Siroya FM Construction Private Limited – Director. 5. Mannat Properties Private Limited – Director. 6. Siroya Nabar Housing Private Limited - Director. 7. Mannath Developers (P) Limited - Director. 8. Sarabjit Construction (P) Limited – Director. 9. Basav Chem Limited – Additional Director.	1. Novosynth Research Labs (P) Limited – Director 2. Basav Chem limited - Additional Director.
Other Committee Memberships in the Company	A) Bal Pharma Limited i) Audit Committee :Member ii) Shareholders & Investors Grievances Committee : Member iii) Remuneration Committee Member	A) Bal Pharma Limited i) Audit Committee : Chairman ii) Remuneration Committee : Chairman iii) Shareholders & Investors Grievances Committee : Chairman
Number of shares held directly or indirectly	374,700 (3.59%) – Equity Shares as on 31.03.2008	NIL





Your Directors have pleasure in presenting the 21<sup>st</sup> Annual Report together with the Audited Accounts of your Company for the financial year ended on March 31<sup>st</sup>, 2008.

## 1. FINANCIAL RESULTS:

(Rs. in Lakhs)

Particulars	2007-08	2006-07
1) Total Income	9092.53	7621.91
2) Profits before Depreciation and provision for Taxation	567.19	465.87
<b>Less :</b> Depreciation	163.46	142.50
Profits before Taxation and prior year adjustments	403.73	323.37
<b>Less :</b>		
3) Provision for Taxation	78.98	32.89
4) Fringe Benefit Tax	18.63	15.65
5) Deferred Tax	36.97	65.69
6) Extraordinary/ Non recurring items	-----	-----
7) Prior year adjustment	(16.56)	7.45
	118.02	(-)121.68
<b>Add:</b>	285.71	201.69
8) Profit & Loss Account balance at the beginning of the year	578.25	468.22
9) Profit made available for appropriation	863.96	669.91
<b>Less:</b>		
10) Dividend on Preference Shares	-	-
11) Proposed Dividend on Equity Shares	104.46	78.34
12) Tax on dividends	17.75	13.32
	(-)122.21	(-) 91.66
13) Balance Carried to Balance Sheet	741.75	578.25

## 2. DIVIDEND:

In view of the satisfactory results and keeping in view of the requirement of resources for the ongoing current expansion programs, the Directors are pleased to recommend payment of dividend of 10% (Re. 1 per equity share of Rs. 10/- each) as against 7.5% in the previous year.

## 3. MANAGEMENT DISCUSSION AND ANALYSIS:

### Industry overview and Outlook

#### GLOBAL PHARMACEUTICAL INDUSTRY SCENARIO:

Pharmaceutical Industry plays an important role in the economic development of the world as it caters for the health and well being

of the society. The Industry includes branded drug manufacture, generic drugs manufacture, firms developing bio-pharmaceutical products and firms undertaking contract research.

Global Pharmaceutical sales in 2007 was at US \$ 695 billion which is expected to grow by 5 to 6 % to reach a level of US \$735 billion in 2008. The growth trend is expected to be driven by the declining cost of drug treatment in major therapy areas, in addition to paradigm shift in growth from developed countries to emerging markets such as China, Brazil, Mexico, South Korea, India, Turkey and Russia. These emerging markets are expected to grow by 12 to 13 % to reach a combined market size of US \$ 85 – 90 billion driven by greater access to generic and innovative new medicines.

#### EMERGING TRENDS:

Developing countries are confronting with the phenomenon of ageing of population resulting in increasing pressure on countries national health care system. While chronic diseases particularly cardio vascular diseases are the main cause of death in developed countries, infectious diseases remain more common cause in developing countries. In addition, life style related diseases like diabetes are becoming common among the fast developing countries like China and India.

Large pharmaceutical firm's block buster drugs will be going off patent in coming four years and production of generic in such products will put considerable pressure on the profit margin of these Companies and are opening up opportunities for Companies developing market.

#### INDIAN PHARMACEUTICAL INDUSTRY – SURGEING GLOBALLY:

Indian pharmaceutical industry has been witnessing tremendous progress due to increased integration with global trade which began with the signing of GATT in 2005.

The annual turnover of the Indian pharmaceutical industry is over US \$ 11 billion. Globally it ranks 4<sup>th</sup> in terms of volume with share of 8% of the world pharmaceutical market. In terms of value it ranks 14<sup>th</sup>. It is one of the high performing knowledge based segment of the manufacturing sector. Key therapeutic segments of the industry include anti infective, gastro intestinal and cardio vascular. Consumer spending on health care went up from 4% of GDP in 1995 to 7% in 2007 and is expected to rise to 13% of GDP by 2015.

The Industry meets around 95% of the Country's domestic demand for medicine. In addition, it is also engaged in contract manufacturing, contract research, clinical trials, contract R& D and direct exports to developed and developing market. There has also been a tremendous increase in the R& D expenditure as well as the capital expenditure mainly towards USFDA approval for plants. Indian Companies have been at the forefront both in terms of filing of drug master files and abbreviated new drug applications.

Exports from Pharmaceutical Industry account more than 4% of the total India's exports and 50% of the Industry total production and it has grown at a CAGR of 14% in the last decade. Major exports market includes highly regulated markets such as USA, UK, Germany and Canada.



#### 4. BUSINESS OPERATIONS:

Your Company achieved an overall turnover of Rs 90.93 crores during the year under review, as against Rs. 76.22 crores during the previous year, thus registering a growth of 19.3%. This increase in business resulted in improvement in the net profit after tax of the Company by 41.58 % from Rs. 2.02 crores in the previous year to Rs. 2.86 crores in the year under review. Your management intends to take full advantage of this momentum of growth by continuing the aggressive thrust on the Pharmaceutical Industry.

Your Company's branded formulations business made a turnover of Rs. 31 crores successfully overcoming the acute price competition. The division focussed on marketing Cardiac and Diabetic products by introducing 6 more new products and strengthening the sales manpower by another 25%. The performance of the division is being escalated to further heights by increasing our market share in Northern India.

The Ayurvedic division registered a growth of 38.36% by increasing its turnover to Rs. 2.26 crores from Rs. 1.37 crores in the previous year. Additional new products are being introduced in the current year while our well known brands are being registered in U.A.E market.

The Institution business continued a good performance with a turnover of Rs. 7.55 crores against Rs. 4.34 crores in the year 2006-07.

Your Company revived its generic business by increasing its turnover from Rs. 0.97 crores of the previous year to Rs. 3.31 crores in the year despite stiff competition. The Company is working with new establishments at various regions to have a complete distribution network.

The export formulation division registered a significant growth of 23.54% by increasing its turnover from Rs. 15.75 crores in the previous year to Rs. 22.19 crores in the year under review. Your Company is in the process of registering their formulations in various Countries by filing drug master files.

The performance of API business both domestic and exports have been encouraging with the growth of 22.38% as the turnover of the division reached Rs. 22.25 crores against Rs. 17.27 crores in the previous year. The acquisition of Basav Chem Limited as its subsidiary during the year has contributed to the increase in API production.

As reported in the last Directors Report the Company received the coveted accreditation from the health authorities of Japan. On the basis of this accreditation, your Company already started supplying active pharmaceutical ingredients, like Ebastine developed and produced at its facilities, to the Japanese market during the year.

Early this year, TGA, an Australian regulatory body gave its approval to Bal Pharma Limited as being GMP compliant. With this approval, the Company is now in a position to supply the antidiabetics drug Gliclazide, which is in good demand in Australia and New Zealand.

The total exports of your Company increased from Rs. 29.24 crores from the previous year to Rs. 33.72 crores in the year showing a significant growth of 15.30%.

#### Uttarakand Formulation Plant:

The new Formulation Plant with the state of art designed facility for regulated market is complete in the Excise Free Zone of Uttarakand. The trial runs are going on and commercial production is expected shortly.

Your Company has also acquired 10 acres of land in SEZ Pharma Zone in Hassan, Karnataka to increase its bulk drug manufacturing capacity. The project is expected to complete by the year 2010.

#### 5. RESEARCH & DEVELOPMENT:

The R&D division of Bal Pharma Limited, in keeping with its genre of activities, has been successful in developing processes for a number of new pharmaceutical products. Several of these products have gone into commercial production at the Company's manufacturing facilities and are being marketed internationally.

The pharmaceutical products that have been developed in the R&D division are backed by extensive documentation of a standard to meet stringent requirements of international regulatory authorities. The quality characteristics of the product offered are well defined and are supported by sophisticated analytical methodologies developed for the specific purpose.

The concepts that guide the development process of a drug in the R&D are based on precepts of sound technical competence and high degree of quality assurance. These characteristics have met with the approval of medicine agencies in Europe and Japan with the result that the prospects of introducing novel and therapeutically more effective drugs from the Company have brightened considerably.

The R&D division is now taking up challenging projects which involve development of processes for drugs possessing chiral characteristics. This particular field of pharmaceutical chemistry holds phenomenal growth prospects.

#### 6. AUDIT COMMITTEE:

The Audit Committee, a sub-committee of the Board of Directors 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. Raghu & Company, an independent firm of Chartered Accountants. They interact with the Audit Committee and have reported to the Directors that there are 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 on 31.03.2008:

- (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;
- (v) that the Directors have prepared the annual accounts on 'going concern' basis.

**9. SUBSIDIARY COMPANIES:**

The Company had 2 Subsidiary Companies as on 31<sup>st</sup> March, 2008. Statement pursuant to Section 212 of the Companies Act, 1956, relating to Company's interest in subsidiary companies are given as 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 FOREIGN EXCHANGE 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 Directors, 3 of whom are Non-Executive Directors and of which 2 are Independent Directors. 1 of them is Nominee Director of Exim Bank and. 2 of them are Executive Directors. Mr. Shrenik Siroya and Dr.G.S.R. Subba Rao retire by rotation at the 21<sup>st</sup> 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 reappointment.

**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 2007-08. 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 31<sup>st</sup> March, 2008 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. APPRECIATION:**

The Directors place on record their appreciation of the co-operation and guidance provided by Canara Bank, Punjab National Bank, Exim Bank, ICICI Bank, and other 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**

**Bangalore**  
**30<sup>th</sup> July, 2008**

**Dr. S. Prasanna**  
Whole Time Director

**Shailesh Siroya**  
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, 2008:

**I. Conservation of Energy:**

<b>A. POWER AND FUEL CONSUMPTION</b>		2007-08	2006-07
<b>I. Electricity</b>			
(a) Purchased Unit	(kwhr)	1,974,652	1,999,804
Total Amount	(Rs.)	9,453,051	9,479,542
Rate/Unit	(Rs.)	4.79	4.74
(b) Own Generation			
(i) Through Diesel Generator Units	(kwhr)	111025	213,705
Units per ltr of Diesel	(kwhr)	2.88	2.91
Cost/unit	(Rs.)	12.83	12.94
(ii) Through Steam Turbine / Generator		Nil	Nil

**B. CONSUMPTION PER UNIT OF PRODUCTION**

Standards * (if any)	2007-08**	2006-07**
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 R&D division's focus has been on the development of novel procedures for drugs in the therapeutic areas of antihistaminics, antidiabetics and antiglaucoma.
(b) Benefits derived as a result of the above R & D	Processes for new products in the above therapeutic areas have been refined and are being taken to commercial production stage. The products have potential of doing well in the international market.
(c) Future plan of action	The R&D division will continue to work on the development of technology and processes for newer and more active drugs in these and other therapeutic segments.

<b>(d) Expenditure on R &amp; D during the financial year ended on 31-03-2008:</b>	
	<b>(Rs. in Lakhs)</b>
(i) Capital	<b>27.94</b>
(ii) Recurring	<b>76.62</b>
(iii) Total	<b>104.56</b>
(iv) Total R & D expenditure as a percentage of total turnover	<b>1.21%</b>

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

(i) Efforts in brief made towards technology absorption, adaptation and innovation	Novel processes have been designed in the R&D laboratory for many drugs to meet the requirements of the commercial market. These processes have been and are being tested for applicability and adaptation at the pilot plant scale for their robustness and efficiency. On fine-tuning the processes and checking their viability, commercial level production activity commences.  Products like Topiramate, Levobunolol hydrochloride have thus been introduced already.
(ii) Benefits derived as a result of the above efforts e.g., product improvement, cost reduction, product development, import substitution, etc.,	The benefits fall in the realm of efficiency, lower input costs, higher purity levels of the final products etc. The company backs up the production activities with thorough documentation which is helping it to make a confident foray in the export market
(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:**

	2007-08 Rs	2006-07 Rs
Total Foreign Exchange Earnings	<b>328,185,208</b>	288,053,687
Total Foreign Exchange Outgo	<b>157,387,359</b>	129,653,742
(a) Raw Materials	<b>150,863,630</b>	125,654,110
(b) Other Foreign currency payments		
(i) Travelling Expenses	<b>2,129,247</b>	676,300
(ii) Export Promotion Expenses	<b>1,582,503</b>	653,895
(iii) Others – Capital import	<b>2,811,979</b>	2,669,437



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

**(A)**

- (1) Name of the Company : Novosynth Research Labs Pvt. Ltd.,
- (2) The financial year of the Subsidiary : 31<sup>st</sup> March, 2008  
Company ended on
- (3) Date from which it became subsidiary : 10-8-2001
- (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. : 346 shares of Rs. 1000/- 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
- a. Not dealt within the Holding Company's accounts:
- (i) for the financial year ended on 31-3-2008 : Nil
- (ii) for the previous financial years : Nil
- b. Dealt within the holding Company's accounts :
- (i) for the financial year ended on 31-3-2008 : Nil
- (ii) for the previous financial years : Nil

**(B)**

- (1) Name of the Company : Basav Chem Limited
- (2) The financial year of the Subsidiary : 31<sup>st</sup> March, 2008  
Company ended on
- (3) Date from which it became Subsidiary : 06-12-2007
- (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 Rs.10/- each
- (5) Extent of interest of Holding company at the end of the financial year of the Subsidiary Company : 100%
- (8) Net aggregate amount of the Subsidiary Company's profits(loss) so far it concerns the members of Holding Company
- a. Not dealt within the holding Company's accounts :
- (i) for the financial year ended on 31-3-2008 : NIL
- (ii) for the previous financial years : NIL
- b. Dealt within the Holding Company's accounts :
- (i) for the financial year ended on 31-3-2008 : Rs. 6,39,991/-
- (ii) for the previous financial years : NIL

**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
I *	Shailesh Siroya Managing Director	MBA	42	36,00,000	01.08.1994	16 years	Business	6.42%

\*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.

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

**Bangalore  
30<sup>th</sup> July, 2008**

**Dr. S. Prasanna**  
Whole Time Director

**Shailesh Siroya**  
Managing Director



**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 details of stock options as on 31<sup>st</sup> March, 2008 under the “Bal Pharma Limited Employees Stock Option Scheme, 2006” are as under :

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 Rs.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	Nil																																										
5	The total number of shares arising as a result of exercise of option	Nil																																										
6	Options Lapsed	<p>Due to rejection of options granted: 5,000</p> <p>Due to Termination of employment: 2,500</p>																																										
7	Variation of terms of options	N.A																																										
8	Money realised by exercise of options	Nil																																										
9	Total number of options in force	2,12,000																																										
10	Employee wise details as on 31 <sup>st</sup> March, 2008 of options granted to																																											
	(i) Senior managerial personnel	<table border="1"> <thead> <tr> <th>Name</th> <th>Exercise Price (Rs.)</th> <th>No.of options</th> </tr> </thead> <tbody> <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>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>Mr. Asok Kumar</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>Mr. R.S.Bagga</td> <td>15.75</td> <td>8,000</td> </tr> <tr> <td>Mr. G.K.Srinivasan</td> <td>15.75</td> <td>8,000</td> </tr> <tr> <td>Mrs. Archana Dubey Mitra</td> <td>15.75</td> <td>8,000</td> </tr> <tr> <td>Mr.T.R.Vijaya Kumar</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 (Rs.)	No.of options	Dr.S.Prasanna	15.75	20,000	Dr.G.S.R.Subba Rao	15.75	20,000	Mr. Arun Bhan	15.75	20,000	Mr.M.Sundar	15.75	8,000	Dr.Nagarajan	15.75	8,000	Mr. Asok Kumar	15.75	8,000	Dr.Sivaramakrishnan	15.75	8,000	Mr. R.S.Bagga	15.75	8,000	Mr. G.K.Srinivasan	15.75	8,000	Mrs. Archana Dubey Mitra	15.75	8,000	Mr.T.R.Vijaya Kumar	15.75	8,000	Mr.Kotian.C	15.75	8,000	Mr. Raju Krishna Ekden	15.75	8,000
Name	Exercise Price (Rs.)	No.of options																																										
Dr.S.Prasanna	15.75	20,000																																										
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Mr. Raju Krishna Ekden	15.75	8,000																																										
	(ii) 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																																										
	(iii) 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																																										



<b>Sl.No</b>	<b>Description</b>	<b>Details</b>
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'.	Rs.2.60 per share
12	The difference between the employee compensation cost 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.	Rs. 1,37,800  Rs. 0.01
13	Weighted-average exercise prices and weighted-average fair values of options for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Rs. 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	10%
	(v)The price of the underlying share in market at the time of option grant	Rs. 31.45

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

**Bangalore  
30<sup>th</sup> July, 2008**

**Dr. S. Prasanna**  
Whole Time Director

**Shailesh Siroya**  
Managing Director



## REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR, 2007-08

Corporate Governance is based on the principle of integrity, fairness, equity, transparency, accountability and commitment to values. Good governance practice stem from the culture and mind set of the organisation. A stakeholder evinces keen interest in the practices and performance of the Companies Corporate Governance which has emerged on the centre stage.

Bal Pharma limited is committed to high standards of Corporate Governance and has in place appropriate structures and reporting systems. Our Board of Directors ensures good Governance in practice and spirit. 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.

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

The Company believes that, it must so govern its affairs as to optimize satisfaction amongst all its stakeholders, which includes its customers, providers of capital, employees, those from whom we buy and through whom we sell, the communities in which our primary activities take place and society at large. The Company views the governance norms originating in the institutions of the capital market as an integral part of its corporate governance philosophy to be respected not just in the letter but, more importantly, in spirit. The Company realizes that, it must disseminate information pertaining to its affairs so that all stakeholders may gain a true understanding of its activities and aspirations. The Company aims at attainment of the highest levels of transparency, accountability and equity in its operations.

### 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 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 apprised 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 March 31, 2008, 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 under review 5 (five) Board meetings were held on 31-05-2007, 30-06-2007, 30-07-2007, 30-10-2007 and 24-01-2008. Composition 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, 2007-08 are as given below:

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 20.09.2007		As Chairman	As Member
1	Mr. Shailesh Siroya	Executive	05	Yes	03	-	3
2	Dr. S Prasanna	Executive	05	Yes	01	1	-
3	Mr. Shrenik Siroya	Non-executive	02	Nil	01	-	3
4	Dr. G S R Subbarao	Independent	05	Nil	02	3	-
5.	Mr. Arun Bhan	Independent	02	Yes	05	Nil	1
6.	Mr. David Rasquinha	Nominee Director	04	Nil	02	Nil	2
7.	Mr. A.R Hegde	Executive	01	Nil	Nil	Nil	Nil

Note: - Board had accepted resignation of Mr. A.R Hegde in its Meeting held on 31-05-2007





**2.2 INFORMATION PLACED BEFORE THE BOARD**

Information placed before the Board of Directors broadly covers the items specified in 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 of the Company, as and when necessary.

**2.3 BOARD COMMITTEES**

Currently, the Board has 4 (four) Committees namely viz. (1). Audit Committee, (2) Remuneration Committee (3) Shareholders & Investors Grievance Committee, (4) Banking Transactions 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 Boards 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, 2007-08, under review and the gap between two meetings did not exceed 4 (four) months. These were held on 31-05-2007, 30-06-2007, 30-07-2007, 30-10-2007, 24-01-2008. 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	5
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 was re-constituted and is functioning with the following members as on 31<sup>st</sup> March, 2008;

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 2007-08 are as under:

SI No	Particulars	Mr. Shailesh Siroya	Dr. S Prasanna	Mr.A.R Hegde	Mr. Shrenik Siroya	Dr. G S R Subba Rao	Mr. Arun Bhan	Mr. David Rasquinha
1	Salary & Perquisites	36,00,000	18,00,000	453,333	N.A.	N.A.	N.A.	NA
2	Sitting Fees	N.A.	N.A.	N.A	23,000	35,000	2,000	8,000
	Total	36,00,000	18,00,000	453,333	23,000	35,000	2,000	8,000

## 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 Ltd;

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	Pending balance as on 01.04.2007	Received	Resolved	Pending As on 31.03.2008
2007-08	NIL	108	108	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 Rs. 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 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
2004-05	23.09.2005	4.00 PM	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001.
2005-06	20.09.2006	11.30 AM	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001.
2006-07	20.09.2007	4.00 PM	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001.



7.2 The Special Resolutions passed by the Company in its 18<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup> Annual General Meeting(s) held on 23-09-2005, 20-09-2006, 20-09-2007 are as under ;

Date of AGM	AGM No.	Business Transacted by Special Resolution
23-09-2005	18	1) Authorising the Board to determine the sitting fee payable to non-executive Directors for attending board meeting and committee meetings within the limits prescribed under Companies Act, 1956.
20-09-2006	19	1) Revision in remuneration of Mr. Shailesh Siroya, Managing Director. 2) Revision in remuneration of Dr.S. Prasanna, whole time Director.
20-09-2007	20	NIL

08. **Postal Ballot** – The Company has not passed any resolution by way of Postal Ballot during the financial year 2007-08;

**09. DISCLOSURES:**

M/s. 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 which has already got approval from the Central Govt. under section 297 (I) of the Companies Act, 1956 and this agreement has been revised w.e.f 07.06.2006 for a period of two 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. As per requirement of Clause 51 of the Listing Agreement, all the data related to quarterly financial results, shareholding pattern etc., are being provided in the website www.sebidifar.nic.in. During the financial year, the Company has not made any presentation to the institutional investors or analysts.

**11. GENERAL SHAREHOLDER INFORMATION:**

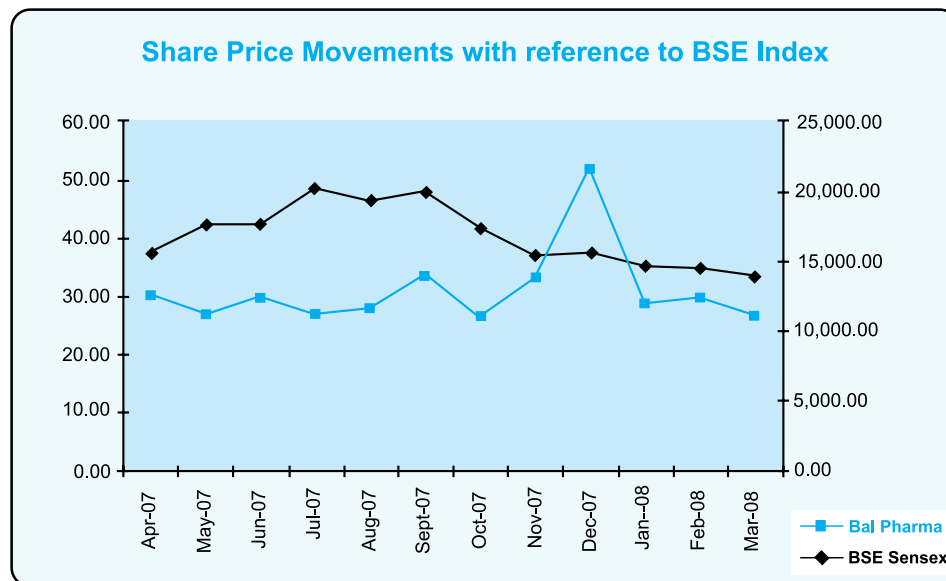
SI No.	Item	Particulars
1	Date of Incorporation	May 19, 1987
2	Date and Time of Annual General Meeting	23 <sup>rd</sup> September, 2008 at 4 PM
3	Venue of Annual General Meeting	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001
4	Date of Book Closure	11-09-2008 to 23-09-2008 (both days inclusive)
5	Financial Calendar	01-04-2008 to 31-03-2009
6	Financial reporting for the first quarter ended on 30-06-2008	Last week of July, 2008
7	Financial reporting for the second quarter ended on 30-09-2008	Last week of October, 2008
8	Financial reporting for the third quarter ended on 31-12-2008	Last week of January, 2009
9	Financial reporting for the year ended on 31-03-2009	Last week of April, 2009
10	Listing on Stock Exchanges	Bombay Stock Exchange Ltd., (BSE) National Stock Exchange of India Ltd., (NSE)
11	Stock Code	BSE Scrip Code - 524824 ; NSE symbol – BALPHARMA
12	ISIN Number	INE083D01012
13	Dividend payment date	On or before 22.10.2008
14	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 2007-08 are as under:

Month	High (Rs)	Low (Rs)	Trade Volume
April 2007	34.60	25.25	152369
May 2007	31.00	26.75	124264
June 2007	31.50	25.80	218745
July 2007	30.50	26.00	212218
August 2007	31.50	24.75	115240
September 2007	37.75	28.10	411362
October 2007	33.70	26.25	164259
November 2007	40.00	27.10	417312
December 2007	52.10	32.15	1185796
January 2008	55.50	25.40	554462
February 2008	32.90	26.30	104536
March 2008	30.80	23.00	117193

\* Share price movements with reference to BSE Index

**13. SHARE TRANSFER SYSTEM:**

- 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.

**13.2 Registrars & Share Transfer Agents:****TSR Darashaw Limited,**

6-10, Haji Moosa Patrawala Industrial Estate  
20 Dr.E. Moses Road, Mahalaxmi,  
Mumbai -400012.

Phone:-91-22-66568484 : Fax :-91-22-66568494

Email: - [csg-unit@tsrdarashaw.com](mailto: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](mailto: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](mailto:tsrdljsr@tsrdarashaw.com)
- iii. TSR Darashaw Limited, Tata Centre, 1<sup>st</sup> floor, 43, Jawaharlal Nehru Road, Kolkata – 700071. Tel: 033- 22883087, Fax: 033-22883062, Email: [tsrdlcal@tsrdarashaw.com](mailto: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](mailto:tsrdldel@tsrdarashaw.com)

Agent: Shah Consultancy Services Ltd, Sumatinath Complex, 2<sup>nd</sup> Dhal Pritam Nagar, Ellisbridge, Ashram Road, Ahmedabad – 380006, Telefax: 079 – 26576038, Email ID: [shahconsultancy@hotmail.com](mailto:shahconsultancy@hotmail.com)

**13.3 Statistics under physical transfer during the period 01.04.2007 to 31.03.2008**

SI No.	Process Period	No. of Transfers	% to total Transfers	No. of Shares	% to total holding
1	01 -07 days	17	34	1720	0.016
2	08 - 15 days	25	50	3600	0.034
3	16 – 21 days	---	---	---	---
4	22 - 25 days	---	---	---	---
5	26 - 30 days	08	16	2600	0.025
6	Beyond 30 days	---	---	---	---
<b>TOTAL</b>		<b>50</b>	<b>100</b>	<b>7920</b>	<b>0.075</b>

**14. DISTRIBUTION OF SHAREHOLDINGS:**

**DISTRIBUTION OF SHAREHOLDINGS AS ON 31.03.2008**

SI. No.	No. of Equity Shares Held	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
1	1 TO 500	7051	85.16	1108633	10.61
2	501 TO 1000	634	7.66	533041	5.10
3	1001 TO 2000	303	3.66	469433	4.49
4	2001 TO 3000	100	1.21	258113	2.47
5	3001 TO 4000	56	0.68	203613	1.95
6	4001 TO 5000	35	0.42	168608	1.61
7	5001 TO 10000	47	0.57	358305	3.43
8	ABOVE 10000	54	0.65	7346478	70.33
<b>TOTAL</b>		<b>8280</b>	<b>100.00</b>	<b>10,446,224</b>	<b>100.00</b>

**15. CATEGORIES OF SHAREHOLDING:**

Distribution Schedule – category wise as on 31.03.2008

SI. No	Category	No. of Shareholders	No. of Shares held	% of Shareholding
1.	FII	Nil	Nil	0.00
2.	Non-Resident	53	796890	7.63
3.	Other Banks	01	1800	0.02
4.	Mutual Fund.	01	200	0.00
5.	Bodies Corporate	276	560831	5.37
6.	Promoters, Directors & Relatives	30	5417638	51.86
	Indian Public	7919	3668865	35.12
<b>Grand Total</b>		<b>8,280</b>	<b>10446224</b>	<b>100.00</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 01.04.2007 to 31.03.2008

SI No.	Process Period	No. of Demat Requests	% to total Requests	No. of Shares	% to Total Holding
1	1 - 7 days	86	53.42	18963	0.18
2	8 - 10 days	74	45.96	14588	0.14
3	11 - 15 days	1	0.62	19	0.00
4	16 - 20 days	---	---	---	---
5	21 - 25 days	---	---	---	---
6	26 - 30 days	---	---	---	---
7	Beyond 30 days	---	---	---	---
	<b>Total</b>	<b>161</b>	<b>100</b>	<b>33570</b>	<b>0.32</b>

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

Holding break up in NSDL and CDSL as on 31.03.2008

Depository Name	Number of Shareholders	No. of Shares Dematerialised	% to total holding
NSDL	4,733	6848948	65.56
CDSL	1,654	1425995	13.65
<b>TOTAL</b>	<b>6,387</b>	<b>8274943</b>	<b>79.21</b>

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

The Company promote 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. NON MANDATORY REQUIREMENTS UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

(1) (a) Non Executive Chairman (b) Tenure of Independent Directors	The Company has no Non-Executive Chairman 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:**

5<sup>th</sup> Floor, 'Laxmi Narayan Complex', 10/1, Palace Road, Bangalore – 560052

Tel: 080 - 41379500 Fax: 080 - 22354057

E-mail: [secretarial@balpharma.com](mailto:secretarial@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, 31<sup>st</sup> March, 2008, as stipulated in Clause 49 of Listing Agreement of the said Company with the Stock Exchange, Mumbai and with National Stock Exchanges of India Limited.
- 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 31<sup>st</sup> March, 2008, no investor Grievances are pending against the Company as on 31<sup>st</sup> March 2008, as per the records maintained by the Company and presented to the Shareholders and Investors Grievances Committee.

Bangalore  
30<sup>th</sup> July, 2008

**Vijaykrishna K.T.**  
Practising Company Secretary  
F.C.S - 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 2008, 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 2008 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 and attached thereto and subject to Note no.14

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 31 March 2008;
- (b) in the case of the Profit and Loss Account, of the Profit 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

Bangalore  
Date: 23<sup>rd</sup> June 2008

Sd/-  
**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 31 March 2008:

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.
  - (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 company. The maximum amount involved Rs. 64,61,537/- and the year end balance of loan was Rs. 64,61,537/-.
  - (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, the repayment of the dues was regular 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.
3. 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.
4. 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
5. 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
6. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
7. 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.
8. 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 2008 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.
9. 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.
10. 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.
11. 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.
12. The Company is not a chit fund, nidhi or mutual benefit fund/society. Accordingly, clause 4(xiii) of the Order is not applicable.
13. 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
14. 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.
15. 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.
16. 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.
17. 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.
18. 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.
19. The company has not raised any money by way of public issue during the year.
20. 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

Sd/-

T. D. JAIN  
Partner

M.M.No: 12034

Bangalore  
Date: 23<sup>rd</sup> June 2008



Annexure I as referred to para 11 of annexure to the auditor's report

Name of the Statute	Nature of dues	Amount in Rs.	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

### 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 2008 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 subsidiaries M/s. Novosynth Research Labs Pvt Ltd, 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 2008;
- (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  
Chartered Accountants

Bangalore  
Date: 23<sup>rd</sup> June 2008

Sd/-  
T. D. JAIN  
Partner  
M.M.No: 12034





## BALANCE SHEET AS AT 31.03.2008

SCH	AS AT 31.03.2008		AS AT 31.03.2007	
	Rs.	Rs.	Rs.	Rs.
<b>SOURCES OF FUNDS</b>				
<b>I. SHAREHOLDERS' FUND</b>				
a. Share Capital	1	104,462,240	104,462,240	
b. Reserves & Surplus	2	247,558,059	229,560,456	334,022,696
<b>II. LOAN FUNDS</b>				
a. Secured Loans	3	421,244,924	329,903,008	
b. Unsecured Loans	4	31,935,919	24,032,329	353,935,337
<b>III. DEFERRED TAX LIABILITY (NET)</b>				
	5	49,324,663		46,247,217
<b>TOTAL</b>		<b>854,525,805</b>		<b>734,205,250</b>
<b>APPLICATIONS OF FUNDS</b>				
<b>I. FIXED ASSETS</b>				
a. Gross Block	6	363,648,835	346,191,406	
b. Less: Accumulated Depreciation		101,175,038	85,571,976	
c. Net Block		262,473,797	260,619,430	
d. Capital Work in Progress		192,522,525	67,574,692	328,194,122
<b>II. INVESTMENTS</b>				
	7	896,000		1,503,850
<b>III. CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
a. Inventories	8	254,500,142	238,858,035	
b. Sundry Debtors		233,375,405	217,273,830	
c. Cash & Bank Balances		7,268,824	8,576,936	
d. Loans & Advances		90,409,550	67,586,816	
<b>Total (A)</b>		<b>585,553,921</b>	<b>532,295,617</b>	
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>				
a. Current Liabilities	9	202,395,273	150,633,999	
b. Provisions		30,512,541	19,934,436	
<b>Total (B)</b>		<b>232,907,814</b>	<b>170,568,435</b>	
<b>NET CURRENT ASSETS (A-B)</b>		<b>352,646,107</b>		361,727,182
<b>IV. MISCELLANEOUS EXPENSES</b>				
(To the extent not written off or adjusted)	10	45,987,376		42,780,096
<b>TOTAL</b>		<b>854,525,805</b>		<b>734,205,250</b>
<b>NOTES ON ACCOUNTS</b>				
	20			

As per our report of even date  
For **OSTAWAL & JAIN**  
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

**T. D. Jain**  
Partner

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

**Dr. S. Prasanna**  
Director

**Shailesh Siroya**  
Managing Director

Bangalore  
23.06.2008

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2008**

Particulars	SCH	Year Ended 31.03.2008		Year Ended 31.03.2007	
		Rs.	Rs.	Rs.	Rs.
<b>I. INCOME</b>					
Sales & Services	11	913,598,420		786,130,692	
Less : Goods Returned		10,142,497		24,314,091	
		<u>903,455,923</u>		<u>761,816,601</u>	
Less : Excise Duty		46,105,817	857,350,106	53,765,847	708,050,754
Other Income	12		3,459,867		375,277
			<u>860,809,973</u>		<u>708,426,031</u>
<b>II. EXPENDITURE</b>					
Cost of Materials Consumed	13	428,695,708		329,129,076	
Manufacturing Expenses	14	44,881,111		40,946,864	
Employees Remuneration & Benefits	15	79,703,922		73,959,726	
Selling & Distribution Expenses	16	156,510,524		135,435,067	
Administration Expenses	17	58,279,760		42,797,200	
Financial Expenses	18	33,666,240		32,267,816	
Miscellaneous Expense Written Off	19	4,455,402		7,302,884	
Depreciation	6	15,817,715	822,010,382	14,249,937	676,088,570
<b>III. Profit for the year</b>			38,799,591		32,337,461
Add/(Less) : Prior Year Adjustment			1,655,970		(745,083)
<b>IV. Profit Before Income Tax</b>			40,455,561		31,592,378
Provision for Income Tax - Current Year			7,379,258		3,369,061
Provision for wealth tax			28,266		18,622
(Excess) / Short Provision for Tax - Earlier Years			182,120		(98,986)
Deferred Tax (As Per AS 22)			3,077,446		6,569,181
Fringe Benefit Tax			1,857,064		1,565,096
<b>V. Profit After Tax</b>			27,931,407		20,169,404
<b>VI. Balance Brought Forward From Previous Year</b>			57,825,106		46,821,872
			<u>85,756,513</u>		<u>66,991,276</u>
<b>VII. Appropriations</b>					
Proposed Dividend:					
- Equity Shares		10,446,224		7,834,668	
Provision for Corporate Tax on Dividend					
- Equity Shares		1,775,336		1,331,502	
			<u>12,221,560</u>		<u>9,166,170</u>
			<u>73,534,953</u>		<u>57,825,106</u>
<b>VIII. Balance Carried to Balance Sheet</b>					
<b>EARNINGS PER SHARE</b>					
Basic EPS			2.67		1.93
Diluted EPS			2.60		1.93
No: of Equity Shares			10,446,224		10,446,224

**NOTES ON ACCOUNTS**

20

As per our report of even date  
For **OSTAWAL & JAIN**  
Chartered Accountants

**FOR & ON BEHALF OF THE BOARD**

**T.D. Jain**  
Partner

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

**Dr. S. Prasanna**  
Director

**Shailesh Siroya**  
Managing Director

Bangalore  
23.06.2008



## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2008

	AS AT 31.03.2008		AS AT 31.03.2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE - I</b>				
<b>SHARE CAPITAL</b>				
<b>AUTHORISED</b>				
11,000,000 ( P Y 11,000,000) Equity Shares of Rs 10 each	110,000,000		110,000,000	
400,000 ( P Y 400,000) Redeemable Preference Shares of Rs 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>				
10,446,224 ( P Y 10,446,224) Equity Shares of Rs 10 each fully paid (of the above 3,040,000 Equity Shares have been issued as Bonus Shares by capitalisation of reserves)		104,462,240		104,462,240
		104,462,240		104,462,240
<b>SCHEDULE - 2</b>				
<b>RESERVES &amp; SURPLUS</b>				
1. Capital Reserve		3,000,000		3,000,000
2. Share Premium		144,720,350		144,720,350
3. General Reserve		24,015,000		24,015,000
4. Employee Stock options outstanding				
Balance at the beginning		-		-
Add : Options granted	4,181,475			-
Less : Options forfeited/surrendered	(142,875)			-
Balance at end of the Year (A)	4,038,600			-
Deferred stock compensation cost				
Balance at the beginning		-		-
Add : Options granted	4,181,475			-
Less : Options forfeited/surrendered	(142,875)			-
Less : Amorzaton	(2,287,756)			-
Balance at end of the Year (B)	1,750,844			-
	(A) - (B)	2,287,756		-
5. P & L Account -Surplus				
Opening Balance	57,825,106		46,821,872	
Add: Surplus for the year	15,709,847	73,534,953	11,003,234	57,825,106
		47,558,059		229,560,456
<b>SCHEDULE - 3</b>				
<b>SECURED LOANS</b>				
<b>TERM LOANS</b>				
UTI	8,208,401		14,791,690	
EXIM Bank	185,992,137		75,000,000	
State Bank of Indore	23,625,724		25,489,728	
Others	3,180,288	221,006,550	4,270,321	119,551,739
<b>WORKING CAPITAL LOAN</b>				
Canara Bank	60,837,106		66,877,205	
Exim Bank	18,036,767		23,019,363	
Punjab National Bank	70,635,181		72,571,640	
ICICI Bank Ltd.,	50,729,320		47,156,594	
Small Industries Development Bank of India (SIDBI)	-	200,238,374	726,467	210,351,269
		421,244,924		329,903,008



**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2008 (Contd...)**

	<b>AS AT 31.03.2008</b>		<b>AS AT 31.03.2007</b>	
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>SCHEDULE - 4</b>				
<b>UNSECURED LOANS</b>				
State Bank of Hyderabad		<b>29,455,919</b>		18,500,000
Department of Scientific and industrial Research		<b>2,480,000</b>		2,000,000
Loan from Directors		-		3,532,329
		<b>31,935,919</b>		<b>24,032,329</b>
<b>SCHEDULE - 5</b>				
<b>DEFERRED TAX LIABILITY</b>				
Opening Balance		<b>46,247,217</b>		39,678,036
Add: Liability created for the year		<b>3,077,446</b>		6,569,181
		<b>49,324,663</b>		<b>46,247,217</b>

**SCHEDULE 6**

**FIXED ASSETS AS ON 31.03.2008**

ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 01.04.2007	Additions	Deletions	AS AT 31.03.2008	AS AT 01.04.2007	Written Back/ adjustments	For the Year	AS AT 31.03.2008	AS AT 31.03.2008	AS AT 31.03.2007
Land	24,494,387	2,800,236	-	27,294,623	0	-	-	-	27,294,623	24494387
Building	89,848,087	1,500,041	-	91,348,128	16741366	-	2,975,299	19,716,665	71,631,463	73106721
Plant & Machinery	70,979,182	2,925,919	-	73,905,101	24207552	-	3,434,565	27,642,117	46,262,984	46771630
Utilities	68,282,663	1,843,801	-	70,126,464	17646449	-	3,277,460	20,923,909	49,202,555	50636214
Furniture & Fixtures	12,961,678	529,633	-	13,491,311	3416052	-	838,684	4,254,736	9,236,575	9545626
Misc Fixed Assets	68,038,951	6,676,968	120,000	74,595,919	19673659	30,530	4,115,665	23,758,794	50,837,125	48365292
Vehicles	11,586,458	1,779,072	478,241	12,887,289	3886898	184,123	1,176,042	4,878,817	8,008,472	7699560
<b>Total</b>	<b>346,191,406</b>	<b>18,055,670</b>	<b>598,241</b>	<b>363,648,835</b>	<b>85571976</b>	<b>214,653</b>	<b>15,817,715</b>	<b>101,175,038</b>	<b>62,473,797</b>	<b>260,619,430</b>
Previous Year	272,514,477	74,042,243	365,310	46,191,406	71568154	246,116	14,249,937	85,571,976	260,619,430	200946323
Capital Work-in Progress									192,522,525	67574692

**Note :** Additions include an amount of of Rs. 2,794,484/- (P.Y 10,272,248 ) incurred during the year on R & D of new products and processes in in-house R&D centre. These additions have been capitalized and depreciated in accordance with depreciation policy of the Company.

	<b>AS AT 31.03.2008</b>		<b>AS AT 31.03.2007</b>	
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>SCHEDULE - 7</b>				
<b>INVESTMENTS QUOTED :</b>				
Non Trade :(at Cost) (Market Value as on 31.03.2008 not available)				
(i) Lamina Foundries Limited				
10,000 (P.Y. 10,000) Equity Shares of Rs. 10 each fully paid		<b>371,850</b>		371,850
(ii) Sri Jayalakshmi Autospin Limited				
73,600 (P.Y. 73,600) Equity Shares of Rs. 10 each fully paid		<b>736,000</b>		736,000
Less: Provision for diminution in value		<b>(1,107,850)</b>		1,107,850

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2008 (Contd...)**

	AS AT 31.03.2008		AS AT 31.03.2007	
	Rs.	Rs.	Rs.	Rs.
<b>UN QUOTED :</b>				
<b>Trade :</b>				
In Subsidiary Company		<b>346,000</b>		346,000
Novosynth Research Labs Pvt. Ltd., (346 Equity Shares(PY 346) of Rs .1000 each fully paid)				
Basav Chem Limited (100,000 Equity Shares ( PY-NIL) of Rs .10 each fully paid)		<b>500,000</b>		-
<b>Non Trade :</b>				
EQUITY SHARES of The Shamrao Vithal Co- Operative Bank Ltd., ( 5,000 Shares( PY 5,000) of Rs. 10 each fully paid)		<b>50,000</b>		50,000
		<b>896,000</b>		<b>1,503,850</b>
<b>SCHEDULE- 8</b>				
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
<b>1. INVENTORIES</b>				
(As valued & certified by the Management)				
Raw Materials	<b>82,853,951</b>		63,351,938	
Packing Materials	<b>17,291,457</b>		21,468,043	
Work in Progress	<b>55,653,735</b>		37,076,051	
Finished Goods	<b>97,431,481</b>		116,499,516	
Stores & Consumables	<b>1,269,518</b>	<b>254,500,142</b>	462,487	238,858,035
<b>2. SUNDRY DEBTORS</b>				
(Unsecured, considered good)				
Debts outstanding for more than six months	<b>53,754,231</b>		53,303,792	
Other Debts	<b>179,621,174</b>	<b>233,375,405</b>	163,970,038	217,273,830
<b>3. CASH &amp; BANK BALANCES</b>				
Cash in Hand	<b>254,583</b>		349,330	
Balance with Scheduled Banks: - in Current Account	<b>7,014,241</b>	<b>7,268,824</b>	8,227,606	8,576,936
<b>4. LOANS &amp; ADVANCES</b>				
(Unsecured, considered good)				
Advances recoverable in cash or in kind or for value to be received	<b>36,254,543</b>		39,949,270	
Deposit with Govt. dept. & Others	<b>14,729,139</b>		11,595,880	
Fixed Deposits	<b>21,965,008</b>		10,472,270	
Advance Income Tax & TDS	<b>10,984,980</b>		5,555,472	
Indira Vikas Patra	<b>3,000</b>		3,000	
National Savings Certificate	<b>10,725</b>		10,725	
Advance to Subsidiary Companies	<b>6,462,155</b>		200	
		<b>90,409,550</b>		<b>67,586,816</b>
		<b>585,553,921</b>		<b>532,295,618</b>
<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 26)		-		-
- Other Dues	<b>124,274,626</b>		49,228,839	
Capital Creditors	<b>13,360,581</b>		14,057,839	
Creditors for Expenses	<b>29,302,226</b>		39,329,259	



**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2008 (Contd...)**

	AS AT 31.03.2008		AS AT 31.03.2007	
	Rs.	Rs.	Rs.	Rs.
Advances from customers	14,021,159		15,701,580	
Dues to Subsidiaries	734,964		-	
Other Current Liabilities	12,842,229		24,439,169	
Deposits received from customers	7,181,040		7,195,505	
Unclaimed Rights Issue Application Money	141,750		144,870	
Unclaimed Dividends- Equity (Refer Notes SI No 26)	536,698	202,395,273	536,938	150,633,999
<b>PROVISIONS</b>				
Gratuity	5,632,114		5,815,487	
Provision for Tax	10,801,803		3,387,683	
Provision for Fringe Benefit Tax	1,857,064		1,565,096	
Dividend Payable(Equity Shares)	10,446,224		7,834,668	
Corporate Tax on Dividend Payable: Equity Shares	1,775,336		1,331,502	
		<b>30,512,541</b>		<b>19,934,436</b>
		<b>232,907,814</b>		<b>170,568,435</b>
<b>SCHEDULE -10</b>				
<b>MISCELLANEOUS EXPENSES</b>				
(To the extent not written off or adjusted)				
Opening Balance				
Development Expenses	2,026,807		3,677,911	
Research & Development expense	40,753,289	42,780,096	39,871,268	43,549,179
Add : Additions during the year				
- Research & Development expenses (refer Schedule 10 A)		7,662,682		6,533,801
		50,442,778		50,082,980
Less: Written off during the year		4,455,402		7,302,884
		45,987,376		42,780,096
<b>SCHEDULE -10 A</b>				
<b>RESEARCH &amp; DEVELOPMENT EXPENSES</b>				
Raw Materials consumed		2,045,900		1,178,771
Fuel & Power		1,132,202		1,137,629
Water Charges		78,828		76,210
Laboratory Expenses		1,167,165		1,023,406
Salaries, Wages and other allowances		2,817,264		2,730,218
Others		421,323		387,567
		7,662,682		6,533,801

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2008**

	2007-2008		2006-2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE - 11</b>				
<b>INCOME FROM SALES &amp; SERVICES</b>				
Exports:				
Sales	328,185,208		288,053,687	
Incentives	9,041,837		4,323,398	
	337,227,045		292,377,085	
Domestic Sales	566,774,229		492,625,601	
	904,001,274		785,002,686	
Less: Goods Returns	10,142,497	893,858,777	24,314,091	760,688,595
Conversion charges		9,597,146		1,128,006
		903,455,923		761,816,601

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2008 (Contd...)**

	2007-2008		2006-2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE - 12</b>				
<b>OTHER INCOME</b>				
Interest -				
Bank		1,095,513		140,315
Others		89,126		20,092
Dividend Income		7,110		128,797
Foreign exchange fluctuation (Net)		653,602		-
Misc. Income		24,465		57,797
Provisions/ Creditors no longer payable written back		1,590,051		28,276
		<u>3,459,867</u>		<u>375,277</u>
<b>SCHEDULE- 13</b>				
<b>COST OF MATERIALS CONSUMED</b>				
<b>RAW MATERILAS</b>				
Opening Stock	63,351,938		81,739,568	
Add : Purchases	316,785,762		233,784,757	
Less : Closing Stock	82,853,951		63,351,938	
Transferred to R & D	2,045,900	295,237,849	1,178,771	250,993,616
<b>PACKING MATERIALS</b>				
Opening Stock	21,468,043		30,229,092	
Add : Purchases	36,723,416		39,777,409	
Less : Closing Stock	17,291,457	40,900,002	21,468,043	48,538,458
<b>WORK IN PROGRESS</b>				
Opening Stock	37,076,051		37,279,070	
Closing Stock	55,653,735	(18,577,684)	37,076,051	203,019
<b>FINISHED GOODS</b>				
Opening Stock	116,499,516		99,130,693	
Less:Closing Stock	97,431,481	19,068,035	116,499,516	(17,368,823)
<b>PURCHASE OF TRADED GOODS</b>				
		92,067,506		46,762,806
		<u>428,695,708</u>		<u>329,129,076</u>
<b>SCHEDULE - 14</b>				
<b>MANUFACTURING EXPENSES</b>				
Consumables and Stores-opening stock	462,487		631,040	
Add : Purchases	9,079,581		9,788,442	
Less : Closing Stock	1,269,518	8,272,550	462,487	9,956,995
Power & Fuel	16,998,051		13,418,008	
Water Charges	1,103,212		987,656	
Laboratory and Testing	4,482,212		4,631,232	
Labour charges paid	8,427,035		6,331,186	
Repairs & Maintenance:		31,010,510		25,368,082
Building	137,281		203,741	
Machinery	3,326,745		3,361,253	
Others	4,933,543	8,397,569	4,681,605	8,246,599
		47,680,629		43,571,676
Less: Expenses relating to R&D		2,799,518		2,624,812
		<u>44,881,111</u>		<u>40,946,864</u>
<b>SCHEDULE - 15</b>				
<b>EMPLOYEES REMUNERATION &amp; BENEFITS</b>				
Salaries Wages & Allowances	60,962,791		57,406,683	
Bonus & Exgratia	2,561,899		2,108,564	
PF & E.S.I Contributions	5,898,950		5,578,838	
Employees Welfare	3,988,807		2,661,574	
Recruitment & Training	967,650		556,285	
Gratuity	-		1,738,000	
Amortization of deferred stock compensation cost	2,287,756		-	
Remuneration to Directors	5,853,333		6,640,000	
Less: Expenses relating to R&D	(2,817,264)		(2,730,218)	
		<u>79,703,922</u>		<u>73,959,726</u>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2008 (Contd...)**

	2007-2008		2006-2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE - 16</b>				
<b>SELLING &amp; DISTRIBUTION EXPENSES</b>				
Advertisement		2,551,756		828,455
Seminar, Conference & Exhibition Expenses		5,395,814		4,825,995
Freight & Handling Charges on Export Sales		15,785,085		17,602,699
Commission on Sales		10,648,013		8,137,731
Field Staff Salaries & Incentives		49,131,569		47,317,909
Field Staff Travelling Expenses		28,480,313		28,762,586
Freight Outwards & Others		5,714,036		4,640,500
Breakages & Expired Goods		9,610,582		5,333,632
Other Selling Expenses		11,588,043		10,244,706
Sales Promotional Items		17,605,313		7,740,854
		<u>156,510,524</u>		<u>135,435,067</u>
<b>SCHEDULE - 17</b>				
<b>ADMINISTRATION EXPENSES</b>				
Travelling expenses - Inland				
- Directors	393,516		1,066,737	
- Others	4,258,226		3,431,249	
Travelling expenses - Foreign				
- Directors	1,409,648		284,084	
- Others	1,840,980	7,902,370	903,771	5,685,841
Repairs and Maintenance - Office	2,161,450		2,172,150	
Rates & Taxes	4,029,059		1,432,483	
Conveyance	1,284,114		1,091,465	
Postage, Telegram & Telephone	3,755,069		4,488,946	
Legal & Professional charges	6,221,423		3,680,037	
Printing & Stationery	5,333,932		6,043,433	
Insurance	4,228,438		4,055,447	
Rent	4,141,937		3,418,805	
Donations	30,442		25,701	
Directors Sitting fees	68,000		73,000	
Electricity Charges	807,301		797,896	
Audit Fees	389,736		241,351	
Bad Debts / Advances written off	9,957,860		1,501,351	
Registration Fees	1,182,323		284,949	
Vehicle Operation and Maintenance	3,607,259		3,795,340	
Foreign exchange fluctuation (Net)	-		1,621,632	
Loss on Sale of Fixed Assets	68,588		26,972	
Subscription & Membership	625,455		554,322	
Loss on Sale of Investments	-		253,126	
Diminution in the value of Investment	1,107,850		-	
Miscellaneous Expenses	1,377,154	50,377,390	1,552,953	37,111,359
		<u>58,279,760</u>		<u>42,797,200</u>
<b>SCHEDULE - 18</b>				
<b>FINANCIAL CHARGES</b>				
Interest on Term Loan	3,711,098		3,356,275	
Interest on Working Capital Loan	21,640,747		21,662,348	
Other Interest	1,924,522	27,276,367	2,072,507	27,091,130
Bank Charges				
		<u>6,389,873</u>		<u>5,176,686</u>
		<u>33,666,240</u>		<u>32,267,816</u>
<b>SCHEDULE - 19</b>				
<b>MISCELLANEOUS EXPENSES WRITTEN OFF</b>				
Development Expenses - Written off				
R&D Expenses - Written off		652,872		1,651,104
		<u>3,802,530</u>		<u>5,651,780</u>
		<u>4,455,402</u>		<u>7,302,884</u>



**SCHEDULE 20**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31.03.2008**

**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. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed assets and intangible assets. Actual results could differ from those estimates.

**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 on shipment of products.

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

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 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 straight line 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 Rs. 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 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.

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

The undisclosed amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders services. 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 depreciated at the estimated useful life of the related assets.

#### 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.

#### 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 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.

The break-up of the major components of the deferred tax assets and liabilities as at balance sheet date has been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

### 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 Rs. 9,041,837/- (P.Y. Rs. 4,323,398/-) 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 31.03.2008 is Rs.9,040,429/- (P.Y. Rs. 5,175,676/-) and the same is reflected under loans and advances.

**3) MARKET DEVELOPMENT EXPENSES:**

Expenditure incurred on Market development amounting to Rs. 652,872/- (P.Y.Rs. 1,651,104/-) has been written off during the year. Balance on this account as on 31.03.2008 is Rs.1,373,935/ ( P.Y. Rs.2,026,807/- ).

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

An amount of Rs. 7,662,682/- (P.Y. Rs. 6,533,801/-) 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 amortised 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 Rs. 3,802,530/- (P.Y. Rs 5,651,780/- ) The balance on this account as on 31.03.2008 is Rs. 44,613,441/- ( P.Y. Rs 40,753,289/-).

5) Imported Goods amounting to Rs. 11,745,284/- (P.Y. Rs. 529,864/- ) were in Bonded Warehouse. No customs duty on such goods has been provided.

6) During the year an amount of Rs. 16,272,990/- (P.Y. Rs. 6,999,881/-) being interest on term loans for acquisition of qualifying capital assets was capitalised.

7) The Company has provided for Rs.526,319 /- (P.Y.Rs.1,814,379/-) being Excise Duty on Finished Goods lying at various manufacturing units as at 31.03.2008.

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

	<u>31.03.2008</u>	<u>31.03.2007</u>
	Rs.	Rs.
Deferred tax Assets recognized for timing differences due to:		
A. Current Liabilities	716,458	522,766
B. Sec. 40a (ia) Disallowances	50,400	33,990
	<u>766,858</u>	<u>556,756</u>
Deferred tax Liabilities recognized for timing differences due to:		
a. Depreciation and other differences in block of fixed assets	48,779,455	37,637,746
b. Expenditure on in-house Research & Development	1,312,066	91,66,227
	<u>50,091,521</u>	<u>46,803,973</u>
Net Deferred Tax Liabilities	49,324,663	46,247,217
Charge to Profit & Loss Account	<u>3,077,446</u>	<u>6,569,181</u>

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

- a) Guarantees issued by Company's bankers Rs. 3,077,566/- (P.Y. Rs. 1,585,225/-)
- b) Letter of credit Rs. 77,524,922/- (P.Y. Rs 40,105,277/-).
- c) Estimated value of contracts remaining to be executed on capital account and not provided for Rs.25,133,881/- (P.Y. Rs. 92,573,300/-).

**10) CIF VALUE OF IMPORTS: (in Rupees)**

	<u>31.03.2008</u>	<u>31.03.2007</u>
1. Raw Materials	150,863,630	125,654,110
2. Capital Goods	2,811,979	2,669,437
(Including spares & components)	<u>153,675,609</u>	<u>128,323,547</u>

**11) A) EXPENDITURE IN FOREIGN CURRENCY**

a. Travelling Expenditure	2,129,247	676,300
b. Registration Fee	343,960	120,387
c. Commission on Export sales	409,043	533,508
d. Sales Promotion	829,500	--
	<u>3,711,750</u>	<u>1,330,195</u>

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

a. FOB Value of Exports	312,719,283	265,555,885
-------------------------	-------------	-------------



**12) Gratuity Plan:**

Effective from 01 April 2007, the Company has adopted revised Accounting Standard 15 on "Employee Benefits" The following table set out the status of the plan as required under AS 15(revised)

**Change in defined benefit obligation****(Amount in Rupees)  
AS AT 31.03.2008**

Opening defined benefit obligation	5,815,487.00
Interest cost	422,863.00
Current Service Cost	1,874,900.00
Benefits paid	(354,622.00)
Actuarial losses	1,143,059.00
Closing defined benefit obligation	8,901,687.00

**Change in plan assets**

Plan Assets at beginning of the year, at fair value	3,358,385.00
Expected Return on plan Assets (estimated)	246,800.00
Contributions	0.00
Benefits settled	(354,622.00)
Actuarial gain/(loss) on plan assets	19,010.00
Plan Assets at end of the year, at fair value	3,269,573.00

**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	3,269,573.00
Present value of the defined benefit obligation at the end of the year	8,901,687.00
Asset/(Liability) recognized in the balance sheet	(5,632,114.00)

**Gratuity cost for the period**

Current Service Cost	1,874,900.00
Interest Cost	422,863.00
Expected Return on Plan Asset	(246,800.00)
Net Actuarial (Gain)/Loss recognized for the year	1,124,049.00
Opening plan assets recognized on 01 April 2007	(3,358,385.00)
Total, included in 'provisions/Creditors no longer payable written back	(183,373.00)

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

Opening Liability	5,815,487.00
Provision reversal, as above	(183,373.00)
Contribution paid	0.00
Closing Liability	5,632,114.00

**Assumptions at the valuation date**

Discount factor	7.50%
Salary Escalation rate	6.00%
Rate of Return (Expected) on plan Asset	8.00%
Retirement age	58

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

- 13.1 Hire purchase finance provided by various financial institutions is secured by a charge on the assets financed by the respective institutions.
- 13.2 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.



- 13.3 UTI Bank —Hypothecation of Office Equipments located at Corporate Office, 10/5, Lakshminarayan Complex, Palace Road, Bangalore – 560 052, and also assets of Unit I, Unit II and Unit III funded by them.
- 13.4 Loan obtained from State Bank of Indore is secured by hypothecation of assets of Unit II and Unit III, funded by them.
- 13.5 Secured loans obtained from EXIM Bank of Rs.21.65 Crores towards establishment of Formulation Plant at Uttaranchal and API project at Bangalore –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.
- 13.6 All the Secured Loans have been guaranteed by two Directors including Managing Director in their personal Capacity.
- 14) Balances of Sundry debtors, sundry creditors, loans and advances, receivables and payables are subject to confirmation/reconciliation, if any.
- 15) 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.
- 16) 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.
- 17) The Company issued 3,918,000 Equity shares on rights basis in the ratio of 3 equity shares for every 5 equity shares held by the existing shareholders at Rs.30 per equity share, for part financing the Company's proposed new manufacturing units after obtaining required approvals from the share holders, SEBI and Mumbai Stock Exchange. Out of this, the Company allotted 3,916,224 equity shares on 20.6.2005 and kept in abeyance 1,776 shares whose beneficiary details were not made available by NSDL on the date of allotment. These shares will be allotted in due course after NSDL resolves the issue. Consequently, the post rights capital stood increased to Rs.1044.62 lakhs.

## 18) 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 219,500 options to eligible employees. The vesting period for the options granted varies from 12 to 60 months.

The date of grant, number of options granted, exercise price fixed by the committee for options and the market price of the shares of the Company on the date of grant is given below:

Date of grant	Number of options granted	Exercise Price (Rupees)	Market Price (Rupees) (As per SEBI guidelines)
25.07.2006	219,500	15.75	34.80



Stock option activity under ESOP-2006 was as follows:

Particulars	Number of Options	Exercise Price
Balance at the beginning	-----	-----
Add: Options Granted	219,500	15.75
Less: Options forfeited/Surrendered	7,500	15.75
Less: Options exercised	-----	15.75
Balance at the end of the year	212,000	15.75

**19) 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 exists or with whom transactions have taken place during the year :

- i) Subsidiaries: Novosynth Research Labs Private Ltd  
Basav Chem Limited.
- 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
- Amarnath.R. Hegde - Whole time Director ( up to 31.05.2007)

Mr. Amaranth R Hegde resigned from the post of whole time director and his resignation has been accepted at Board meeting held on 31.05.2007.

D. Particulars of related party transactions : (In Rupees)

	<b>31.03.2008</b>	<b>31.03.2007</b>
	(Rs.)	(Rs.)
The following is a summary of significant related party transactions:		
i) Investments in Subsidiaries	5,00,000	----
ii) Sales to Significant interest entities	24,162,162	18,472,435
iii) Purchases from Significant interest entities	----	686,823
iv) Commission paid to Enterprise owned by the Managing Director of the Company	4,125,393	2,963,943
v) Capital advance to Enterprise in which the Managing Director of the Company exercises joint control with other partners	567,149	3,268
vi) Rent paid to subsidiaries	1,980,000	----
vii) Loans to subsidiaries	6,461,955	----

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



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

<u>Particulars</u>	<u>31.03.2008</u> (Rs.)	<u>31.03.2007</u> (Rs.)
i) Due from related parties -		
a. Subsidiaries : (Included in loans and advances)	6,462,155	200
b. Significant interest entities (Included in Sundry Debtors)	4,929,388	2,681,212
c. Enterprise in which Managing Director of the Company exercises joint Control with other partners (included in loans and advances)	58,268	655,173
ii) Due to related parties :		
Enterprises owned by Managing Director of the Company (Included in current liabilities)	3,005,367	3,311,830
iii) Key Managerial Personnel (included in current liabilities)	---	948,650
iv) Subsidiaries (Included in current liabilities)	734,964	---

**20) Particulars of Managerial Remuneration:**

The remuneration paid to Managerial personnel during the year :

	<u>Managing Director</u>		<u>Whole time Directors</u>	
	<u>31.3.2008</u>	<u>31.3.2007</u>	<u>31.3.2008</u>	<u>31.3.2007</u>
Salaries & Allowances	3,600,000	3,600,000	2,253,333	3,040,000
Commission	Nil	Nil	Nil	Nil
Perquisites	Nil	Nil	Nil	Nil

**21) Computation of net profit in accordance with Section 349 & 350 read with Section 198 of the Companies Act, 1956 :**

<u>Particulars</u>	<u>Amount ( Rs.)</u>
Net Profit before taxation as per profit and loss account	40,455,561
Add:	
Depreciation provided in the accounts	15,817,715
Directors' sitting fee	68,000
Managerial remuneration	5,853,333
Loss on sale of assets	68,588
	<u>21,807,636</u>
	62,263,197
Less :	
Depreciation under Section 350 of the Act	<u>15,817,715</u>
Net Profit for the purpose of Section 269	46,445,482
Managerial Remuneration to Whole time Directors (10%)	4,644,548
Managerial Remuneration to Whole time Directors	5,853,333

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 17<sup>th</sup> Annual General Meeting held on 23<sup>rd</sup> September 2004, and 16<sup>th</sup> Annual General Meeting held on 17<sup>th</sup> September, 2003, and 19<sup>th</sup> Annual General meeting held on 20<sup>th</sup> September, 2006, respectively.

**22) Auditor's Remuneration : (In Rupees)**

	<u>31.3.2008</u>	<u>31.3.2007</u>
Statutory Fees	1,50,000	1,50,000
Tax Audit Fees	50,000	50,000
Other services	129,736	11,351
Reimbursement of out of pocket expenses	60,000	30,000
	<u>389,736</u>	<u>2,41,351</u>



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

	31.03.2008	% of Total Consumption	31.03.2007	% of Total Consumption
<b>Raw Materials</b>				
Imported	166,602,047	56.4%	127,328,497	50.73%
Indigenous	128,635,802	43.6%	123,665,119	49.27%
<b>Total</b>	<u>295,237,849</u>		<u>250,993,616</u>	
<b>Stores &amp; Spares</b>				
Imported	NIL	0%	NIL	0%
Indigenous	8,272,550	100%	9,956,995	100%

24) QUANTITATIVE INFORMATION

a) Installed capacity ( as certified by the Management )

PRODUCT	UNIT	31.03.2008	31.03.2007
Tablets	Million Nos.	650	650
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	73314	109824	310484	17258	75641	377533	562120	23523	86568
			(42802)	(61438)	(444746)	(21047)	(43977)	(435281)	(252025)	(73314)	(109824)
2	Capsules	000 Nos	1512	1693	17730	17738	6445	34473	44425	2507	3824
			(12799)	(13486)	(33663)	(2655)	(2786)	(47605)	(156391)	(1512)	(1693)
3	Liquids	Kilo Ltrs	53.4	1901	45.6	85.58	9982	112.5	17825	72.08	2590
			(28)	(4683)	(1193)	(--)	(--)	(1167.6)	(88650)	(53.40)	(1901)
4	Ointments	Kgs	1069	1481	14911	---	---	13764	28238	2216	3235
			(7586)	(10302)	(37526)	(--)	(--)	(44043)	(73379)	(1069)	(1481)
5	EED	Million	0.081	311	13.690	---	---	13.770	9704	0.001	7.0
			(1.9)	(3746)	(5.301)	(--)	(--)	(7.12)	(13267)	(0.08)	(311)
6	Bulk Drugs	Kgs	217	1290	38240	---	---	38263	222505	194	1208
			(844)	(5475)	(25558)	(--)	(--)	(26185)	(172653)	(217)	(1290)

d) RAW MATERIALS CONSUMED	UNITS	QUANTITY	VALUE (Rs.000)
Powder	Kgs	1,305,985	284,220
		(1,195,557)	(237,411)
Liquid	Ltrs	174,173	7,524
		(231,035)	(11,395)
Capsule	000'Nos	61,501	3,494
		(33,663)	(2,188)



- 25) (a) The claim for differential excise duty of Rs. 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 Rs.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 Rs.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 Rs.30,000/- has been made.
- (d) A Sales Tax claim of Rs.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 Rs.253,729 has been made. The appeal is yet to be heard by the Deputy Commissioner, Ernakulam.
- (e) 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.
- 26) The company has initiated the process of obtaining 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 Rs.NIL. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

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

Year	Amount (Rs)
1999-00	165,459
2001-01	173,646
2001-02	2,855
2002-03	9,160
2003-04	184,828
2005-06	750
<b>Total</b>	<b>536,698</b>

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

Sl No	Particulars	Year ended March 31,2008	Year ended March 31,2007
1	Opening No of shares	10,446,224	10,446,224
2	Total Shares Outstanding	10,446,224	10,446,224
3	Weighted average number of shares	10,446,224	10,446,224
4	Profit after Taxation and after preference dividend and dividend tax (Rs in Lakhs)	279.31	201.69
5	EPS	2.67	1.93
<b>DILUTED</b>			
6	Weighted average number of shares (including employee stock options dilution)	10,736,089	10,446,224
7	Diluted EPS	2.60	1.93

- 29) During the year 2006-07, the company was sanctioned partial support of Rs. 50 lakhs for ' Process Development for Manufacture of 3-amino -3-azabicyclo(3.3.0) octane' out of the project cost of Rs.150.26 lakhs by the Department of Scientific and industrial research, Ministry of Science and technology, Government of India, under its TDDP Programme, for a project duration of 24 months. An amount of Rs. 20 lakhs received in pursuance of the above sanction, along with interest accrued and due, has been disclosed under unsecured loans.



- 30) During the year the company has entered in to 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 Rs 10/- each @ Rs. 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 the Company is taking steps to amalgamate Basav Chem limited with itself. An amount of Rs. 6,461,537/- paid by the company towards discharge of Basav Chem Limited's liabilities is disclosed as advance to subsidiary.
- 31) The Company operates only in one business segment i.e., pharmaceuticals.
- 32) Figures in brackets pertain to previous year.
- 33) Previous year figures have been regrouped/rearranged wherever necessary.

**As per our Report Attached  
For OSTAWAL & JAIN**  
Chartered accountants

**FOR AND ON BEHALF OF THE BOARD**

**T. D. JAIN**  
Partner

**S. RAMJI**  
AVP Finance- Company Secretary

**S. PRASANNA**  
Director

**SHAILESH D SIROYA**  
Managing Director

Place : Bangalore  
Date : 23.06.2008



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008**

	(Figures in '000) 31.03.2008	(Figures in '000) 31.03.2007
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit Before Tax	40456	31592
Adjustments for :		
Gratuity	(183)	1538
Depreciation	15818	14250
Loss on sale of fixed asset	69	27
Miscellaneous Expenditure written off	4455	7303
Interest received	(1185)	(160)
Interest paid	27276	27091
Dividend Income	(7)	(129)
Loss on sale of Investments	0	253
Diminution in the value of investments	1107	0
Amortisation of Deferred stock compensation	2288	0
Provision no longer payable written back	(1407)	0
<b>Operating profit before working capital changes</b>	<b>88687</b>	<b>81765</b>
Adjustments for:		
Increase in inventories	(15642)	10151
Increase in Research & Development Expenses	(7662)	(6533)
Increase in Trade & other payables	51761	11749
Decrease/ (increase) in Trade & Other Receivables	(22002)	(13269)
Advance Income Tax & TDS	(5766)	(5514)
Tax payments		
<b>Net Cash from Operating Activities</b>	<b>689</b>	<b>(3416)</b>
	<b>89376</b>	<b>78349</b>
<b>B CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Purchase of Fixed Assets	(143002)	(104506)
Net cash from investing activities	(500)	22380
Sale of fixed Asset	315	95
Dividend Income	7	129
	<b>(143180)</b>	<b>(81902)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Long Term Borrowings	101455	32044
Working Capital Borrowings	(10113)	(51795)
Interest received	1185	160
Unsecured Loans	7904	13632
Interest paid	(27276)	(27091)
Dividend & Tax on Dividend paid	(9166)	(9188)
<b>Net cash from financing activity</b>	<b>63989</b>	<b>(42238)</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>	<b>10185</b>	<b>(45791)</b>
Opening cash	19049	64840
Closing Cash	29234	19049
<b>NET CASH CHANGE</b>	<b>10185</b>	<b>(45791)</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 figures have been regrouped / reclassified wherever necessary.

As per our report of even date  
For **OSTAWAL & JAIN**  
Chartered Accountants

**FOR & ON BEHALF OF THE BOARD**

**T.D. Jain**  
Partner

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

**Dr. S. Prasanna**  
Director

**Shailesh Siroya**  
Managing Director

Bangalore  
23.06.2008

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

			Rs. 000's
<b>I REGISTRATION</b>	8368	STATE CODE	08
Balance sheet Date	31.03.2008		
<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	854525	Total Assets	854525
<b>SOURCE OF FUNDS</b>			
Paid-up Capital	104462	Secured Loans	421245
Reserves & Surplus	247558	UnSecured Loans	31935
Deferred Tax	49325		
<b>APPLICATION OF FUNDS</b>			
Net Fixed Assets	454996	Net Current Assets	352646
Investments	896	Misc.Expenditure	45987
<b>IV PERFORMANCE OF THE COMPANY</b>			
Turnover	860809	Profit After Tax	27931
Total Expenditure	820354	Earnings per share	2.67
Profit Before Tax	40455	Dividend	10.00%
<b>IV GENERIC NAME OF THREE PRINCIPAL PRODUCTS OF THE COMPANY AS PER MONETARY TERMS:</b>			
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 31.03.2008**

	SCH	AS AT 31.03.2008		AS AT 31.03.2007	
		Rs.	Rs.	Rs.	Rs.
<b>SOURCES OF FUNDS</b>					
<b>I. SHAREHOLDERS' FUND</b>					
a. Share Capital	1	104,462,240		104,462,240	
b. Reserves & Surplus	2	<u>245,860,601</u>	<u>350,322,841</u>	<u>229,560,456</u>	334,022,696
<b>II. LOAN FUNDS</b>					
a. Secured Loans	3	421,244,924		329,903,008	
b. Unsecured Loans	4	<u>31,935,919</u>	<u>453,180,843</u>	<u>24,032,329</u>	353,935,337
<b>III. DEFERRED TAX LIABILITY (NET)</b>					
	5		49,944,375		46,247,217
<b>TOTAL</b>			<u>853,448,059</u>	<u>734,205,250</u>	
<b>APPLICATIONS OF FUNDS</b>					
<b>I. FIXED ASSETS</b>					
a. Gross Block	6	373,491,524		346,191,406	
b. Less: Accumulated Depreciation		<u>107,099,261</u>		<u>85,571,976</u>	
c. Net Block		266,392,263		260,619,430	
d. Capital Work in Progress		<u>192,890,214</u>	<u>459,282,477</u>	<u>67,574,692</u>	328,194,122
<b>II. INVESTMENTS</b>					
	7		150,000		1,157,850
<b>III. CURRENT ASSETS, LOANS &amp; ADVANCES</b>					
a. Inventories	8	254,500,142		238,858,035	
b. Sundry Debtors		<u>233,375,405</u>		<u>217,273,830</u>	
c. Cash & Bank Balances		7,282,918		8,588,724	
d. Loans & Advances		<u>85,320,924</u>		<u>67,586,816</u>	
<b>Total (A)</b>		<u>580,479,389</u>		<u>532,307,405</u>	
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>					
a. Current Liabilities	9	202,089,136		150,634,199	
b. Provisions		<u>30,697,071</u>		<u>19,934,436</u>	
<b>Total (B)</b>		<u>232,786,207</u>		<u>170,568,635</u>	
<b>NET CURRENT ASSETS (A-B)</b>			347,693,182		361,738,770
<b>IV. MISCELLANEOUS EXPENSES</b>					
(To the extent not written off or adjusted)	10		46,322,400		43,114,508
<b>TOTAL</b>			<u>853,448,059</u>	<u>734,205,250</u>	
<b>NOTES ON ACCOUNTS</b>					
	20				

As per our report of even date

For **OSTAWAL & JAIN**

Chartered Accountants

**FOR & ON BEHALF OF THE BOARD****T. D. Jain**

Partner

**S. Ramji**

AVP Finance - Company Secretary

**Dr. S. Prasanna**

Director

**Shailesh Siroya**

Managing Director

Bangalore  
23.06.2008

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2008**

Particulars	SCH	Year Ended 31.03.2008		Year Ended 31.03.2007	
		Rs.	Rs.	Rs.	Rs.
<b>I. INCOME</b>					
Sales & Services	11	913,598,420		786,130,692	
Less : Goods Returned		10,142,497		24,314,091	
		<u>903,455,923</u>		<u>761,816,601</u>	
Less : Excise Duty		46,105,818	857,350,105	53,765,847	708,050,754
Other Income	12		5,797,029		375,277
			<u>863,147,134</u>		<u>708,426,031</u>
<b>II. EXPENDITURE</b>					
Cost of Materials Consumed	13	428,695,708		329,129,076	
Manufacturing Expenses	14	44,988,310		40,946,864	
Employees Remuneration & Benefits	15	80,187,182		73,959,726	
Selling & Distribution Expenses	16	156,565,854		135,435,067	
Administration Expenses	17	57,864,695		42,797,200	
Financial Expenses	18	33,670,662		32,267,816	
Miscellaneous Expense Written Off	19	4,455,402		7,302,884	
Depreciation	6	16,345,545	822,773,358	14,249,937	676,088,570
III. Profit for the year			40,373,776		32,337,461
Prior Year Adjustment			(1,655,970)		745,083
IV. Profit Before Income Tax			42,029,746		31,592,378
Provision for Income Tax - Current Year			7,557,618		3,369,061
Provision for wealth tax			28,266		18,622
(Excess) / Short Provision for Tax - Earlier Years			312,072		(98,986)
Deferred Tax (As Per AS 22)			3,697,158		6,569,181
Fringe Benefit Tax			1,863,234		1,565,096
V. Profit After Tax			28,571,398		20,169,404
VI. Balance Brought Forward From Previous Year			57,825,106		46,821,872
			<u>86,396,504</u>		<u>66,991,276</u>
<b>VII. Appropriations</b>					
Proposed Dividend:					
- Equity Shares		10,446,224		7,834,668	
Provision for Corporate Tax on Dividend					
- Equity Shares		1,775,336		1,331,502	
			12,221,560		9,166,170
VIII. Balance Carried to Balance Sheet			74,174,944		57,825,106
<b>EARNINGS PER SHARE</b>					
Basic EPS			2.74		1.93
Diluted EPS			2.65		1.93
No: of Equity Shares			10,446,224		10,446,224

**NOTES ON ACCOUNTS**

20

As per our report of even date  
For **OSTAWAL & JAIN**  
Chartered Accountants

**FOR & ON BEHALF OF THE BOARD**

**T. D. Jain**  
Partner

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

**Dr. S. Prasanna**  
Director

**Shailesh Siroya**  
Managing Director

Bangalore  
23.06.2008



**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31.03.2008**

	AS AT 31.03.2008		AS AT 31.03.2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE - I</b>				
<b>SHARE CAPITAL</b>				
<b>AUTHORISED</b>				
11,000,000 ( P Y 11,000,000) Equity Shares of Rs 10 each	110,000,000		110,000,000	
400,000 ( P Y 400,000) Redeemable Preference Shares of Rs 100 each	<u>40,000,000</u>	<u>150,000,000</u>	<u>40,000,000</u>	<u>150,000,000</u>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>				
<b>EQUITY SHARE CAPITAL</b>				
10,446,224 (P Y 10,446,224) Equity Shares of Rs 10 each fully paid (of the above 3,040,000 Equity Shares have been issued as Bonus Shares by capitalisation of reserves)		104,462,240		104,462,240
		<u>104,462,240</u>		<u>104,462,240</u>
<b>SCHEDULE - 2</b>				
<b>RESERVES &amp; SURPLUS</b>				
1. Capital Reserve	4,405,725			3,000,000
Add : Capital Reserve on Consolidation	<u>500,000</u>	<u>4,905,725</u>		
2. Share Premium		144,720,350		144,720,350
3. General Reserve		24,015,000		24,015,000
4. Employee Stock options outstanding				
Balance at the beginning	-		-	
Add : Options granted	4,181,475		-	
Less : Options forfeited/surrendered	<u>(142,875)</u>		-	
Balance at end of the Year (A)	4,038,600		-	
Deferred stock compensation cost				
Balance at the beginning	-		-	
Add : Options granted	4,181,475		-	
Less : Options forfeited/surrendered	<u>(142,875)</u>		-	
Less : Amorzaton	<u>(2,287,756)</u>		-	
Balance at the end of the year (B)	1,750,844		-	
(A) - (B)		2,287,756		-
5. P & L Account -Surplus				
Opening Balance	53,581,932		46,821,872	
Add: Surplus for the year	<u>16,349,838</u>	<u>69,931,770</u>	<u>11,003,234</u>	<u>57,825,106</u>
		<u>245,860,601</u>		<u>229,560,456</u>
<b>SCHEDULE - 3</b>				
<b>SECURED LOANS</b>				
<b>TERM LOANS</b>				
UTI	8,208,401		14,791,690	
EXIM Bank	185,992,137		75,000,000	
State Bank of Indore	23,625,724		25,489,728	
Others	<u>3,180,288</u>	<u>221,006,550</u>	<u>4,270,321</u>	<u>119,551,739</u>
<b>WORKING CAPITAL LOAN</b>				
Canara Bank	60,837,106		66,877,205	
Exim Bank	18,036,767		23,019,363	
Punjab National Bank	70,635,181		72,571,640	
ICICI Bank Ltd.,	50,729,320		47,156,594	
Small Industries Development Bank of India (SIDBI)	-	200,238,374	726,467	210,351,269
		<u>421,244,924</u>		<u>329,903,008</u>



**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31.03.2008 (Contd..)**

	AS AT 31.03.2008		AS AT 31.03.2007	
	Rs.	Rs.	Rs.	Rs.
<b>Non Trade :</b>				
EQUITY SHARES of The Shamrao Vithal Co- Operative Bank Ltd., ( 5,000 Shares( PY 5,000) of Rs. 10 each fully paid)		50,000		50,000
		<u>150,000</u>		<u>1,157,850</u>
<b>SCHEDULE- 8</b>				
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
<b>1. INVENTORIES</b>				
(As valued & certified by the Management)				
Raw Materials	82,853,951		63,351,938	
Packing Materials	17,291,457		21,468,043	
Work in Progress	55,653,735		37,076,051	
Finished Goods	97,431,481		116,499,516	
Stores & Consumables	1,269,518	254,500,142	462,487	238,858,035
<b>2. SUNDRY DEBTORS</b>				
(Unsecured, considered good)				
Debts outstanding for more than six months	53,754,231		53,303,792	
Other Debts	179,621,174	233,375,405	163,970,038	217,273,830
<b>3. CASH &amp; BANK BALANCES</b>				
Cash in Hand	254,583		349,330	
Balance with Scheduled Banks:				
- in Current Account	7,028,335	7,282,918	8,227,606	8,576,936
<b>4. LOANS &amp; ADVANCES</b>				
(Unsecured, considered good)				
Advances recoverable in cash or in kind or for value to be received	36,418,920		39,949,270	
Deposit with Govt. dept. & Others	14,772,439		11,595,880	
Fixed Deposits	21,965,008		10,472,270	
Advance Income Tax & TDS	12,150,832		5,555,472	
Indira Vikas Patra	3,000		3,000	
National Savings Certificate	10,725	85,320,924	10,725	67,586,616
		<u>580,479,389</u>		<u>532,295,418</u>
<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 26)		-		
- Other Dues	124,274,626		49,228,839	
Capital Creditors	13,737,574		14,057,839	
Creditors for Expenses	29,341,766		39,329,259	
Advances from customers	14,021,159		15,701,580	
Other Current Liabilities	12,854,523		24,439,169	
Deposits received from customers	7,181,040		7,195,505	
Unclaimed Rights Issue Application Money	141,750		144,870	
Unclaimed Dividends- Equity (Refer Notes SI No 25)	536,698	202,089,136	536,938	150,633,999
<b>PROVISIONS</b>				
Gratuity	5,632,114		5,815,487	
Provision for Tax	10,980,163		3,387,683	
Provision for Fringe Benefit Tax	1,863,234		1,565,096	
Dividend Payable(Equity Shares)	10,446,224		7,834,668	
Corporate Tax on Dividend Payable:				
Equity Shares	1,775,336		1,331,502	
Preference Shares	-	30,697,071	-	19,934,436
		<u>232,786,207</u>		<u>170,568,435</u>



**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31.03.2008 (Contd..)**

	AS AT 31.03.2008		AS AT 31.03.2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE - 10</b>				
<b>MISCELLANEOUS EXPENSES</b>				
(To the extent not written off or adjusted)				
Opening Balance	335,024			
Development Expenses	2,026,807		3,677,911	
Research & Development expense	40,753,289		39,871,268	
Rights issue expenses	-	43,115,120	-	43,549,179
Add: Additions during the year				
- Research & Development expenses		7,662,682		6,533,801
(Refer Schedule 10 A)		50,777,802		50,082,980
Less: Written off during the year	-	4,455,402	-	7,302,884
		<u>46,322,400</u>		<u>42,780,096</u>
<b>SCHEDULE - 10 A</b>				
<b>RESEARCH &amp; DEVELOPMENT EXPENSES</b>				
Raw Materials consumed		2,045,900		1,178,771
Fuel & Power		1,132,202		1,137,629
Water Charges		78,828		76,210
Laboratory Expenses		1,167,165		1,023,406
Salaries, Wages and other allowances		2,817,264		2,730,218
Others		421,323		387,567
		<u>7,662,682</u>		<u>6,533,801</u>

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2008**

Particulars	2007-2008		2006-2007	
	Rs	Rs	Rs	Rs
<b>SCHEDULE - 11</b>				
<b>INCOME FROM SALES &amp; SERVICES</b>				
Exports:				
Sales	328,185,208		288,053,687	
Incentives	9,041,837		4,323,398	
	<u>337,227,045</u>		<u>292,377,085</u>	
Domestic Sales	566,774,229		492,625,601	
	<u>904,001,274</u>		<u>785,002,686</u>	
Less: Goods Returns	10,142,497	893,858,777	24,314,091	760,688,595
Conversion charges		9,597,146		1,128,006
		<u>903,455,923</u>		<u>761,816,601</u>
<b>SCHEDULE - 12</b>				
<b>OTHER INCOME</b>				
Interest -				
Bank		1,095,513		140,315
Others		89,126		20,092
Dividend Income		7,110		128,797
Foreign exchange fluctuation (Net)		653,602		-
Misc. Income		24,465		57,797
Provisions/ Creditors no longer payable written back		3,927,212		28,276
		<u>5,797,029</u>		<u>375,277</u>

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2008 (Contd..)**

Particulars	2007-2008		2006-2007	
	Rs	Rs	Rs	Rs
<b>SCHEDULE- 13</b>				
<b>COST OF MATERIALS CONSUMED</b>				
<b>RAW MATERILAS</b>				
Opening Stock	63,351,938		81,739,568	
Add : Purchases	316,785,762		233,784,757	
Less : Closing Stock	82,853,951		63,351,938	
Less: Transferred to R & D	2,045,900	295,237,849	1,178,771	250,993,616
<b>PACKING MATERIALS</b>				
Opening Stock	21,468,043		30,229,092	
Add : Purchases	36,723,416		39,777,409	
Less : Closing Stock	17,291,457	40,900,002	21,468,043	48,538,458
<b>WORK IN PROGRESS</b>				
Opening Stock	37,076,051		37,279,070	
Closing Stock	55,653,735	(18,577,684)	37,076,051	203,019
<b>FINISHED GOODS</b>				
Opening Stock	116,499,516		99,130,693	
Less:Closing Stock	97,431,481	19,068,035	116,499,516	(17,368,823)
Purchase of Traded goods		92,067,506		46,762,806
		<u>428,695,708</u>		<u>329,129,076</u>
<b>SCHEDULE -14</b>				
<b>MANUFACTURING EXPENSES</b>				
Consumables and Stores-opening stock	462,487		631,040	
Add:Purchases	9,079,581		9,788,442	
Less:Closing Stock	1,269,518	8,272,550	462,487	9,956,995
Power & Fuel	16,998,051		13,418,008	
Water Charges	1,103,212		987,656	
Laboratory and Testing	4,482,212		4,631,232	
Labour charges paid	8,427,035	31,010,510	6,331,186	25,368,082
Repairs & Maintenance:				
Building	137,281		203,741	
Machinery	3,433,944		3,361,253	
Others	4,933,543	8,504,768	4,681,605	8,246,599
		47,787,828		43,571,676
Less: Expenses relating to R&D		2,799,518		2,624,812
		<u>44,988,310</u>		<u>40,946,864</u>
<b>SCHEDULE - 15</b>				
<b>EMPLOYEES REMUNERATION &amp; BENEFITS</b>				
Salaries Wages & Allowances		60,962,791		57,406,683
Bonus & Exgratia		2,561,899		2,108,564
PF & E.S.I Contributions		5,898,950		5,578,838
Employees Welfare		4,076,067		2,661,574
Recruitment & Training		967,650		556,285
Gratuity		-		1,738,000
Amortisation of deferred stock compensation cost		2,287,756		-
Remuneration to Directors		6,249,333		6,640,000
Less: Expenses relating to R&D		(2,817,264)		(2,730,218)
		<u>80,187,182</u>		<u>73,959,726</u>
<b>SCHEDULE - 16</b>				
<b>SELLING &amp; DISTRIBUTION EXPENSES</b>				
Advertisement		2,551,756		828,455
Seminar, Conference & Exhibition Expenses		5,395,814		4,825,995

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2008 (Contd..)**

Particulars	2007-2008		2006-2007	
	Rs	Rs	Rs	Rs
Freight & Handling Charges on Export Sales		15,785,085		17,602,699
Commission on Sales		10,648,013		8,137,731
Field Staff Salaries & Incentives		49,131,569		47,317,909
Field Staff Travelling Expenses		28,480,313		28,762,586
Freight Outwards & Others		5,769,366		4,640,500
Breakages & Expired Goods		9,610,582		5,333,632
Other Selling Expenses		11,588,043		10,244,706
Sales Promotional Items		17,605,313		7,740,854
		<u>156,565,854</u>		<u>135,435,067</u>
<b>SCHEDULE - 17</b>				
<b>ADMINISTRATION EXPENSES</b>				
Travelling expenses - Inland				
- Directors	393,516		1,066,737	
- Others	4,315,445		3,431,249	
Travelling expenses - Foreign				
- Directors	1,409,648		284,084	
- Others	1,840,980	7,959,589	903,771	5,685,841
Repairs and Maintenance - Office	2,211,503		2,172,150	
Rates & Taxes	4,037,719		1,432,483	
Conveyance	1,284,114		1,091,465	
Postage, Telegram & Telephone	3,835,066		4,488,946	
Legal & Professional charges	6,255,423		3,680,037	
Printing & Stationery	5,362,774		6,043,433	
Insurance	4,261,093		4,055,447	
Rent	2,161,937		3,418,805	
Donations	30,442		25,701	
Directors Sitting fees	68,000		73,000	
Electricity Charges	807,301		797,896	
Audit Fees	417,826		241,351	
Bad Debts / Advances written off	9,957,860		1,501,351	
Registration Fees	1,182,323		284,949	
Vehicle Operation and Maintenance	3,607,259		3,795,340	
Foreign exchange fluctuation (Net)	-		1,621,632	
Loss on Sale of Fixed Assets	68,588		26,972	
Subscription & Membership	625,455		554,322	
Loss on Sale of Investments	-		253,126	
Diminution in the value of Investment	1,107,850		-	
Miscellaneous Expenses	2,622,574	49,905,106	1,552,953	37,111,359
		<u>57,864,695</u>		<u>42,797,200</u>
<b>SCHEDULE - 18</b>				
<b>FINANCIAL CHARGES</b>				
Interest on Term Loan	3,711,098		3,356,275	
Interest on Working Capital Loan	21,640,747		21,662,348	
Other Interest	1,924,522	27,276,367	2,072,507	27,091,130
Bank Charges		6,394,295		5,176,686
		<u>33,670,662</u>		<u>32,267,816</u>
<b>SCHEDULE - 19</b>				
<b>MISCELLANEOUS EXPENSES WRITTEN OFF</b>				
Development Expenses - Written off		652,872		1,651,104
R&D Expenses - Written off		3,802,530		5,651,780
		<u>4,455,402</u>		<u>7,302,884</u>

**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 expenditure for the year. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed assets and intangible assets. Actual results could differ from those estimates.

**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

Name of the Company	Country of incorporation	Voting power held as at 31 March 2008 (in percentage)
Basav Chem Limited	India	100%
Novosynth Research Labs Private 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 on shipment of products.

Revenue from product sales is stated inclusive of Excise Duty and exclusive of returns, sales tax and applicable trade discounts and allowances. 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. Rental income is recognized on accrual bases over the lease term.

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 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.

**f) DEPRECIATION**

Depreciation on 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, where as the 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. Individual low cost assets (acquired for less than Rs. 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.

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**

The undisclosed amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders services. 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 depreciated at the estimated useful life of the related assets.

**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 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.

The break-up of the major components of the deferred tax assets and liabilities as at balance sheet date has been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

**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.

**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 Rs. 9,041,837/- (P.Y.Rs. 4,323,398/-) 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 31.03.2008 is Rs.9,040,429/- (P.Y. Rs. 51,75,676/-) and the same is reflected under loans and advances.

**3) MARKET DEVELOPMENT EXPENSES:**

Expenditure incurred on Market development amounting to Rs. 652,872/- (P.Y.Rs. 1,651,104/-) has been written off during the year. Balance on this account as on 31.03.2008 is Rs.1,373,935/- ( P.Y. Rs.2,026,807/- ).

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

An amount of Rs. 7,662,682/- (P.Y. Rs. 6,533,801/-) 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 amortised 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 Rs. 3,802,530/- (P.Y. Rs 5,651,780/- ) The balance on this account as on 31.03.2008 is Rs. 44,613,441/- ( P.Y. Rs 40,753,289/-).

Capital expenditure of Rs 2,794,484/- (P.Y. 10,272,248) has been incurred during the year on R & D of new products & processes in R & D centre and the same has been capitalized during the year and depreciated in accordance with depreciation policy of the Company.

5) Imported Goods amounting to Rs. 11,745,284/- (P.Y. Rs. 529,864/- ) were in Bonded Warehouse. No customs duty on such goods has been provided.

6) During the year an amount of Rs. 16,272,990/- (P.Y. Rs. 6,999,881/-) being interest on term loans for acquisition of qualifying capital assets was capitalised.

7) The Company has provided for Rs.526,319 /- (P.Y.Rs.1,814,379/-) being Excise Duty on Finished Goods lying at various manufacturing units as at 31.03.2008.

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

	<u>31.03.2008</u>	<u>31.03.2007</u>
	Rs.	Rs.
Deferred tax Assets recognized for timing differences due to:		
A. Current Liabilities	716,458	522,766
B. Sec. 40a (ia) Disallowances	50,400	33,990
	<u>766,858</u>	<u>556,756</u>
Deferred tax Liabilities recognized for timing differences due to:		
a. Depreciation and other differences in block of fixed assets	49,399,167	37,637,746
b. Expenditure on in-house Research & Development	1,312,066	91,66,227
	<u>50,711,233</u>	<u>46,803,973</u>
Net Deferred Tax Liabilities	49,944,375	46,247,217
Charge to Profit & Loss Account	3,697,158	6,569,181

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

- a) Guarantees issued by Company's bankers Rs. 3,077,566/- (P.Y. Rs. 1,585,225/-)
- b) Letter of credit Rs. 77,524,922/- (P.Y. Rs 40,105,277/- ).
- c) Estimated value of contracts remaining to be executed on capital account and not provided for Rs. 25,275,811/- (P.Y. Rs. 92,573,300/-).

**10) CIF VALUE OF IMPORTS : (in Rupees)**

	<u>31.03.2008</u>	<u>31.03.2007</u>
1. Raw Materials	150,863,630	125,654,110
2. Capital Goods (Including spares & components)	2,811,979	2,669,437
	<u>153,675,609</u>	<u>128,323,547</u>





<b>I 1) A. EXPENDITURE IN FOREIGN CURRENCY</b>	<b><u>31.03.2008</u></b>	<b><u>31.03.2007</u></b>
a. Travelling Expenditure	2,129,247	676,300
b. Registration Fee	343,960	120,387
c. Commission on Export sales	409,043	533,508
d. Sales promotion	<u>829,500</u>	<u>-----</u>
	<b><u>3,711,750</u></b>	<b><u>1,330,195</u></b>
<b>B. EARNINGS IN FOREIGN CURRENCY (in Rupees)</b>		
a. FOB Value of Exports	312,719,283	265,555,885

**12) Gratuity Plan:**

Effective from 01 April 2007, the Company has adopted revised Accounting Standard 15 on "Employee Benefits". The following table set out the status of the plan as required under AS 15(revised)

**Change in defined benefit obligation**
**(Amount in Rupees)  
As at 31.03.2008**

Opening defined benefit obligation	5,815,487.00
Interest cost	422,863.00
Current Service Cost	1,874,900.00
Benefits paid	(354,622.00)
Actuarial losses	1,143,059.00
Closing defined benefit obligation	8,901,687.00

**Change in plan assets**

Plan Assets at beginning of the year, at fair value	3,358,385.00
Expected Return on plan Assets (estimated)	246,800.00
Contributions	0.00
Benefits settled	(354,622.00)
Actuarial gain/(loss) on plan assets	19,010.00
Plan Assets at end of the year, at fair value	3,269,573.00

**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	3,269,573.00
Present value of the defined benefit obligation at the end of the year	8,901,687.00
Asset/(Liability) recognized in the balance sheet	(5,632,114.00)

**Gratuity cost for the period**

Current Service Cost	1,874,900.00
Interest Cost	422,863.00
Expected Return on Plan Asset	(246,800.00)
Net Actuarial (Gain)/Loss recognized for the year	1,124,049.00
Opening plan assets recognized on 01 April 2007	(3,358,385.00)
Total, included in 'provisions/Creditors no longer payable written back	(183,373.00)

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

Opening Liability	5,815,487.00
Provision reversal, as above	(183,373.00)
Contribution paid	0.00
Closing Liability	5,632,114.00

**Assumptions at the valuation date**

Discount factor	7.50%
Salary Escalation rate	6.00%
Rate of Return (Expected) on plan Asset	8.00%
Retirement age	58



### 13) SECURITY FOR LOANS IN SCHEDULE (3) TO BALANCE SHEET:

- 13.1 Hire purchase finance provided by various financial institutions is secured by a charge on the assets financed by the respective institutions.
- 13.2 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.
- 13.3 UTI Bank —Hypothecation of Office Equipments located at Corporate Office, 10/5, Lakshminarayan Complex, Palace Road, Bangalore – 560 052, and also assets of Unit I, Unit II and Unit III funded by them.
- 13.4 Loan obtained from State Bank of Indore is secured by hypothecation of assets of Unit II and Unit III, funded by them.
- 13.5 Secured loans obtained from EXIM Bank of Rs.21.65 Crores towards establishment of Formulation Plant at Uttaranchal and API project at Bangalore –Hypothecation of whole of moveable fixed assets, both present and future of the Company including:
- (a) Moveable plant and machinery, Equipment, Appliances, furniture, vehicles, machinery spares and stores, tools and accessories, whether or not installed and
  - (b) 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.
- 13.6 All the Secured Loans have been guaranteed by two Directors including Managing Director in their personal Capacity.

- 14) Balances of Sundry debtors, sundry creditors, loans and advances, receivables and payables are subject to confirmation/reconciliation, if any.
- 15) 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.
- 16) 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.
- 17) The Company issued 3,918,000 Equity shares on rights basis in the ratio of 3 equity shares for every 5 equity shares held by the existing shareholders at Rs.30 per equity share, for part financing the Company's proposed new manufacturing units after obtaining required approvals from the share holders, SEBI and Mumbai Stock Exchange. The issue was opened on 27.04.2005 and closed on 26.05.2005. Out of this, the Company allotted 3,916,224 equity shares on 20.6.2005 and kept in abeyance 1,776 shares whose beneficiary details were not made available by NSDL on the date of allotment. These shares will be allotted in due course after NSDL resolves the issue. Consequently, the post rights capital stood increased to Rs.1044.62 lakhs.

### 18) EMPLOYEE STOCK OPTION SCHEME

M/s. Bal Pharma Limited 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 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 the ESOP-2006 had granted 219,500 options to eligible employees. The vesting period for the options granted varies from 12 to 60 months.

The date of grant, number of options granted, exercise price fixed by the committee for options and the market price of the shares of the Company on the date of grant is given below

Date of grant	Number of options granted	Exercise Price (Rupees)	Market Price (Rupees)
25.07.2006	219,500	15.75	34.80

Stock option activity under the 2006 Plan was as follows:

Particulars	Number of Options	Exercise Price
Balance at the beginning	-----	-----
Add: Options Granted	219,500	15.75
Less: Options forfeited	7,500	15.75
Less: Options exercised	-----	15.75
Balance at the end of the year	212,000	15.75

## 19) RELATED PARTY DISCLOSURES:

### A. Related parties where control / significant influence exists 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  
 Amarnath.R. Hegde - Whole time Director ( up to 31.05.2007)  
 T.S.Gatade - Director



Mr. Amaranth R Hegde resigned from the post of whole time director and his resignation has been accepted at Board meeting held on 31.05.2007.

<b>C. Particulars of related party transactions :</b>	<b><u>31.03.2008</u></b>	<b><u>31.03.2007</u></b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
The following is a summary of significant related party transactions:		
i) Sales to		
Significant interest entities	24,162,162	18,472,435
ii) Purchases from		
Significant interest entities	NIL	686,823
iii) Commission paid to		
Enterprise owned by the Managing Director of the Company	4,125,393	2,963,943
iv) Capital advance to Enterprise in which the Managing Director of the Company exercises joint control with other partners	<b>567,149</b>	<b>3,268</b>

D. Details of remuneration paid to the Managing Director and other Directors are given in Note.No.20 of Schedule 20.

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

<b>Particulars</b>	<b><u>31.03.2008</u></b>	<b><u>31.03.2008</u></b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
i) Due from related parties -		
a. Significant interest entities (Included in Sundry Debtors)	4,929,388	2,681,212
b. Enterprise in which Managing Director of the Company exercises joint Control with other partners (included in loans and advances)	58,268	655,173
ii) Due to related parties :		
Enterprises owned by Managing Director of the Company (Included in current liabilities)	3,005,367	3,311,830
iii) Key Managerial Personnel (included in current liabilities)	-----	948,650

**20) Particulars of Managerial Remuneration:**

The remuneration paid to Managerial personnel during the year :

	<b>Managing Director</b>		<b>Other Directors</b>	
	<b><u>31.3.2008</u></b>	<b><u>31.3.2007</u></b>	<b><u>31.3.2008</u></b>	<b><u>31.3.2007</u></b>
Salaries & Allowances	3,600,000	3,600,000	2,649,333	3,040,000
Commission	Nil	Nil	Nil	Nil
Perquisites	Nil	Nil	Nil	Nil

**21) Auditor's Remuneration**

	<b><u>31.3.2008</u></b>	<b><u>31.3.2007</u></b>
Statutory Fees	175,000	150,000
Tax Audit Fees	50,000	50,000
Other services	129,736	11,351
Reimbursement of out of pocket expenses	63,090	30,000
	<b><u>417,826</u></b>	<b><u>241,351</u></b>



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

	<b>31.03.2008</b>	<b>% of Total</b>	<b>31.03.2007</b>	<b>% of Total</b>
	<b>Consumption</b>		<b>Consumption</b>	
Raw Materials				
Imported	166,602,047	56.4%	127,328,497	50.73%
Indigenous	128,635,802	43.6%	123,665,119	49.27%
<b>Total</b>	<b><u>295,237,849</u></b>		<b><u>250,993,616</u></b>	
Stores & Spares				
Imported	NIL	0%	NIL	0%
Indigenous	8,272,550	100%	9,956,995	100%
	<b><u>8,272,550</u></b>		<b><u>9,956,995</u></b>	

**23) QUANTITATIVE INFORMATION**

a) Installed capacity ( as certified by the Management )

<b>PRODUCT</b>	<b>UNIT</b>	<b>31.03.2008</b>	<b>31.03.2007</b>
Tablets	Million Nos.	650	650
Capsules	Million Nos.	100	100
Liquids	Kilo Litres	750	750
Ointment	Metric Tonne	75	75
IV-Fluids	Million Nos	16	16
Eye/Ear Drops	Million Nos.	19	19
Bulk Drugs	Metric Tonne	38	38

b) Licensed Capacity -- Not Applicable

**Notes :**

- i) 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	
			No.	qty	value	qty	Qty	Value	qty	Value	qty
1	Tablets	000'Nos	73314	109824	310484	17258	75641	377533	562120	23523	86568
			(42802)	(61438)	(444746)	(21047)	(43977)	(435281)	(252025)	(73314)	(109824)
2	Capsules	000 Nos	1512	1693	17730	17738	6445	34473	44425	2507	3824
			(12799)	(13486)	(33663)	(2655)	(2786)	(47605)	(156391)	(1512)	(1693)
3	Liquids	Kilo Ltrs	53.4	1901	45.6	85.58	9982	112.5	17825	72.08	2590
			( 28)	(4683)	(1193)	(--)	(--)	(1167.6)	(88650)	(53.40)	(1901)
4	Ointments	Kgs	1069	1481	14911	--	--	13764	28238	2216	3235
			(7586)	(10302)	(37526)	(--)	--	(44043)	(73379)	(1069)	(1481)
5	EED	Million	0.081	311	13.69	--	--	13.770	9704	0.001	7.0
			( 1.9)	(3746)	(5.301)	(--)	(--)	(7.12)	(13267)	(0.08)	(311)
6	Bulk Drugs	Kgs	217	1290	38240	--	--	38263	222505	194	1208
			(844)	(5475)	(25558)	(--)	(--)	(26185)	(172653)	(217)	(1290)



d) RAW MATERIALS CONSUMED	UNITS	QUANTITY	VALUE (Rs.000)
Powder	Kgs	1,305,985	284,220
		(1,195,557)	(237,411)
Liquid	Ltrs	174,173	7,524
		(231,035)	(11,395)
Capsule	000'Nos	61,501	3,494
		(33,663)	(2,188)

- 24) (a) The claim for differential excise duty of Rs. 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 current year. 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 Rs.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 Rs.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 Rs.30,000/- has been made.
- (d) A Sales Tax claim of Rs.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 Rs.2,53,729 has been made. The appeal is yet to be heard by the Deputy Commissioner, Ernakulam.
- (e) The group 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 group expects to be material in relation to its business.
- 25) The group has initiated the process of obtaining 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 Rs.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 (Rs)
	1999-00	165,459
	2000-01	173,646
	2001-02	2,855
	2002-03	9,160
	2003-04	184,828
	2005-06	750
	<b>Total</b>	<b>536,698</b>

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

<b>SI No</b>	<b>Particulars</b>	<b>Year ended March 31,2008</b>	<b>Year ended March 31,2007</b>
1	Opening No of shares	10,446,224	10,446,224
2	Total Shares Outstanding	10,446,224	10,446,224
3	Weighted average number of shares	10,446,224	10,446,224
4	Profit after Taxation and after preference dividend and dividend tax (Rs Lakhs)	285.71	201.69
5	EPS	2.74	1.93
<b>DILUTED</b>			
6	Weighted average number of shares (including employee stock option dilution)	10,736,089	10,446,224
7	EPS before Non-recurring/Extraordinary items	2.60	1.93

28) During the year 2006-07 the company was sanctioned partial support of Rs. 50 lakhs for ' Process Development for Manufacture of 3-amino -3-azabicyclo(3.3.0) octane' out of the project cost of Rs.150.26 lakhs by the Department of Scientific and industrial research, Ministry of Science and technology, Government of India, under its TDDP Programme, for a project duration of 24 months. An amount of Rs. 20 lakhs received in pursuance of the above sanction along with interest accrued and due is disclosed under unsecured loans.

29) The Company operates only in one business segment i.e., pharmaceuticals.

30) Figures in brackets pertain to previous year.

31) Previous year figures have been regrouped/rearranged wherever necessary, however the same are not comparable as the current year figures includes the results of Basav Chem Limited which became a 100% subsidiary during the year.

As per our report of even date  
For **OSTAWAL & JAIN**  
Chartered Accountants

**FOR & ON BEHALF OF THE BOARD**

**T. D. Jain**  
Partner

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

**Dr. S. Prasanna**  
Director

**Shailesh Siroya**  
Managing Director

Bangalore  
23.06.2008



## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	(Figures in '000) 31.03.2008	(Figures in '000) 31.03.2007
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit Before Tax	42030	31592
<b>Adjustments for :</b>		
Gratuity	(183)	1538
Depreciation	15818	14250
Loss on sale of fixed asset	69	27
Miscellaneous Expenditure written off	4455	7303
Interest received	(1185)	(160)
Interest paid	27276	27091
Dividend Income	(7)	(129)
Loss on sale of Investments	0	253
Diminution in the value of investments	1107	0
Amortisation of Deferred stock compensation	2288	0
Provision no longer payable written back	(1407)	0
Operating profit before working capital changes	<b>90261</b>	<b>81765</b>
<b>Adjustments for:</b>		
Increase in inventories	(15642)	10151
Increase in Research & Development Expenses	(7662)	(6533)
Increase in Trade & other payables	58958	11749
Decrease/ (increase) in Trade & Other Receivables	(29663)	(13269)
Advance Income Tax & TDS	(5271)	(5514)
Net Cash from Operating Activities	<b>720</b>	<b>(3416)</b>
	<b>90981</b>	<b>78349</b>
<b>B CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Purchase of Fixed Assets	(143542)	(104506)
Net cash from investing activities	0	22380
Investment in Subsidiary	(500)	
Sale of fixed Asset	315	95
Dividend Income	7	129
	(143720)	(81902)
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Long Term Borrowings	95157	32044
Working Capital Borrowings	(10113)	(51795)
Interest received	1185	160
Unsecured Loans	14139	13632
Interest paid	(27276)	(27091)
Dividend & Tax on Dividend paid	(9166)	(9188)
Share Application money	-1002	0
Net cash from financing activity	62923	(42238)
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>	<b>10185</b>	<b>(45791)</b>
Opening cash	19052	64840
Closing Cash	29237	19049
<b>NET CASH CHANGE</b>	<b>10185</b>	<b>(45791)</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 figures have been regrouped / reclassified wherever necessary.

As per our report Attached to Balance sheet

For **OSTAWAL & JAIN**

Chartered Accountants

**FOR & ON BEHALF OF THE BOARD****T. D. Jain**  
Partner**S. Ramji**  
AVP Finance - Company Secretary**Dr. S. Prasanna**  
Director**Shailesh Siroya**  
Managing DirectorBangalore  
23.06.2008



Your Directors have pleasure in presenting the Annual Report together with the Audited Accounts of your Company for the financial year ended on March 31<sup>st</sup>, 2008.

**1. FINANCIAL RESULTS:**

(Rs. in Lakhs)

Particulars	2007-08	2006-07
1) Total Income	43.17	35.75
2) Profits before Depreciation and provision for Taxation	21.02	20.28
<b>Less:</b> Depreciation	5.28	6.03
Profits before Taxation	15.74	14.25
<b>Less:</b>		
3) Provision for Taxation	3.08	-
4) Fringe Benefit Tax	0.06	0.01
5) Deferred Tax	6.20	-
6) Extraordinary/ Non recurring items	----- 9.34	----- 0.01
	6.40	14.24
<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	6.40	14.24

**2. DIVIDEND:**

Your Board has not recommended any dividend for the year.

**3. PERFORMANCE:**

Your Company's total income of Rs. 43.17 Lakh includes Rs. 19.18 Lakh as rental income from leasing its facilities to its holding Company Bal Pharma Limited.

**4. PROSPECTS FOR THE CURRENT YEAR:**

In pursuant to share holders agreement with Bal Pharma Limited your Company became 100% subsidiary of Bal Pharma Limited and is taking further steps to amalgamate with the Holding Company.

**5. SECRETARIAL COMPLIANCE CERTIFICATE:**

Your Board in its meeting held on 16.06.2008 has appointed Mr. Vijaykrishna K T, a Company Secretary in whole-time practice, Bangalore in place of M/s. P.G.Associates, Company Secretaries in Practice, Kolhapur, under Section 383A of the Companies Act, 1956 to issue Secretarial Compliance Certificate for the year 2007-08.

**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 31.03.2008:

- (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. 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:

- 1) Mr. Shailesh D Siroya      2) Mr. Shrenik Siroya
- 3) Dr. G.S.R. Subba Rao      4) Mr. T.S.Gatade

Mr. T.S.Gatade 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**  
23<sup>rd</sup> June, 2008

**T.S. Gatade**  
Director

**Shailesh Siroya**  
Director

**TO THE MEMBERS OF M/s. BASAV CHEM LIMITED**

We have audited the attached Balance Sheet of BASAV CHEM LIMITED as at 31 March 2008, 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 2008 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 31 March 2008;
- (b) in the case of the Profit and Loss Account, of the Profit 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

Sd/-  
Bangalore  
Date: 23<sup>rd</sup> June 2008

**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 BASAV CHEM LIMITED for the year ended 31 March 2008:

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 manufacturing or trading activity. 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 Rs.64, 61,537/- and the year end balance of advance was Rs.64, 61,537/-.  
(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 2008 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 networth as at the end of the financial year. The Company has not incurred cash losses in the financial year under report but had incurred cash losses in the immediately preceeding financial year.
11. During the year, the Company entered into One Time Settlement Scheme with its Bankers M/s Murugharajendra Co-operative Bank Ltd. Sanghli, and cleared its dues. The Company owed Rs. 62,97,526 to its bankers, against which a payment of Rs. 55,00,000 was made under One Time Settlement.
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

Sd/-  
Bangalore  
Date: 23<sup>rd</sup> June 2008

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

**BALANCE SHEET AS AT 31.03.2008**

SCH	AS AT 31.03.2008		AS AT 31.03.2007	
	Rs.	Rs.	Rs.	Rs.
<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. SHARE APPLICATION MONEY</b>				
		-		1,002,000
<b>II. LOAN FUNDS</b>				
a. Secured Loans	3	-		6,297,526
b. Unsecured Loans	4	6,461,537		353,935,337
<b>III. DEFERRED TAX LIABILITY (NET)</b>				
	5	619,712		-
<b>TOTAL</b>		<u>9,486,974</u>		<u>9,932,592</u>
<b>APPLICATIONS OF FUNDS</b>				
<b>I. FIXED ASSETS</b>				
a. Gross Block	6	9,842,689	9,669,889	
b. Less: Accumulated Depreciation		5,924,223	5,396,393	
c. Net Block		3,918,466	4,273,496	
d. Capital Work in Progress		367,689	-	4,273,496
<b>II. INVESTMENTS</b>				
	7	100,000		100,000
<b>III. CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
a. Inventories	8	-	-	
b. Sundry Debtors		734,964	-	
c. Cash & Bank Balances		2,500	2,500	
d. Loans & Advances		1,373,529	1,008,603	
<b>Total (A)</b>		<u>2,110,993</u>	<u>1,011,103</u>	
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>				
a. Current Liabilities	9	428,827	921,673	
b. Provisions		184,530	-	
<b>Total (B)</b>		<u>613,357</u>	<u>921,673</u>	
<b>NET CURRENT ASSETS (A-B)</b>		<b>1,497,636</b>		89,430
<b>IV. MISCELLANEOUS EXPENSES</b>				
(To the extent not written off or adjusted)	10	3,603,183		5,469,666
<b>TOTAL</b>		<u>9,486,974</u>		<u>9,932,592</u>
<b>NOTES ON ACCOUNTS</b>				
	15			

As per our report of even date  
For **OSTAWAL & JAIN**  
Chartered Accountants

**FOR & ON BEHALF OF THE BOARD**

**T. D. Jain**  
Partner

**T.S Gatade**  
Director

**Shailesh Siroya**  
Director

Bangalore  
23rd June, 2008

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2008

	SCH	Year Ended 31.03.2008		Year Ended 31.03.2007	
		Rs.	Rs.	Rs.	Rs.
<b>I. INCOME</b>					
Rental Income		1,980,000		800,000	
Other Income	11	2,337,162	4,317,162	2,774,906	3,574,906
			<u>4,317,162</u>		<u>3,574,906</u>
<b>II. EXPENDITURE</b>					
Employees Remuneration & Benefits	12	483,260		100,000	
Administration Expenses	13	1,727,465		456,252	
Financial Expenses	14	4,422		990,630	
Depreciation	15	527,830	2,742,977	602,698	2,149,580
<b>III. Profit Before Tax</b>			<u>1,574,185</u>		<u>1,425,326</u>
Provision for Income Tax - Current Year			178,360		-
(Excess) / Short Provision for Tax - Earlier Years			129,952		-
Deferred Tax (As Per AS 22)			619,712		-
Fringe Benefit Tax			6,170		700
<b>IV. Profit After Tax carried to Balance Sheet</b>			<u>639,991</u>		<u>1,424,626</u>
<b>EARNINGS PER SHARE</b>					
Basic EPS			6.40		14.25
Diluted EPS			6.40		14.25
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

**T. D. Jain**  
Partner

Bangalore  
23rd June, 2008

**T.S Gatade**  
Director

**FOR & ON BEHALF OF THE BOARD**

**Shailesh Siroya**  
Director

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2008**

	AS AT 31.03.2008		AS AT 31.03.2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE - 1</b>				
<b>SHARE CAPITAL</b>				
<b>AUTHORISED</b>				
2,00,000 ( P Y 2,00,000) Equity Shares of Rs. 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 Rs 10 each fully paid (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>SECURED LOANS</b>				
<b>TERM LOANS</b>				
Murgharajendra Co-op Bank Ltd		-		<u>6,297,526</u>
		-		<u>6,297,526</u>
<b>SCHEDULE - 4</b>				
<b>UNSECURED LOANS</b>				
Loans from Shareholders		-		176,000
Loans from Holding Company		<u>6,461,537</u>		<u>51,341</u>
		<u>6,461,537</u>		<u>227,341</u>
<b>SCHEDULE - 5</b>				
<b>DEFERRED TAX LIABILITY</b>				
Opening Balance		-		-
Add: Liability created for the year		<u>619,712</u>		-
		<u>619,712</u>		-

**SCHEDULE 6**

**FIXED ASSETS AS ON 31.03.2008**

ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2007	Additions	Deletions	As at 31.03.2008	As at 01.04.2007	Written Back/ adjustments	For the Year	As at 31.03.2008	As at 31.03.2008	As at 31.03.2007
Land	90,000	-	-	90,000	-	-	-	-	90,000	90,000
Factory Building	3,045,558	-	-	3,045,558	1,585,132	-	146,042	1,731,174	1,314,384	1,460,426
Plant & Machinery	6,247,996	172,800	-	6,420,796	3,656,700	-	363,142	4,019,842	2,400,954	2,591,296
Utilities	3,907	-	-	3,907	2,941	-	175	3,116	791	966
Laboratory Equipments	258,247	-	-	258,247	134,007	-	17,282	151,289	106,958	124,240
Furniture & Fixtures	24,181	-	-	24,181	17,613	-	1,189	18,802	5,379	6,568
<b>Total</b>	<b>9,669,889</b>	<b>172,800</b>	<b>-</b>	<b>9,842,689</b>	<b>5,396,393</b>	<b>-</b>	<b>527,830</b>	<b>5,924,223</b>	<b>3,918,466</b>	<b>4,273,496</b>
Previous Year	9,669,889	-	-	9,669,889	4,793,695	-	602,698	5,396,393	4,273,496	4,876,194
Capital Work-in Progress									367,689	-

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2008 (Contd.)**

	AS AT 31.03.2008		AS AT 31.03.2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE - 7</b>				
<b>INVESTMENTS</b>				
<b>QUOTED</b>	-	-	-	-
<b>UN QUOTED :</b>				
<b>Non Trade :</b>				
(i) Murgharajendra Sahakari Bank Limited, Sangli 4,000 (P.Y. 4,000) Equity Shares of R.s 25 each fully paid		100,000		100,000
		<u>100,000</u>		<u>100,000</u>
<b>SCHEDULE- 8</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	734,964	734,964	-	-
<b>2. CASH &amp; BANK BALANCES</b>				
Cash in Hand	-	-	-	-
Balance with Scheduled Banks:				
- in Current Account	2,500	2,500	2,500	2,500
<b>3. LOANS &amp; ADVANCES</b>				
(Unsecured, considered good)				
Advances recoverable in cash or in kind or for value to be received	164,377		164,377	
Advance Income Tax & TDS	1,165,852		800,926	
Deposit with Govt. dept. & Others	43,300	1,373,529	43,300	1,800,603
		<u>2,110,993</u>		<u>1,011,103</u>
<b>SCHEDULE- 9</b>				
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>				
<b>A. CURRENT LIABILITIES</b>				
Trade Creditors :				
- Dues to medium and small enterprises( Refer notes SI No 7)	-	-	-	-
- Other Dues	-	-	921,673	-
Capital Creditors	376,993		-	
Creditors for Expenses	39,540		-	
Other Current Liabilities	12,294	428,827	-	921,673
<b>B. PROVISIONS</b>				
Provision for Tax	178,360		-	
Provision for Fringe Benefit Tax	6,170	184,530	-	
		<u>613,357</u>		<u>921,673</u>
<b>SCHEDULE -10</b>				
<b>MISCELLANEOUS EXPENSES</b>				
(To the extend not written off or adjusted)				
1. Pre-Operative Expenses				
2. P & L Account				
Opening Balance	4,243,174		5,667,800	
Less : Surplus for the year	639,991	3,603,183	1,424,626	4,243,174
		<u>3,603,183</u>		<u>5,469,666</u>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2008**

	2007-2008		2006-2007	
	Rs	Rs	Rs	Rs
<b>SCHEDULE - 11</b>				
<b>OTHER INCOME</b>				
Bank Interest		-		500
Provisions/ Creditors no longer payable written back		<u>2,337,162</u>		<u>2,774,406</u>
		<u>2,337,162</u>		<u>2,774,906</u>
<b>SCHEDULE - 12</b>				
<b>EMPLOYEES REMUNERATION &amp; BENEFITS</b>				
Employees Welfare		<u>87,260</u>		-
Remuneration to Directors		<u>396,000</u>		<u>100,000</u>
		<u>483,260</u>		<u>100,000</u>
<b>SCHEDULE - 13</b>				
<b>ADMINISTRATION EXPENSES</b>				
Travelling Expenses		<u>57,219</u>		13,235
Repairs & Maintenance:				
Machinery	<u>107,199</u>		228,100	
Others	<u>50,053</u>	<u>157,252</u>	-	228,100
Freight Charges		<u>55,330</u>		2,000
Rates & Taxes		<u>8,660</u>		41,176
Postage & Courier Charges		<u>10,283</u>		-
Office Maintenance		<u>17,869</u>		-
Legal & Professional charges		<u>34,000</u>		91,210
Printing & Stationery		<u>28,842</u>		1,525
Insurance		<u>32,655</u>		36,556
Pre-Operative Expenses written off		<u>1,226,492</u>		-
Audit Fees		<u>28,090</u>		17,000
Telephone Charges		<u>69,714</u>		-
Miscellaneous Expenses		<u>1,059</u>		25,450
		<u>1,727,465</u>		<u>456,252</u>
<b>SCHEDULE - 14</b>				
<b>FINANCIAL CHARGES</b>				
Interest on Term Loan		-		469,416
Interest on Cash Credit		-		520,214
Bank Charges		<u>4,422</u>		<u>1,000</u>
		<u>4,422</u>		<u>990,630</u>



**SCHEDULE 15****SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31.03.2008****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. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed assets and intangible assets. Actual results could differ from those estimates.

**c) REVENUE RECOGNITION**

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

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 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 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 Rs. 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 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 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.

The break-up of the major components of the deferred tax assets and liabilities as at balance sheet date has been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

**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.

**B. NOTES ON ACCOUNTS**

- 1) During the year the promoters and the shareholders of the company entered in to 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 @ Rs. 5/-per share and paid the amount directly to the erstwhile shareholders. Also, Bal Pharma Limited cleared the companies secured and unsecured loans. Further the Company is taking steps to amalgamate itself with Bal Pharma limited, its holding company. An amount of Rs. 6,461,537/- paid by Bal pharma limited towards discharge of Company's liabilities is disclosed under unsecured loans.
- 2) The Company has received rental income of Rs. 1, 980,000 (P.Y. I, 120,000) which is in respect of factory building and all its other fixed assets given on cancelable operating lease to Bal Pharma Limited.

<b>3) BREAK-UP OF DEFERRED TAX ASSETS AND LIABILITIES:</b>	<b>31.03.2008</b>	<b>31.03.2007</b>
	<b>Rs.</b>	<b>Rs.</b>
Deferred tax Liabilities recognized for timing differences due to:		
a. Depreciation and other differences in block of fixed assets	619,712	-----
Charge to Profit & Loss Account	<u>619,712</u>	<u>-----</u>
<b>4) RELATED PARTY DISCLOSURES:</b>		
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:		
T.S.Gatade - Director		
C. Particulars of related party transactions :	<b>31.03.2008</b>	<b>31.03.2007</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
The following is a summary of significant related party transactions:		
i) Rental income from holding company	1,980,000	1,120,000
ii) Loans from holding company	6,461,537	-----
iii) Remuneration to key managerial personnel	396,000	-----
D. The Company has the following amounts due from / to related parties:		
<b>Particulars</b>	<b>31.03.2008</b>	<b>31.03.2007</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
i) Due from related parties	-	
a. Holding Company (Included in Sundry Debtors)	734,964	-----
ii) Due to related parties :		
a. Holding Company (Included in unsecured loans)	6,461,537	-----
<b>5) Auditor's Remuneration</b>	<b>31.3.2008</b>	<b>31.3.2007</b>
Statutory Audit Fees	25,000	17,000
Reimbursement of out of pocket expenses	3,090	-----
	<u>28,090</u>	<u>17,000</u>
6) Quantitative information as required by clause 3(ii) part II of schedule VI of Companies Act, 1956 is not applicable.		
7) The company has initiated the process of obtaining 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 Rs.NIL. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.		
<b>8) CONTINGENT LIABILITIES NOT PROVIDED FOR ( in Rupees)</b>		
a) Guarantees issued by Company's bankers Rs. <b>NIL</b> /- (P.Y. Rs. NIL/-)		
b) Letter of credit <b>Rs. NIL</b> (P.Y. Rs NIL).		
c) Estimated value of contracts remaining to be executed on capital account and not provided for <b>Rs. 141,930</b> /- (P.Y. Rs. NIL).		
	<b>31.03.2008</b>	<b>31.03.2007</b>
<b>9) CIF VALUE OF IMPORTS : (in Rupees)</b>	NIL	NIL
10) A. EXPENDITURE IN FOREIGN CURRENCY	NIL	NIL
B. EARNINGS IN FOREIGN CURRENCY (in Rupees)	NIL	NIL

11) Calculation of EPS (Basic and Diluted)

Sl No	Particulars	Year ended March 31,2008	Year ended March 31,2007
1	Opening No of shares	100,000	100,000
2	Total Shares Outstanding	100,000	100,000
3	Weighted average number of shares	100,000	100,000
4	Profit after Taxation (Rs in lacs)	6.40	14.25
5	EPS	6.40	14.25
	<b>DILUTED</b>		
6	Weighted average number of shares	100,000	100,000
7	Diluted EPS	6.40	14.25

- 12) Balances of Sundry debtors, sundry creditors, loans and advances, receivables and payables are subject to confirmation/reconciliation, if any.
- 13) 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.
- 14) Previous year figures have been regrouped/rearranged wherever necessary.

As per our report of even date  
For **OSTAWAL & JAIN**  
Chartered Accountants

**FOR & ON BEHALF OF THE BOARD**

**T. D. Jain**  
Partner

**T.S Gatade**  
Director

**Shailesh Siroya**  
Director

Bangalore  
23rd June, 2008

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008**

	(Figures in '000) 31.03.2008	(Figures in '000) 31.03.2007
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit Before Tax	1574	1425
<b>Adjustments for :</b>		
Depreciation	528	603
Miscellaneous Expenditure written off	1227	0
Interest paid	0	990
Provision no longer payable written back	(2337)	(2774)
Operating profit before working capital changes	<b>992</b>	<b>244</b>
<b>Adjustments for:</b>		
Decrease in Trade & other payables	(487)	(541)
Increase/ (Decrease) in Trade & Other Receivables	(605)	115
Tax Refund	-495	
Net Cash from Operating Activities	<b>613</b>	<b>(426)</b>
	<b>1605</b>	<b>(182)</b>
<b>B CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Purchase of Fixed Assets	(540)	0
	<b>(540)</b>	<b>0</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Long Term Borrowings	(6298)	1027
Share Application money	(1002)	0
Unsecured Loans	6235	145
Interest paid	0	(990)
Dividend & Tax on Dividend paid	0	0
Net cash from financing activity	-1065	182
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>	<b>0</b>	<b>0</b>
Opening cash	3	3
Closing Cash	3	3
<b>NET CASH CHANGE</b>	<b>0</b>	<b>0</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

**T. D. Jain**  
Partner

Bangalore  
23rd June, 2008

**T.S Gatade**  
Director

**Shailesh Siroya**  
Director

**FOR & ON BEHALF OF THE BOARD**

Your Directors have pleasure in presenting the Seventh Directors' Report along with the Audited Accounts of the Company for the financial year ended on 31<sup>st</sup> March, 2008.

### OPERATIONS

Your Company is yet to commence its operations.

### SHARE CAPITAL

Your Company has not issued any shares during the year under review and hence the capital remains the same.

### AUDITORS

Messers Ostawal and Jain, Chartered Accountants, Auditors of the Company will retire at the end of the ensuing Annual General Meeting and are eligible for re-appointment.

### CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION :

Your Company is yet to commence its operations.

### PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956

The Company has no employee whose salary exceeds the limits prescribed under Section 217(2A) of the Companies Act, 1956.

### DIRECTORS' RESPONSIBILITY STATEMENT

In compliance to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to confirm:

- 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 and 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;

### APPRECIATION

Your Directors place on record their appreciation for the co-operation and guidance extended to the Company by all Government, banks, other business associates and financial institutions and express their gratitude to all the employees for their services.

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

**Bangalore**  
**30<sup>th</sup> June, 2008**

**Dr. S. Prasanna**  
*Director*

**Shailesh Siroya**  
*Managing Director*

We have audited the attached Balance Sheet of NOVOSYNTH RESEARCH LABS Private Limited as at 31 March 2008, 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.

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 is not applicable to the Company as its paid up capital and reserves does not exceed fifty lakh rupees and has not accepted any public deposit and does not have any loan outstanding of ten lakh rupees or more from any bank or financial institution and also does not have a turnover exceeding five crore rupees and hence a statement on the matters specified in paragraphs 4 and 5 of the said order has not been annexed.

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 dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet dealt with by this report have been prepared in compliance with the applicable Accounting Standards referred to in sub-section (3C) of Section 211 of the Act to the extent applicable;
- (v) On the basis of the written representations received from the directors, as on 31 March 2008 and taken on record by the Board of Directors of the Company, 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 Act; and
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, 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 31 March 2008.

For Ostawal & Jain  
Chartered Accountants

Place : Bangalore  
Date : 23<sup>rd</sup> June, 2008

**T.D.JAIN**  
Partner

**BALANCE SHEET AS AT 31.03.2008**

<b>SOURCES OF FUNDS</b>	<b>SCH</b>	<b>As at 31.03.2008</b>	<b>As at 31.3.2007</b>
<b>I. SHAREHOLDERS' FUND</b>			
a. Share Capital	1	<u>346,000</u>	<u>346,000</u>
<b>TOTAL</b>		<u>346,000</u>	<u>346,000</u>
<b>II. APPLICATION OF FUNDS</b>			
<b>A. CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
a. Cash & Bank Balances	2	<u>11,594</u>	<u>11,788</u>
<b>TOTAL (A)</b>		<u>11,594</u>	<u>11,788</u>
<b>B. CURRENT LIABILITIES AND PROVISIONS</b>			
a. Current Liabilities	3	<u>618</u>	<u>200</u>
<b>TOTAL (B)</b>		<u>618</u>	<u>200</u>
NET CURRENT ASSETS (A-B)		10,976	11,588
<b>C. MISCELLANEOUS EXPENSES</b>	4	<u>335,024</u>	<u>334,412</u>
(To the extent not written off or adjusted)			
<b>TOTAL</b>		<u>346,000</u>	<u>346,000</u>

**SCHEDULES FORMIND PART OF THE BALANCE SHEET AS AT 31.03.2008**

	<b>AS AT 31.03.2008</b>	<b>AS AT 31.3.2007</b>
<b>SCHEDULE - I</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
1,000 (P.Y. 1000) Equity Shares of Rs.1,000/- each	<u>1,000,000</u>	<u>1,000,000</u>
	<u>1,000,000</u>	<u>1,000,000</u>
<b>ISSUED, SUBSCRIBED &amp; PAID UP EQUITY SHARE CAPITAL</b>		
346 (P.Y.346) Equity Shares of Rs. 1,000/- each fully paid (The entire share capital is being held by M/s Bal Pharma Ltd., the holding company)	<u>346,000</u>	<u>346,000</u>
	<u>346,000</u>	<u>346,000</u>
<b>SCHEDULE 2</b>		
<b>CURRENT ASSETS</b>		
Cash and Bank Balances		
Balance in Bank in Current Account	<u>11,594</u>	<u>11,788</u>
	<u>11,594</u>	<u>11,788</u>
<b>SCHEDULE - 3</b>		
<b>CURRENT LIABILITIES</b>		
Amounts due to Holding Company	<u>618</u>	<u>200</u>
	<u>618</u>	<u>200</u>
<b>SCHEDULE - 4</b>		
<b>MISCELLANEOUS EXPENSES</b>		
(To the extent not written off or adjusted)		
Preliminary Expenses	29,734	29,734
Pre-operative expenses	612	0
Development Expenses	<u>304,678</u>	<u>304,678</u>
	<u>335,024</u>	<u>334,412</u>

Note: Since the operation is yet to begin, there was no income generation. Hence, Profit and Loss Account has not been drawn up.

As per our report of even date  
For **OSTAWAL & JAIN**  
Chartered Accountants

**FOR & ON BEHALF OF THE BOARD**

**T. D. Jain**  
Partner

**Dr. S. Prasanna**  
Director

**Shailesh Siroya**  
Managing Director

Bangalore  
23.06.2008



## 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 wish 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) :
- 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 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, Hosure Road, Bangalore - 560 099.

### ATTENDANCE SLIP

To be handed over at the entrance of the meeting hall

Name and Address

No. of Shares

Folio/Client I.D. No  
with D.P. I.D. No.

21st Annual  
General Meeting  
23.09.2008

I 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

Signature of Member / Proxy



### Bal Pharma Limited

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

### PROXY FORM

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 21st Annual General Meeting of the Members of Bal Pharma Limited to be held on Tuesday, the 23rd September, 2008 at 4.00 p.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.

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Space for Member's Note

## FINANCIAL SUMMARY - LAST 10 YEARS AT A GLANCE

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
<b>A.) Sales and Earnings</b>										
Gross Sales	9135.98	7861.31	7647.41	6003.73	6204.63	5765.04	4523.67	3796.31	3051.20	2584.30
Net Sales	9034.56	7618.17	7462.04	5799.26	6046.50	5513.87	4408.72	3771.58	2986.13	2489.67
Profit before Tax	404.55	315.92	357.03	220.22	284.03	275.50	213.10	152.11	120.37	68.90
Tax	125.21	114.23	64.45	32.38	23.81	13.36	14.33	9.42	12.16	6.72
Profit after Tax	279.31	201.69	292.58	187.84	260.22	262.14	198.77	142.69	108.21	62.18
Retained Earnings	157.10	110.03	200.71	61.86	103.12	149.19	113.47	57.39	48.98	62.18
<b>B. Assets and Liabilities</b>										
Net Fixed Assets	4549.96	3123.62	2222.25	1903.83	1611.32	1439.17	1370.52	1257.89	1225.94	1270.94
Investments	8.96	15.04	241.37	13.58	13.58	13.58	13.71	11.79	11.69	11.67
Net Current Assets	3524.46	3775.59	4328.40	2959.32	2441.56	2127.18	1753.16	1566.75	1224.18	1239.38
Miscellaneous Expenditure	459.87	427.80	435.49	436.71	363.43	278.39	210.32	172.85	166.38	166.11
Share Capital	1044.62	1044.62	1044.62	741	973	773	773	773	773	673
Reserves & Deferred Tax Liability	2968.83	2758.08	2582.35	1623.09	1329.24	1226.14	1073.03	959.68	934.31	898.36
Loan Funds	4531.81	3539.35	3600.54	2949.35	2127.65	1859.18	1501.68	1276.60	920.88	1116.74
<b>C. Ratios</b>										
Earnings Per Share Rs.	2.67	1.93	2.90	1.55	2.63	3.34	2.98	1.95	1.60	1.08
Dividend per Equity share %	10.00	7.5	7.5	7.5	15	12	10	10	7.50	-
Book value per Equity Share Rs.	33.69	27.88	26.75	22.15	20.98	21.52	20.72	23.73	23.40	20.88

**OUR MISSION**

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



**Bal Unit 1 at Bangalore**

- Plant commissioned in the year 1992,
- It is WHO - GMP Certified & ISO 9001:2000 approved
- Engaged in Manufacturing 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
- Also engaged in manufacture of Drug Intermediates
- Capacity expansion from 50 TPA to 300 TPA by the end of 2007

**Bal Unit 3 with FFS Technology at Pune**

- Tata Pharma facility was acquired in the year 1997
- Plant renovated as per WHO-GMP guidelines
- Engaged in SVP and LVP (Intravenous) by Form Fill & Seal technology

**Bal Unit 4 at Uttaranchal**

- State of the art plant designed for regulated market.
- Proposed Formulation Plant in 4 1/2 acres land, having a construction area of 88000 sq.ft.
- Annual capacity :
  - Tablets : 1.8 billion /annum
  - Ointments : 192 metric tonnes /annum
  - Capsules : 0.3 billion /annum
- Investment of 3.6 million \$ for the project
- The commercial production to commence in Feb 2007



**Bal Pharma Limited**

5th Floor, Laxmi Narayan Complex, 10/1, Palace Road, Bangalore - 560 052, India  
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