



BAL PHARMA LIMITED

Your Preferred Partner In Quality Health Care



Board of Directors

Mr. Shailesh Siroya	- Managing Director
Dr. S. Prasanna	- Whole-time Director
Mr. Shrenik Siroya	- Non-executive Director
Dr. G.S.R. Subba Rao	- Independent Director
Mr. Arun Bhan	- Independent Director
Mr. David Rasquinha	- Nominee Director - up to 29.04.2011
Mr. Ajit Kumar	- Nominee Director - w.e.f. 29.04.2011

Company Secretary

Mr. S. Ramji

Registered Office

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

Plant Locations

Unit I : Formulations

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

Unit II : R & D Centre & Bulk Drugs

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

Unit III : Parenterals

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

Unit IV : Formulations plant at Uttarakhand

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

Bankers

Canara Bank
Punjab National Bank
Exim Bank

Statutory Auditors

Messrs. TD Jain & DI Sakria (erstwhile, Messrs Ostawal & Jain)

Internal Auditors

Messrs Ishwar & Gopal

Cost Auditor

Mr. M. R. Krishnamurthy

Registrar & Share Transfer Agent

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

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NOTICE

NOTICE IS HEREBY GIVEN THAT the 24th Annual General Meeting of the members of Bal Pharma Limited, will be held on Wednesday, the 21st September 2011 at 11.30 AM at Bharatiya Vidya Bhavan, Race Course Road, Bangalore - 560001 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2011 and the Profit and Loss Account for the financial year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Arun Bhan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. S. Prasanna, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT Messrs TD Jain & DI Sakaria (erstwhile, Messrs Ostawal & Jain), Chartered Accountants, (Registration No. 0024918) be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as shall be fixed by the Board of Directors'.

By order of the Board

Bangalore
10th August, 2011

S. Ramji

Asso. Vice President (Finance) & Company Secretary

NOTES:

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING MAY APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIS/HER BEHALF; A PROXY NEED NOT BE A MEMBER.

1. Proxy instrument duly filled in, must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting, in order to be effective. 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 to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
3. For convenience of the Members and for proper conduct of the meeting, entry to the place of meeting will be regulated by an Attendance slip, which is forwarded as detachable part of Annual

Report. Members are requested to affix their signature at the place provided in the Attendance Slip and hand it over at the entrance.

4. The Register of Members and Share Transfer Books of the Company will remain closed on 21-09-2011.
5. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. 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.
7. 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.
8. Members holding shares in physical form are requested to notify immediately any change in their address to the Company's Registrar and Transfer Agent; TSR Darashaw Limited. Members holding shares in electronic form may intimate any such changes to their respective Depository Participants (DPs).
9. Members holding more than one share certificate in different folios are requested to kindly apply for consolidation of the folios and send the relative share certificates to the Company's Registrar and Share Transfer Agent, TSR Darashaw Limited, # 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr.E.Moses Road, Mahalaxmi, Mumbai – 400011.
10. Members are kindly requested to bring Annual Report 2010-11 along with them to the 24th 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 & Share Transfer Agent, TSR Darashaw Limited, # 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai – 400011 on or before 01.09.2011.
12. Pursuant to Section 205A (5) of the Companies Act, 1956, 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 2002-03 to Investor Education and Protection Fund established by the Central Government as stipulated under Section 205C of the Companies Act, 1956 read with Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001. The members who have not encashed the Dividend Warrants for the financial years 2004-2005 onwards are requested to write to, TSR Darashaw Limited, the Registrar and Share Transfer Agents of the Company.

13. The Members may now avail of the facility of nomination by nominating, in the prescribed form, a person to whom your

shares in the Company shall vest in the event of death of member. Interested members may write to the Company's Registrar & Share Transfer Agent for the prescribed form.

14. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company / Registrar and Transfer Agents, TSR Darashaw Limited.

By order of the Board

Bangalore
10th August, 2011

S. Ramji
Asso.Vice President (Finance) & Company Secretary

Important Communication to Members

The Ministry of Corporate Affairs vide General Circular No:17/2011, dated 21.04.2011 has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants.

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

Name of the Director	Mr. Arun Bhan	Dr. S. Prasanna
Date of Birth	07/09/1949	20/07/1948
Date of Appointment	31/05/2005	06/08/1994
Qualification	PGDBM (Ireland)	MSc, PhD (Indian Institute of Science)
Experience / Expertise	Mr. Arun Bhan has been working as a Management-Consultant for the last several years and is associated with the Company w-e-f 31/05/2005	Dr.S.Prasanna has been associated with the Company from the inception. He has PhD in organic Chemistry from Indian Institute of Science, Bangalore and extensive exposure as a Research Scientist. He has been heading the R&D centre of the Company.
Other Directorships	1). e-Xseed Technologies & Devices (P) Limited – Managing Director 2). M/s ATF Infrastructure Private Limited – Director	Micro Labs Limited - Director
Other Committee Memberships in the Company	Bal Pharma Limited : a). Remuneration Committee :Member	Bal Pharma Limited : a) Banking Transaction Committee: Chairman
Number of shares held directly or indirectly	4,000 (0.4%)	4,200 (0.4%)



To
The Members

Your Directors have pleasure in presenting the 24th Annual Report together with the Audited Accounts of the Company for the financial year ended on 31st March, 2011.

I. FINANCIAL RESULTS:

(₹. in Lakhs)

Particulars	2010-11	2009-10
1) Total Income	11650.05	108,15.16
2) Profits before Depreciation and provision for Taxation	393.87	195.47
Less : Depreciation	290.06	285.90
Profits before Taxation and prior year adjustments	103.81	(90.43)
Less :		
3) Provision for Taxation	5.68	7.33
4) Deferred Tax	57.34	44.94
5) Extraordinary/ Non Recurring items	-	-
6) Prior year adjustment	- 63.02	0.18 52.45
Add:		
7) Profit & Loss Account balance at the beginning of the year	- 40.79	(142.88)
8) Profit made available for appropriation	- 763.74	906.62
	804.53	763.74
Less:		
9) Proposed Dividend on Equity Shares	-	-
10) Tax on dividends	-	-
11) Balance Carried to Balance Sheet	804.52	763.74

2. DIVIDEND:

In view of the results, your Directors have decided not to recommend payment of dividend during the year, 2010-11.

3. MANAGEMENT DISCUSSION AND ANALYSIS:

Global Pharmaceutical Industry

The global pharmaceutical industry is expected to grow by 5% to 7% in 2011 to reach USD 880 billion compared to 4 to 5% in 2010. In this growth the emerging markets pharmaceutical growth is at a higher pace of 17% in 2011 to reach USD 180 billion. The major emerging markets are China, Brazil, Russia, India, Mexico, Turkey, Argentina, Indonesia, Thailand, South Africa and Egypt.

Greater Government spending on Health Care and broader public and private Health Care funding are likely to be the key drivers of growth for many of the Pharmaceutical Emerging Markets. China, the world's 3rd largest pharmaceutical market is predicted to grow by 25% to 27% to more than USD 50 billion in 2011 while the US is likely to grow at 3% to 5%.

Indian Pharmaceutical Industry:

India has emerged as one of the leading economies when it comes to opportunities in the pharmaceutical sector. The Indian Pharmaceutical market is projected to grow to about USD 20 billion by 2015, as against USD 6.3 billion in 2005. Currently, the Indian pharmaceutical industry is ranked fourth in terms of volume and fourteen in terms of value in the global pharmaceutical market. The industry has attained self-reliance in the production of formulations, and produces almost 70% of the bulk drug requirements of the country. India is also one of the major producers of generic drugs in the world.

Indian Pharmaceutical Industry has not been affected much by the global slow down, largely because of the cost advantages in medicine production and due to their long term contracts, especially the generic manufactures, with their preferred suppliers. During the year 2010-11, the performance of the export front has been good to reach USD 6 billion.

The rising middle and upper class who can afford high quality health care and the widespread adoption of Health Insurance Products, which will enable a large proportion of the population to access medical treatments, are expected to drive the Indian Pharmaceutical Market in the foreseeable future. In addition, significant economic growth rates, favourable demographics, and new intellectual property protection laws would provide future impetus to the industry.



4. BUSINESS OPERATIONS:

During the year, 2010-11, your Company has achieved an overall turnover of ₹ 116.50 Crores as against ₹ 108.15 Crores of the previous year thus registering a growth of 8 % on sales.

On account of this increase in sales, the net results after tax of the Company became positive at ₹ 40.79 lakhs during the year 2010-11 as against the net loss of ₹ 142.88 lakhs in the previous year 2009-10. The main reason for the low net profit is decrease in branded formulations sales, under utilization of Uttarakhand plant, and cut-throat competition from large pharma players in the Indian and international markets.

The exports formulations division registered a growth of 15.91% by increasing its turnover from ₹ 31.87 crores in the previous year to ₹ 36.94 crores in the current year. Your Company expanded its presence in many new global markets such as Latin America, many African countries and South East Asia.

The bulk drug business continues to dominate as their sales increased from ₹ 42.25 crores in 2009-10 to ₹ 46.2 crores during the year 2010-11. The product mix for the year 2010-11 improved with higher sales of high value items in addition to our regular API. But for the short supply of intermediates from China during the year, the API sales would have gone-up by another 20%. During the current year the supplies from China have regularized and with full capacity utilization of Basav Chem Limited (100% subsidiary) Board expected to achieve higher turnover in 2011-12. The new DMFs have been filed across the Globe and the supplies are made to new markets such as Egypt, Taiwan, Netherlands and France. In view of the increased demand for the bulk drugs your Management has taken appropriate measures to increase the API plant capacity in 2011-12.

The overall exports of your Company increased to ₹ 68.57 crores as against ₹ 57.35 crores during the year 2009-10. Thus showing an overall growth of 19.56% The government Institutional business made a turnover of ₹ 6.44 crores during the year, as against ₹ 4.44 crores during the previous year and the Ayurvedic Division has made a turn over of ₹ 1.94 crores during the year 2010-11.

Your Company's branded formulations Divisions mainly consisting of Diabetic and Cardiac Products made a net sale of ₹ 19.58 crores as against ₹ 23.36 crores during the last year, 2009-10. This reduction in branded formulation sales on account of mass attrition, has affected the profit margins of the Company. Appropriate measures are being taken by your Management to overcome the reduction in branded formulation sales and to retain the existing market.

5. RESEARCH & DEVELOPMENT:

The R&D division is constantly engaged in developing and improving chemical processes for active pharmaceutical ingredients. All the ingredients commercially offered by the bulk drug division have been developed and standardized in-house. These are being manufactured at the bulk drug facility according to the current good manufacturing practice as established by international norms and regulations.

The bulk drugs have gained ready acceptance in national and international markets solely on the basis of the excellent quality and timely delivery to the users. The R&D division backs up these products with dossiers containing extensive compilation of information on aspects like the properties of the drugs, physical and chemical methods of analysis, stability of the drug during its shelf life etc.

These dossiers have been submitted to the ministries of health in Canada, Japan and many countries in Europe and have gained ready acceptance and appreciation.

The analytical equipments in the R&D division are state of the art and offer valuable support to the research personnel in investigative chemistry. Chemical structure determination, establishment of ideal conditions for a particular chemical reaction etc are made facile with the data provided by these analytical equipments.

Of late, drug products possessing chiral properties are gaining importance in pharmaceutical science. Bal Pharma is now concentrating on research activities of such products and has already started offering chiral entities developed in the R&D in commercial markets. The Company has already filed few process and products patents based on the developmental work.

The R&D division has been recognized for its contributions by the Department of Science and Technology of the Government of India.

6. AUDIT COMMITTEE:

The Audit Committee, a sub-committee of Board consisted of Mr. Ajit Kumar, 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. Which ensures that the Company's assets are protected against loss from unauthorised use or disposition and all transactions are authorised, recorded and reported in conformity with generally accepted accounting principles. These systems are designed to ensure accuracy and reliability of accounting data, promotion of operational efficiency and adherence to the prescribed management policies. These policies are periodically reviewed to meet current business requirements.

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

8. DIRECTORS' RESPONSIBILITY STATEMENT:

In compliance to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to confirm with reference to statement of Accounts for the financial year ended on 31.03.2011:

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

9. SUBSIDIARY COMPANIES:

The Company had one wholly owned Subsidiary Company during the financial year 2010-11. The Amalgamation proceedings of Basav Chem Limited, with Bal Pharma Limited is before the Honourable High Court of Karnataka.

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Company's interest in subsidiary company, Basav Chem Limited is as forwarded in Annexure I forming part of the Directors' 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 whom 2 are Independent Directors. One Director is Nominee Director of Exim Bank. Two are Executive Directors. Dr. S. Prasanna, Executive Director and Mr. Arun Bhan, Independent Director of the Company who retire by rotation at the 24th Annual General Meeting of the Company and being eligible, offer themselves for re-appointment. Your Directors have pleasure in recommending their re-appointments.

The Board places on record its appreciation for the services rendered by Mr. David Rasquinha, outgoing Nominee Director of Exim Bank.

14. AUDITORS:

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

15. COST AUDIT:

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

Subject to the approval of the Central Government, the Board has appointed Mr. M.R Krishna Murthy as Cost Auditor of the Company for the financial year, 2010-11 for cost audit of both Formulation and Bulk Drug divisions of the Company separately. 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, SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999, as amended, the details of stock options as on 31st March, 2011 under the “Bal Pharma Limited Employees Stock Option Scheme, 2006” is set out in the Annexure - III to the Directors Report.

17. CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION TO SHARE HOLDERS:

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

18. INSURANCE COVERAGE:

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

19. APPRECIATION:

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

For and on behalf of the Board of Directors

Bangalore
10th August, 2011

Dr. S. Prasanna
Executive 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 31st March, 2011:

I. Conservation of Energy:

A. POWER AND FUEL CONSUMPTION		2010-11	2009-10
I. Electricity			
(a) Purchased Unit	(kwhr)	3,296,623	2,786,290
Total Amount	(₹.)	16,399,568	12,852,495
Rate/Unit	(₹.)	4.97	4.61
(b) Own Generation			
(i) Through Diesel Generator Units	(kwhr)	501,503	380,107
Units per ltr of Diesel	(kwhr)	3.03	3.17
Cost/unit	(₹.)	13.72	16.31
Total units purchased/Generated		37,98,126	-
(ii) Through Steam Turbine / Generator		Nil	Nil

B. CONSUMPTION PER UNIT OF PRODUCTION

Standards * (if any)	2010-11**	2009-10**
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:

I. Research and Development (R & D)	
(a) Specific areas in which R&D is carried out by the company	R&D was carried out in the development of synthetic methodologies for drugs having medicinal properties for the treatment of 1. Allergic diseases 2. Bipolar disorder 3. Skin afflictions, and 4. Eye inflammations
(a) Benefits derived as a result of the above R&D	The synthetic methodologies which met success in the development phase were applied in scale-up operations to study the economics, viability and efficiency of the process of production. This resulted in the compilation of important data pertaining to the extension of the process to commercial production.

(c) Future plan of action	Efficient pilot plant processes which have been devised for the drugs were put into practice in manufacturing operations and the commercial viability was explored. Since the drugs that are being studied gave good international market, the export of the drugs to meet international demand has been considered in the future plan of action.
d) Expenditure on R&D during the financial year ended 31-03-2011	
i) Capital	NIL
ii) Recurring	₹ 12.81 Crores
iii) Total	₹ 12.81 Crores
iv) Total R&D expenditure as a percentage of total turnover	1.10%

3. Technology Absorption, Adaptation and Innovation:

(i) Efforts in brief made towards technology absorption, adaptation and innovation	The technology being developed for the process development is an in-house effort. Personnel in the R&D department are constantly involved in the development of viable technologies for commercial production of drugs of importance. The absorption of in-house developed technologies, therefore, is facile and the pace of adaptation fast. Most of the processes developed in the R&D laboratory are efficient, simple and adaptable processes and innovative in many ways.
(ii) Benefits derived as a result of the above efforts e.g., product improvement, cost reduction, product development, import substitution, etc.	The benefits as a result of technology development in-house are many. As importance and emphasis is given to quality characteristics of the drug under each stage of development, the product coming out elicits good response in the market. Added to this, the purity levels of the drug and the consistency with which the purity is maintained in every batch of drug that is produced enhances the market potential of the drugs. When a drug is manufactured on a regular basis, knowledge is gained on ways and means of reducing the manufacturing cost of the drug. Constant improvement in utility utilization, equipment utilization, energy savings etc. contribute to the overall cost reduction exercise.



	Most of the Active Pharmaceutical Ingredients produced by Bal Pharma are of niche nature and are not common products from others in the industry. Thus, the drugs are of demand not only in the national market but also in the international market. For internal consumers, the drugs offered by Bal Pharma reduce their dependence on import of the drugs from external sources. Besides, Bal Pharma's formulation departments are using the APIs produced in-house. All these factors contribute to substantial import substitution.
(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	NA

(d) If not fully absorbed, areas where this has not taken place,	NA
(e) Reason therefore and future plan of action:	NA

4. Total Foreign Exchange Earnings and Outgo: (₹. in Crore)

	2010-11 (in ₹)	2009-10 (in ₹)
Total Foreign Exchange Earnings	666,597,749	57,35,28.36
Total Foreign Exchange Outgo	246,604,167	32,93,80.48
(a) Raw Materials	235,269,107	32,21,03.58
(b) Other Foreign currency payments		
(i) Travelling Expenses	2,769,836	16,12.47
(ii) Export Promotion Expenses	5,752,793	56,12.83
(iii) Others - Capital import	2,812,431	51.60

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

(1) Name of the Company	:	Basav Chem Limited
(2) The financial year of the Subsidiary Company ended on	:	31 st March, 2011
(3) Date from which it became subsidiary	:	16-12-2007
(4) Number of shares held by Bal Pharma with its nominees in the subsidiary company at the end of the financial year of the Subsidiary Company	:	1,00,000 shares of ₹ 10/- each
(5) Extent of interest of holding company at the end of the financial year of the Subsidiary company	:	100%
(6) Net aggregate amount of the subsidiary Company's profits (loss) so far it concerns The members of Holding Company	:	₹ (6,44,176)
a. Not dealt within the holding Company's Accounts:		
(i) For the financial year ended on 31-3-2011	:	Nil
(ii) For the previous financial years	:	Nil
b. Dealt within the holding Company's Accounts:		
(i) for the financial year ended on 31-3-2011	:	₹ (6,44,176)
(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 31-03-11
1	Shailesh Siroya* Managing Director	MBA (Finance)	45	**₹ 42,00,000/-	01.08.1994	19 years	Business	6.40%

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

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

ANNEXURE III

Pursuant to the provisions of Guideline 12 of the Securities and Exchange Board of India, SEBI(Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999, as amended, the details of stock options as on 31st March, 2011 under the "Bal Pharma Limited Employees Stock Option Scheme, 2006".

Sl.No	Description	Details
1	Options Granted	2,19,500
2	The Pricing Formula	Bal Pharma Limited Employee Stock Option Scheme, 2006 provides for the grant of options as follows: The total number of options granted under ESOP, 2006 shall not exceed 5,22,300 options convertible in to shares of ₹ 10/- each approximately equivalent to 5% of the present issued equity share capital of the Company. 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.
3	Options vested	175,600 (80% of Options granted)
4	Options exercised	13 employees has exercised 80% of the options granted to them
5	The total number of shares arising as a result of exercise of option	90,400 equity shares
6	Options Lapsed	Due to rejection of the options granted: 4,000 Due to termination / resignation of employment : 81,200
7	Variation of terms of options	N.A
8	Money realised by exercise of options	₹ 14,23,800/-(Rupees Fourteen Lakhs twenty three thousand and Eight hundred only)
9	Total number of options in force	Nil



10	Employee wise details as on 31st March, 2011 of options granted to			
	(i) Directors	Name	Exercise Price (in ₹.)	Total No. of options
		Dr. S. Prasanna	15.75	20,000
		Dr. G. S .R. Subba Rao	15.75	20,000
	(ii) Senior managerial personnel	Mr. Arun Bhan	15.75	20,000
		Mr. M. Sundar	15.75	8,000
		Dr. Sivaramakrishnan	15.75	8,000
		Mrs. Archana Dubey Mitra	15.75	8,000
		Mr. C. D. Kotian	15.75	8,000
	(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		
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'.	₹ 0.39/- per share		
12	The difference between the employee compensation costs computed under Intrinsic Value Method and the employee compensation cost that shall have been recognized if the Company had used the Fair Value Methods and its impact on profits and on EPS of the Company.	₹ 1,37,800/- ₹ 0.01		
13	Weighted-average exercise prices and weighted-average fair values of options for an option whose exercise price either equal or exceeds or is less than the market price of the stock.	₹ 15.75/-		
14	Description of the method and significant assumptions used during the year to estimate the fair values of options.	Black Schole Method		
	(i) Risk-free interest rate	8%		
	(ii) Expected life	60 months		
	(iii) Expected volatility	-		
	(iv) Expected dividends, and	NIL		
	(v) The price of the underlying share in market at the time of option grant	₹ 31.45/-		

For and on behalf of the Board of Directors

Bangalore
10th August, 2011

Dr. S. Prasanna
Executive Director

Shailesh Siroya
Managing Director



REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR, 2010-11

Bal Pharma Limited has a philosophy of Corporate Governance. The Board of Directors believes that sound Corporate Governance is critical to enhance and retain investor's trust. Accordingly, The Directors always seek to ensure that they attain their Performance rules with integrity.

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

"Corporate governance" is the system by which business corporations are directed and controlled. The Corporate Governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the Board, Managers, Shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the Company objectives are set, and the means of attaining those objectives and monitoring performance.

Corporate Governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. In contemporary business corporations, the main external stakeholder groups are shareholders, debt holders, trade creditors, suppliers, customers and communities affected by the corporation's activities. Internal stakeholders are the Board of Directors, executives, and other employees.

2. BOARD OF DIRECTORS & BOARD COMMITTEES

2.1 Board Meetings:

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

The Board comprises of 6 (six) Directors as on 31st March 2011, with a Managing Director, 1 (one) Whole-time Director, 1(one) Non-Whole time Non-Independent Director, 3 (three), Non-Whole time 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 2010-11 under review 4 (four) Board meetings were held on 14-05-2010, 06-08-2010, 13-11-2010,31-01-2011. Compositions of the Board, attendance of the members of the Board at the Board meetings and Annual General Meeting along with their Chairmanship/Membership on Boards/Committees during the financial year, 2010-11 are as given below:

2.2 Information placed before the Board :

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

SI 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 27.09.2010		As Chairman	As Member
1	Mr. Shailesh Siroya	Executive	04	Yes	03	-	3
2	Dr. S Prasanna	Executive	04	Yes	02	1	-
3	Mr. Shrenik Siroya	Non-executive	01	No	02	-	3
4	Dr. G.S.R. Subbarao	Independent	04	Yes	01	3	-
5.	Mr. Arun Bhan	Independent	Nil	No	02	No	1
6.	Mr. David Rasquinha *	Nominee Director	03	No	03	No	2

* Ceased to be Director w.e.f. 29.04.2011 and in his place, Mr. Ajit Kumar was inducted.

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 Transaction Committee. The Board decides the terms of reference of these Committees and the assignment of its Members thereof.



3. AUDIT COMMITTEE :

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the 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.

4 (four) Audit committee meetings were held during the financial year, 2010-11, under review and the gap between two meetings did not exceed 4 (four) months. These were held on 14-05-2010,06-08-2010,13-11-2010,31-01-2011. 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	4
2	Mr. Shrenik Siroya, Member	1
3	Mr. David Rasquinha , Member	3

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 31st March, 2011.

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. Prasanna, Whole-time Director and sitting fee paid to Non-executive Director & independent Directors during the financial Year 2010-11 are as under:

SI No	Particulars	Mr. Shailesh Siroya	Dr. S Prasanna	Mr. Shrenik Siroya	Dr. G S R Subba Rao	Mr. Arun Bhan	Mr. David Rasquinha
1	Salary & Perquisites	₹ 42,00,000/-	₹ 20,40,000/-	N.A	N.A.	N.A.	N.A.
2	Sitting Fees	N.A	N.A	₹ 17,000/-	₹ 23,000/-	NIL	₹ 6,000/-
	Total	₹ 42,00,000/-	₹ 20,40,000/-	₹ 17,000/-	₹ 23,000/-	NIL	₹ 6,000/-

**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	Opening balance as on 01.04.2010	Received	Resolved	Pending as on 31.03.2011
2010-11	NIL	57	57	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 the Board, named Banking Transactions Committee was constituted on 30th April, 2006 for approving specific banking transactions, illustrated below:

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

The Committee comprises of Mr. Shailesh Siroya, Managing Director and Dr. S. Prasanna, Executive Director.

7. GENERAL BODY MEETINGS:

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

Financial Year	Date	Time	Location
2007-08	23-09-2008	4.00 PM	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001.
2008-09	25-09-2009	10.30 AM	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001.
2009-10	27-09-2010	10.00 AM	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001

7.2 The special resolution(s) passed by the Company in its previous Annual General meetings held on 20-09-2007, 23-09-2008, 25-09-2009, 27.09.2010 and the Extra ordinary General Meeting held on 08.04.2010 are as under ;

Date of AGM	AGM No.	Business Transacted by Special Resolution
20-09-2007	20	NIL
23-09-2008	21	Revision in remuneration of Dr.S. Prasanna, Executive Director
25-09-2009	22	Revision in remuneration of Mr. Shailesh Siroya, Managing Director
27-09-2010	23	NIL

Date of EGM	Business Transacted by Special Resolution
08-04-2010	Special Resolution was passed in EGM regarding Amalgamation of Basav Chem Limited, with Bal Pharma Limited



08. POSTAL BALLOT – The Company has not passed any resolution(s) by way of Postal Ballot during the financial year 2010-11.

09. DISCLOSURES:

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

10. MEANS OF COMMUNICATIONS:

Unaudited quarterly/half yearly financial results are published in widely circulating national dailies. Press release on the highlights of the quarterly/half yearly results is also given. These are, however, not sent individually to the shareholders. The results are also promptly forwarded to Bombay Stock Exchange Ltd., and National Stock Exchange of India Ltd., wherein the shares are listed. During the financial year,2010-11 the Company has not made any presentation to the institutional investors or analysts.

11. GENERAL SHAREHOLDER INFORMATION:

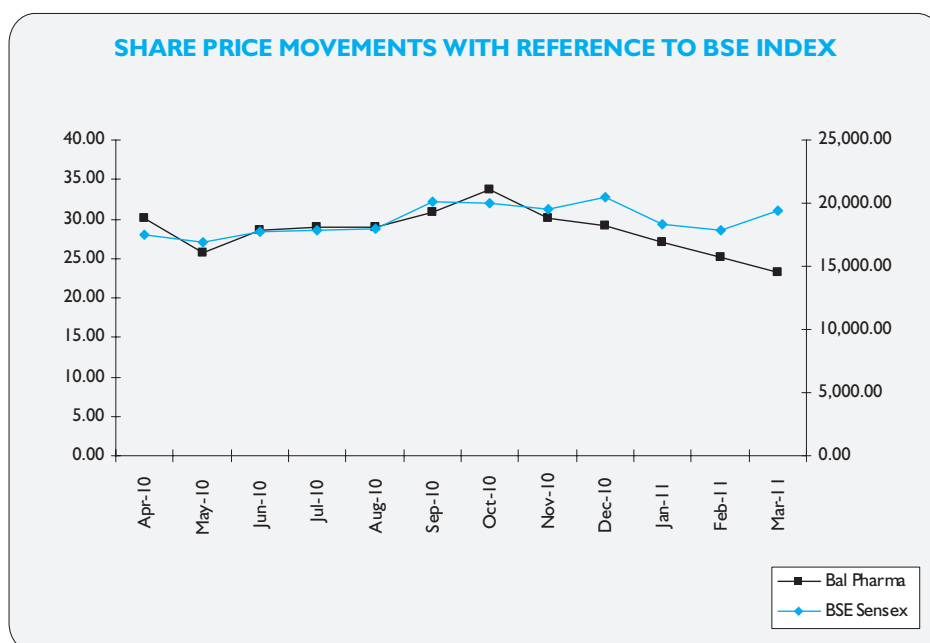
Sl. No.	Item	Particulars
1	Date of Incorporation	May 19, 1987
2	Date and Time of Annual General Meeting	September 21, 2011 at 11.30 AM (Wednesday)
3	Venue of Annual General Meeting	Bharatiya Vidya Bhavan, Race Course Road, Bangalore - 560001.
4	Date of Book Closure	September 21, 2011 (Wednesday)
5	Financial Calendar	1st April, 2011 - 31st March, 2012
6	Financial reporting for the first quarter ended on 30-06-2011	Second week of August 2011
7	Financial reporting for the second quarter ended on 30-09-2011	Second week of November 2011
8	Financial reporting for the third quarter ended 31-12-2011	Second week of February, 2012
9	Financial reporting for the year ended on 31-03-2012	Second week of May, 2012
10	Listing on Stock Exchanges	Bombay Stock Exchange Limited (BSE) National Stock Exchange of India Limited (NSE)
11	Stock Code	BSE Scrip Code - 524824 NSE symbol - BALPHARMA
12	ISIN Number	INE083D01012
13	Outstanding GDR/ADR Warrants	Not Applicable

12. MARKET PRICE DATA:

Monthly high and low quotations as well as the volume of shares traded at Bombay Stock Exchange Ltd., during 2010-11 are as under:

Month	High (₹)	Low (₹)	Trade Volume
April 2010	30.95	26.80	41,20,951
May 2010	30.35	25.20	15,96,489
June 2010	29.35	25.20	25,94,188
July 2010	32.60	28.20	63,10,591
August 2010	31.40	27.70	42,66,489
September 2010	36.95	28.60	254,44,333
October 2010	40.10	30.00	304,59,269
November 2010	46.60	29.75	9,59,77,009
December 2010	33.80	27.00	39,23,377
January 2011	45.20	26.90	21,52,41,352
February 2011	28.60	23.70	16,03,641
March 2011	26.90	23.00	20,12,782

* Share price movements with reference to BSE Index



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

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

13. SHARE TRANSFER SYSTEM:

The Company's shares are traded in the Stock Exchanges compulsorily in the Demat mode. Shares in physical mode which are lodged for transfer at the Investor Service Centre are processed and subject to exercise of option under compulsory transfer cum Demat procedures; Share certificates are either demated or returned within the time prescribed by the authorities.

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

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

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

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

Company Secretary & Compliance Officer

Bal Pharma Limited,
Corporate Office : 5th Floor, 'Lakshmi Narayan Complex',
10/1, Palace Road, Bangalore - 560 052.
Tel: 080 - 41379500 Fax: 080 - 22354057
E-mail : secretarial@balpharma.com, investor@balpharma.com



13.2 Registrars & Share Transfer Agents:

TSR Darashaw Limited,

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

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

- TSR Darashaw Limited, 503, Barton Centre, 84, MG Road, Bangalore - 560 001, Tel: 080-41474787, Fax: 080-25580019, Email: tsrdlbg@tsrdarashaw.com
- TSR Darashaw Limited, Bungalow No: I E Road, Northern Town, Bistupur, Jamshedpur – 831001, Tel: 0657-2426616, Fax: 0657-2426937, Email: tsrdljsr@tsrdarashaw.com
- TSR Darashaw Limited, Tata Centre, 1st floor, 43, Jawaharlal Nehru Road, Kolkata - 700071. Tel: 033- 22883087, Fax: 033-22883062, Email: tsrdlcal@tsrdarashaw.com
- TSR Darashaw Limited, Plot No: 2/42, Sant Vihar, Ansari Road, Darya Ganj, New Delhi - 110002, Tel: 011-23271805, Fax: 011-23271802, Email: tsrdldel@tsrdarashaw.com

Agent: Shah Consultancy Services Private Limited, 3 Sumatinath Complex, 2nd Dhal Pritam Nagar, Ellisbridge, Ashram Road, Ahmedabad – 380006, Telefax: 079 – 26576038, Email ID: shahconsultancy8154@gmail.com

13.3 Statistics under physical transfer during the period (01.04.2010 to 31.03.2011):

Sl. No.	Process Period	No. of Transfers	% to total Transfers	No. of Shares	% to total no. of Shares
1	01 -07 days	0	0.00	0	0.00
2	08 - 15 days	4	17.39	250193	41.11
3	16 – 21 days	5	21.74	250178	41.11
4	22 - 25 days	6	26.09	106358	17.48
5	26 - 30 days	8	34.78	1820	0.30
6	Beyond 30 days	0	0.00	0	0.00
	TOTAL	23	100	608549	100

14. DISTRIBUTION OF SHAREHOLDINGS AS ON 31.03.2011:

Sl. No.	No. of Equity Shares held	No. of A/c holders	% of Shareholding of A/c holders	No. of Shares holdings	% of Shareholding
1	1 TO 500	7206	85.16	1110769	10.60
2	501 TO 1000	639	7.55	532459	5.08
3	1001 TO 2000	313	3.70	491377	4.69
4	2001 TO 3000	95	1.12	246326	2.35
5	3001 TO 4000	60	0.71	219026	2.09
6	4001 TO 5000	34	0.40	161671	1.54
7	5001 TO 10000	53	0.63	383913	3.66
8	ABOVE 10000	62	0.73	7337683	69.99
	TOTAL	8462	100	10483224	100

15. CATEGORIES OF SHAREHOLDING:

Distribution Schedule - category wise as on 31.03.2011

Sl. No	Category	No. of Shareholders	No. of Shares held	Percentage Shareholding
1.	FII	0	0	0.00
2.	Non-Resident	56	804835	7.68
3.	Other Banks	1	1800	0.02
4.	Mutual Fund	1	200	0.00
5.	Bodies Corporate	244	531602	5.07
6.	Promoters, Directors & Relatives	31	5421638	51.72
7.	Indian Public	8129	3723149	35.51
	Grand Total	8462	10483224	100

**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 01.04.2010 to 31.03.2011

SI No.	Process Period	No. of Demat Requests	% to total Requests	No. of Shares
1	1 - 7 days	3	5.66	300
2	8 - 10 days	28	52.83	6735
3	11 - 15 days	22	41.51	8553
4	16 - 20 days	0	0	0
5	21 - 25 days	0	0	0
6	26 - 30 days	0	0	0
7	Beyond 30 days	0	0	0
	Total	53	100	15588

18. DETAILS OF DEMAT THROUGH THE DEPOSITORIES:

Holding break up in NSDL and CDSL as on 31.03.2011

Depository Name	Number of Shareholders	No. of Shares Dematerialised	% to total holding
NSDL	4579	7399048	70.58
CDSL	2121	1671317	15.94
TOTAL	6700	9070365	86.52

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

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

20. 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:**Company Secretary & Compliance Officer**

Bal Pharma Limited

Corporate Office:

5th Floor, 'Lakshmi Narayan Complex',

10/1, Palace Road, Bangalore – 560052

Tel: 080 - 41379500 Fax: 080 - 22354057

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



CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To the Members of Bal Pharma Limited

- 1) I have examined the compliance of conditions of Corporate Governance by Bal Pharma Limited for the year ended, 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges, Mumbai.
- 2) The compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
- 3) In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
- 4) I state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.
- 5) I state that in respect of investors' grievances received during the year ended 31st March, 2011, no investor grievances are pending against the Company as on 31st March 2011, as per the records maintained by the Company and presented to the Shareholders and Investors Grievances Committee.

Bangalore- 560080
10th August, 2011

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



AUDITOR'S REPORT

TO THE MEMBERS OF BAL PHARMA LIMITED

We have audited the attached Balance Sheet of Bal Pharma Limited as at 31 March 2011, 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 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 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.12 regarding non-confirmation of balances in parties accounts and

pending review of old balances, given 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 2011;
- (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 **T D Jain & D I Sakaria**
ICAI FRN NO. 002491 S
Chartered Accountants

Bangalore
Date: 12th August, 2011

T D JAIN
Partner
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 2011:

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



- (d) As per records of the Company, it has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly sub-clauses (f) and (g) of clause 4(iii) of the order is not applicable.
4. In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. We have not observed any major weakness in the internal control system during the course of our audit.
5. In our opinion, and according to the information and explanations given by the management, we are of the opinion that contracts and arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section and such transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time
6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the Company
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules prescribed by the Central government for maintenance of cost records under Section 209(1) (d) of the Act and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not however made a detailed examination of records with a view to determining whether they are accurate and complete.
9. a) According to the information and explanations given to us and on the basis of our examination of books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs duty, Excise duty, Cess and any other material statutory dues during the year with the appropriate authorities.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues were in arrears as at 31 March 2011 for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us, there are no amounts in respect of Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty and Cess that have not been deposited with appropriate authorities on account of any dispute other than those mentioned in Annexure I to this report.
10. The Company has no accumulated losses. The Company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to its bankers or to any financial institution. The Company did not have any outstanding debentures during the year.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the Order is not applicable.
13. The Company is not a chit fund, nidhi or mutual benefit fund/society. Accordingly, clause 4(xiii) of the Order is not applicable.
14. Accordingly to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly clause 4(xiv) of the Order is not applicable
15. Based on the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. In our opinion and according to information and explanations given to us and on the basis of examination of books of accounts, the term loans obtained by the Company were applied for the purpose for which such loans were obtained.
17. According to the information and explanations given to us, and on an overall examination of balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investments.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year. Accordingly, clause (xviii) of the Order is not applicable.
19. The Company has not issued any debentures. Hence the requirements of clause (xix) of paragraph 4 of the Order are not applicable to the Company.
20. The company has not raised any money by way of public issue during the year.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For **T D Jain & D I Sakaria**
ICAI FRN NO. 002491S
Chartered Accountants

Bangalore
Date : 12th August, 2011

T D JAIN
Partner
M.No: 12034

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

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

On the Consolidated Financial statements of BAL PHARMA LIMITED and its subsidiary

We have examined the attached Consolidated Balance Sheet of Bal Pharma Ltd., ("the company") and its subsidiaries (collectively referred to as the "Bal Pharma's Group") as at 31 March 2011 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 Bal Pharma Ltd., and

its subsidiary 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 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 2011;
- (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 **T D Jain & D I Sakaria**
ICAI FRN NO. 002491S
Chartered Accountants

Bangalore
Date : 12th August, 2011

T D JAIN
Partner
M.No: 12034



BALANCE SHEET AS AT 31.03.2011

	SCH	AS AT 31.03.2011		AS AT 31.03.2010	
		₹	₹	₹	₹
SOURCES OF FUNDS					
I. SHAREHOLDERS' FUND					
a. Share Capital	1	104,832,240		104,832,240	
b. Reserves & Surplus	2	260,240,617	365,072,857	255,465,692	360,297,932
II. LOAN FUNDS					
a. Secured Loans	3	537,615,027		544,090,068	
b. Unsecured Loans	4	39,688,020	577,303,047	97,470	544,187,538
III. DEFERRED TAX LIABILITY (NET)					
	5		67,642,354		61,775,598
TOTAL			1,010,018,258		966,261,068
APPLICATIONS OF FUNDS					
I. FIXED ASSETS					
a. Gross Block	6	653,771,775		639,234,491	
b. Less: Accumulated Depreciation		173,951,617		145,403,116	
c. Net Block		479,820,158		493,831,375	
d. Capital Work in Progress		1,277,984	481,098,142	-	493,831,375
II. INVESTMENTS					
	7		550,000		550,000
III. CURRENT ASSETS, LOANS & ADVANCES					
a. Inventories	8	322,143,609		286,224,499	
b. Sundry Debtors		370,158,625		319,172,267	
c. Cash & Bank Balances		21,704,344		16,148,069	
d. Loans & Advances		99,877,548		76,012,898	
Total (A)		813,884,126		697,557,733	
CURRENT LIABILITIES & PROVISIONS					
a. Current Liabilities	9	330,035,227		268,345,015	
b. Provisions		14,917,590		9,653,663	
Total (B)		344,952,817		277,998,678	
NET CURRENT ASSETS (A-B)			468,931,309		419,559,055
IV. INTANGIBLE ASSETS					
Gross Carrying Amount	10	104,060,303	-	91,254,578	
Less: Cumulative Amortisation & impairment Loss		44,621,496		38,933,940	
Net Carrying Amount			59,438,807		52,320,638
TOTAL			1,010,018,258		966,261,068
NOTES ON ACCOUNTS	20				

As per our report of even date

For **T D JAIN and D I SAKARIA**
ICAI FRN No. 002491S
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T D Jain
Partner
M. No. 012034

S. Ramji
AVP Finance & Company Secretary

Dr. S. Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
12th August, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011**

Particulars	SCH	31.03.2011		31.03.2010	
		₹	₹	₹	₹
I. INCOME					
Sales & Services	11	1,165,004,657		1,081,515,642	
Less : Excise Duty		22,085,261	1,142,919,396	19,263,191	1,062,252,452
Other Income	12		7,197,754		29,404,630
			<u>1,150,117,150</u>		<u>1,091,657,082</u>
II. EXPENDITURE					
Cost of Materials Consumed	13	615,281,541		600,000,867	
Manufacturing Expenses	14	72,354,328		61,954,385	
Employees Remuneration & Benefits	15	121,090,538		111,757,438	
Selling & Distribution Expenses	16	175,327,159		185,346,254	
Administration Expenses	17	52,887,346		44,431,900	
Financial Expenses	18	67,912,711		62,603,973	
Amortization of Intangible Assets	19	5,687,556		5,274,041	
Depreciation	6	28,548,501	1,139,089,680	28,070,198	1,099,439,056
III. Profit for the year before Tax			<u>11,027,470</u>		<u>(7,781,974)</u>
Add/(Less) : Prior Year Adjustment			-		-
IV. Profit Before Income Tax			<u>11,027,470</u>		<u>(7,781,974)</u>
Provision for Income Tax - Current Year			415,000		-
Provision for Wealth Tax			38,569		52,795
(Excess) / Short Provision for Tax - Earlier Years			(15,812)		945,441
Deferred Tax (As Per AS 22)			5,866,756		4,628,254
V. Profit After Tax			<u>4,722,957</u>		<u>(13,408,464)</u>
VI. Balance Brought Forward From Previous Year			<u>80,955,731</u>		<u>94,364,195</u>
			<u>85,678,688</u>		<u>80,955,731</u>
VII. Appropriations					
Proposed Dividend:					
- Equity Shares			-		-
Provision for Corporate Tax on Dividend					
- Equity Shares			-		-
			<u>-</u>		<u>-</u>
VIII. Balance Carried to Balance Sheet			<u>85,678,688</u>		<u>80,955,731</u>
EARNINGS PER SHARE					
Basic EPS			0.45		(1.28)
Diluted EPS			0.45		(1.27)
No. of Equity Shares			10,483,224		10,483,224
NOTES ON ACCOUNTS	20				

As per our report of even date

For **T D JAIN and D I SAKARIA**
ICAI FRN No. 002491S
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T D Jain
Partner
M. No. 012034

S. Ramji
AVP Finance & Company Secretary

Dr. S. Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
12th August, 2011



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2011

Particulars	31.03.2011		31.03.2010	
	₹	₹	₹	₹
SCHEDULE - 1				
SHARE CAPITAL				
AUTHORISED				
11,000,000 (P. Y. 11,000,000) Equity Shares of ₹10 each	110,000,000		110,000,000	
400,000 (P. Y. 400,000) Redeemable Preference Shares of ₹100 each	40,000,000	150,000,000	40,000,000	150,000,000
ISSUED, SUBSCRIBED & PAID UP				
EQUITY SHARE CAPITAL				
10,483,224 (P. Y. 10,483,224) Equity Shares of ₹10 each fully paid		104,832,240		104,832,240
Note:				
1. 3,040,000 Equity Shares of ₹10/- each have been issued as bonus shares by capitalisation of reserves		104,832,240		104,832,240
SCHEDULE - 2				
RESERVES & SURPLUS				
1. Capital Reserve		3,000,000		3,000,000
2. Securities Premium				
Opening Balance		145,637,950		145,637,950
3. General Reserve		24,015,000		24,015,000
4. Employee Stock options outstanding				
Balance at the beginning	2,103,120		3,293,745	
Add: Options granted	-		-	
Less: Transferred to securities premium account on exercise of options	-		-	
Less: Options forfeited/surrendered	144,780		1,190,625	
Balance at end of the Year (A)	1,958,340		2,103,120	
Deferred stock compensation cost				
Balance at the beginning	246,109		1,000,745	
Add: Options granted	-		-	
Less: Options forfeited/surrendered	144,780		1,190,625	
Less: Amortization	51,968		(435,989)	
Balance at end of the Year (B)	49,361		246,109	
(A) - (B)		1,908,979	-	1,857,011
5. P & L Account - Surplus				
Opening Balance	80,955,731		94,364,195	
Add: Surplus for the year	4,722,957	85,678,688	(13,408,464)	80,955,731
		260,240,617		255,465,692
SCHEDULE - 3				
SECURED LOANS				
TERM LOANS				
EXIM Bank	145,381,686		175,154,637	
State Bank of India	17,155,716		32,488,866	
Others	2,254,757	164,792,159	4,466,087	212,109,590
WORKING CAPITAL LOAN				
Canara Bank	175,457,571		166,419,609	
Exim Bank	34,438,855		34,530,834	
Punjab National Bank	162,926,442		129,204,629	
ICICI Bank Ltd.,	-		1,825,406	
		372,822,868		331,980,478
		537,615,027		544,090,068



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2011 (Contd...)

Particulars	31.03.2011		31.03.2010	
	₹	₹	₹	₹
SCHEDULE - 4				
UNSECURED LOANS				
Canara Bank		20,913,445		-
Punjab National Bank		18,774,575		97,470
		<u>39,688,020</u>		<u>97,470</u>
SCHEDULE - 5				
DEFERRED TAX LIABILITY				
Opening Balance		61,775,598		57,147,344
Add: Liability created for the year		5,866,756		4,628,254
		<u>67,642,354</u>		<u>61,775,598</u>

SCHEDULE - 6

FIXED ASSETS AS ON 31.03.2011

ASSET	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 01.04.2010	Additions	Deletions	AS AT 31.03.2011	AS AT 01.04.2010	For the Year	Deletions	AS AT 31.03.2011	AS AT 31.03.2011	AS AT 31.03.2010
Leasehold Land	12,493,430	-	-	12,493,430	146,982	146,982	-	293,964	12,199,466	12,346,448
Freehold Land	5,697,483	-	-	5,697,483	-	-	-	-	5,697,483	5,697,483
Building	191,135,089	1,193,708	-	192,328,797	28,995,203	6,363,944	-	35,359,147	156,969,650	162,139,886
Plant & Machinery	195,886,770	8,341,748	-	204,228,518	41,804,880	9,478,543	-	51,283,423	152,945,095	154,081,890
Utilities	104,890,240	3,610,361	-	108,500,601	29,381,285	5,071,476	-	34,452,761	74,047,840	75,508,955
Furniture & Fixtures	17,540,991	382,178	-	17,923,169	6,175,005	1,130,349	-	7,305,354	10,617,815	11,365,986
Misc. Fixed Assets:	92,957,852	1,009,289	-	93,967,141	31,512,735	4,587,106	-	36,099,841	57,867,300	61,445,117
Vehicles	18,632,636	-	-	18,632,636	7,387,026	1,770,101	-	9,157,127	9,475,509	11,245,610
Total	639,234,491	14,537,284	-	653,771,775	145,403,116	28,548,501	-	173,951,617	479,820,158	493,831,375
Previous year	663,911,101	12,924,382	37,600,992	639,234,491	118,821,898	28,070,198	1,488,980	145,403,116	493,831,375	545,089,203
Capital Work in Progress									1,277,984	-

Particulars	31.03.2011		31.03.2010	
	₹	₹	₹	₹
SCHEDULE - 7				
INVESTMENTS				
QUOTED :				
Non Trade : (at Cost) (Market Value as on 31.03.2011 not available)				
(i) Lamina Foundries Limited 10,000 (P.Y. 10,000) Equity Shares of ₹10 each fully paid		371,850		371,850
(ii) Sri Jayalakshmi Autospin Limited 73,600 (P.Y. 73,600) Equity Shares of ₹10 each fully paid		736,000		736,000
Less: Provision for diminution in value		<u>(1,107,850)</u>		<u>(1,107,850)</u>



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2011 (Contd...)

Particulars	31.03.2011		31.03.2010	
	₹	₹	₹	₹
UNQUOTED :				
Trade :				
In Subsidiary Company				
Novosynth Research Labs Pvt. Ltd., (Nil (P.Y. 346) Equity Shares of ₹ 1000 each fully paid)	-		346,000	
Less: Provision for diminution in value	-		346,000	-
Basav Chem Limited (100,000 (P. Y. 100,000) Equity Shares of ₹ 10 each fully paid)		500,000		500,000
Non Trade :				
EQUITY SHARES of The Shamrao Vithal Co-Operative Bank Ltd. (5,000 (P.Y. 5,000) Equity Shares of ₹ 10 each fully paid)		50,000		50,000
		550,000		550,000
SCHEDULE - 8				
CURRENT ASSETS, LOANS & ADVANCES				
1. INVENTORIES				
(As valued & certified by the Management)				
Raw Materials	82,936,102		75,208,578	
Packing Materials	27,886,606		20,233,352	
Work in Progress	75,950,211		41,316,481	
Finished Goods	134,227,225		148,136,117	
Stores & Consumables	1,143,465	322,143,609	1,329,971	286,224,499
2. SUNDRY DEBTORS				
(Unsecured, considered good)				
Debts outstanding for more than six months	68,140,882		58,903,510	
Other Debts	302,017,743	370,158,625	260,268,757	319,172,267
3. CASH & BANK BALANCES				
Cash in Hand	71,618		206,487	
Balance with Scheduled Banks:				
- in EEFC	120,705		733,208	
- in Fixed Deposit	18,933,047		12,282,950	
- in Current Account	2,578,974	21,704,344	2,925,425	16,148,069
4. LOANS & ADVANCES				
(Unsecured, considered good)				
Advances recoverable in cash or in kind or for value to be received	42,116,463		35,407,576	
Deposit with Govt. dept. & Others	38,612,667		24,310,790	
Advance Income Tax & TDS	1,627,576		1,389,068	
Advance to suppliers	10,913,853		8,207,783	
Indira Vikas Patra	3,000		3,000	
National Savings Certificate	13,725		10,725	
Advance to Subsidiary Companies	6,460,000		6,460,000	
Interest Accrued but not due	130,264	99,877,548	223,956	76,012,898
		813,884,126		697,557,732



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2011 (Contd...)

Particulars	31.03.2011		31.03.2010	
	₹	₹	₹	₹
SCHEDULE - 9				
CURRENT LIABILITIES & PROVISIONS				
CURRENT LIABILITIES				
Trade Creditors :				
- Dues to medium and small enterprises (Refer Notes Sl. No. 23)	-		-	
- Other Dues	213,137,962		171,732,096	
Capital Creditors	5,877,045		8,463,708	
Creditors for Expenses	50,445,376		40,084,356	
Advances from Customers	28,916,540		20,308,091	
Dues to Subsidiaries	540,278		1,095,649	
Other Current Liabilities	14,480,530		18,206,419	
Book Overdraft on account of issue of Cheques	8,850,933		1,609,801	
Deposits received from Customers	6,796,954		5,458,674	
Unclaimed Rights Issue Application Money	141,750		141,750	
Unclaimed Dividends - Equity (Refer Notes Sl. No. 26)	847,859	330,035,227	1,244,471	268,345,015
PROVISIONS				
Gratuity	10,140,630		7,921,645	
Provision for Tax	2,447,957		78,013	
Provision for Leave Encashment	2,329,003	14,917,590	1,654,005	9,653,663
		344,952,817		277,998,678

SCHEDULE - 10

INTANGIBLE ASSETS AS ON 31.03.2011

INTANGIBLE ASSETS	Gross Carrying Amount				Cumulative Amortization				Net Carrying Amount	
	As on 01.04.2010	Additions	Gross Carrying Amount Adjust-ment	As at 31.03.2011	As on 01.04.2010	Amortiza-tion during the Year	Retire-ment/ Disposal adjust-ments	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
R&D expenses	79,564,106	12,805,725	-	92,369,831	28,159,435	5,458,572	-	33,618,007	58,751,824	51,404,671
Development expenditure	11,690,472	-	-	11,690,472	10,774,505	228,984	-	11,003,489	686,983	915,967
Total	91,254,578	12,805,725	-	104,060,303	38,933,940	5,687,556	-	44,621,496	59,438,807	52,320,638
Previous Year	82,723,689	8,530,889	-	91,254,578	33,659,899	5,274,041	-	38,933,940	52,320,638	49,063,790

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011**

Particulars	2010-2011		2009-2010	
	₹	₹	₹	₹
SCHEDULE - 11				
INCOME FROM SALES & SERVICES				
Exports:				
Sales	666,597,749		573,528,355	
Incentives	16,875,462		13,832,643	
	<u>683,473,211</u>		<u>587,360,998</u>	
Domestic Sales	519,255,627		532,014,635	
	<u>1,202,728,838</u>		<u>1,119,375,633</u>	
Less: Goods Returns	41,936,642	1,160,792,196	40,150,485	1,079,225,148
Conversion Charges		4,212,461		2,290,494
		<u>1,165,004,657</u>		<u>1,081,515,642</u>
SCHEDULE - 12				
OTHER INCOME				
Interest -				
Bank		743,272		582,370
Others		149,888		146,424
Subletting Income		295,600		-
Dividend Income		7,110		8,888
Foreign exchange fluctuation (Net)		4,386,697		7,849,579
Profit on Sale of Fixed Assets (Net)		-		18,882,954
Misc. Income		135,729		272,633
Provisions/Creditors no longer payable written back		1,479,458		1,661,782
		<u>7,197,754</u>		<u>29,404,630</u>
SCHEDULE- 13				
COST OF MATERIALS CONSUMED				
RAW MATERILAS				
Opening Stock	75,208,578		78,991,015	
Add : Purchases	542,127,468		553,156,784	
Less : Closing Stock	82,936,102	534,399,944	75,208,578	556,939,221
PACKING MATERIALS				
Opening Stock	20,233,352		14,635,467	
Add : Purchases	77,685,902		56,493,994	
Less : Closing Stock	27,886,606	70,032,648	20,233,352	50,896,109
WORK IN PROGRESS				
Opening Stock	41,316,481		50,193,765	
Closing Stock	75,950,211	(34,633,730)	41,316,481	8,877,284
FINISHED GOODS				
Opening Stock	148,136,117		94,005,657	
Less: Closing Stock	134,227,225	13,908,892	148,136,117	(54,130,460)
PURCHASE OF TRADED GOODS				
		31,573,787		37,418,713
		<u>615,281,541</u>		<u>600,000,867</u>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011 (Contd...)**

Particulars	2010-2011		2009-2010	
	₹	₹	₹	₹
SCHEDULE - 14				
MANUFACTURING EXPENSES				
Consumables and Stores – opening stock	1,329,971		1,035,458	
Add: Purchases	12,122,560		10,836,257	
Less: Closing Stock	1,143,465	12,309,066	1,329,971	10,541,744
Power & Fuel	25,353,311		18,336,936	
Water Charges	881,672		1,091,185	
Laboratory and Testing	6,157,738		5,645,031	
Labour charges paid	13,355,478	45,748,199	11,547,292	36,620,444
Repairs & Maintenance:				
Building	-		82,736	
Machinery	7,466,220		4,352,638	
Others	4,975,571	12,441,791	7,116,889	11,552,263
Excise duty on finished goods stock		1,855,272		3,239,934
		72,354,328		61,954,385
SCHEDULE - 15				
EMPLOYEES REMUNERATION & BENEFITS				
Salaries Wages & Allowances		93,991,027		86,947,542
Leave Encashment		674,998		1,654,005
Bonus & Exgratia		3,068,387		3,037,791
PF. & E.S.I. Contributions		7,384,730		6,936,567
Employees Welfare		6,791,005		6,380,049
Recruitment & Training		669,438		711,408
Gratuity		2,218,985		486,065
Amortization of deferred stock compensation cost		51,968		(435,989)
Remuneration to Directors		6,240,000		6,040,000
		121,090,538		111,757,438
SCHEDULE - 16				
SELLING & DISTRIBUTION EXPENSES				
Advertisement		497,188		221,768
Seminar, Conference & Exhibition Expenses		3,714,229		3,686,942
Freight & Handling Charges on Export Sales		28,012,980		26,913,697
Commission on Sales		3,920,771		4,188,078
Field Staff Salaries & Incentives		60,352,778		55,669,865
Field Staff Travelling Expenses		27,874,965		33,583,783
Freight Outwards & Others		6,772,812		6,131,736
Breakages & Expired Goods		19,050,198		21,719,582
Other Selling Expenses		13,344,879		20,119,804
Sales Promotional Items		11,786,359		13,110,999
		175,327,159		185,346,254

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011 (Contd...)**

Particulars	2010-2011		2009-2010	
	₹	₹	₹	₹
SCHEDULE - 17				
ADMINISTRATION EXPENSES				
Travelling expenses - Inland				
- Directors	450,602		280,313	
- Others	4,388,702		2,802,582	
Travelling expenses - Foreign				
- Directors	2,893,765		2,333,172	
- Others	3,635,419	11,368,488	3,521,625	8,937,692
Repairs and Maintenance - Office	3,058,837		1,408,611	
Rates & Taxes	2,007,908		2,541,171	
Conveyance	2,592,366		2,725,689	
Postage, Telegram & Telephone	3,952,886		3,659,616	
Legal & Professional Charges	5,875,442		4,709,916	
Printing & Stationery	5,838,142		3,663,200	
Insurance	2,101,549		2,847,093	
Rent	7,447,324		5,917,704	
Donations	16,500		26,500	
Directors Sitting fees	42,000		34,200	
Electricity Charges	864,936		819,142	
Balances/Advances/Bad debts writtenoff	1,141,183		23,554	
Audit Fees	405,000		340,200	
Security Charges	2,089,275		1,594,029	
Registration Fees	200,050		1,119,363	
Vehicle Operation and Maintenance	2,334,018		2,106,267	
Subscription & Membership	609,052		1,087,118	
Diminution in the value of Investment	-		346,000	
Miscellaneous Expenses	942,390	41,518,858	524,835	35,494,208
		<u>52,887,346</u>		<u>44,431,900</u>
SCHEDULE - 18				
FINANCIAL CHARGES				
Interest on Term Loan	22,707,481		27,089,227	
Interest on Working Capital Loan	34,100,759		27,682,559	
Other Interest	1,239,030	58,047,270	1,842,331	56,614,117
Bank Charges		9,865,441		5,989,856
		<u>67,912,711</u>		<u>62,603,973</u>
SCHEDULE - 19				
AMORTISATION OF INTANGIBLE ASSETS				
Development Expenses		228,984		228,984
Research and Development Expenses		5,458,572		5,045,057
		<u>5,687,556</u>		<u>5,274,041</u>



SCHEDULE 20

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31.03.2011

A. SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

b) USE OF ESTIMATES

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

c) REVENUE RECOGNITION

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

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

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

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

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

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

d) FIXED ASSETS

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

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

e) DEPRECIATION

Depreciation on owned fixed assets is provided for on the straight line method as per the rates and in the manner 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. Premium on leasehold land is amortized over the initial period of lease. Individual low cost assets (acquired for less than ₹ 5,000/-) are entirely depreciated in the year of acquisition.



f) VALUATION OF INVENTORIES

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

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

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

g) RETIREMENT BENEFITS

A. Gratuity

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

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

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

B. Short Term Employees Benefits

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

h) INVESTMENTS

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

i) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

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

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

j) EXPENDITURE ON RESEARCH AND DEVELOPMENT

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



k) LEASES

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

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

l) INCOME TAX EXPENSE

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

Current tax

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

Deferred tax

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

m) EARNINGS PER SHARE

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

n) EMPLOYEE STOCK OPTION SCHEMES

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

o) PROVISIONS AND CONTINGENT LIABILITIES

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

p) IMPAIRMENT OF ASSETS

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

**B. NOTES ON ACCOUNTS**

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

2) EXPORT BENEFITS:

The Company has accounted an amount of ₹ 16,875,462/- (P.Y. ₹ 13,832,643/-) 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 31.03.2011 is ₹ 21,118,281/- (P.Y. ₹ 11,415,647/-) and the same is reflected under loans and advances.

3) MARKET DEVELOPMENT EXPENSES:

Expenditure incurred on Market development amounting to ₹ 228,984/- (P.Y. ₹ 228,984/-) has been written off during the year. Balance on this account as on 31.03.2011 is ₹ 6,86,983/- (P.Y. ₹ 915,967/-).

4) RESEARCH & DEVELOPMENT REVENUE EXPENSES:

An amount of ₹ 12,805,725/- (P.Y. ₹ 8,530,889/-) has been incurred during the year on research and development of new products and processes in the R & D Centre. The same is proposed to be amortized over a period of 10 years commencing from the year of commercial production. Amount written off during the year on account of the above was ₹ 5,458,572/- (P.Y. ₹ 5,045,057/-). The balance on this account as on 31.03.2011 is ₹ 58,751,825/- (P.Y. ₹ 51,404,671/-).

The details of expenditure incurred during the year is as under:-

	31.03.2011 ₹.	31.03.2010 ₹.
Revenue Expenditure		
A. Raw Material Consumed	3,769,039	2,354,746
B. Fuel & Power	1,689,417	1,338,452
C. Water Charges	89,831	88,284
D. Laboratory Expenses	1,302,063	1,602,318
E. Salaries wages and other allowances	5,495,479	2,729,294
F. Others	459,896	417,795
Total	12,805,725	8,530,889
CAPITAL EXPENDITURE	-	-
Grand Total	12,805,725	8,530,889

5) The Company has provided for ₹ 12,27,343/- (P.Y. ₹ 7,15,595/-) being Excise Duty on Finished Goods lying at various manufacturing units as at 31.03.2011.

6) BREAK-UP OF DEFERRED TAX ASSETS AND LIABILITIES:

	31.03.2011 ₹.	31.03.2010 ₹.
Deferred tax Assets recognized for timing differences due to:		
A. Current Liabilities	4,142,100	3,180,792
B. Sec 40a(ja) Disallowances	-	229,700
C. Carried forward losses	11,004,002	2,584,977
D. Provision for diminution in the value of investment	-	114,933
	15,146,102	6,110,402
Deferred tax Liabilities recognized for timing differences due to:		
A. Depreciation and other differences in block of fixed assets	63,044,371	58,494,560
B. Others	19,744,085	9,391,440
	82,788,456	67,886,000
Net Deferred Tax Liabilities	67,642,354	61,775,598
Charge to Profit & Loss Account	5,866,756	4,628,254

**7) CONTINGENT LIABILITIES NOT PROVIDED FOR (in ₹)**

- a) Guarantees issued by Company's bankers ₹ 11,452,970/- (P.Y. ₹ 6,810,977/-)
b) Letter of credit ₹ 111,713,626/- (P.Y. ₹ 54,582,725/-).
c) Estimated value of contracts remaining to be executed on capital account and not provided for ₹ NIL/- (P Y ₹ NIL/-).

8) CIF VALUE OF IMPORTS:

(in ₹)

	31.03.2011	31.03.2010
1. Raw Materials	235,269,107	322,103,581
2. Capital Goods (Including spares & components)	2,812,431	51,597
	238,081,538	322,155,178

9) A) EXPENDITURE IN FOREIGN CURRENCY

	31.03.2011	31.03.2010
a. Travelling Expenditure	2,769,836	1,612,475
b. Registration Fee	1,562,830	1,077,345
c. Commission on Export sales	1,836,508	1,413,580
d. Sales Promotion	2,353,455	4,027,898
	8,522,629	8,131,298

B) EARNINGS IN FOREIGN CURRENCY (in Rupees)

	31.03.2011	31.03.2010
a. FOB Value of Exports	633,221,979	538,692,125

10) Gratuity Plan:

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

Change in defined benefit obligation

(Amount in ₹)

Particulars	Gratuity (Funded)		Leave Encashment (unfunded)	
	2010-11	2009-10	2010-11	2009-10
Change in defined benefit obligation				
Opening defined benefit obligation	10,577,572	10,291,331	1,654,005	-----
Interest Cost	825,962	705,401	132,320	-----
Current Service Cost	1,794,125	1,750,962	922,814	819,123
Benefits Paid	(506,097)	(428,340)	-	-----
Actuarial losses/(Gain)	(201,755)	(1,741,782)	(380,136)	834,882
Closing defined benefit obligation	12,489,807	10,577,572	2,329,003	1,654,005

Change in plan assets

Plan Assets at beginning of the year at fair value	2,655,927	2,855,751	-----	-----
Expected Return on plan assets (estimated)	192,200	211,300	-----	-----
Contributions	-----	-----	-----	-----
Benefits Settled	(506,097)	(428,340)	-----	-----
Actuarial gain/(loss) on plan assets	7,147	17,216	-----	-----
Plan Assets at the end of the year at fair value	2,349,177	2,655,927	-----	-----



Particulars	Gratuity (Funded)		Leave Encashment (unfunded)	
	2010-11	2009-10	2010-11	2009-10
Reconciliation of present value of the obligation and the fair value of the plan assets				
Fair Value of plan assets at the end of the year	2,349,177	2,655,927	-----	-----
Present value of the defined benefit obligation at the end of the year	12,489,807	10,577,572	2,329,003	1,654,005
Assets/(Liability) recognized in the balance sheet	(10,140,630)	(7,921,645)	(2,329,003)	(1,654,005)
Cost for the period				
Current Service Cost	1,794,125	1,750,962	922,814	819,123
Interest Cost	825,962	705,401	132,320	-----
Expected Return on Plan Asset	(192,200)	(211,300)	-----	-----
Net Actuarial (Gain)/Loss recognized for the year	(208,902)	(1,758,998)	(380,136)	834,882
Expense/(Income) recognized in the statement of P/L account	2,218,985	486,065	674,998	1,654,005
Movements in the Liability recognized in Balance sheet				
Opening Liability	7,921,645	7,435,580	1,654,005	-----
Expense/income recognized for the period, as above	2,218,985	486,065	674,998	1,654,005
Contribution paid	-----	-----	-----	-----
Closing Liability	10,140,630	7,921,645	2,329,003	1,654,005
Assumptions at the valuation date				
Discount factor	8.00%	8.00%	8.00%	8.00%
Salary Escalation rate	5.50%	5.50%	5.50%	5.50%
Rate of Return (Expected) on plan Asset	8.00%	8.00%	-----	-----
Retirement age	58	58	58	58

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

- 11.1 Hire purchase finance provided by various financial institutions is secured by a charge on the assets financed by the respective institutions.
- 11.2 The Working Capital Loan financed by Canara 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.
- 11.3 Loan obtained from State Bank of India is secured by hypothecation of assets of Unit II, Unit III, and Unit IV funded by them.
- 11.4 Secured loans obtained from EXIM Bank of ₹ 21.55 Crores towards establishment of Formulation Plant at Uttaranchal is secured by first pari passu charge on the entire immovables and 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.
- 11.5 All the Secured Loans have been guaranteed by two Directors including Managing Director in their personal Capacity.

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) 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.

**15) EMPLOYEE STOCK OPTION SCHEME**

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

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

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

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

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

Particulars	31.03.2011	31.03.2010
Options outstanding at the beginning	110,400	172,900
Add: Options Granted	-----	-----
Less: Options forfeited/Surrendered	7,600	62,500
Less: Options exercised	-----	-----
Options outstanding at the end	102,800	110,400

* Exercise Price: ₹ 15.75/-

16) RELATED PARTY DISCLOSURES:

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

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

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

C. Key managerial Personnel represented on the board:

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



D. Particulars of related party transactions :

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

	31.03.2011	31.03.2010
i) Sales to Significant interest entities	31,356,086	16,860,572
ii) Purchase from Significant interest entities	12,463,863	6,851,437
iii) Commission paid to Enterprises owned by the Managing Director of the company	4,739,284	7,891,216
iv) Job Work Charges Paid to significant interest entities	2,885,233	-
v) Job Work charges paid to subsidiaries	7,014,623	4,732,622
vi) Repayment of advance to significant interest entities	-	8,000,000
vii) Interest paid to significant interest entities	-	466,667
viii) Repayment of loan by subsidiaries	-	1,537
ix) Advance given to enterprises in which Managing Director of the Company exercises joint control with other partners	-	32,352
x) Repayment of advance from enterprises in which Managing Director of the Company exercises joint control with other partners	-	90620

E. Details of remuneration paid to the Managing Director and whole time Director are given in Note.No.17 of Schedule 20.

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

Particulars	31.03.2011	31.03.2010
i) Due from related parties		
a) Subsidiaries : (Included in loans and advances)	6,460,000	6,460,000
b) Significant interest entities (Included in Sundry Debtors)	7,716,174	6,014,741
ii) Due to related parties		
Enterprises owned by Managing Director of the Company (Included in current liabilities)	6,349,020	3,475,539
iii) Subsidiaries (Included in current liabilities)	540,278	1,095,641
iv) Significant interest entities(included in current liabilities)	8,939,589	-----

17) Particulars of Managerial Remuneration:

The Remuneration paid to Managerial personnel during the year :

	Managing Director		Whole time Directors	
	31.3.2011	31.3.2010	31.3.2011	31.3.2010
Salaries & Allowances	4,200,000	4,000,000	2,040,000	2,040,000
Commission	NIL	NIL	NIL	NIL
Perquisites	NIL	NIL	NIL	NIL

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

Particulars		Amount (₹.)
Net Profit before taxation as per profit and loss account		11,027,470
Add :		
Depreciation provided in the accounts	28,548,501	
Managerial Remuneration	6,240,000	
Directors' sitting fee	42,000	34,830,501
		45,857,971
Less :		
Depreciation under Section 350 of the Act		28,548,501
Net Profit/Loss for the purpose of Section 269		17,309,470

Managerial Remuneration paid to Managing and whole time Directors ₹ 62, 40,000

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



19) Auditor's Remuneration:

(Amount in ₹)

	31.3.2011	31.3.2010
Statutory Audit Fees	250,000	200,000
Tax Audit Fees	50,000	50,000
Other services	55,000	40,200
Reimbursement of out of pocket expenses	50,000	50,000
Total	405,000	340,200

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

	31.03.2011	% of Total Consumption	31.03.2010	% of Total Consumption
Raw Materials				
Imported	235,269,107	44.02	195,507,115	35.10
Indigenous	299,130,837	55.98	361,432,106	64.90
Total	534,399,944		556,939,221	
Stores & Spares				
Imported	-		-	
Indigenous	12,309,066	100	10,541,744	100

21) QUANTITATIVE INFORMATION

a) Installed capacity (as certified by the Management)

PRODUCT	UNIT	31.03.2011	31.03.2010
Tablets	Million Nos.	3770	3770
Capsules	Million Nos.	100	100
Liquids	Kilo Litres	750	750
Ointment	Metric Tonne	75	75
IV-Fluids	Million Nos.	7	7
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 is 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	10,811	109,774	582,968	5,437	11,260	555,103	546,055	44,114	99,339
			(29,755)	(55,283)	(426,455)	(705)	(13,324)	(446,104)	(409,808)	(10,811)	(109,774)
2	Capsules	000 Nos	6,074	23,970	8,694	2,884	6,367	14,538	40,586	3,114	13,573
			(5,625)	(6,469)	(32,933)	(126)	(5,851)	(32,610)	(71,098)	(6,074)	(23,970)
3	Liquids	Kilo Ltrs	19,443	4,882	9,212	59	13,947	9,205	86,297	86	13,451
			(92)	(3,296)	(26,488)	(1,704)	(15,404)	(8,841)	(103,914)	(19,443)	(4,882)
4	Ointments	Kgs	3,632	2,814	5,393	-	-	6,419	5,431	2,606	4,167
			(19,440)	(28,666)	(35,551)	(179)	(3,839)	(51,539)	(21,881)	(3,632)	(2,814)
5	EED	Million	2	1,999	0.307	-	-	0.447	893	2	1,650
			(0)	(266)	(4)	-	-	(2)	(5,692)	(2)	(1,999)
6	Bulk Drugs	Kgs	2,778	4,697	45,912	-	-	48,380	461,488	309	2,047
			(4)	(26)	(64,734)	-	-	(61,960)	(449,112)	(2,778)	(4,697)



d)

RAW MATERIALS CONSUMED	UNIT	QUANTITY	VALUE (₹.000)
Powder	Kgs	1,358,735 (1,029,731)	479,763 (523,943)
Liquids	Ltrs	870,116 (608,125)	46,633 (25,327)
Capsule	000'Nos	126,719 (123,703)	8,004 (7,669)

- 22) (a) The claim of duty and penalty of ₹ 868,598 for the period May 2000 to November 2001 by Central Excise in respect of Unit III is being contested and under the directions of CESTAT, Mumbai a pre-deposit of ₹ 30,000/- has been made. The same is still pending decision.
- (b) A Sales Tax claim of ₹ 749,720/- on treating stock transfer as sales in Ernakulam by the Commercial Taxes, Special Circle I, KGST is being contested and a deposit of ₹ 253,729 has been made. The application is being heard by the Deputy Commissioner, Ernakulam and is still pending decision.
- (c) During the year, the Income Tax Officer (TDS) raised a demand of ₹ 89,50,429 towards non deduction of TDS under the provisions of Income Tax Act, 1961 for the assessment years 2004-05 to 2008-09 on all principal to principal purchase transactions entered into by it during the said assessment years. The company filed an appeal before the commissioner of income Tax Appeals-V- HMT Bhavan Bangalore against the said order and as per the directions of the commissioner, the company deposited 25% of the demand amounting to ₹ 22,37,610/-. The said appeal is still pending. The management is however, confident of favorable appeal order.
- (d) 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.
- 23) Based on the information available with the company, the balance due to Micro & Small Enterprises as defined under the MSMED Act, 2006 is ₹ NIL. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

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

Year	Amount
2003-04	184,828
2004-05	11,830
2005-06	163,221
2006-07	125,070
2007-08	189,482
2008-09	173,428
Total	847,859

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

(Amount in ₹)

	Year ended March 31, 2011	Year ended March 31, 2010
1. Opening No of shares	10,483,224	10,483,224
2. Total Shares Outstanding	10,483,224	10,483,224
3. Weighted average number of shares	10,483,224	10,483,224
4. Profit after Taxation available to Equity Shareholder (in Lacs)	47.23	-134.08
5. EPS	0.45	-1.28
DILUTED		
6. Weighted average number of shares (including employee Stock options dilution)	10,532,303	10,527,910
7. Diluted EPS	0.45	-1.27



- 26) During the financial year 2007-2008, the company entered into a share purchase agreement with the promoters and shareholders of Basav Chem Limited to acquire 100% control through purchase of existing Equity shares held by them. In accordance with the agreement, the company purchased 100,000 equity shares of ₹ 10/- each @ ₹ 5/-per share and paid the amount directly to the erstwhile shareholders. Also, the Company cleared Basav Chem Ltd's secured and unsecured loans. Further during the year 2009-10, the Company had filed for amalgamation of Basav Chem limited with itself, for which necessary approvals are still awaited. An amount of ₹ 6,460,000/- (P.Y. 6,460,000) paid by the company towards discharge of Basav Chem Limited's liabilities is disclosed as advance to subsidiary.
- 27) The Company is primarily engaged in a single business segment of manufacturing and marketing of Pharmaceutical Formulations and Active Pharmaceutical Ingredients and is managed as ONE entity, for its various activities and is governed by a similar set of risks and returns.

Geographical segments

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

Sales by market:

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

GEOGRAPHICAL SEGMENTS	2010-2011	2009-2010
India	477,318,985	491,864,150
Other than India	666,597,749	573,528,355
Total	1,143,916,734	1,065,392,505

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

Particulars	2010-2011		2009-2010	
	India	Others*	India	Others*
Carrying amount of Segment assets	1,072,484,126	223,048,142	1,019,624,139	172,314,970
Additions to fixed assets	14,537,284	-	12,924,382	

* Others represent receivables from debtors located outside India.

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

As per our report of even date

For **T D JAIN and D I SAKARIA**

Chartered Accountants

ICAI FRN No. 002491S

FOR & ON BEHALF OF THE BOARD

T D Jain

Partner

M. No. 012034

S. Ramji

AVP Finance & Company Secretary

Dr. S. Prasanna

Director

Shailesh Siroya

Managing Director

Bangalore

12th August, 2011



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

(Rupees in '000)

Particulars	31.03.2011	31.03.2010
A. CASH FLOW FROM THE OPERATING ACTIVITIES		
Profit Before Tax	11,027	(7,782)
Adjustments for:		
Gratuity and Leave Encashment	2,894	486
Depreciation	28,549	28,070
Misc. expenditure written off	5,688	5,274
Others – ESOP amortisation	52	(436)
Interest Received	(893)	(729)
Dividend Income	(7)	(9)
Diminution in value of investment	-	346
Profit on sale of fixed assets	-	(18,883)
Interest Paid	58,047	56,614
Operating Profit before working capital changes	105,357	62,952
Adjustments for		
(Increase)/Decrease in inventories	(35,919)	(46,855)
R & D Expenditure	(12,806)	(8,531)
(Increase)/ Decrease in trade & other Payables	61,690	(21,925)
(Increase)/ Decrease in trade & other Receivables	(74,851)	(29,810)
Income tax adjustment	1,932	(7,649)
	(59,954)	(114,770)
NET CASH FROM OPERATING ACTIVITIES	45,403	(51,818)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(14,537)	(12,924)
Increase/Decrease in CWIP	(1,278)	3,988
Sale of Fixed Assets	-	54,996
Dividend Income	7	9
Net Cash from investing Activities	(15,808)	46,068
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds (Payments) from Long term borrowings	(47,317)	(1,929)
Working Capital Borrowings	40,842	82,628
Proceeds (Payments) of Unsecured Loans	39,591	(8,195)
Interest paid on borrowings	(58,047)	(56,614)
Interest received	893	729
Dividend & dividend tax paid	-	(9,199)
Net Cash from financing Activities	(24,039)	7,420
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	5,556	1,670
Opening Cash	16,148	14,478
Closing Cash	21,704	16,148
NET CASH CHANGE	5,556	1,670

Notes:

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

As per our report of even date

For **T D JAIN and D I SAKARIA**
ICAI FRN No. 002491S
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T D Jain
Partner
M. No. 012034

S. Ramji
AVP Finance & Company Secretary

Dr. S. Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
12th August, 2011

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

₹ 000's

I REGISTRATION	8368	STATE CODE	08
Balance sheet Date	31.03.2011		

II CAPITAL RAISED DURING THE YEAR

Public issue	NIL	Right issue	NIL
Bonus issue	NIL	Private placement	NIL

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

Total Laibilities	1010018	Total Assets	1010018
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SOURCE OF FUNDS

Paid-up Capital	104832	Secured Loans	537615
Reserves & Surplus	260241	Unsecured Loans	39688
Deferred Tax	67642		

APPLICATION OF FUNDS

Net Fixed Assets	481098	Net Current Assets	468931
Investments	550	Misc.Expenditure	59439

IV PERFORMANCE OF THE COMPANY

Turnover	1150117	Profit After Tax	4723
Total Expenditure	1139090	Earnings per share	0.45
Profit Before Tax	11027	Dividend	-

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

Item Code (ITC code)	29420029
Production Description	Gliclazide
Item Code (ITC code)	30049063
Production Description	Paracetamol
Item Code (ITC code)	29333990
Production Description	Ebastine



CONSOLIDATED BALANCE SHEET AS AT 31.03.2011

	SCH	AS AT 31.03.2011		AS AT 31.03.2010	
		₹	₹	₹	₹
SOURCES OF FUNDS					
I. SHAREHOLDERS' FUND					
a. Share Capital	1	104,832,240		104,832,240	
b. Reserves & Surplus	2	256,919,927	361,752,167	252,789,177	357,621,417
II. LOAN FUNDS					
a. Secured Loans	3	537,615,027		544,090,068	
b. Unsecured Loans	4	39,688,020	577,303,047	97,470	544,187,538
III. DEFERRED TAX LIABILITY (NET)					
	5		68,101,661		62,367,814
TOTAL			1,007,156,875		964,176,769
APPLICATIONS OF FUNDS					
I. FIXED ASSETS					
a. Gross Block	6	664,535,472		649,871,809	
b. Less: Accumulated Depreciation		181,370,388		152,364,081	
c. Net Block		483,165,084		497,507,728	
d. Capital Work in Progress		1,277,984	484,443,068	-	497,507,728
II. INVESTMENTS					
	7		150,000		150,000
III. CURRENT ASSETS, LOANS & ADVANCES					
a. Inventories	8	322,143,609		286,224,499	
b. Sundry Debtors		370,158,625		319,172,267	
c. Cash & Bank Balances		22,303,171		16,148,069	
d. Loans & Advances		94,399,519		70,494,902	
Total (A)		809,004,924		692,039,737	
CURRENT LIABILITIES & PROVISIONS					
a. Current Liabilities	9	330,582,764		267,936,516	
b. Provisions		15,297,160		9,904,818	
Total (B)		345,879,924		277,841,334	
NET CURRENT ASSETS (A-B)			463,125,000		414,198,403
IV. INTANGIBLE ASSETS					
Gross Carrying Amount	10	104,060,303		91,254,578	
Less: Cumulative Amortisation		44,621,496		38,933,940	
Net Carrying Amount			59,438,807		52,320,638
TOTAL			1,007,156,875		964,176,769
NOTES ON ACCOUNTS	20				

As per our report of even date
For **T D JAIN** and **D I SAKARIA**
ICAI FRN No. 002491S
Chartered Accountants

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AVP Finance & Company Secretary

Dr. S. Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
12th August, 2011

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011**

Particulars	SCH	31.03.2011		31.03.2010	
		₹	₹	₹	₹
I. INCOME					
Sales & Services	11			1,081,515,642	
		1,165,004,657			
Less : Excise Duty		22,085,261	1,142,919,396	19,263,191	1,062,252,452
Other Income	12		7,942,347		29,427,974
			1,150,861,743		1,091,680,426
II. EXPENDITURE					
Cost of Materials Consumed	13	615,281,541		600,000,867	
Manufacturing Expenses	14	69,959,826		59,752,653	
Employees Remuneration & Benefits	15	123,855,247		114,096,703	
Selling & Distribution Expenses	16	175,576,504		185,431,959	
Administration Expenses	17	53,200,077		44,972,928	
Financial Expenses	18	67,913,238		62,604,480	
Amortization of Intangible Assets	19	5,687,556		5,274,041	
Depreciation	6	29,006,308	1,140,480,296	28,589,912	1,100,723,543
III. Profit for the year before Tax			10,381,447		(9,043,117)
Add/(Less) : Prior Year Adjustment			-		(18,860)
IV. Profit Before Income Tax			10,381,447		(9,061,977)
Provision for Income Tax - Current Year			415,000		-
Provision for wealth tax			38,569		52,795
(Excess) / Short Provision for Tax - Earlier Years			115,249		680,134
Deferred Tax (As Per AS 22)			5,733,847		4,493,335
V. Profit After Tax			4,078,782		(14,288,241)
VI. Balance Brought Forward From Previous Year			76,373,491		90,661,732
			80,452,273		76,373,491
VII. Appropriations					
Proposed Dividend:					
- Equity Shares			-		-
Provision for Corporate Tax on Dividend					
- Equity Shares			-		-
VIII. Balance Carried to Balance Sheet			80,452,273		76,373,491
EARNINGS PER SHARE					
Basic EPS			0.39		(1.36)
Diluted EPS			0.39		(1.36)
No: of Equity Shares			10,483,224		10,483,224
NOTES ON ACCOUNTS	20				

As per our report of even date
For **T D JAIN and D I SAKARIA**
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Managing Director

Bangalore
12th August, 2011



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31.03.2011

Particulars	31.03.2011		31.03.2010	
	₹	₹	₹	₹
SCHEDULE - 1				
SHARE CAPITAL				
AUTHORISED				
11,000,000 (P. Y. 11,000,000) Equity Shares of ₹10 each	110,000,000		110,000,000	
400,000 (P. Y. 400,000) Redeemable Preference Shares of ₹100 each	40,000,000	150,000,000	40,000,000	150,000,000
ISSUED, SUBSCRIBED & PAID UP				
EQUITY SHARE CAPITAL				
10,483,224 (P. Y. 10,483,224) Equity Shares of ₹10 each fully paid		104,832,240		104,832,240
Note:				
1. 3,040,000 Equity Shares of ₹10/- each have been issued as bonus shares by capitalisation of reserves		104,832,240		104,832,240
SCHEDULE - 2				
RESERVES & SURPLUS				
1. Capital Reserve		4,905,725		4,905,725
2. Securities Premium				
Opening Balance		145,637,950		145,637,950
3. General Reserve		24,015,000		24,015,000
4. Employee Stock options outstanding				
Balance at the beginning	2,103,120		3,293,745	
Add: Options granted	-		-	
Less: Transferred to securities premium account on exercise of options	-		-	
Less: Options forfeited/surrendered	144,780		1,190,625	
Balance at end of the Year (A)	1,958,340		2,103,120	
Deferred stock compensation cost				
Balance at the beginning	246,109		1,000,745	
Add: Options granted	-		-	
Less: Options forfeited/surrendered	144,780		1,190,625	
Less: Amortization	51,968		(435,989)	
Balance at end of the Year (B)	49,361		246,109	
(A) - (B)		1,908,979		1,857,011
5. P & L Account -Surplus				
Opening Balance	76,373,491		90,661,732	
Add: Surplus for the year	4,078,782	80,452,273	(14,288,241)	76,373,491
		256,919,927		252,789,177
SCHEDULE - 3				
SECURED LOANS				
TERM LOANS				
Exim Bank	145,381,686		175,154,637	
State Bank of India	17,155,716		32,488,866	
Others	2,254,757	164,792,159	4,466,087	212,109,590
WORKING CAPITAL LOAN				
Canara Bank	175,457,571		166,419,609	
Exim Bank	34,438,855		34,530,834	
Punjab National Bank	162,926,442		129,204,629	
ICICI Bank Ltd.	-		1,825,406	
		372,822,868		331,980,478
		537,615,027		544,090,068



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31.03.2011 (Contd....)

Particulars	31.03.2011		31.03.2010	
	₹	₹	₹	₹
SCHEDULE - 4				
UNSECURED LOANS				
Canara Bank		20,913,445		-
Punjab National Bank		18,774,575		97,470
		<u>39,688,020</u>		<u>97,470</u>
SCHEDULE - 5				
DEFERRED TAX LIABILITY				
Opening Balance		62,367,814		57,874,479
Add: Liability created for the year		5,733,847		4,493,335
		<u>68,101,661</u>		<u>62,367,814</u>

SCHEDULE 6
FIXED ASSETS AS ON 31.03.2011

ASSET	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	AS AT 01.04.2010	Additions	Deletions	AS AT 31.03.2011	AS AT 01.04.2010	FOR THE YEAR	Deletions	AS AT 31.03.2011	AS AT 31.03.2011	AS AT 31.03.2010	
Leasehold Land	12,583,430	-	-	12,583,430	146,982	146,982	-	293,964	12,289,466	12,436,448	
Freehold Land	5,697,483	-	-	5,697,483	-	-	-	-	5,697,483	5,697,483	
Building	194,536,309	1,193,708	-	195,730,017	31,022,287	6,501,358	-	37,523,644	158,206,373	163,514,022	
Plant & Machinery	202,662,601	8,391,748	-	211,054,349	46,505,395	9,782,362	-	56,287,757	154,766,592	156,157,206	
Utilities	104,950,397	3,686,740	-	108,637,137	29,431,793	5,081,860	-	34,513,653	74,123,484	75,518,604	
Furniture & Fixtures	17,565,172	382,178	-	17,947,350	6,195,579	1,131,002	-	7,326,581	10,620,769	11,369,593	
Misc. Fixed Assets:	93,243,781	1,009,289	-	94,253,070	31,675,018	4,592,643	-	36,267,661	57,985,409	61,568,763	
Vehicles	18,632,636	-	-	18,632,636	7,387,027	1,770,101	-	9,157,128	9,475,508	11,245,609	
Total	649,871,809	14,663,663	-	664,535,472	152,364,081	29,006,308	-	181,370,388	483,165,084	497,507,728	
Previous year	674,548,419	12,924,382	37,600,992	649,871,809	125,263,149	28,589,912	1,488,980	152,364,081	497,507,728	549,285,270	
Capital Work in Progress									1,277,984	-	

SCHEDULE - 7
INVESTMENTS

QUOTED :

Non Trade : (at Cost) (Market Value as on 31.03.2011 not available)

(i) Lamina Foundries Limited 10,000 (P.Y. 10,000) Equity Shares of ₹10 each fully paid	371,850		371,850	
(ii) Sri Jayalakshmi Autospin Limited 73,600 (P.Y. 73,600) Equity Shares of ₹10 each fully paid	736,000		736,000	
Less: Provision for diminution in value	(1,107,850)	-	(1,107,850)	-

UNQUOTED :

Trade :

The Saraswat Co-operative Bank Limited		100,000		100,000
Non Trade :				
The Shamrao Vithal Co-operative Bank Ltd., (5,000 (P.Y. 5,000) Equity Shares of ₹10 each fully paid)		50,000		50,000
		<u>150,000</u>		<u>150,000</u>

SCHEDULE- 8

CURRENT ASSETS, LOANS & ADVANCES

I. INVENTORIES

(As valued & certified by the Management)				
Raw Materials	82,936,102		75,208,578	
Packing Materials	27,886,606		20,233,352	
Work in Progress	75,950,211		41,316,481	
Finished Goods	134,227,225		148,136,117	
Stores & Consumables	1,143,465	322,143,609	1,329,971	286,224,499



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31.03.2011 (Contd....)

Particulars	31.03.2011		31.03.2010	
	₹	₹	₹	₹
SCHEDULE - 8 (Contd....)				
2. SUNDRY DEBTORS				
(Unsecured, considered good)				
Debts outstanding for more than six months	68,140,882		58,903,510	
Other Debts	302,017,743	370,158,625	260,268,757	319,172,267
3. CASH & BANK BALANCES				
Cash in Hand	71,618		206,487	
Balance with Scheduled Banks:				
- in EEFC	120,705		733,208	
- in Fixed Deposit	18,933,047		12,282,950	
- in Current Account	3,177,801	22,303,171	2,925,425	16,148,069
4. LOANS & ADVANCES				
(Unsecured, considered good)				
Advances recoverable in cash or in kind or for value to be received	42,798,037		35,741,758	
Deposit with Govt. dept. & Others	38,648,607		24,346,730	
Advance Income Tax & TDS	1,892,033		1,960,950	
Advance to suppliers	10,913,853		8,207,783	
Indira Vikas Patra	3,000		3,000	
National Savings Certificate	13,725		10,725	
Interest Accrued but not due	130,264		223,956	
		94,399,519		70,494,902
		809,004,924		692,039,737
SCHEDULE- 9				
CURRENT LIABILITIES & PROVISIONS				
CURRENT LIABILITIES				
Trade Creditors :				
- Dues to medium and small enterprises (Refer notes SI No. 22)	-		-	
- Other Dues	213,137,962		171,732,096	
Capital Creditors	5,877,045		8,463,708	
Creditors for Expenses	51,224,742		40,471,617	
Advances from customers	28,916,540		20,308,091	
Other Current Liabilities	14,788,979		18,494,800	
Book Overdraft on account of issue of cheques	8,850,933		1,621,309	
Deposits received from customers	6,796,954		5,458,674	
Unclaimed Rights Issue Application Money	141,750		141,750	
Unclaimed Dividends- Equity (Refer Notes SI. No. 23)	847,859	330,582,764	1,244,471	267,936,516
PROVISIONS				
Gratuity	10,408,114		8,151,133	
Provision for Tax	2,447,957		78,013	
Provision for Leave Encashment	2,441,089		1,675,672	
		15,297,160		9,904,818
		345,879,924		277,841,334



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31.03.2011 (Contd....)

SCHEDULE 10

(Amount in ₹)

INTANGIBLE ASSETS AS ON 31.03.2011

Intangible Assets	Gross Carrying Amount				Cumulative Amortization			Net Carrying Amount		
	As on 01.04.2010	Additions	Gross Carrying Amount Adjustment	As at 31.03.2011	As on 01.04.2010	Amortization during the Year	Retirement/ Disposal adjustments	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
R&D expenses	79,564,106	12,805,725	-	92,369,831	28,159,435	5,458,572	-	33,618,007	58,751,824	51,404,671
Development expenditure	11,690,472	-	-	11,690,472	10,774,505	228,984	-	11,003,489	686,983	915,967
Total	91,254,578	12,805,725	-	104,060,303	38,933,940	5,687,556	-	44,621,496	59,438,807	52,320,638
Previous Year	82,723,689	8,530,889	-	91,254,578	33,659,899	5,274,041	-	38,933,940	52,320,638	49,063,790

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011

Particulars	2010-2011		2009-2010	
	₹	₹	₹	₹
SCHEDULE - 11				
INCOME FROM SALES & SERVICES				
Exports:				
Sales	666,597,749		573,528,355	
Incentives	16,875,462		13,832,643	
	683,473,211		587,360,998	
Domestic Sales	519,255,627		532,014,635	
	1,202,728,838		1,119,375,633	
Less: Goods Returns	41,936,642	1,160,792,196	40,150,485	1,079,225,148
Conversion charges		4,212,461		2,290,494
		<u>1,165,004,657</u>		<u>1,081,515,642</u>
SCHEDULE - 12				
OTHER INCOME				
Interest -				
Bank		743,272		582,369
Others		189,631		169,769
Sub-let Income		295,600		-
Dividend Income		7,110		8,888
Foreign exchange fluctuation (Net)		4,386,697		7,849,579
Profit on Sale of Fixed Assets (Net)		-		18,882,954
Misc. Income		840,579		272,633
Provisions/Creditors no longer payable written back		1,479,458		1,661,782
		<u>7,942,347</u>		<u>29,427,974</u>
SCHEDULE- 13				
COST OF MATERIALS CONSUMED				
RAW MATERIALS				
Opening Stock	75,208,578		78,991,015	
Add : Purchases	542,127,468		553,156,784	
Less : Closing Stock	82,936,102	534,399,944	75,208,578	556,939,221
PACKING MATERIALS				
Opening Stock	20,233,352		14,635,467	
Add : Purchases	77,685,902		56,493,994	
Less : Closing Stock	27,886,606	70,032,648	20,233,352	50,896,109
WORK IN PROGRESS				
Opening Stock	41,316,481		50,193,765	
Closing Stock	75,950,211	(34,633,730)	41,316,481	8,877,284
FINISHED GOODS				
Opening Stock	148,136,117		94,005,657	
Less:Closing Stock	134,227,225	13,908,892	148,136,117	(54,130,460)
PURCHASE OF TRADED GOODS		<u>31,573,787</u>		<u>37,418,713</u>
		<u>615,281,541</u>		<u>600,000,867</u>

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011 (Contd...)**

Particulars	2010-2011		2009-2010	
	₹	₹	₹	₹
SCHEDULE - 14				
MANUFACTURING EXPENSES				
Consumables and Stores-opening stock	1,329,971		1,035,458	
Add: Purchases	13,926,789		11,548,022	
Less: Closing Stock	1,143,465	14,113,295	1,329,971	11,253,509
Power & Fuel	26,966,823		19,324,998	
Water Charges	1,124,172		1,200,085	
Laboratory and Testing	6,287,061		5,884,750	
Labour charges paid	6,340,855	40,718,911	6,814,670	33,224,503
Repairs & Maintenance:				
Building	-		82,736	
Machinery	7,769,490		4,617,648	
Others	5,502,858	13,272,348	7,334,324	12,034,708
Excise duty on finished goods stock		1,855,273		3,239,934
		69,959,826		59,752,653
SCHEDULE - 15				
EMPLOYEES REMUNERATION & BENEFITS				
Salaries, Wages & Allowances		96,404,723		89,032,691
Leave Encashment		765,417		1,675,672
Bonus & Exgratia		3,147,388		3,087,895
PF & E.S.I. Contributions		7,478,603		7,027,215
Employees Welfare		6,840,729		6,499,426
Recruitment & Training		669,438		711,408
Gratuity		2,256,981		458,385
Amortization of deferred stock compensation cost		51,968		(435,989)
Remuneration to Directors		6,240,000		6,040,000
		123,855,247		114,096,703
SCHEDULE - 16				
SELLING & DISTRIBUTION EXPENSES				
Advertisement		497,188		221,768
Seminar, Conference & Exhibition Expenses		3,714,229		3,686,942
Freight & Handling Charges on Export Sales		28,012,980		26,913,697
Commission on Sales		3,920,771		4,188,078
Field Staff Salaries & Incentives		60,352,778		55,669,865
Field Staff Travelling Expenses		27,874,965		33,583,783
Freight Outwards & Others		7,022,157		6,217,441
Breakages & Expired Goods		19,050,198		21,719,582
Other Selling Expenses		13,344,879		20,119,804
Sales Promotional Items		11,786,359		13,110,999
		175,576,504		185,431,959



SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011 (Contd...)

Particulars	2010-2011		2009-2010	
	₹	₹	₹	₹
SCHEDULE - 17				
ADMINISTRATION EXPENSES				
Travelling expenses - Inland				
- Directors	450,602		280,313	
- Others	4,463,374		2,911,546	
Travelling expenses - Foreign				
- Directors	2,893,765		2,333,172	
- Others	3,635,419	11,443,160	3,521,625	9,046,655
Repairs and Maintenance - Office	3,066,676		1,483,531	
Rates & Taxes	2,052,009		2,555,971	
Conveyance	2,592,366		2,745,689	
Postage, Telegram & Telephone	4,005,138		3,777,953	
Legal & Professional charges	5,911,442		4,734,166	
Printing & Stationery	5,854,002		3,752,312	
Insurance	2,101,549		2,847,093	
Rent	7,459,324		5,929,704	
Donations	16,500		26,500	
Directors Sitting fees	42,000		34,200	
Electricity Charges	864,936		819,142	
Balances/Advances/Bad debts written off	1,141,184		23,554	
Audit Fees	432,575		367,775	
Security Charges	2,089,275		1,594,029	
Registration Fees	200,050		1,119,363	
Vehicle Operation and Maintenance	2,337,346		2,123,690	
Subscription & Membership	622,553		1,089,118	
Diminution in the value of Investment	-		346,000	
Miscellaneous Expenses	967,993	41,756,917	556,482	35,926,273
		53,200,077		44,972,928
SCHEDULE - 18				
FINANCIAL CHARGES				
Interest on Term Loan	22,707,481		27,089,227	
Interest on Working Capital Loan	34,100,759		27,682,559	
Other Interest	1,239,030	58,047,270	1,842,331	56,614,117
Bank Charges		9,865,968		5,990,363
		67,913,238		62,604,480
SCHEDULE - 19				
AMORTISATION OF INTANGIBLE ASSETS				
Development Expenses		228,984		228,984
Research and Development Expenses		5,458,572		5,045,057
		5,687,556		5,274,041

**SCHEDULE 20****SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31.03.2011****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 financial statements and reported amounts of revenues and expenditure for the year. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

c) 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 2011 (in percentage)
Basav Chem Limited	India	100%

d) REVENUE RECOGNITION

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

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

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

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

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



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

e) FIXED ASSETS

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

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

f) DEPRECIATION

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

g) VALUATION OF INVENTORIES

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

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

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

h) RETIREMENT BENEFITS

A. Gratuity

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

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

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

B. Short Term Employees Benefits

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

i) INVESTMENTS

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

j) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

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

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



k) EXPENDITURE ON RESEARCH AND DEVELOPMENT

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

l) LEASES

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

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

m) INCOME TAX EXPENSE

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

Current tax

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

Deferred tax

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

n) EARNINGS PER SHARE

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

o) EMPLOYEES STOCK OPTION SCHEMES

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

p) PROVISIONS AND CONTINGENT LIABILITIES

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

q) IMPAIRMENT OF ASSETS

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

**B. NOTES ON ACCOUNTS**

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

2) EXPORT BENEFITS:

The Company has accounted an amount of ₹ 16,875,462/- (P.Y. ₹ 13,832,643/-) 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 31.03.2011 is ₹ 21,118,281/- (P.Y. ₹ 11,415,647/-) and the same is reflected under loans and advances.

3) MARKET DEVELOPMENT EXPENSES:

Expenditure incurred on Market development amounting to ₹ 228,984/- (P.Y. ₹ 228,984/-) has been written off during the year. Balance on this account as on 31.03.2011 is ₹ 6,86,983/- (P.Y. ₹ 915,967/-).

4) RESEARCH & DEVELOPMENT REVENUE EXPENSES:

An amount of ₹ 12,805,725/- (P.Y. ₹ 8,530,889/-) has been incurred during the year on research and development of new products and processes in the R & D Centre. The same is proposed to be amortized over a period of 10 years commencing from the year of commercial production. Amount written off during the year on account of the above was ₹ 5,458,572/- (P.Y. ₹ 5,045,057/-). The balance on this account as on 31.03.2011 is ₹ 58,751,825/- (P.Y. ₹ 51,404,671/-).

The details of expenditure incurred during the year is as under:-

	31.03.2011 ₹	31.03.2010 ₹
Deferred tax Assets recognized for timing differences due to:		
a) Raw Material Consumed	3,769,039	2,354,746
b) Fuel & Power	1,689,417	1,338,452
c) Water Charges	89,831	88,284
d) Laboratory Expenses	1,302,063	1,602,318
e) Laboratory Expenses	5,495,479	2,729,294
f) Salaries wages and other allowances	459,896	417,795
Total	12,805,725	8,530,889
Capital Expenditure	-	-
Grand Total	12,805,725	8,530,889

5) The Company has provided for ₹ 12,27,343/- (P.Y. ₹ 7,15,595/-) being Excise Duty on Finished Goods lying at various manufacturing units as at 31.03.2011.

6) BREAK-UP OF DEFERRED TAX ASSETS AND LIABILITIES:

	31.03.2011 ₹	31.03.2010 ₹
Deferred tax Assets recognized for timing differences due to:		
A. Current Liabilities	4,259,387	3,251,704
B. Sec 40a(ia) Disallowances	-	229,700
C. Current Year Loss	11,004,002	2,584,977
D. Provision for diminution in the value of investment	-	114,933
	15,263,389	6,181,314
Deferred tax Liabilities recognized for timing differences due to:		
A. Depreciation and other differences in block of fixed assets	63,620,965	59,157,687
B. Others	19,744,085	9,391,441
	83,365,050	68,549,128
Net Deferred Tax Liabilities	68,101,661	62,367,814
Charge to Profit & Loss Account	5,733,847	4,493,335



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

- a) Guarantees issued by Company's bankers ₹ 11,452,970/- (P.Y. ₹ 6,810,977/-)
- b) Letter of credit ₹ 111,713,626/- (P.Y. ₹ 54,582,725/-).
- c) Estimated value of contracts remaining to be executed on capital account and not provided for ₹ NIL/- (P Y ₹ NIL/-)

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

(Amount in ₹)

	31.03.2011	31.03.2010
1. Raw Materials	235,269,107	322,103,581
2. Capital Goods (Including spares & components)	2,812,431	51,597
	238,081,538	322,155,178

9)

	31.03.2011	31.03.2010
A EXPENDITURE IN FOREIGN CURRENCY		
a. Travelling Expenditure	2,769,836	1,612,475
b. Registration Fee	1,562,830	1,077,345
c. Commission on Export Sales	1,836,508	1,413,580
d. Sales Promotion	2,353,455	3,121,906
	8,522,629	7,225,306
B) EARNINGS IN FOREIGN CURRENCY		
a. FOB Value of Exports	633,221,979	538,692,125

10) **Gratuity & Leave Encashment Plan:**

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

(Amount in ₹)

Change in defined benefit obligation	Gratuity		Leave Encashment	
	2010-11	2009-10	2010-11	2009-10
Opening defined benefit obligation	10,548,499	9,126,598	---	---
Interest Cost	723,403	663,065	---	---
Current Service Cost	1,782,325	2,064,547	838,235	838,235
Benefits Paid	(428,340)	667,198	---	---
Actuarial losses/(Gain)	(1,818,827)	(638,513)	837,437	837,437
Closing defined benefit obligation	10,807,060	10,548,499	1,675,672	1,675,672

Change in Plan Aseets

Plan Assets at beginning of the year at fair value	2,655,927	2,855,751	-----	-----
Expected Return plan assets (estimated)	192,200	211,300	-----	-----
Contributions	-----	-----	-----	-----
Benefits Settled	(506,097)	(428,340)	-----	-----
Actuarial gain/(loss)	7,147	17,216	-----	-----
Plan Assets at the end of the year at fair value	2,349,177	2,655,927	-----	-----

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

Fair Value of plan assets at the beginning of the year	2,349,177	7,692,748	-	-----
Present value of the defined benefit obligation at the end of the year	12,222,323	10,549,892	(2,441,089)	(1,675,672)
Assets/(Liability) recognized in the balance sheet	(9,873,146)	(7,921,645)	(2,441,089)	(1,675,672)



Cost for the period	Gratuity		Leave Encashment	
	2010-11	2009-10	2010-11	2009-10
Current Service Cost	1,825,770	1,782,325	992,003	838,235
Interest ost	844,321	723,403	134,053	-----
Expected Return on Plan Assets	(192,200)	(211,300)	-----	-----
Net Actuarial (Gain)/ Loss recognized for the year	(220,910)	(1,836,043)	(360,639)	837,437
Expense/(Income) recognized in the P/L A/c	2,256,981	458,385	765,417	1,675,672

Movement in the Liability recognized in Balance sheet

Opening Liability	8,151,133	7,692,748	1,675,672	-----
Expense/income recognized for the period as above	2,256,981	458,385	765,417	1,675,672
Contribution paid	-----	-----	-----	-----
Closing Liability	10,408,114	8,151,133	2,441,089	1,675,672

Assumptions at the valuation date

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

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

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

- 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) 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.

15) EMPLOYEE STOCK OPTION SCHEME

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



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

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

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

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

Particulars	31.03.2011	31.03.2010
Options outstanding at the beginning	110,400	172,900
Add: Options Granted	-----	-----
Less: Options forfeited/Surrendered	7,600	62,500
Less: Options exercised	-----	-----
Options outstanding at the end	102,800	110,400

* Exercise Price : ₹ 15.75/-

16) RELATED PARTY DISCLOSURES:

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

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

B. Key managerial Personnel represented on the board:

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

C. Particulars of related party transactions :

The following is a summary of significant related party transactions:

(in Rupees)

	31.03.2011	31.03.2010
i) Sales to Significant interest entities	31,356,086	16,860,572
ii) Purchase from Significant interest entities	12,463,863	6,851,437
iii) Commission paid to Enterprises owned by the Managing Director of the Company	4,739,284	7,891,216
iv) Job work charges paid to significant interest entities	2,855,233	-
v) Repayment of advance to significant interest entities	-	8,000,000
vi) Advances given to enterprises in which Managing Director of the Company exercises joint control with otherpartners	-	32,352
vii) Interest paid to significant interest entities	-	466,667
viii) Repayment of Advance from to enterprises in which Managing Director of the Company exercises joint control with otherpartners	-	90,620

D. Details of remuneration paid to the Managing Director and whole time Director are given in Note.No.17 of Schedule 20.

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

Particulars	31.03.2011	31.03.2010
i) Due from related parties :		
a. Significant interest entities (Included in Sundry Debtors)	7,716,174	6,014,741
ii) Due to related parties		
iii) Enterprises owned by Managing Director of the Company (Included in current liabilities)	6,349,020	3,475,539
iv) Significant interest entities (included in current liabilities)	8,939,589	-----

17) Particulars of Managerial Remuneration:

The remuneration paid to Managerial personnel during the year :

	Managing Director		Whole time Directors	
	31.3.2011	31.3.2010	31.3.2011	31.3.2010
Salaries & Allowances	4,200,000	4,000,000	2,040,000	2,040,000
Commission	Nil	Nil	Nil	Nil
Perquisites	Nil	Nil	Nil	Nil

18) Auditor's Remuneration

	31.3.2011	31.3.2010
Statutory Audit Fees	277,575	227,575
Tax Audit Fees	50,000	50,000
Other services	55,000	40,200
Reimbursement of out of pocket expenses	50,000	50,000
Total	432,575	367,775

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

	31.03.2011	% of Total Consumption	31.03.2010	% of Total Consumption
Raw Materials				
Imported	235,269,107	44.02	195,507,115	35.10
Indigenous	299,130,837	55.98	361,432,106	64.90
Total	534,399,944		556,939,221	
Stores & Spares Imported	-	-	-	-
Indigenous	12,309,066	100	10,541,744	100
	12,309,066		10,541,744	

20) QUANTITATIVE INFORMATION

a) Installed capacity (as certified by the Management)

PRODUCT	UNIT	31.03.2011	31.03.2010
Tablets	Million Nos.	3770	3770
Capsules	Million Nos.	100	100
Liquids	Kilo Litres	750	750
Ointment	Metric Tonne	75	75
IV-Fluids	Million Nos.	7	7
Eye / Ear Drop	Million Nos.	19	19
Bulk Drugs	Metric Tonne	38	38

b) Licensed Capacity -- Not Applicable

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



c) Particulars of Production, Sale and Stock

(Values in '000's)

Sl.no	Particulars	Unit	Opening Stock		Production and Purchase			Sales		Closing Stock	
			No.	qty	value	qty	Qty	Value	qty	Value	qty
1	Tablets	000 Nos	10,811	109,774	582,968	5,437	11,260	555,103	546,055	44,114	99,339
			(29,755)	(55,283)	(426,455)	(705)	(13,324)	(446,104)	(409,808)	(10,811)	(109,774)
2	Capsules	000 Nos	6,074	23,970	8,694	2,884	6,367	14,538	40,586	3,114	13,573
			(5,625)	(6,469)	(32,933)	(126)	(5,851)	(32,610)	(71,098)	(6,074)	(23,970)
3	Liquids	Kilo Ltrs	19,443	4,882	9,212	59	13,947	9,205	86,297	19,509	13,451
			(92)	(3,296)	(26,488)	(1,704)	(15,404)	(8,841)	(103,914)	(19,443)	(4,882)
4	Ointments	Kgs	3,632	2,814	5,393	-	-	6,419	5,431	2,606	4,167
			(19,440)	(28,666)	(35,551)	(179)	(3,839)	(51,539)	(21,881)	(3,632)	(2,814)
5	EED	Million	2	1,999	0	-	-	0	893	2	1,650
			(0)	(266)	(4)	---	---	(2)	(5,692)	(2)	(1,999)
6	Bulk Drugs	Kgs	2,778	4,697	45,912	-	-	48,380	461,488	309	2,047
			(4)	(26)	(64,734)	---	---	(61,960)	(449,112)	(2,778)	(4,697)

d) RAW MATERIALS CONSUMED

RAW MATERIALS CONSUMED	UNIT	QUANTITY	VALUE (₹ 000)
Powder	Kgs	1,358,735	479,763
		(1,029,731)	(523,943)
Liquids	Ltrs	870,116	46,633
		(608,125)	(25,327)
Capsule	000*Nos	126,719	8,004
		(123,703)	(7,669)

- 21) (a) The claim of duty and penalty of ₹ 868,598 for the period May 2000 to November 2001 by Central Excise in respect of Unit III is being contested and under the directions of CESTAT, Mumbai a pre-deposit of ₹ 30,000/- has been made. The same is still pending decision.
- (b) A Sales Tax claim of ₹ 749,720/- on treating stock transfer as sales in Ernakulam by the Commercial Taxes, Special Circle I, KGST is being contested and a deposit of ₹ 253,729 has been made. The application is being heard by the Deputy Commissioner, Ernakulam and is still pending decision.
- (c) During the previous year, the Income Tax Officer (TDS) raised a demand of ₹ 89,50,429 towards non deduction of TDS under the provisions of Income Tax Act, 1961 for the assessment years 2004-05 to 2008-09 on all principal to principal purchase transactions entered into by it during the said assessment years. The company filed an appeal before the commissioner of income Tax Appeals-V- HMT Bhavan Bangalore against the said order and as per the directions of the commissioner, the company deposited 25% of the demand amounting to ₹ 22,37,610/-. The said appeal is still pending. The management is however, confident of favorable appeal order.
- (d) 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.
- 22) Based on the information available with the company, the balance due to Micro & Small Enterprises as defined under the MSMED Act, 2006 is ₹ NIL. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

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

Year	Amount
2003-04	184,828
2004-05	11,830
2005-06	163,221
2006-07	125,070
2007-08	189,482
2008-09	173,428
Total	847,859

24) Calculation of EPS (Basic and Diluted)

Sl No.	Particulars	Year ended 31 March 2011	Year ended 31 March 2010
1.	Opening No of shares	10,483,224	10,483,224
2.	Total Shares Outstanding	10,483,224	10,483,224
3.	Weighted average number of shares	10,483,224	10,483,224
4.	Profit after Taxation available to Equity Shareholder	40.79	-142.88
5.	EPS	0.39	-1.36
	DILUTED		
6.	Weighted average number of shares (including employee stock option dilution)	10,532,303	10,527,910
7.	Diluted EPS	0.39	-1.36

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

Geographical segments

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

Sales by market:

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

Geographical segments	2010-2011	2009-2010
India	477,318,985	494,154,644
Other than India	666,597,749	587,360,998
Total	1,143,916,734	1,065,392,505

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

Particulars	2010-2011		2009-2010	
	India	Others*	India	Others*
Carrying amount of segment assets	1,070,549,850	223,048,142	1,017,382,495	172,314,970
Additions to fixed assets	14,663,663	-	12,924,382	-

*Others represent receivables from debtors located outside India

- 29) Figures in brackets pertain to previous year.

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

As per our report of even date
For **T D JAIN and D I SAKARIA**
ICAI FRN No. 002491S
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T D Jain
Partner
M. No. 012034

S. Ramji
AVP Finance & Company Secretary

Dr. S. Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
12th August, 2011



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

(₹ in '000)

Particulars	31.03.2011	31.03.2010
A. CASH FLOW FROM THE OPERATING ACTIVITIES		
Profit before Tax	10,381	(9,062)
Adjustments for:		
Gratuity and Leave Encashment	3,022	458
Depreciation	29,006	28,590
Misc. expenditure written off	5,688	5,274
Others-ESOP amortisation	52	(436)
Interest Received	(933)	(729)
Dividend Income	(7)	(9)
Diminution in value of investment	-	346
Profit on sale of fixed assets	-	(18,883)
Interest Paid	58,047	56,614
Operating Profit before working capital changes	105,257	62,163
Adjustments for		
(Increase)/Decrease in inventories	(35,919)	(46,855)
R&D Expenditure	(12,806)	(8,531)
(Increase)/Decrease in trade & other Payables	62,646	(21,722)
(Increase)/Decrease in trade & other Receivables	(74,891)	(29,876)
Income tax adjustment	1,801	(7,395)
	(59,169)	(114,379)
NET CASH FROM OPERATING ACTIVITIES	46,088	(52,216)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(14,664)	(12,924)
Increase/Decrease in CWIP	(1,278)	3,988
Sale of Fixed Assets	-	54,995
Dividend Income	7	9
Net Cash from Investing Activities	(15,935)	46,068
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds(Payments) from Long term borrowings	(47,317)	(1,929)
Working Capital Borrowings	40,842	82,628
Proceeds (Payments) of Unsecured Loans	39,591	(8,195)
Interest paid on borrowings	(58,047)	(56,614)
Interest received	933	729
Dividend & dividend tax paid	-	(9,199)
Net Cash from Financing Activities	(23,999)	7,418
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	6,155	1,271
Opening Cash	16,148	14,877
Closing Cash	22,303	16,148
NET CASH CHANGE	6,155	1,271

Notes:

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

As per our report of even date
For **T D JAIN and D I SAKARIA**
ICAI FRN No. 002491S
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T D Jain
Partner
M. No. 012034

S. Ramji
AVP Finance & Company Secretary

Dr. S. Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
12th August, 2011

Your Directors have pleasure in presenting the Annual Report together with the Audited Accounts of your Company for the financial year ended on 31st March, 2011.

1. FINANCIAL RESULTS:

(₹. in Lakhs)

Particulars	2010-11	2009-10
1) Total Income	77.59	47.56
2) Profits before Depreciation and provision for Taxation	(1.88)	(7.60)
Less: Depreciation	4.58	5.20
Profits before Taxation	(6.46)	(12.80)
Less:		
3) Provision for Taxation	1.31	(2.65)
4) Fringe Benefit Tax	-	-
5) Deferred Tax	(1.33) (0.02)	(1.35) (4.00)
	(6.44)	(8.80)
Add:		
6) Profit & Loss Account balance at the beginning of the year	-	-
7) Profit made available for appropriation	-	-
Less:		
8) Proposed Dividend on Equity Shares	-	-
9) Tax on dividends	-	-
10) Balance Carried to Balance Sheet	(6.44)	(8.80)

2. DIVIDEND:

Your Board has not recommended any dividend for the year 2010-11.

3. PERFORMANCE:

Your Company's total income of ₹. 77.59 Lakhs includes ₹. 70.15 Lakhs as conversion charges from its holding Company, Bal Pharma Limited.

4. PROSPECTS FOR THE CURRENT YEAR:

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

5. SECRETARIAL COMPLIANCE CERTIFICATE:

Your Board in its meeting held on 22.07.2010 has appointed Mr. Vijayakrishna K T, Company Secretary in whole-time practice, Bangalore under Section 383A of the Companies Act, 1956 to issue Secretarial Compliance Certificate for the year 2010-11.

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 31.03.2011:

- (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 Siroya
- 2) Mr. Shrenik Siroya
- 3) Dr. G.S.R. Subba Rao

Dr. G.S.R. Subba Rao 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 T D Jain & D I Sakaria (erstwhile 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
10th August, 2011

Dr. G. S. R. Subba Rao
Director

Shailesh Siroya
Director

TO THE MEMBERS OF BASAV CHEM LIMITED

We have audited the attached Balance Sheet of BASAV CHEM LIMITED as at 31 March 2011, 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 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv) On the basis of the written representations received from the directors, as on 31 March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 from being appointed as a Director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956; and
- v) In our opinion, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to Sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable.
- 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 2011;
- b) in the case of the Profit and Loss Account, of the Loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **T D JAIN and D I SAKARIA**
Chartered Accountants
ICAI FRN No. 002491S

Sd/-
T D JAIN
Partner
M.No.: 012034

Place : Bangalore
Date : 12th August, 2011

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 2011:

- 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 parts 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. The company is in the business of manufacturing pharmaceutical products on job work basis. Accordingly Sub-clause (a), (b) and (c) of Clause 4(ii) of the order are not applicable.
- 3. a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly Sub-Clauses (b), (c) and (d) of Clause 4(iii) of the Order are not applicable.
b) The Company has taken interest free unsecured loan from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The Company has taken interest free unsecured advance from its holding company. The maximum balance outstanding during the year was ₹64,60,000/- and the year end balance of advance was ₹64,60,000/-.
c) Based on the information received and the explanations given, the terms and conditions of the advance are prima facie not prejudicial to the interest of the Company.
d) As informed to us, no repayment was due 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 2011 for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us, there are no amounts in respect of Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty and Cess that have not been deposited with appropriate authorities on account of any dispute.
10. The Company has accumulated losses in excess of 50% of its net worth as at the end of the financial year. The Company has incurred cash losses in the financial year under report and in the immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to its bankers or to any financial institution. The Company did not have any outstanding debentures during the year.
12. 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 **T D JAIN and D I SAKARIA**
Chartered Accountants
ICAI FRN No.: 002491S

Place : Bangalore
Date : 12th August, 2011

T D JAIN
Partner
M.No.: 012034

ANNUAL ACCOUNTS 2010 - 2011
BALANCE SHEET AS AT 31.03.2011

	SCH	AS AT 31.03.2011		AS AT 31.03.2010	
		₹	₹	₹	₹
SOURCES OF FUNDS					
I. SHAREHOLDERS' FUND					
a. Share Capital	1		1,000,000		1,000,000
b. Reserves & Surplus	2		1,405,725		1,405,725
II. LOAN FUNDS					
a. Secured Loans			–		–
b. Unsecured Loans	3		6,460,000		6,460,000
III. DEFERRED TAX LIABILITY (NET)					
TOTAL	4		<u>459,307</u>		<u>592,215</u>
			<u>9,325,032</u>		<u>9,457,940</u>
APPLICATIONS OF FUNDS					
I. FIXED ASSETS					
a. Gross Block	5		10,763,697		10,637,318
b. Less: Accumulated Depreciation			7,418,771		6,960,964
c. Net Block			<u>3,344,926</u>		<u>3,676,354</u>
II. INVESTMENTS					
	6		100,000		100,000
III. CURRENT ASSETS, LOANS & ADVANCES					
a. Inventories			–		–
b. Sundry Debtors			540,278		1,095,649
c. Cash & Bank Balances			598,827		–
d. Loans & Advances			981,970		942,004
Total (A)			<u>2,121,075</u>		<u>2,037,653</u>
CURRENT LIABILITIES & PROVISIONS					
a. Current Liabilities	8		1,087,816		687,152
b. Provisions			379,570		251,155
Total (B)			<u>1,467,386</u>		<u>938,307</u>
NET CURRENT ASSETS (A-B)			<u>653,689</u>		<u>1,099,346</u>
IV. Intangible Assets					
			–		–
V. Profit and Loss account (Debit Balance)					
	9		5,226,417		4,582,240
TOTAL			<u>9,325,032</u>		<u>9,457,940</u>
NOTES ON ACCOUNTS	15				

As per our report of even date

 For **T D JAIN and D I SAKARIA**
 Chartered Accountants
 ICAI FRN No. 002491S

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

Dr. G. S. R. Subba Rao
 Director

Shailesh Siroya
 Director

 Bangalore
 12th August, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011

	SCH	Year Ended 31.03.2011		Year Ended 31.03.2010	
		₹	₹	₹	₹
I. INCOME					
Conversion Charges Income		7,014,623		4,732,622	
Other Income	10	744,593	7,759,216	23,344	4,755,966
			<u>7,759,216</u>		<u>4,755,966</u>
II. EXPENDITURE					
Manufacturing Expenditure	11	4,869,466		2,616,596	
Employees Remuneration & Benefits	12	2,764,709		2,339,265	
Administration Expenses	13	312,729		541,028	
Financial Expenses	14	527		507	
Depreciation		457,807	8,405,238	519,714	6,017,110
III. Profit for the year			(646,022)		(1,261,144)
Add/(Less): Prior Year Adjustment			-		(18,860)
IV. Profit Before Income Tax			(646,022)		(1,280,004)
(Excess) / Short Provision for Tax - Earlier Years			131,062		(265,307)
Deferred Tax (As Per AS 22)			(132,908)		(134,920)
V. Profit After Tax			(644,176)		(879,777)
VI. Balance Carried to Balance Sheet			(644,176)		(879,777)
Earnings per share					
Basic EPS			(6.44)		(8.80)
Diluted EPS			(6.44)		(8.80)
No. of Equity Shares			100,000		100,000
NOTES ON ACCOUNTS	15				

As per our report of even date
 For **T D JAIN and D I SAKARIA**
 Chartered Accountants
 ICAI FRN No. 002491S

FOR & ON BEHALF OF THE BOARD

T D Jain
 Partner
 M. No. 012034

Dr. G. S. R. Subba Rao
 Director

Shailesh Siroya
 Director

Bangalore
 12th August, 2011

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2011

	AS AT 31.03.2011		AS AT 31.03.2010	
	₹	₹	₹	₹
SCHEDULE - 1				
SHARE CAPITAL				
AUTHORISED				
2,00,000 (P. Y. 2,00,000) Equity Shares of ₹ 10 each		<u>2,000,000</u>		<u>2,000,000</u>
ISSUED, SUBSCRIBED & PAID UP				
EQUITY SHARE CAPITAL				
100,000 (P. Y. 100,000) Equity Shares of ₹ 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>
SCHEDULE - 2				
RESERVES & SURPLUS				
I. Capital Reserve		<u>1,405,725</u>		<u>1,405,725</u>
		<u>1,405,725</u>		<u>1,405,725</u>
SCHEDULE - 3				
UNSECURED LOANS				
M/s Bal Pharma Limited (100% Holding Company)		<u>6,460,000</u>		<u>6,460,000</u>
		<u>6,460,000</u>		<u>6,460,000</u>
SCHEDULE - 4				
DEFERRED TAX LIABILITY				
Opening Balance		<u>592,215</u>		<u>727,135</u>
Add: Liability created for the year		<u>(132,908)</u>		<u>(134,920)</u>
		<u>459,307</u>		<u>592,215</u>

SCHEDULE - 5

FIXED ASSETS AS ON 31.03.2011

ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions	Deletions	As at 31.03.2011	As at 01.04.2010	For the year	Deletions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Land	90,000	-	-	90,000	-	-	-	-	90,000	90,000
Factory Building	3,401,220	-	-	3,401,220	2,027,084	137,414	-	2,164,498	1,236,722	1,374,136
Plant & Machinery	6,775,831	50,000	-	6,825,831	4,700,515	292,792	-	4,993,307	1,832,524	2,075,316
Utilities	60,157	76,379	-	136,536	19,978	10,384	-	30,362	106,174	40,179
Laboratory Equipments	258,247	-	-	258,247	178,975	11,027	-	190,002	68,245	79,272
Furniture & Fixtures	24,181	-	-	24,181	20,573	653	-	21,226	2,955	3,608
Computers	27,682	-	-	27,682	13,839	5,537	-	19,376	8,306	13,843
Total	10,637,318	126,379	-	10,763,697	6,960,964	457,807	-	7,418,771	3,344,926	3,676,354
Previous Year	10,637,318	-	-	10,637,318	6,441,251	519,714	-	6,960,965	3,676,353	4,196,067

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2011 (Contd.)

	AS AT 31.03.2011		AS AT 31.03.2010	
	₹	₹	₹	₹
SCHEDULE - 6				
INVESTMENTS				
UN QUOTED :				
Non Trade :				
(i) The Saraswat Co-Operative Bank Limited		100,000		100,000
4,000 (P.Y. 4000) Equity Shares of ₹. 25 each fully paid				
		<u>100,000</u>		<u>100,000</u>
SCHEDULE- 7				
CURRENT ASSETS, LOANS & ADVANCES				
1. SUNDRY DEBTORS				
(Unsecured, considered good)				
Debts outstanding for more than six months		-		-
Other Debts*	540,278	540,278	1,095,649	1,095,649
* Due from M/s Bal Pharma Limited, the holding company				
2. CASH & BANK BALANCES				
Cash in Hand		-		-
Balance with Scheduled Banks:				
- in Current Account	598,827	598,827	-	-
3. LOANS & ADVANCES				
(Unsecured, considered good)				
Advances recoverable in cash or in kind or for value to be received	681,573		334,182	
Advance Income Tax & TDS	264,457		571,882	
Deposit with Govt. departments and others	35,940	981,970	35,940	942,004
		<u>2,121,075</u>		<u>2,037,653</u>
SCHEDULE- 8				
CURRENT LIABILITIES & PROVISIONS				
A. CURRENT LIABILITIES				
Creditors for Expenses	779,366		387,261	
Book overdraft on account of issue of cheques	-		11,508	
Other Current Liabilities	308,450	1,087,816	288,383	687,152
B. PROVISIONS				
Gratuity	267,484		229,488	
Leave Encashment	112,086	379,570	21,667	251,155
		<u>1,467,386</u>		<u>938,307</u>

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011

	2010-2011		2009-2010	
	₹	₹	₹	₹
SCHEDULE - 9				
Profit and Loss Account (Debit Balance)				
I. P & L Account				
Opening Balance	4,582,241		3,702,464	
Add : Loss for the year	644,176	5,226,417	879,777	4,582,241
		<u>5,226,417</u>		<u>4,582,241</u>
SCHEDULE - 10				
OTHER INCOME				
Subsidy Income		597,000		
Interest Income		39,743		23,344
Miscellaneous income		107,850		
		<u>744,593</u>		<u>23,344</u>
EMPLOYEES REMUNERATION & BENEFITS				
MANUFACTURING EXPENSES				
Power and Fuel Charges	1,613,512		988,062	
Laboratory Expenses	129,323		28,395	
Consumables & Stores	1,804,229		711,765	
Electrical Maintenance	318,180		66,886	
Factory Maintenance	63,864		150,549	
Freight Charges	249,345		146,059	
Machinery Maintenance	303,270		265,010	
Water Charges	242,500		108,900	
Other Manufacturing Expenses	145,243	4,869,466	150,970	2,616,596
		<u>4,869,466</u>		<u>2,616,596</u>
SCHEDULE - 12				
EMPLOYEES REMUNERATION & BENEFITS				
Salaries & allowances		2,413,696		2,085,149
Employer's contribution to P.F.		93,873		90,648
Leave Encashment		90,419		21,667
Bonus		79,001		50,104
Employees Welfare		49,724		119,377
Gratuity		37,996		(27,680)
		<u>2,764,709</u>		<u>2,339,265</u>

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011

	2010-2011		2009-2010	
	₹	₹	₹	₹
SCHEDULE - 13				
ADMINISTRATION EXPENSES				
Travelling Expenses	74,672		128,964	
Vehicle Maintenance	3,328		17,423	
Rates & Taxes	44,101		14,800	
Rent	12,000		12,000	
Postage & Courier Charges	3,262		65,708	
Repair & Maintenance others	7,839		74,920	
Legal & Professional Charges	36,000		24,250	
Printing & Stationery	15,860		89,112	
Pooja Expenses	14,100		4,400	
Audit Fees	27,575		27,575	
Membership & Subscription	13,501		2,000	
Telephone Charges	48,990		52,629	
Miscellaneous Expenses	11,501	312,729	27,247	541,028
		<u>312,729</u>		<u>541,028</u>
SCHEDULE - 14				
FINANCIAL CHARGES				
Bank Charges		527		507
		<u>527</u>		<u>507</u>

SCHEDULE 15

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31.03.2011

A. SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

b) USE OF ESTIMATES

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

c) REVENUE RECOGNITION

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

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

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

d) FIXED ASSETS

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

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

e) DEPRECIATION

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

f) INVESTMENTS

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

g) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

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

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

h) INCOME TAX EXPENSES

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

Current tax

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

Deferred tax

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

i) EARNINGS PER SHARE

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

j) PROVISIONS AND CONTINGENT LIABILITIES

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

k) IMPAIRMENT OF ASSETS

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

l) RETIREMENT BENEFITS**A. Gratuity**

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

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

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

B. Short Term Employees Benefits

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

B. NOTES ON ACCOUNTS

- 1) During the financial year 2007-2008, the promoters and the shareholders of the company entered into an agreement with Bal pharma Limited for the sale of company's shares. Pursuant to the agreement, Bal Pharma Limited acquired 100% control through purchase of existing Equity shares held by them @ ₹ 5/- per share and paid the amount directly to the erstwhile shareholders. Also, Bal Pharma Limited, cleared the companies secured and unsecured loans. Further, during the year 2009-10, the company had filed for amalgamation with Bal Pharma Ltd, its holding company. An amount of ₹ 6,460,000/- (P Y 6,460,000) outstanding to Bal Pharma Ltd. towards discharge of Company's liabilities is disclosed under unsecured loans.

2) BREAK-UP OF DEFERRED TAX ASSETS AND LIABILITIES:

Deferred tax Assets recognized for timing differences due

	31.03.2011 ₹.	31.03.2010 ₹.
Deferred tax Assets recognized for timing differences due to:		
A. Current Liabilities	117,287	70,912
	117,287	70,912
Deferred tax Liabilities recognized for timing differences due to:		
A. Depreciation and other differences in block of fixed assets	576,594	663,127
	576,594	663,127
Net Deferred Tax Liabilities	459,307	592,215
Charge to Profit & Loss Account	(132,908)	(134,920)

3) RELATED PARTY DISCLOSURES:

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

i) Holding Company: Bal Pharma Limited

- B. Key managerial Personnel represented on the board:

Mr. Shailesh D.Siroya

Mr. Shrenik D Siroya

- C. Particulars of related party transactions :

	31.03.2011 ₹.	31.03.2010 ₹.
The following is a summary of significant related party transactions		
i) Job work Charges from Holding company	7,014,623	4,732,622
iii) Repayment of loan to holding company		1,537

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

	31.03.2011 ₹.	31.03.2010 ₹.
i) Due from related parties		
a. Holding Company (Included in Sundry Debtors)	540,278	1,095,641
ii) Due to related parties		
Holding Company (Included in unsecured loans)	6,460,000	6,460,000

4) Auditor's Remuneration

	31.03.2011 ₹	31.03.2010 ₹
Statutory Audit Fees	27,575	27,575
	27,575	27,575

- 5) Quantitative information as required by clause 3(ii) part II of schedule VI of Companies Act, 1956 is either nil or not applicable.
- 6) Based on the information available with the company, the balance due to Micro & Small Enterprises as defined under the MSMED Act, 2006 is ₹ NIL. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

7) CONTINGENT LIABILITIES NOT PROVIDED FOR (in Rupees)

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

8) CIF VALUE OF IMPORTS : (in Rupees)	31.03.2011	31.03.2010
	NIL	NIL
9 A. EXPENDITURE IN FOREIGN CURRENCY	NIL	NIL
B. EARNINGS IN FOREIGN CURRENCY (in Rupees)	NIL	NIL

10) Gratuity and Leave Encashment plan

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

(Amount in ₹)

	Gratuity (unfunded)		Leave Encashment (unfunded)	
	2010-11	2009-10	2010-11	2009-10
Change in defined benefit obligation				
Opening defined benefit obligation	229,488	257,168	21,667	----
Interest Cost	18,359	18,002	1,733	-----
Current Service Cost	31,645	31,363	69,189	19,112
Benefits Paid			-	
Actuarial losses/(Gain)	(12,008)	(77,045)	19,497	2,555
Closing defined benefit obligation	267,484	229,488	112,086	21,667

Change in Plan Aseets

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

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

Fair Value of plan assets at the beginning of the year	-	-	-	-
Present value of the defined benefit obligation at the end of the year	(267,484)	(229,488)	(112,086)	(21,667)
Assets/(Liability) recognized in the balance sheet	(267,484)	(229,488)	(112,086)	(21,667)

Cost for the period

Current Service Cost	31,645	31,363	69,189	19,112
Interest Cost	18,359	18,002	1,733	-
Expected Return on Plan Assets	-	-	-	-
Net Actuarial (Gain)/ Loss recognized for the year	(12,008)	(77,045)	19,497	2,555
Expense/(Income) recognized in the P/L A/c	37,996	(27,680)	90,419	21,667

Movement in the Liability recognized in Balance sheet	Gratuity (unfunded)		Leave Encashment (unfunded)	
	2010-11	2009-10	2010-11	2009-10
Opening Liability	229,488	257,168	21,667	-
Expense/income recognized for the period	37,996	(27,680)	90,419	21,667
Contribution paid		-	-	-
Closing Liability	267,484	229,488	112,086	21,667

Assumptions at the valuation date

Discount Factor	8.00%	8.00%	8.00%	8.00%
Salary Escalation Rate	5.50%	5.50%	5.50%	5.50%
Rate of Return (Expected) on Plan Assets	-	-	-----	-----
Retirement Age	58.00	58.00	58.00	58.00

11) Calculation of EPS (Basic and Diluted)

Sl No.	Particulars	Year ended 31 March 2011	Year ended 31 March 2010
1.	Opening No of shares	100,000	100,000
2.	Weighted average number of shares	100,000	100,000
3.	Profit after Taxation (₹ in lacs)	(6.44)	(8.80)
4.	EPS	(6.44)	(8.80)
	DILUTED		
5.	Weighted average number of shares	100,000	100,000
6.	Diluted EPS	(6.44)	(8.80)

- 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 **T D JAIN and D I SAKARIA**
Chartered Accountants
ICAI FRN No. 002491S

FOR & ON BEHALF OF THE BOARD

T D Jain
Partner
M. No. 012034

Dr. G. S. R. Subba Rao
Director

Shailesh Siroya
Director

Bangalore
12th August, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	(₹ in '000)	
	31.03.2011	31.03.2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	-646	-1280
Adjustments for :		
Depreciation	458	520
Gratuity & Leave Encashment	128	-28
Operating profit before working capital changes	-60	-788
Adjustments for :		
Increase / Decrease in Trade & other payables	401	203
Increase / Decrease in Trade & Other receivables	515	-66
Income Tax Paid	-131	254
Net Cash from Operating Activities	785	391
	725	-397
B. CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase of Fixed Assets	-126	0
	-126	0
C. CASH FLOW FROM FINANCING ACTIVITIES		
Unsecured loans	0	-2
Interest Received		0
Net Cash from financing activity	0	-2
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	599	-399
Opening Cash	0	399
Closing Cash	599	0
NET CHANGE IN CASH	599	-399

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 **T D JAIN and D I SAKARIA**
Chartered Accountants
ICAI FRN No. 002491S

T D Jain
Partner
M. No. 012034

Bangalore
12th August, 2011

Dr. G. S. R. Subba Rao
Director

FOR & ON BEHALF OF THE BOARD

Shailesh Siroya
Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE

			₹ 000's
I REGISTRATION	49815	STATE CODE	08
Balance sheet Date	31.03.2011		
II CAPITAL RAISED DURING THE YEAR			
Public issue	NIL	Right issue	NIL
Bonus issue	NIL	Private placement	NIL
III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS			
Total Liabilities	9325	Total Assets	9325
SOURCE OF FUNDS			
Paid-up Capital	1000	Secured Loans	NIL
Reserves & Surplus	1406	Unsecured Loans	6460
Deferred Tax	459		
APPLICATION OF FUNDS			
Net Fixed Assets	3345	Net Current Assets	654
Investments	100	Profit & Loss Account (Dr Balance)	5227
IV PERFORMANCE OF THE COMPANY			
Turnover	7759	Profit After Tax	(644)
Total Expenditure	8405	Earnings per share	(6.44)
Profit Before Tax	(646)	Dividend	-

ELECTRONIC CLEARING SERVICE (ECS) MANDATE FORMAT

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

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

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

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

Date : _____

Signature of the first holder

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

VERIFICATION BY THE BANK

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

Bank's Stamp : _____
Date : _____

Signature of the Authorised
Official from the Bank



Bal Pharma Limited

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

ATTENDANCE SLIP

To be handed over at the entrance of the meeting hall Name and Address <div style="border: 1px solid black; height: 40px; width: 100%;"></div>	No. of Shares <input style="width: 50px;" type="text"/>	Folio/Client I.D. No with D.P. I.D. No.	<div style="border: 1px solid black; width: 100%; height: 30px;"></div> <div style="border: 1px solid black; width: 100%; height: 40px; display: flex; align-items: center; justify-content: center;"> <p style="text-align: center;">24th Annual General Meeting 21.09.2011</p> </div>
----------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------	--------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

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

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

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

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



Bal Pharma Limited

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

PROXY FORM

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

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
24th Annual General Meeting of the Members of Bal Pharma Limited to be held on Wednesday, the 21st September, 2011 at 11.30 a.m. at Bharatiya
Vidya Bhavan, Race Course Road, Bangalore - 560 001.

Signed

Affix
Revenue
Stamp
Re. 1.00

.....

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

FINANCIAL SUMMARY - LAST 10 YEARS AT A GLANCE

(₹. in Lakhs)

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
A.) Sales and Earnings										
Gross Sales	12069.41	11216.66	11085.45	9135.98	7861.31	7647.41	6003.73	6204.63	5765.04	4523.67
Net Sales	11650.05	10815.16	10655.43	9034.56	7618.17	7462.04	5799.26	6046.50	5513.87	4408.72
Profit before Tax	103.81	-90.62	405.57	420.30	315.92	357.03	220.22	284.03	275.50	213.10
Tax	63.02	52.26	106.28	134.59	114.23	64.45	32.38	23.81	13.36	14.33
Profit after Tax	40.79	-142.88	299.29	285.71	201.69	292.58	187.84	260.22	262.14	198.77
Retained Earnings	40.79	-142.88	207.30	163.50	110.03	200.71	61.86	149.19	113.47	57.39
B. Assets and Liabilities										
Net Fixed Assets	4844.43	4975.08	5532.73	4592.82	3123.62	2222.25	1903.83	1611.32	1439.17	1370.52
Investments	1.50	1.50	1.50	1.50	15.04	241.37	13.58	13.58	13.58	13.71
Net Current Assets	4631.25	4141.98	2990.81	3476.93	3775.59	4328.40	2959.32	2441.56	2127.18	1753.16
Intangible Assets	594.39	523.21	493.99	463.22	427.80	435.49	436.71	363.43	278.39	210.32
Share Capital	1048.32	1048.32	1048.32	1044.62	1044.62	1044.62	741	973	773	773
Reserves & Deferred Tax Liability	3250.22	3151.57	3253.88	2958.05	2758.08	2582.35	1623.09	1329.24	1226.14	1073.03
Loan Funds	5773.03	5441.88	4716.83	4531.81	3539.35	3600.54	2949.35	2127.65	1859.18	1501.68
C. Ratios										
Earnings Per Share ₹	0.39	-1.36	2.85	2.74	1.93	2.90	1.55	2.63	3.34	2.98
Dividend per Equity share %	-	-	7.5	10.00	7.5	7.5	7.5	15	12	10
Book value per Equity Share ₹	28.84	29.40	36.33	33.54	27.88	26.75	22.15	20.98	21.52	20.72

OUR MISSION

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



BOOK POST

Bal Unit - I at Bangalore

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

Bal Unit - 2 at Bangalore

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



Bal Unit - 3 with FFS Technology at Pune

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

Bal Unit-4 at Uttranchal

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



BAL PHARMA LIMITED

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

Ph : +91-80-4137 9500 Fax : +91-80-2235 4057 / 2235 4058

Email : secretarial@balpharma.com / info@balpharma.com Website : www.balpharma.com