

# Annual Report 2010-11



Ipca Laboratories Limited  
*Partnering healthcare globally*

## Ten Years' Highlights

(Rs. Crores)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Total Income*	416.89	484.32	622.74	685.45	752.82	924.84	1059.16	1275.57	1565.50	1889.54
Domestic Income*	185.61	206.31	265.26	274.87	350.99	440.38	522.90	595.18	759.42	864.36
Export Income	231.28	278.01	357.48	410.58	401.83	484.46	536.26	680.39	806.08	1025.18
Earning before Interest, Depreciation & Tax	68.01	96.39	128.51	134.48	116.62	202.52	#186.44	#270.01	#344.65	#386.93
Profit before Tax	42.95	79.32	108.00	101.55	78.39	151.24	176.87	124.65	271.73	343.70
Net Profit after Tax	32.02	61.86	79.25	80.71	63.98	122.23	141.12	@91.22	209.19	255.37
Share Capital	12.50	12.50	12.50	**25.00	25.00	25.00	25.09	24.99	25.04	25.14
Reserves & Surplus	144.54	199.30	263.17	312.59	360.89	461.02	582.57	613.52	849.82	1028.72
Net Worth	157.04	211.80	275.67	337.59	385.89	486.02	607.66	638.51	874.86	1053.86
Net Block	143.27	149.88	195.92	322.46	373.52	431.48	541.04	579.72	674.75	810.97
Net Current Assets	179.96	210.11	248.27	268.52	243.23	319.79	445.12	517.07	683.99	805.49
Dividend (%)	55%	90%	110%	**55%	55%	75%	80%	110%	140%	160%
Earnings per share (Rs.)	25.62	49.49	63.41	**32.28	25.59	48.89	56.38	@36.33	@@16.75	20.36
Book Value per share (Rs.)	125.63	169.44	220.54	**135.04	154.36	194.41	242.19	255.51	@@69.86	83.84

\* Net of Excise duty and Sales tax

# Before Forex translations gain/loss

\*\* Post 1:1 Bonus Issue

@ After Forex translations loss of Rs. 75.69 cores and provision of Rs. 10.19 crores for investment/loan in a wholly owned subsidiary

@@ Post Sub-division of each equity share of Rs.10/- into 5 equity shares of Rs. 2/- each.

## BOARD OF DIRECTORS

R. S. Hugar	Chairman
Premchand Godha	Managing Director
A. K. Jain	Joint Managing Director
Pranay Godha	Executive Director
M. R. Chandurkar	
Babulal Jain	
Dr. V. V. Subba Rao	
A. T. Kusre	

## AUDIT COMMITTEE

Babulal Jain
Dr. V. V. Subba Rao
A. T. Kusre

## CORPORATE MANAGEMENT TEAM

Premchand Godha	Managing Director
A. K. Jain	Joint Managing Director
Pranay Godha	Executive Director
J. L. Nagori	President – Operations
Dr. Ashok Kumar	President – R & D (Chemicals)
M. D. Sharma	President – Domestic Marketing
Dr. Y. K. Bansal	President – R & D (Formulations)
Prakash Shanware	President – HR
N. Guhaprasad	President – International Marketing
Dr. Anil Pareek	President – Medical Affairs & Clinical Research
Harish P. Kamath	Sr. Vice President – Legal & Company Secretary

## SR. VICE PRESIDENT - LEGAL & COMPANY SECRETARY

Harish P. Kamath

## AUDITORS

Natvarlal Vepari & Co.  
Chartered Accountants

## REGISTRARS & SHARE TRANSFER AGENTS

Link Intime India Pvt. Ltd.  
C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (W), Mumbai- 400 078.  
Tel.: (022) 2596 3838 Fax: 2567 2693

## BANKERS

Canara Bank	Standard Chartered Bank	Kotak Mahindra Bank
Corporation Bank	UBS AG	DBS Bank Ltd.
ICICI Bank Ltd.	BNP Paribas	Barclays Bank PLC
HDFC Bank Ltd.	Bank of Baroda	Citi Bank N.A.
HSBC Ltd.		

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## REGISTERED OFFICE & INTERNATIONAL DIVISION

48, Kandivli Industrial Estate,  
Kandivli (West),  
Mumbai - 400 067.  
Maharashtra.  
Tel: (022) 6647 4444 Fax : 2868 6613

## CORPORATE OFFICE

142-AB, Kandivli Industrial Estate,  
Kandivli (West), Mumbai - 400 067.  
Maharashtra.  
Tel: (022) 6647 4747; Fax: 2868 6954/ 2875

## DOMESTIC MARKETING DIVISION

Ipca House, 63 E, Kandivli Industrial Estate,  
Kandivli (West), Mumbai - 400 067.  
Maharashtra.  
Tel: (022) 6647 4222 ; Fax: 6647 4114

## RESEARCH & DEVELOPMENT CENTRE

123-AB, Kandivli Industrial Estate,  
Kandivli (West), Mumbai - 400 067.  
Maharashtra.  
Tel: (022) 6647 4755; Fax: 6647 4757

## WORKS

1. P.O. Sejavata,  
Ratlam - 457 002.  
Madhya Pradesh.  
Tel: (07412) 278000 Fax: 279083
2. Plot No. 89-A-D/90/91,  
Industrial Estate, Pologround,  
Indore - 452 003, Madhya Pradesh.  
Tel: (0731) 2421172/2081; Fax: 2422082
3. Plot No. 69 to 72 (B),  
Sector II, Kandla Free Trade Zone,  
Gandhidham - 370 230, Gujarat.  
Tel: (02836) 252385/389; Fax: 252313
4. Plot No. 255/1, Village Athal,  
Silvassa - 396 230.  
Dadra & Nagar Haveli (U.T.).  
Tel : (0260) 2640301; Fax 2640303
5. Plot No. 65 & 99,  
Danudyog Industrial Estate,  
Silvassa - 396 230.  
Dadra & Nagar Haveli (U.T.).  
Tel: (0260) 2640850; Fax: 2640646
6. H-4, MIDC, Waluj,  
Aurangabad-431 136.  
Maharashtra.  
Tel: (0240) 6611501; Fax: 2564113
7. C-6, Sara Industrial Estate, Chakrata Road,  
Rampur, Dehradun - 248 197.  
Uttarakhand.  
Tel: (0135) 2699195; Fax: 2699171
8. 1, Pharma Zone,  
SEZ Indore,  
Pithampur - 454 775.  
Madhya Pradesh.  
Tel: (07292) 667777; Fax: 667020
9. Plot No. 393/394, Melli Jorethang Road,  
Gom Block, Bharikhola, South District  
Sikkim - 737121  
Telefax: (03595) 276372



## NOTICE

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NOTICE is hereby given that the 61<sup>st</sup> ANNUAL GENERAL MEETING of Ipca Laboratories Limited will be held at Shri Bhaidas Maganlal Sabhagriha, Swami Bhaktivedanta Marg, J.V.R.D. Scheme, Vile Parle (W), Mumbai 400 056 on Thursday, 28<sup>th</sup> July, 2011 at 3.30 p.m. to transact the following business.

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet of the Company as at 31<sup>st</sup> March, 2011 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare / note payment of dividend on equity shares.
3. To appoint a Director in place of Dr. V. V. Subba Rao who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. M. R. Chandurkar who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. A. K. Jain who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold office until the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS:

7. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:  
"RESOLVED THAT re-designation of Mr. A. K. Jain as the Joint Managing Director of the Company be and is hereby confirmed and approved."

8. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution :  
"RESOLVED THAT in supersession of the resolution passed at the Annual General Meeting of the Company held on 23<sup>rd</sup> December, 2004 and subject to the provisions of sub-section (1) (a) and (1) (d) of Section 293 of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors to borrow any sum or sums of money from time to time which together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed at any time the aggregate of the paid-up capital of the company and its free reserves (that is to say, reserves not set apart for any specific purpose), provided that the total amount so borrowed shall not at any time exceed the limit of Rs. 1200 crores (Rupees One Thousand Two Hundred Crores).

RESOLVED FURTHER that the consent of the Company be and is hereby accorded to the Board of Directors of the Company to mortgage and/or charge the whole or substantially the whole of the undertakings of the Company to secure the borrowings on such terms and conditions as the Board of Directors of the Company may consider to be in the interest of the Company.

RESOLVED FURTHER that the Board of Directors of the Company be and they are hereby authorised to do all such acts, deeds, matters and things that may be necessary, desirable or expedient for giving effect to this Resolution".

### NOTES

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- (2) The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 20<sup>th</sup> July, 2011 to Thursday, 28<sup>th</sup> July, 2011 (both days inclusive).
- (3) The dividend if sanctioned at the meeting will be paid to those Members, whose names appear in the Register of Members on 28<sup>th</sup> July, 2011 and to those beneficial owners whose names are provided by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the close of business hours on 19<sup>th</sup> July, 2011.
- (4) The information required to be provided under Clause 49 of the Listing Agreement with the Stock Exchanges regarding the Directors retiring by rotation and eligible for re-appointment is furnished in the Report on Corporate Governance.
- (5) Members are requested to:
  - (a) intimate to the Company / their Depository Participant ("DP"), changes, if any, in their registered address at an early date;
  - (b) quote their Registered Folio No. and/or DP Identity and Client Identity number in their correspondence;
  - (c) bring their copy of the Annual Report and the Attendance Slip with them at the Annual General Meeting.

- (d) encash the Dividend Warrants on their receipt as Dividend remaining unclaimed for seven years are now required to be transferred to the 'Investor Education and Protection Fund' established by the Central Government under the amended provisions of the Companies Act, 1956 and the members shall not be able to claim any unpaid dividend from the said fund or from the Company thereafter. Pursuant to Section 205A(5) of the Companies Act, 1956, all unclaimed dividend declared and paid upto 1<sup>st</sup> Interim Dividend for the financial year 2003-04 have been transferred by the Company to the Investor Education and Protection Fund. Members who have not encashed their dividend warrants for subsequent period are requested to encash the same immediately.
- (6) All documents referred in the Notice will be available for inspection by the members at the Registered Office of the Company during working hours on all working days upto the date of the Annual General Meeting and shall also be placed before the members at the said Annual General Meeting.

By Order of the Board  
For **Ipca Laboratories Ltd.**

**Harish P. Kamath**  
Sr. Vice President - Legal &  
Company Secretary

Mumbai  
24<sup>th</sup> May, 2011

**Registered Office:**  
48, Kandivli Industrial Estate,  
Kandivli (West), Mumbai 400 067.

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

### Item No. 7

At the 59<sup>th</sup> Annual General Meeting of the Company held on 30<sup>th</sup> July, 2009, the shareholders of the Company approved the re-appointment of Mr. A. K. Jain as the Executive Director of the Company for a period of 5 years with effect from 21<sup>st</sup> August, 2009 upon the terms and conditions set out in the agreement dated 28<sup>th</sup> May, 2009 entered into between Mr. A. K. Jain and the Company.

The Board of Directors of the Company at their meeting held on 29<sup>th</sup> July, 2010 re-designated Mr. A. K. Jain as the Joint Managing Director of the Company. However, all the other terms and conditions of appointment of Mr. A. K. Jain as approved by the shareholders remain unchanged.

The Board recommends passing of this resolution by the shareholders. .

None of the Directors of the Company except Mr. A. K. Jain are interested or concerned in passing of this resolution.

### Item No. 8

Section 293 (1) (a) and (d) of the Companies Act, 1956 requires the Board of Directors of Company to obtain members' approval to create mortgage/ charge on the immovable property of the Company and to borrow monies in excess of the aggregate of the paid-up share capital and its free reserves, that is to say reserves not set apart for any specific purpose (excluding temporary loans obtained from the Company's bankers in the ordinary course of business).

At the Annual General Meeting of the Company held on 23<sup>rd</sup> December, 2004, authority was accorded to the Board of Directors to create mortgage / charge on the immovable properties of the Company and also to borrow for the purposes of the business of the Company upto an amount of Rs. 400 crores (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) notwithstanding the fact that the monies so borrowed may exceed the paid up share capital of the Company and its free reserves. In view of the increase in the paid-up share capital of the Company and its free reserves and proposed capital expenditure plans and also to meet the future long term working capital requirements, the Board considers it necessary to increase the mortgage and borrowing powers to Rs. 1200 crores (Rupees One Thousand Two Hundred Crores).

The Board of Directors recommends the resolution as set out in item 8 of the accompanying notice for the consideration and approval of the members. None of the directors of the Company are concerned or interested in this item of business.

By Order of the Board  
For **Ipca Laboratories Ltd.**

**Harish P. Kamath**  
Sr. Vice President - Legal &  
Company Secretary

Mumbai  
24<sup>th</sup> May, 2011

**Registered Office:**  
48, Kandivli Industrial Estate,  
Kandivli (West), Mumbai 400 067.

## DIRECTORS' REPORT

### TO THE MEMBERS

Your Directors have pleasure in presenting the 61<sup>st</sup> Annual Report and Audited Accounts for the year ended 31<sup>st</sup> March, 2011.

### FINANCIAL RESULTS

	For the year ended 31.3.2011 (Rs. crores)	For the year ended 31.3.2010 (Rs. crores)
<b>Sales and other Income</b> (net of Excise duty & Sales tax)	<b>1889.54</b>	1565.50
Profit before financial cost, depreciation & Foreign Exchange translations Loss / (Gain)	<b>386.93</b>	344.65
Less : Financial cost	<b>31.14</b>	32.38
Depreciation and Amortisation	<b>55.43</b>	46.33
Loss / (Gain) on foreign exchange translations	<b>(43.34)</b>	(5.79)
<b>Profit before tax</b>	<b>343.70</b>	271.73
Less : Provision for taxation		
Current	<b>73.25</b>	47.30
Deferred	<b>1.42</b>	14.20
Short / (Excess) provision of earlier years	<b>3.70</b>	1.04
<b>Profit after tax (before exceptional item)</b>	<b>265.33</b>	209.19
<b>Exceptional item</b>		
Provision for investment in subsidiaries	<b>9.96</b>	-
<b>Net Profit</b>	<b>255.37</b>	209.19
<b>ADJUSTMENTS</b>		
Balance of profit brought forward	<b>152.70</b>	151.95
Amount available for appropriation	<b>408.07</b>	361.14
<b>YOUR DIRECTORS RECOMMEND THE FOLLOWING APPROPRIATIONS</b>		
Debenture Redemption Reserve	<b>15.00</b>	15.00
General Reserve	<b>200.00</b>	152.54
Interim dividends	<b>25.13</b>	22.49
Proposed final dividend	<b>15.08</b>	12.52
Proposed dividend of previous year reversed on shares bought back	<b>-</b>	(0.01)
Tax on dividend	<b>6.62</b>	5.90
Surplus transferred to Balance Sheet	<b>146.24</b>	152.70
	<b>408.07</b>	361.14

### MANAGEMENT DISCUSSION AND ANALYSIS

#### a) Industry Structure and Development

The global pharmaceutical market is now estimated to be US \$800 billion and is growing at a rate of about 5% per annum. US, Japan and Europe constitute about 85% of the global pharmaceutical market and are growing at a slower annual rate of about 4% mainly due to loss of exclusivity, lesser new product approvals and price erosions due to generics competition.

In contrast, pharmaceutical market of emerging economies like India, Brazil, Mexico, etc. are growing at a much faster rate of 12% – 16% per annum driven by improved per capita income, increased access and rising awareness of modern medicines and strengthening of healthcare infrastructure.

#### b) Outlook, Risks and Concerns

Though in the world pharmaceutical market, India has a share of about 3% by value, India is recognized as one of the leading global players with large number of drug master files and dossier registrations for Active Pharmaceutical Ingredients (APIs) and formulations with manufacturing facilities approved by regulatory authorities of the developed countries.

Indian companies are focusing on global generic and API business, R & D activities and contract research and manufacturing alliances. India is also fast emerging as a preferred pharmaceuticals manufacturing location.

Several multi billion dollar drugs going off patent over next few years and increasing use of pharmaceutical generics in developed markets to reduce healthcare cost will provide attractive growth opportunities to generics manufacturers and thus Indian pharmaceutical industry is poised for an accelerated growth in the coming years.

However, poor public healthcare funding and infrastructure, low per capita consumption of medicines in developing and under developed countries including India as well as currency fluctuations are a few causes of concern.

### c) Financial Performance and Operations Review

The Company had another successful financial year with a net total income of Rs. 1889.54 crores as against Rs. 1565.50 crores in the previous year, a growth of 21%.

The Company's focus on formulations business resulted into increase in overall formulation sales to Rs. 1388.12 crores, an increase of 28% over previous year formulations sales of Rs. 1086.99 crores.

The company further expanded its therapeutic coverage into Nephrology, Urology and Nutraceuticals with introduction of new formulations, both in the domestic and export markets, especially in the fast growing life style related segments.

The Active Pharmaceutical Ingredient (API) business also increased by 4% to Rs. 477.80 crores.

During the financial year under report, the Earnings before interest, depreciation and foreign exchange translation gain increased by 12% to Rs. 386.93 crores as against Rs. 344.65 crores in the previous financial year. The operations have resulted in a net profit of Rs. 255.37 crores during the financial year under report as against Rs. 209.19 crores in the previous financial year, an increase of 22%.

#### Break-up of Sales

Rs. Crores (net of excise duty & sales tax)

	2010-11				2009-10			
	Domestic	Exports	Total	Growth	Domestic	Exports	Total	Growth
Formulations	696.41	691.71	1388.12	28%	597.84	489.15	1086.99	19%
APIs & Intermediates	144.33	333.47	477.80	4%	141.63	316.93	458.56	30%
Net Total Sales	840.74	1025.18	1865.92	21%	739.47	806.08	1545.55	22%
Growth	14%	27%	21%		26%	18%	22%	

### d) International Business

The products of the Company are now exported to over 110 countries across the globe. During the financial year under report, the international business increased by 27% to Rs. 1025.18 crores as against Rs. 806.08 crores in the previous year. Formulation exports of the Company increased by 41% to Rs. 691.71 crores and exports of APIs and Drug Intermediates increased by 5% to Rs. 333.47 crores.

#### Continent-wise Exports

(Rs. Crores)

	2010-11				2009-10			
	Formulations	APIs and Intermediates	Total	% to exports	Formulations	APIs and Intermediates	Total	% to exports
Europe	279.98	108.01	387.99	38%	248.33	117.57	365.90	45%
Americas	115.91	95.07	210.98	20%	66.36	88.81	155.17	19%
CIS	74.19	3.75	77.94	8%	65.80	2.96	68.76	9%
Asia	25.82	85.75	111.57	11%	17.29	77.12	94.41	12%
Africa	171.61	32.94	204.55	20%	79.36	27.10	106.46	13%
Australasia	24.20	7.95	32.15	3%	12.01	3.37	15.38	2%
Total	691.71	333.47	1025.18	100%	489.15	316.93	806.08	100%

#### Formulation Exports - Therapeutic Contribution

Therapeutic Group	2010-11	2009-10
Cardiovasculars & Anti-diabetics	41%	41%
Non steroidal Anti-inflammatory drugs (NSAID)	20%	21%
Anti-bacterials	11%	19%
Anti-malarials	19%	7%
Gastro Intestinal (G.I) products	1%	2%
Cough Preparations	1%	1%
Central Nervous System (CNS) products	3%	1%
Anthelmintics	2%	2%
Others	2%	6%
TOTAL	100%	100%

### Europe

The Company achieved export sales of Rs. 387.99 crores during the financial year under report as against sales of Rs. 365.90 crores in the previous year, a growth of 6% from this continent.

The Company has developed and submitted 54 generic formulation dossiers for registration in Europe out of which 42 dossiers are already registered.

The Company has also obtained certificate of suitability (COS) of 34 APIs from European Directorate for Quality Medicines.

The Company has also stepped up the activity of registering products in main EU markets. The Company has started exporting formulations to few more European countries during the financial year under report.

### Americas

The Company mainly exports its APIs to USA, Canada and South American countries and formulations to USA, Panama, West Indies and few South American countries in this sub-continent.

The Company achieved sales of Rs. 210.98 crores in this continent as against Rs. 155.17 crores in the previous year, a growth of 36%.

The Company is working on a list of formulations for development and filing of ANDAs with US FDA. Most of these formulations are from own APIs for which the Company has filed/ in the process of filing Drug Master File (DMF).

The Company has currently signed agreements with 3 marketing partners for sale / distribution of generic formulations on a profit sharing arrangement in the US market. 22 ANDA applications in respect of generic formulations developed by the Company are filed with US FDA out of which 12 ANDA applications are granted till date.

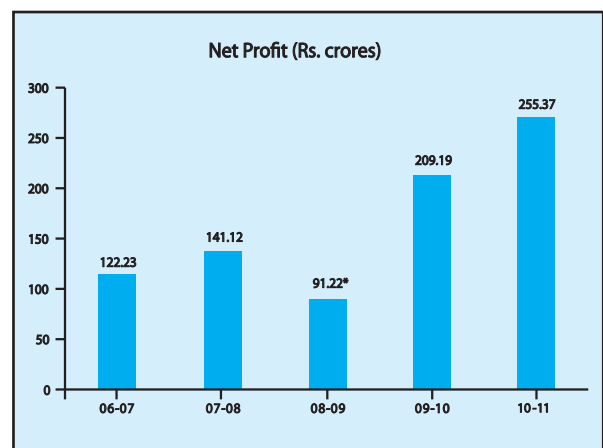
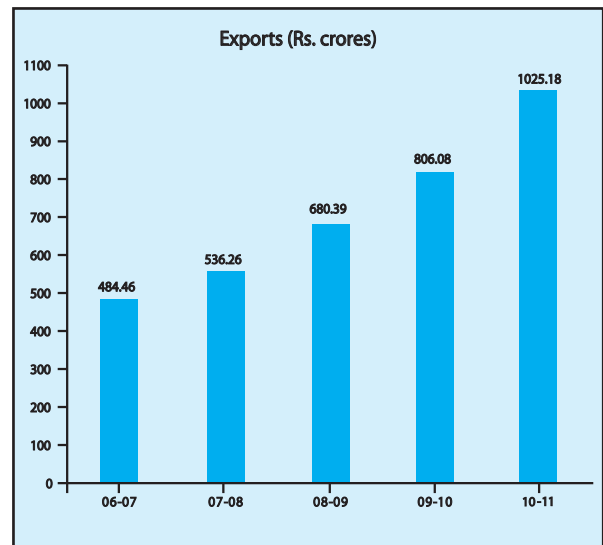
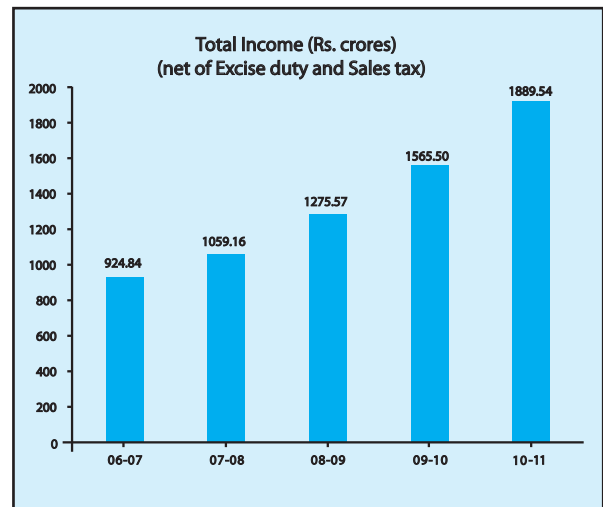
The formulations manufacturing facility of the Company at Indore SEZ, which is commercially ready since December 2008, is awaiting US FDA inspection and approval. Once this facility is inspected and approved by US FDA, the Company will be in a position to substantially scale up its US generic business.

The Company has signed agreements with marketing partners for sale/ distribution of generic formulations in Canadian market and under these agreements, the Company has developed and filed few formulation dossiers for registration in Canada and the formulations business from this country is expected to commence in the ensuing financial year.

The Company's wholly owned subsidiary in Mexico has started activities of filing the formulation dossiers for registration in the said country. The Company has started marketing its branded formulations in Venezuela, Columbia and Peru in the Latin American market with a few product registrations. Several more formulations dossiers are in the process of being registered / submitted for registration in all these markets of Latin America.

### Confederation of Independent States (CIS)

The Company's CIS business recorded a sales of Rs. 77.94 crores as against Rs. 68.76 crores in the previous year, a growth of 13%. Most of the business is from branded formulations sales in Russia, Ukraine and Belarus. The Company's branded formulations are marketed by its own field force appointed through its non-trading offices. The Company is continuously expanding its product range and geographical reach in the CIS market.



\* After forex translations loss of Rs. 75.69 crores and provision of Rs. 10.19 crores for investment/loan in a wholly owned subsidiary.



## Asia

The Asian business (excluding India) recorded a sales of Rs. 111.57 crores as against Rs. 94.41 crores in the previous year, a growth of 18%. The Company exports formulations as well as APIs to several Asian countries. In countries like Nepal, Sri Lanka, Myanmar, Philippines and Vietnam, the Company markets its branded formulations through dedicated field force. The field force and product range of the Company in Asian market is also being expanded.

## Africa

The Company achieved export sales of Rs. 204.55 crores to Africa during the financial year under report as against Rs. 106.46 crores in the previous year, a growth of 92%.

WHO pre-qualification of anti-malarial formulation of Artemether + Lumefantrine helped the Company in increasing its anti-malarial formulations business in the African market.

The Company exports branded and generic formulations as well as APIs to 20 African countries. The Company markets branded formulations in countries like Uganda, Ghana, Ivory Coast, Burkina Faso, Zimbabwe, Sudan, Tanzania, Kenya, Ethiopia and Nigeria through dedicated field force.

The Company is expanding its branded formulations business across this continent through expansion of field force and geographical coverage and increase in the number of branded formulations marketed.

## Australasia

The Company exports APIs to Australia and formulations to Australia and New Zealand in this sub-continent. The business from this continent was Rs. 32.15 crores during the financial year under report as against Rs. 15.38 crores in the previous year, a growth of 109%.

The Company is focusing on registering more formulation dossiers in Australia and New Zealand through its wholly owned subsidiary Company Ipca Pharma (Australia) Pty Ltd, Australia and its wholly owned subsidiary Ipca Pharma (NZ) Pty Ltd., New Zealand.

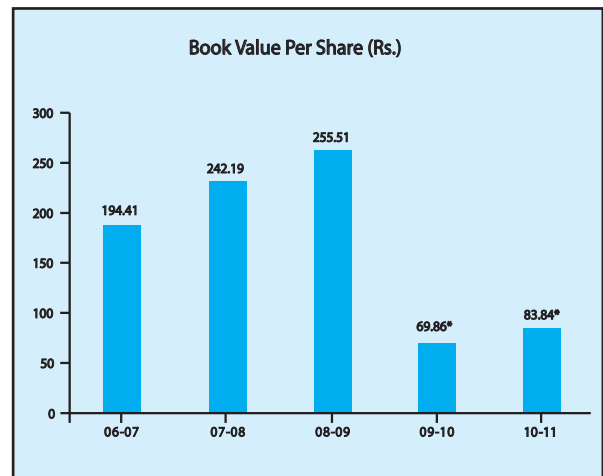
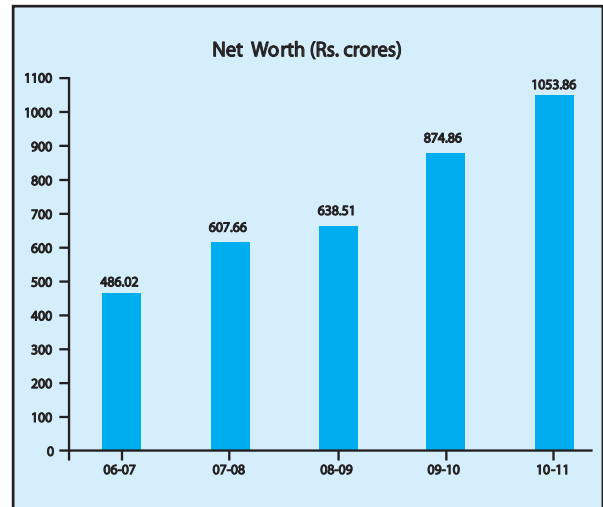
## e) Domestic Formulations Business

The Company's formulations business in India now comprises of thirteen marketing divisions focusing on key therapeutic segments including 2 new divisions – Ipca Pain Management and Ipca Dynamix which started operations from April 2011.

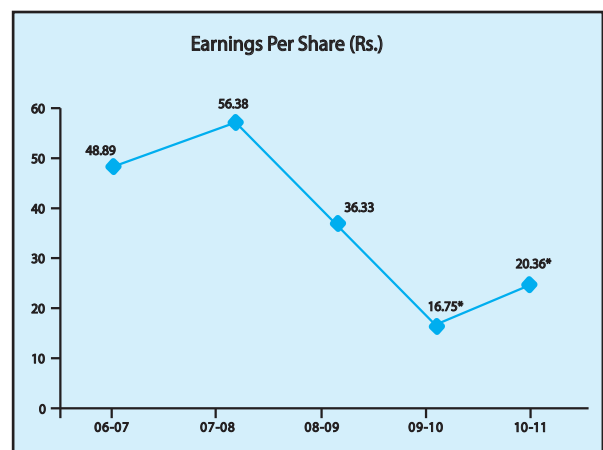
The brand building was in evidence especially in chronic therapy segments such as cardio-vasculars, anti-diabetics, newer anti-malarials and non steroidal anti-inflammatory drugs (NSAID).

During the year under report, the Company introduced 25 new products in the domestic market.

During the financial year under report, the domestic formulations business recorded a growth of 16% at Rs. 696.41 crores as against Rs. 597.84 crores in the previous year.



\* On face value of Rs. 2/- each. Rest all on face value of Rs. 10/- each.



\* On face value of Rs. 2/- each. Rest all on face value of Rs. 10/- each.

### Domestic Branded Formulations - Therapeutic Contribution

Therapeutic segment	2010-11	2009-10
	% to sales	% to sales
Cardiovasculars & Anti-diabetics	27%	28%
Non steroidal anti-inflammatory drugs (NSAID)	28%	26%
Anti-malarials	17%	17%
Anti-bacterials	8%	9%
Gastro Intestinal (G I) products	6%	7%
Neuro psychiatry	4%	4%
Cough Preparations	4%	4%
Dermatology	4%	4%
Neutraceuticals	1%	-
Others	1%	1%
Total	100%	100%

#### f) Active Pharmaceutical Ingredients (APIs) and Intermediates Business

During the financial year under report, the APIs and Intermediates business recorded sales of Rs. 477.80 crores as against Rs. 458.56 crores in the previous financial year. Nearly 70% of the APIs and Intermediates business is from exports.

The Company exported APIs/Intermediates to 95 countries across the globe. Most of the international customers of the Company are end user formulations manufacturers including several multinational companies (MNCs). 17 new APIs were commercialized during the financial year under report.

The Ratlam API manufacturing facility of the Company is approved by regulatory agencies of US, Canada, Japan, Australia, UK and many other European countries.

The Company has also stepped up Drug Master File (DMF) registration activities. 57 DMFs (previous year - 49 DMFs) of the Company are currently filed with US FDA. The Company has also obtained Certificate of Suitability (COS) for 34 APIs from European Directorate for Quality Medicines (EDQM) for EU countries.

#### g) Intellectual Property Protection

The company has created intellectual property management group within the Research and Development centers to deal with management and protection of intellectual property. The company has filed as many as 196 patent applications till date as against 192 patent applications filed a year ago in India, USA and other countries. These applications relate to novel and innovative manufacturing processes for the manufacture of APIs and pharmaceutical formulations.

Your directors have pleasure in informing you that 75 patent applications of the Company are since registered, 58 in India, 11 in US and 6 in the European Union.

#### h) Manufacturing Facilities

The Company's new formulations manufacturing unit at Special Economic Zone (SEZ) Indore meeting current Good Manufacturing Practices (cGMP) and regulatory requirements of developed countries though commercialised in December 2008, recently inspected and approved by UK-MHRA and small quantities of generic formulations are currently manufactured from this plant and exported to U.K.

The Company's new formulations manufacturing unit at Sikkim is expected to start commercial production in June 2011.

The API manufacturing facility at Ratlam was further expanded by adding new manufacturing blocks to cater to growing manufacturing needs of APIs.

The Company has taken effective steps for setting up a new green field API manufacturing facility at Village Ranu, Tehsil Padra, District – Vadodara (Gujarat).

#### i) Internal Control Systems

The Company has adequate internal control systems including suitable monitoring procedures commensurate with its size and the nature of the business. The internal control systems provide for all documented policies, guidelines, authorisation and approval procedures. The Company has an internal audit department which carries out audits throughout the year. The statutory auditors while conducting the statutory audit, review and evaluate the internal controls and their observations are discussed with the Audit committee of the Board.

## j) Human Resources

The human resource plays an important and vital role in the growth and success of an organization.

The Company has maintained cordial and harmonious relations with all employees across various locations.

During the year, the Company has implemented various measures to build a strong, adaptive and mature corporate structure which is flexible, responsive and simple.

During the year under review, various development workshops were organized to improve the overall competency level of employees with an objective to improve the operational performance of individuals. The Company has also taken efforts to build competent team to handle challenging assignments and for developing relationship with educational institutes with a view to attract and build a talent pool.

The involvement of employees at all levels has been achieved through continued promotion of TQM activities across the organization with the involvement of top management team.

The Company strives to enhance the technical, work related and general skills of all employees through dedicated training programs on a continuous basis.

The Company has 8922 permanent employees as on 31<sup>st</sup> March, 2011.

## k) Cautionary Statement

Certain statement in the management discussion and analysis may be forward looking within the meaning of applicable securities law and regulations and actual results may differ materially from those expressed or implied. Factors that would make differences to Company's operations include competition, price realisation, changes in government policies and regulations, tax regimes, economic development within India and the countries in which the Company conducts business and other incidental factors.

## SUBSIDIARY COMPANIES

The Company's wholly owned subsidiary Company Laboratories Ipca Do Brasil Ltda, Brazil is in the process of being voluntarily wound-up.

As communicated to the Company by the Brazilian Attorney, all Brazilian regulatory approvals except that of ANVISA are received for Company winding-up. The ANVISA approval is expected shortly.

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India under section 212 of the Companies Act, 1956, copy of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Auditors of the Company's subsidiaries have not been attached with the Balance Sheet of the Company. Any member interested in obtaining the same may write to the Company Secretary at the Corporate Office of the Company. These documents are available for inspection by Members at the Registered office of the Company and will also be placed before the Annual General Meeting.

However, as required the financial data of the subsidiaries have been furnished under 'Details of Subsidiaries' forming part of the Annual Report. The annual accounts of the subsidiaries are also uploaded on the website of the Company.

## CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standard AS-21, the audited consolidated financial statements are provided in the Annual Report.

## RESEARCH & DEVELOPMENT (R&D)

The Company has always considered Research and Development (R&D) as crucial for the sustained growth of the Company. The global challenges for the Indian pharma industry at large have increased several folds in the face of the transition from process to product patent regime in India from 2005. The Company has stepped-up investments in R&D to keep pace with the changing domestic and global scenario.

The Company has R&D centers at Mumbai, Ratlam, Athal and Indore, duly recognized by the Government of India, Ministry of Science and Technology, Department of Scientific & Industrial Research (DSIR). These R&D centers are also duly approved by the prescribed authority under Section 35 (2AB) of the Income Tax Act, 1961 for availing weighted tax benefit on the R&D expenditure.

The company is in the process of setting up another new Research Centre at Kandivli, Mumbai for Biotech and other research & development activities.

The Company has stepped up its R&D expenditure from Rs. 57.28 crores (3.71% of the turnover) in the previous year to Rs. 71.27 crores (3.82% of the turnover) in the year under report. The revenue R&D expenditure has increased to Rs. 57.04 crores as against Rs. 50.52 crores in the previous year.

With qualified and experienced research scientists and engineers manning the research and development activities, the Company has focused its thrust on new and innovative process and product development for the manufacture of APIs with non-infringing processes.

Apart from development of new dosage forms and drug delivery systems, improvement in processes and yield as well as cost reduction are also focus areas.

#### **EMPLOYEES' STOCK OPTIONS SCHEME (ESOS)**

During the year under report, the Company allotted 3,53,750 fully paid up equity shares of Rs. 2/- each at an exercise price of Rs. 40/- to the option grantees on exercise of stock options granted on 23<sup>rd</sup> September, 2006, 72,500 fully paid up equity shares of Rs. 2/- each at an exercise price of Rs. 63/- to the option grantees on exercise of stock options granted on 29<sup>th</sup> October, 2007 and 52,500 fully paid up equity shares of Rs. 2/- each at an exercise price of Rs. 63/- to the option grantees on exercise of stock options granted on 11<sup>th</sup> November, 2008.

In view of these allotments, the Company's paid-up equity share capital increased to Rs. 25,14,12,810/- consisting of 12,57,06,405 equity shares of Rs. 2/- each.

Disclosure pursuant to the provisions of SEBI (ESOS and ESPS) Guidelines, 1999 is annexed to this report as Annexure I.

#### **DIVIDEND**

Your Directors had declared 1<sup>st</sup> interim equity dividend of Re. 1/- per share (50%) at the meeting of the Board of Directors of the Company held on 22<sup>nd</sup> October, 2010 and a 2<sup>nd</sup> Interim equity dividend of Re. 1/- per share (50%) at the meeting of the Board of Directors of the Company held on 25<sup>th</sup> January, 2011. The said interim dividend was paid on 4<sup>th</sup> November, 2010 and 10<sup>th</sup> February, 2011, respectively, to those shareholders, whose names appeared on the register of members of the Company on 29<sup>th</sup> October, 2010 and 2<sup>nd</sup> February, 2011. Your directors are now pleased to recommend a final equity dividend of Rs. 1.20 per share (60%), making the total dividend recommended to Rs. 3.20 per share (160%) for the financial year under report as against 140% paid in the previous financial year. The dividend will be tax free in the hands of the shareholders.

The dividend (inclusive of interim dividend already paid) amounting to Rs. 40.21 crores and dividend tax amounting to Rs. 6.62 crores, if approved at the ensuing Annual General Meeting, will be appropriated out of the profits for the year.

#### **DIRECTORS**

Dr. V. V. Subba Rao, Mr. M. R. Chandurkar and Mr. A. K. Jain, retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

During the year, Mr. A. K. Jain, the incumbent Executive Director was re-designated as the Joint Managing Director at the meeting of the Board of Directors of the Company held on 29<sup>th</sup> July, 2010.

A brief note on Directors retiring by rotation and eligible for re-appointment is furnished in the Report on Corporate Governance.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors confirm:

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) that your Directors have selected such accounting policies and applied them consistently and made judgments and estimates that 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 March 31, 2011 and of the profit of the Company for the year;
- iii) that your Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that your Directors have prepared the annual accounts on a going concern basis.

#### **CORPORATE GOVERNANCE**

As per the requirement of listing agreement with the Stock Exchanges, the Company has complied with the requirements of Corporate Governance in all material aspects.

A report on Corporate Governance together with a certificate of its compliance from Statutory Auditors, forms part of this report.

#### **FIXED DEPOSITS**

During the year under review, the Company has not accepted any fixed deposits.

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### AUDITORS, AUDIT REPORT AND AUDITED ACCOUNTS

M/s Natvarlal Vepari & Co., Chartered Accountants, retire as auditors and, being eligible, offer themselves for re-appointment.

The Auditors' Report read with the notes to the accounts referred to therein are self-explanatory and, therefore, do not call for any further comments.

### EMPLOYEES

Information under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, forms part of this report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Report and the Accounts is being sent to all shareholders of the Company excluding the aforesaid information. Shareholders interested in obtaining this information may write to the Company Secretary at the Corporate Office of the Company.

### CORPORATE SOCIAL RESPONSIBILITY

The Company is committed to good corporate citizenship. As a part of its corporate social responsibility, the Company continues to undertake a range of activities in respect of healthcare and education to improve living conditions of people living in the neighborhood of its manufacturing facilities.

During the year under report, the Company has also supported healthcare and educational projects undertaken by charitable institutions and organizations.

The Company considers safety, environment and health as the management responsibility. Regular employee training programmes are carried out in the manufacturing facilities on safety and environment.

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

In accordance with the requirements of 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, statement showing particulars with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the enclosed Annexure.

### ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the continued co-operation and support extended to the Company by the Consortium of Banks and Financial Institutions. Your Directors also thank the Medical Profession, the Trade and Consumers for their patronage of the Company's products. Your Directors also place on record their profound admiration and sincere appreciation of the continued hard work put in by employees at all levels.

Mumbai  
24<sup>th</sup> May, 2011

For and on behalf of the Board

**R. S. Hugar**  
Chairman

## ANNEXURE I TO THE DIRECTORS' REPORT

Disclosure pursuant to the provisions of Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

	Employees Stock Option Scheme – 2006 (Grant I)	Employees Stock Option Scheme- 2006 (Grant II)	Employees Stock Option Scheme- 2006 (Grant III)
a. Options granted	3,99,000 (on 23 <sup>rd</sup> September, 2006)	1,10,000 (on 29 <sup>th</sup> October, 2007)	57,000 (on 11 <sup>th</sup> November, 2008)
b. The pricing formula	Closing market price on the day prior to grant of options Rs.367.10 and exercise price Rs.200	Closing market price on the day prior to grant of options Rs.619.35 and exercise price Rs.315	Closing market price on the day prior to grant of options Rs.400.45 and exercise price Rs.315
c. Options vested	3,17,750	55,000	24,750
d. Options exercised	3,17,750	55,000	24,750
e. The total number of shares arising as a result of exercise of options	3,17,750 (of Rs. 10/- each)	55,000 (of Rs. 10/- each)	24,750 (of Rs. 10/- each)
f. Options lapsed (as at March 31, 2011)	81,250	41,250	11,250
g. Variation of terms of options (as at March 31, 2011)	N/A	N/A	N/A
h. Money realized by exercise of options	Rs.635.50 lacs including share premium of Rs.603.73 lacs	Rs.173.25 lacs including share premium of Rs.167.75 lacs	Rs.77.96 lacs including share premium of Rs.75.49 lacs
i. Total number of options in force (as at March 31, 2011)	Nil	13,750	21,000
j. Director / Employee wise details of options granted to i) Directors	Mr. R. S. Hugar - Chairman 5,000 Mr. Babulal Jain - Director 5,000 Dr. V. V. Subba Rao - Director 5,000 Mr. V. A. Gore - Director 5,000 (Expired and so ceased to be a Director on 02.12.2009) Mr. T. Ramachandran 5,000 (Resigned as Director w.e.f. 31.10.2008) Mr. A. K. Jain - Executive Director 12,000	NONE	NONE
ii) Senior managerial personnel	Mr. M. D. Sharma - President Mktg. 10,000 Mr. Prakash Shanware - President HR 10,000 Dr. Ashok Kumar - President – R & D (Chemicals) 10,000 Mr. Y. K. Bansal - President – R & D (Formulations) 10,000 Mr. J. L. Naqvi - President Operations 10,000	Mr. N. Guhaprasad 10,000 President Int. Mktg.	NIL
iii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	Nil	Mr. N. Guhaprasad 10,000 President Int. Mktg. Mr. Rajesh Bahal 8,000 V.P. –Sales (Since Resigned) Mr. P. B. Nair 8,000 V.P. – Mfg (Since Resigned) Mr. L. K. Gupta V.P. – Bulk Drugs 8,000 Ms. Pradnya Deshmukh 6,000 Sr. G. M. Quality (Since Resigned)	Mr. J. S. Sood 6,000 Sr. G. M. Int. Mktg.
iv) Identified employees who were granted option during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of options	Nil	Nil	Nil
k. Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'	Rs. 20.35		
l. i) Method of calculation of employee compensation cost	The Company has calculated the employee compensation cost using the intrinsic value method of accounting to account for options issued under the ESOS. The intrinsic value is Rs. 167.10	The Company has calculated the employee compensation cost using the intrinsic value method of accounting to account for options issued under the ESOS. The intrinsic value is Rs. 304.35	The Company has calculated the employee compensation cost using the intrinsic value method of accounting to account for options issued under the ESOS. The intrinsic value is Rs.85.45
ii) Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the Options	The Employee compensation cost would have been higher by Rs.6,53,190/- had the company used fair value method for accounting the options issued under ESOS.		
iii) The impact of this difference on profits and on EPS of the Company	The profit would have been lower by Rs.6,53,190/- and the earnings per share would have been lower by Re.0.01 per share had the Company used fair value method for accounting the options issued under ESOS		
m. Weighted average exercise price	Rs.200	Rs.315	Rs.315
Weighted average fair value	Rs.342.60	Rs.357.27	Rs.152.91
n. Fair value of options based on Black Scholes methodology	Rs.342.60	Rs.357.27	Rs.152.91
Assumptions	- Risk Free Rate is based upon Govt. Securities - Dividends are not considered - There was no Transaction & Tax cost		
Risk Free rate	8%		
Expected life of options	-	Average time for expiry of option is taken as 0.44 years	Average time for expiry of option is taken as 1.53 years
Expected Volatility	17.10%		
Expected Dividends	In the calculation of fair value of the options, expected dividend have been ignored as the weighted average life of the option is more than 1 year and hence the estimation of the future dividend is difficult.		
Closing market price of share on a date prior to option grant	Rs.367.10	Rs.619.35	Rs.400.45

Note: Each option granted at the time of grant of options represent a right to the option grantee but not an obligation to apply for 1 fully paid up equity share of Rs.10/- each of the Company at pre-determined exercise price. Due to corporate action on 23<sup>rd</sup> March, 2010 for sub-division of 1 fully paid up equity share of Rs.10/- each into 5 fully paid up equity shares of Rs.2/- each, each of the outstanding options now represent a right but not an obligation to the option grantee to apply for 5 fully paid up equity shares of Rs.2/- each of the Company at exercise price duly adjusted for the said corporate action.

### AUDITORS' CERTIFICATE ON EMPLOYEE STOCK OPTION SCHEMES

To  
The Members of  
IPCA LABORATORIES LIMITED

We have examined the books of account and other relevant records and based on the information and explanations given to us, certify that in our opinion, the company has implemented the Employees Stock Option Scheme in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the resolutions of the company passed in General Meeting held on 28<sup>th</sup> July 2006 and 20<sup>th</sup> July 2007.

For **Natvarlal Vepari & Co.**  
Chartered Accountants  
Firm Registration No. 106971W

Mumbai,  
Dated : May 24, 2011

N. Jayendran  
Partner  
M. No. 40441

## ANNEXURE II TO THE DIRECTORS' REPORT

Information pursuant to the Companies (Disclosure of particulars in Report of the Board of Directors) Rules, 1988

### 1. CONSERVATION OF ENERGY

#### (i) Energy conservation measures taken :

The Company continues its policy of giving priority to energy conservation measures including regular review of energy generation and consumption and effective control on utilisation of energy.

The following energy conservation measures were implemented during the financial year:

- Replacement of inefficient motors with energy efficient motors.
- Replacement of electrically operated condensate recovery pump.
- Installation of adjustable speed drive in AHU.
- Installation of on-line temperature controller with sensor on cooling tower.
- Waste heat recovery system in hVAC.
- Flash steam recovery system to reduce steam loss.
- Reuse of effluent water through Reverse Osmosis Plant.
- Installation of natural eco ventilation in place of electric driven exhaust fan.
- Replacement of 1000 KVA transformer with OLTC transformer for better loading efficiency and voltage regulation.

#### (ii) Additional investments and proposals being implemented for reduction of energy consumption :

The Company is continuously installing electroflow and other devices to improve quality of power through voltage improvement.

#### (iii) Impact of the above measures :

The adoption of energy conservation measures have resulted in considerable savings and increased level of awareness amongst the employees. The energy conservation measures have also resulted in improvement of power factor and consequential tariff benefit.

#### (iv) A. Power and fuel Consumption:

	<u>2010-11</u>	<u>2009-10</u>
a) Electricity :		
(i) Purchased :		
Units (KWH)	76194001	65501827
Total Amount (Rs. in lacs)	3251.04	2656.63
Rate / Unit (Rs.)	4.27	4.06
(ii) Own Generation :		
Through Diesel Generator		
Units (KWH)	1168019	1212580
Units per Ltr. Of Diesel Oil (KWH)	3.26	3.21
Cost of Diesel per KWH (Rs.)	11.60	10.13
b) Light Diesel Oil (LDO) :		
Quantity (K.Ltrs.)	1710	12314
Total Amount (Rs. in lacs)	1.57	5.89
Average Rate/Ltr. (Rs.)	91.56	47.86
c) Others (Rs. in lacs) :		
HSD	252.47	176.95
LSHS	-	4.97
Coal // Thermia B Oil	963.51	1077.61
Furnace Oil	290.01	189.68
Pet Coke	437.37	-
Others	1.35	1.02

#### B. Consumption per unit of Production:

In view of the varied nature of the products and packs, the compilation of accurate consumption per unit of production is not feasible.

## 2. TECHNOLOGY ABSORPTION

### Research & Development

(A) Specific areas in which R&D work was carried out by the Company:

The Company's R&D Centres at Mumbai, Ratlam, Athal and Indore are approved by Department of Scientific and Industrial Research, Government of India. These centres are also approved U/s 35 (2AB) of Income Tax Act, 1961 for purposes of weighted tax deduction. The Company carries out R&D in several areas including:

- (i) Development of indigenous technologies for major drugs and intermediates, process improvements, technology absorption and optimisation of basic drugs, process simplification, etc.
- (ii) Improvement of existing processes to improve yields and quality, reduce cost and lead to eco friendly process.
- (iii) Development of newer dosage forms and new drug delivery systems.
- (iv) Development of non-infringing processes for APIs.

(B) Benefits derived as a result of the above R & D :

- (i) R&D efforts have helped bring out an improvement in processes, product design and operating efficiencies.
- (ii) Development of new formulations and line extensions.
- (iii) Development of various APIs and Intermediates.
- (iv) Development of new markets, adaptation to meet export requirements, quality upgradation and cost reduction.

(C) Future Plan of Action :

- (i) Development of various APIs/intermediates having good potential for exports and local market.
- (ii) Additional investment in manpower, latest instrumentation to upgrade and strengthen R & D facilities.
- (iii) Development of newer drug delivery systems.
- (iv) Development of formulations for developed market and bio-equivalence studies of the same.

(D) Expenditure on R & D:

	<b>2010-11</b>	2009-10
	<b>(Rs. Crores)</b>	(Rs. Crores)
a) Capital	<b>14.23</b>	6.76
b) Revenue	<b>57.04</b>	50.52
c) Total	<b>71.27</b>	57.28
d) R & D expenditure as a percentage of turnover	<b>3.82%</b>	3.71%

(E) Imported technology (imported during last 5 years):

The Company has not imported any technology during the last 5 years.

## 3. FOREIGN EXCHANGE EARNINGS AND OUTGO

A. Earnings

The CIF value of exports of the Company during the year aggregated to Rs. 1025.18 crores as against Rs. 806.08 crores in the previous year.

B) Outgo

Detailed information is furnished in the Notes to the Accounts.

For and on behalf of the Board

**R. S. Hugar**  
Chairman

Mumbai,  
24<sup>th</sup> May, 2011



## ANNEXURE

### REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, given below is a report on the Corporate Governance in the Company:

#### 1. Company's philosophy of Corporate Governance is to ensure :

- i) that the Board and top management of the Company are fully apprised of the affairs of the Company that is aimed at assisting them in the efficient conduct of the Company's business so as to meet Company's obligation to the stakeholders.
- ii) that the Board exercises its fiduciary responsibilities towards shareholders and creditors so as to ensure high accountability.
- iii) that all disclosure of information to present and potential investors are maximised.
- iv) that the decision making process in the organisation is transparent and are backed by documentary evidences.

#### 2. Board of Directors

The present strength of the Board of Directors of the Company is eight directors of which one is promoter Managing Director, one professional non-promoter Joint Managing Director, one promoter Executive Director, one promoter non executive Director and four non-executive independent directors with independent judgment in the deliberation and decision of the Board. The Chairman of the Board is a non-executive independent Director.

5 (Five) board meetings were held during the Financial Year 2010-11. The dates on which the said meetings were held are as follows:

10 <sup>th</sup> April, 2010	22 <sup>nd</sup> October, 2010
28 <sup>th</sup> May, 2010	25 <sup>th</sup> January, 2011
29 <sup>th</sup> July, 2010	

The last Annual General Meeting of the Company was held on 29<sup>th</sup> July, 2010.

Details of composition and category of Directors, their attendance at the Board meetings, Annual General meeting and shareholding of each Director are as follows:

Name of the Director	Category	No. of board meetings		Attendance at last AGM (29.07.2010)	No. of Equity shares held in the Company *	No. of options held under ESOS 2006
		Held	Attended			
Mr. R.S. Hugar	Chairman, Non-Executive, Independent Director	5	5	Yes	12,500	Nil
Mr. Premchand Godha	Managing Director, Promoter Director	5	5	Yes	28,51,340	Nil
Mr. M. R. Chandurkar	Non-Executive, Promoter Director	5	5	Yes	21,51,000	Nil
Mr. A. K. Jain	Joint Managing Director, Professional, Non-Promoter	5	5	Yes	66,000	Nil
Mr. Pranay Godha	Executive Director, Promoter Director	5	3	Yes	6,06,000	Nil
Mr. Babulal Jain	Non-Executive, Independent Director	5	5	Yes	25,500	Nil
Dr. V. V. Subba Rao	Non-Executive, Independent Director	5	5	Yes	12,500	Nil
Mr. Anand T. Kusre	Non-Executive Independent Director	5	4	Yes	Nil	Nil

Notes:

Mr. Premchand Godha, Managing Director and Mr. Pranay Godha, Executive Director are related to each other. None of the other Directors are related to each other.

Mr. A. K. Jain, the incumbent Executive Director was re-designated as Joint Managing Director at the meeting of the Board of Directors of the Company held on 29<sup>th</sup> July, 2010.

\*The above shareholding as at 31<sup>st</sup> March, 2011 is in respect of shares which are held by Directors as a first holder and in which shares they have beneficial interest.

**Number of other Companies or Committees of which the Director is a Director/Member/Chairman:**

Name of Director	No. of other public limited Companies in which he is Director	No. of Committees in which he is Member (other than Ipca)	No. of Committees of which he is Chairman (other than Ipca)
Mr. R. S. Hugar	2	2	2
Mr. Premchand Godha	3	2	Nil
Mr. M. R. Chandurkar	1	Nil	Nil
Mr. A. K. Jain	Nil	Nil	Nil
Mr. Pranay Godha	Nil	Nil	Nil
Mr. Babulal Jain	Nil	Nil	Nil
Dr. V. V. Subba Rao	Nil	Nil	Nil
Mr. Anand T. Kusre	3	Nil	Nil

Directorship held by Directors mentioned above does not include Directorship of foreign companies and private limited companies.

The memberships / chairmanships in Audit Committee and Shareholders Grievance Committee only of Indian public limited companies have been considered.

The Company has a process to provide, inter-alia, the information to the Board as required under Annexure IA to Clause 49 of the listing agreement pertaining to Corporate Governance. The Board periodically reviews the compliances by the Company of all applicable laws.

None of the Directors on the Board is a member of more than 10 committees and Chairman of more than 5 committees across all the companies in which they are Directors. All the Directors have made necessary disclosures in this regard to the Company.

The Company has not entered into any materially significant transactions during the year under report with promoters, directors, senior management personnel, etc. other than the transactions entered into in the normal course of Company's business. Transactions with related parties are disclosed under notes forming part of the accounts.

**Information required under clause 49 IV G of the listing agreement on Directors seeking appointment/ re-appointment**

**Dr. V. V. Subba Rao**

Dr. V. V. Subba Rao aged 71 years is a Science Post Graduate in Chemistry from Andhra University and PhD in Chemistry from University of Pune. Dr Subba Rao has also carried out post doctoral research in surface Chemistry in USA. He has rich experience of over 4 decades in the field of science and technology. He retired as Advisor to the Ministry of Science & Technology (DSIR), Government of India. His technical knowledge and vast experience will be of immense benefit to the Company. He has been an independent Director on the Board of the Company since September, 2000. He is holding 12,500 equity shares of the Company.

He does not hold Directorship in any other Company.

**Mr. M.R. Chandurkar**

Mr. M. R. Chandurkar, promoter of the Company, aged 73 years is a graduate in commerce. He is also a first generation entrepreneur. He is a Director on the Board of Directors of the Company since 31<sup>st</sup> October, 1975 and has been the Managing Director of the Company from March, 1983 till 31<sup>st</sup> March, 2008. He has over 3 decades of experience in the pharmaceutical industry. He is holding 21,51,000 equity shares of the Company.

He is also a Director of the following companies:

1. Chandurkar Investments Pvt. Ltd.	2. Monetize Financial Services Pvt. Ltd.
3. Salvia Investments & Traders Pvt. Ltd.	4. Asian Heart Institute & Research Centre Pvt. Ltd.
5. Colaba Land & Mill Co. Ltd.	

**Mr. A.K. Jain**

Mr. A. K. Jain aged 56 years is a qualified Chartered Accountant and a Science Graduate and is employed with the Company since 1980. He was first appointed as a Director of the Company designated as Executive Director on August 21, 1994. He is a professional, Wholetime, Non-promoter Director of the Company. He was re-designated as Joint Managing Director at the meeting of the Board of Directors of the Company held on 29<sup>th</sup> July, 2010.

He has over 3 decades of experience in the pharmaceutical industry in the field of Finance, Accounts, Information Technology, Legal, R&D, General Administration, etc.

He does not hold directorship in any other Company. He holds 66,000 equity shares in the Company.

### Code of Conduct

The Board has laid down a code of conduct for Board members and senior management personnel of the Company. The said code of conduct is posted on Company's website. The Board members and senior management personnel have affirmed compliance with the said code of conduct. A declaration signed by the Managing Director / CEO is given at the end of this report.

The Company has also adopted a code of conduct for Prevention of Insider Trading. All the Directors, Senior Management employees and other employees who have access to the unpublished price sensitive information of the Company are governed by this code. During the year under Report, there has been due compliance with the said code of conduct for Prevention of Insider Trading.

### 3. Audit Committee

#### Terms of Reference & Composition, Name of Members and Chairman :

The Audit Committee of the Company currently comprises of Mr. Babulal Jain (Chairman of the Committee), Dr. V. V. Subba Rao and Mr. Anand T. Kusre, all being Independent Directors with independent judgment in the deliberation and decisions of the Board as well as Audit Committee. All members of the Audit Committee have knowledge on financial matters and the Chairman of the Audit Committee is a Senior Chartered Accountant in practice having accounting and financial management expertise.

Mr. A. K. Jain, Joint Managing Director in-charge of Finance and Mr. Pranay Godha, Executive Director along with Statutory Auditors, Cost Auditors and Vice President (Audit) are invitees to the meetings of the Audit Committee. Mr. Harish P. Kamath, Sr. Vice President - Legal and Company Secretary is the Secretary of this Committee.

The terms of Reference to this Committee, inter-alia, covers all the matters specified under Section 292 (A) of the Companies Act, 1956 and also all the matters listed under Clause 49 of the Listing Agreement with Stock Exchanges such as oversight of the Company's financial reporting process; recommending the appointment/re-appointment of statutory auditors; reviewing with the management annual financial statements, quarterly financial statements and other matters as covered under role of audit committee in clause 49. The Audit Committee has powers, inter-alia, to investigate any activity within its terms of reference and to seek information from any employee of the Company / Company's subsidiaries as well as seek outside legal and professional advice.

The Audit committee reviews all the information that is required to be mandatorily reviewed by it under the corporate governance.

#### Audit Committee meetings and the attendance during the financial year 2010-11.

There were 5 (Five) meetings of the Audit Committee during the Financial Year 2010-11. The dates on which the said meetings were held are as follows:

10 <sup>th</sup> April, 2010	29 <sup>th</sup> July, 2010	25 <sup>th</sup> January, 2011
28 <sup>th</sup> May, 2010	22 <sup>nd</sup> October, 2010	

The attendance of each member of the Audit Committee in the committee meetings is given below:

Name of the Director	No. of meetings held	No. of meetings attended
Mr. Babulal Jain	5	5
Dr. V. V. Subba Rao	5	5
Mr. Anand T. Kusre	5	4

### Subsidiary Companies

The Company has one non-listed, non-material Indian subsidiary company. The Company also has 8 overseas wholly owned subsidiary companies and one wholly owned subsidiary Company of a wholly owned subsidiary, the financial statements of which are regularly reviewed by the Audit Committee.

### 4. Remuneration and Compensation Committee

The Company has a Remuneration and Compensation Committee of the Board which currently comprises of Mr. Babulal Jain (Chairman of the Committee), Dr V. V. Subba Rao and Mr. Anand T. Kusre, all independent directors to function in the manner and to deal with the matters specified in the clause 49 of the listing agreement and also to review the overall compensation structure and policies of the Company to attract, motivate and retain employees as well as to consider grant of stock options to permanent employees and Directors of the Company and Company's subsidiaries.

There were 2 (Two) meetings of this Committee during the Financial Year 2010-11. The dates on which the said meetings were held are as follows:

28 <sup>th</sup> May, 2010	25 <sup>th</sup> January, 2011
----------------------------	--------------------------------

The attendance of each member of the Remuneration and Compensation Committee in the committee meetings is given below:

Name of the Director	No. of meetings held	No. of meetings attended
Mr. Babulal Jain	2	2
Dr. V. V. Subba Rao	2	2
Mr. Anand T. Kusre	2	1

The details of the remuneration payable to Managing Director, Joint Managing Director and Executive Director for the Financial Year 2010-11 are given below :

(Rs. Crores)

Name of the Director	Salary	Benefits and Perquisites	Commission*	Total
Mr. Premchand Godha	1.32	0.96	5.28	7.56
Mr. A. K. Jain	0.40	0.44	0.79	1.63
Mr. Pranay Godha	0.24	0.24	0.48	0.96

\* as provided in the Annual Accounts 2010-11 and payable subject to shareholders approval.

The appointment of Managing Director, Joint Managing Director and Executive Director is contractual and is generally for a period of 5 years. Either party is entitled to terminate agreement by giving not less than two months notice in writing to the other party.

At the end of the financial year as on 31<sup>st</sup> March, 2011, the Company had a scheme for grant of stock options to the Directors and to the selected Employees of the Company and its subsidiaries under "Ipca Laboratories Limited – Employees Stock Option Scheme 2006 (ESOS)". Under this ESOS, the Remuneration and Compensation Committee till date has granted following options:

Grant Date	No. of options granted	Exercise Price
23.09.2006	3,99,000	Rs. 200
29.10.2007	1,10,000	Rs. 315
11.11.2008	57,000	Rs. 315

Each option represent a right to the option grantee but not an obligation to apply for 1 fully paid equity share of Rs. 10/- each of the Company at the Exercise Price (post corporate action for sub-division – 5 equity shares of Rs. 2/- each with pro-rata change in exercise price).

The options granted would be vested equally over a period of 4 years from the date of grant of options.

Details of number of options granted to Directors and the Senior Management personnel of the Company is given under Annexure to the Directors Report.

Disclosure pursuant to SEBI (ESOS and ESPS) Guidelines, 1999 is annexed to the Directors' Report forming part of this Annual Report.

The Non-Executive Directors are paid only sitting fees for attending the meetings of the Board of Directors and Committees thereof.

Details of payments made to Non-Executive Directors in the Financial Year 2010-11 are as under:

Name of the Director	Sitting fees Paid (Rs)	Commission paid (Rs)
Mr. R.S. Hugar	50,000	Nil
Mr. M. R. Chandurkar	80,000	Nil
Mr. Babulal Jain	1,50,000	Nil
Dr. V.V. Subba Rao	1,20,000	Nil
Mr. Anand T. Kusre	90,000	Nil

## 5. Shareholders / Investors Grievance Committee

### \* Details of the Members, Compliance Officer, No. of complaints received and pending, No. of transfers pending as on close of the financial year.

This Committee functions under the Chairmanship of Mr. Babulal Jain, the non-executive independent Director. Mr. Premchand Godha, Managing Director and Mr. M. R. Chandurkar, Director are the other Members of this Committee.

There were 3 (three) meetings of this Committee during the Financial Year 2010-11. The dates on which the said meetings were held are as follows:

28 <sup>th</sup> May, 2010	22 <sup>nd</sup> October, 2010	25 <sup>th</sup> January, 2011
----------------------------	--------------------------------	--------------------------------

The attendance of each member of the Shareholders/Investor Grievance Committee in the committee meetings is given below:

Name of the Director	No. of meetings held	No. of meetings attended
Mr. Babulal Jain	3	3
Mr. Premchand Godha	3	3
Mr. M. R. Chandurkar	3	3

Mr. Harish P. Kamath, Sr. Vice President – Legal & Company Secretary is the Compliance Officer of the Company.

This Committee monitors share transfers, transmissions and other shareholders related activities including redressal of investor grievances.

During the year, the Company received 184 complaints/communications from the shareholders, mostly regarding non-receipt of dividend warrants posted/request for revalidation of date expiry warrants, bonus shares issue, stock split share certificate related queries, etc. all of which are attended to. The Company had no unattended request pending for transfer of its equity shares at the close of the financial year.

## 6. General Body Meetings

### Details of the location where the last three AGMs and EGM were held and the details of the resolutions passed or proposed to be passed by Postal Ballot.

AGM for the F.Y. ended	Day, Date & Time of AGM	Place of AGM	Special Resolutions Passed
31-3-2010	Thursday, 29-7-2010 at 3.30 p.m.	Bhaidas Maganlal Sabhagriha, Vile Parle, Mumbai	None
31-3-2009	Thursday, 30-7-2009 at 3.30 p.m.	Bhaidas Maganlal Sabhagriha, Vile Parle, Mumbai	None
31-3-2008	Friday, 25-7-2008 at 3.30 p.m.	Bhaidas Maganlal Sabhagriha, Vile Parle, Mumbai	None
Day, Date & Time of EGM		Place of EGM	Special Resolutions Passed
Thursday, 25-2-2010 at 3.30 p.m.		Plot No. 47, Kandivli Industrial Estate, Kandivli West, Mumbai	None

All the resolutions set out in the respective notices calling the AGM / EGM were passed by the shareholders. No postal ballots were used for voting at these meetings. There is no proposal to pass any Special Resolution through postal ballot at the ensuing Annual General Meeting.

## 7. Disclosures

- i) Disclosure on materially significant related party transactions that may have potential conflict with the interest of the Company at large.  
None

The Register of Contracts containing the transactions in which Directors are interested is placed before the Board regularly for its approval. Disclosures from senior management staff have been obtained to the effect that they have not entered into any material, financial and commercial transactions where they have personal interest that may have potential conflict with the interest of the Company at large

Transactions with the related parties are disclosed in the notes to the accounts forming part of the Annual Report.

- ii) Details of non-compliance by the Company, penalties and strictures imposed on the Company by SEBI, ROC, Stock Exchanges or any other statutory authorities on any matter related to capital market during the last 3 financial years.  
None
- iii) There is a whistle blowing policy in the Company and that no personnel has been denied access to the Audit Committee.
- iv) The Company has complied with all the mandatory requirements of Corporate Governance under Clause 49 of the Listing Agreement. The Company has adopted the non-mandatory requirements of the Clause 49 of the Listing Agreement pertaining to Corporate Governance such as whistle blower policy, remuneration committee, etc.
- v) The CEO/CFO certification form part of this Annual Report.

#### Risk Management

The Company has adopted a risk management policy. The Board of Directors of the Company have been informed from time to time of the business risks faced by the Company and the steps taken by the management to face such risks.

#### Proceeds from Initial Public Offerings (IPOs), etc

The Company has not made any IPO during the year under report.

#### Management Discussions and Analysis

The Management Discussion and Analysis forms part of this annual report.

### 8. Means of Communication

Quarterly / Annual Results	: The results of the Company are published in the Newspapers.
Newspapers in which results are generally published	: The Business Standard, Free Press Journal, and Nav Shakti.
Website, where displayed	: At <a href="http://www.ipcalabs.com">http://www.ipcalabs.com</a>
Whether website also displays official news releases	: Yes.
Presentation made to institutional investors or to the analysts	: The website includes all the information on presentations made to the investors and analysts.
E-mail id for investor grievances	: <a href="mailto:investors@ipca.co.in">investors@ipca.co.in</a>

### 9. General Shareholders Information

AGM : Date, Time and Venue :	: Thursday, 28 <sup>th</sup> July, 2011 at 3.30 p.m. at Shri Bhaidas Maganlal Sabhagriha, Swami Bhaktivedanta Marg, J.V.P.D. Scheme, Vile Parle (W), Mumbai 400 056
Financial Year	: 1 <sup>st</sup> April –31 <sup>st</sup> March
First quarter results	: Last week of July.*
Second quarter results	: Last week of October*
Third quarter results	: Last week of January*
Annual results	: Last week of May* * Tentative
Date of Book closure :	: Wednesday, 20 <sup>th</sup> July, 2011 to Thursday, 28 <sup>th</sup> July, 2011 (both days inclusive).
Dividend Payment dates(s) :	: The Company has paid 1st Interim Dividend of Re. 1/- per share (50%) on 04.11.2010 and 2nd Interim Dividend of Re. 1/- per share (50%) on 10.02.2011 on the equity share capital for the financial year 2010-11. It is now proposed to declare final dividend of Rs. 1.20 per share (60%) on equity share capital for the financial year 2010-11 which if sanctioned will be paid on or before August 20, 2011.
Listing on Stock Exchanges :	: The Stock Exchange, Mumbai (BSE) and The National Stock Exchange (NSE). Listing fees have been paid to both the Stock Exchanges for the financial year 2011-12 in April, 2011. The fees of the depositories for the financial year 2011-12 is also paid in April, 2011.
Stock code – Physical :	: 524494 on BSE; IPCALAB on NSE
ISIN Number for NSDL & CDSL	: INE 571A01020
Corporate Identity Number allotted by Ministry of Corporate Affairs	: L24239MH1949PLC007837

Market price data: High, Low : during each month in last financial year	:	Please see Annexure 'A'
Stock performance in : comparison to BSE Sensex	:	Please see Annexure 'B'
Registrars and Share Transfer Agents	:	Link Intime India Private Limited C-13, Pannalal Silks Mills Compound L B S Marg, Bhandup (W) Mumbai 400 078 Tel. No. (022) 2596 3838 Fax. No.(022) 2567 2693
Share Transfer system	:	All share transfers, subject to correctness and completion of all documents would normally be registered and returned within 2 weeks from the date of receipt.
Distribution of shareholding/ shareholding pattern as on 31.3.2011	:	Please see Annexure 'C'
Dematerialisation of shares and liquidity	:	98% of the paid-up share capital has been dematerialised as on 31 <sup>st</sup> March, 2011.
Outstanding GDRs/ADRs/warrants/ convertible instruments etc	:	34,750 options issued under Ipca Laboratories Ltd- Employees Stock Option Scheme 2006 (ESOS) are outstanding as at 31 <sup>st</sup> March, 2011. Each option now represent a right to the option grantee but not an obligation to apply for 5 equity shares of Rs. 2/- each of the Company at the Exercise Price over a period of 4 years from grant date (consequent to corporate action for sub-division of each equity share of Rs. 10/- each into 5 equity shares of Rs. 2/- each)
Plant Location	:	<ol style="list-style-type: none"> <li>1. Ratlam, Madhya Pradesh.</li> <li>2. Pologround, Indore, Madhya Pradesh.</li> <li>3. Gandhidham, Gujarat.</li> <li>4. Athal, Silvassa.</li> <li>5. Danudyog Industrial Estate, Silvassa.</li> <li>6. Aurangabad, Maharashtra.</li> <li>7. Dehradun, Uttaranchal.</li> <li>8. SEZ Indore, Pithampur, Madhya Pradesh</li> <li>9. Gom Block, Bharikhola, South Sikkim</li> </ol>
Share Transfer and other communications may be addressed to the Registrars and Share Transfer Agents	:	Link Intime India Private Limited C-13, Pannalal Silk Mills Compound L B S Marg, Bhandup (W) Mumbai 400 078 Tel. No. (022) 2596 3838
Investors complaint may be addressed to	:	Harish P Kamath Sr. V.P.- Legal & Company Secretary Ipca Laboratories Limited 142-AB, Kandivli Incl. Est Kandivli (W), Mumbai 400 067 Tel. No. (022) 6647 4644 E-mail : investors@ipca.co.in

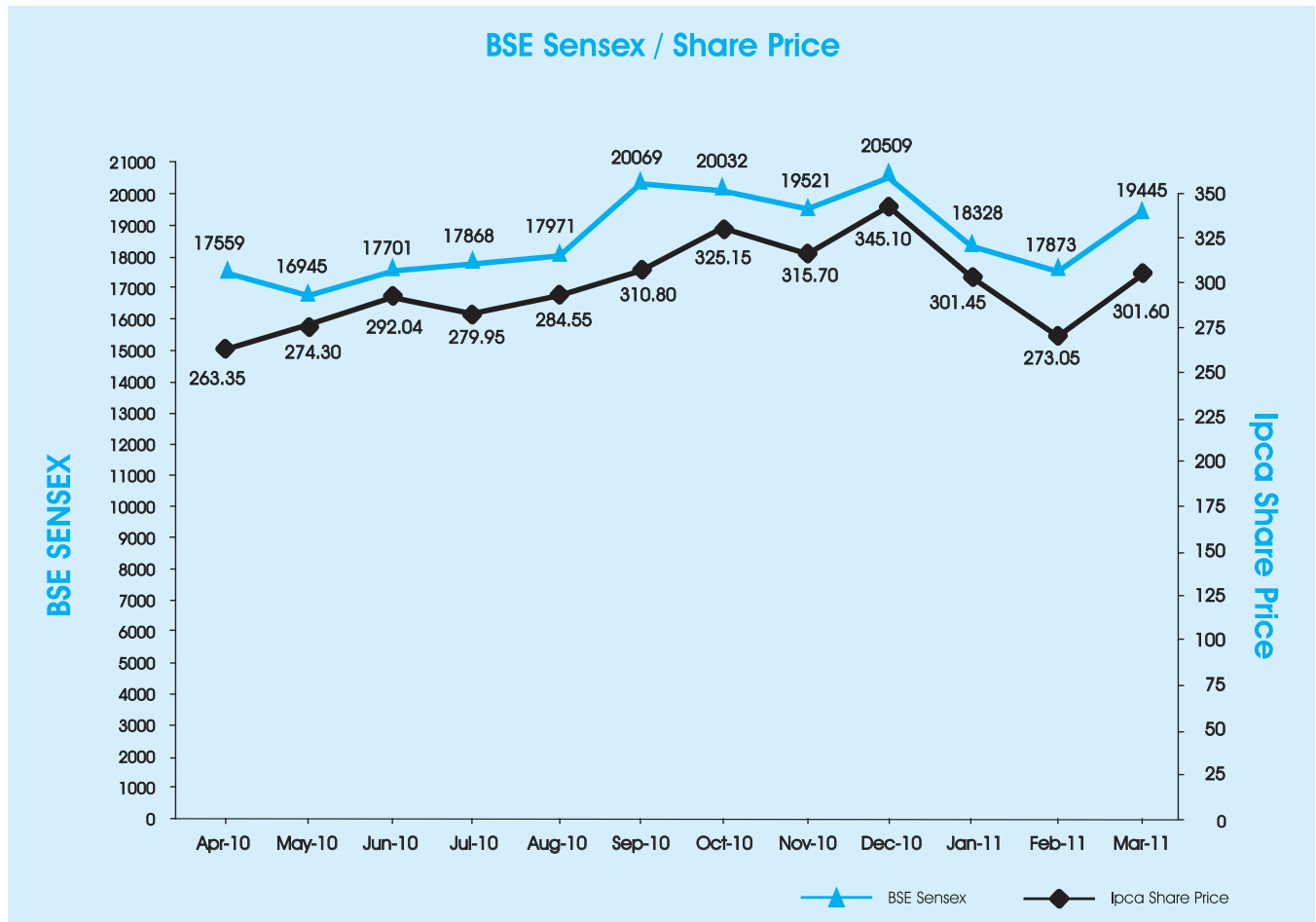
**Annexure A**

High/Low of Market price of the Company's shares traded on Bombay Stock Exchange Ltd (BSE) and National Stock Exchange of India Ltd. (NSE) during the financial year 2010-11 furnished below:

Year	Month	Highest (Rs.)		Lowest (Rs)		
		BSE	NSE	BSE	NSE	
2010	April	276.00	275.80	258.00	259.00	
	May	277.50	277.60	233.00	228.45	
	June	298.75	299.00	265.05	264.00	
	July	325.40	326.95	261.70	261.00	
	August	296.00	298.00	268.00	268.00	
	September	317.00	320.00	283.00	282.00	
	October	330.00	330.00	287.00	288.00	
	November	344.80	348.55	295.75	297.00	
	December	350.00	352.00	315.00	315.00	
	2011	January	349.80	351.60	283.00	282.50
		February	310.00	311.00	270.15	270.65
		March	314.35	309.00	255.10	258.95

**Annexure B**

Graph of Share Price/ BSE Sensex





### Annexure C

The distribution of shareholding as on March 31, 2011 is as follows :

No. of equity shares held			No. of shareholders	%	No. of shares	%
Upto		500	20714	96.48	8258956	6.57
501	to	1000	307	1.43	1161954	0.92
1001	to	2000	153	0.71	1161816	0.92
2001	to	3000	55	0.26	699123	0.56
3001	to	4000	32	0.15	577854	0.46
4001	to	5000	22	0.10	517455	0.41
5001	to	10000	55	0.26	1984281	1.58
10001	and	above	131	0.61	111344966	88.58
Grand Total			21469	100.00	125706405	100.00
No. of shareholders in Physical Mode			2216	10.32	2516490	2.00
No. of shareholders in Electronic Mode			19253	89.68	123189915	98.00

Shareholding pattern as on March 31, 2011 is as follows :

Categories of shareholders	No. of shareholders	No. of shares	% holding
Indian Promoters	15	57885690	46.05
Banks and Insurance Companies	5	68334	0.05
UTI and Mutual Funds	76	28472233	22.65
FII's and NRIs	528	11454800	9.11
Domestic Companies	546	13016885	10.36
Resident Individuals	20290	14808463	11.78
	21460	125706405	100.00



## ANNEXURE '1'

### AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To  
The Members of  
**IPCA LABORATORIES LIMITED**

1. We have examined the compliance of conditions of Corporate Governance by IPCA LABORATORIES LIMITED for the period ended on 31<sup>st</sup> March 2011 as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has generally complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
4. We further 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.

For **Natvarlal Vepari & Co.**  
Chartered Accountants  
Firm Registration No. 106971W  
**N. Jayendran**  
Partner  
M. No. 40441

Mumbai,  
24<sup>th</sup> May, 2011

To,  
All the Members of  
Ipca Laboratories Ltd.

It is hereby certified and confirmed that as provided in Clause 49 I (D) of the listing agreement with the stock exchanges, the Board members and the Senior Management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the financial year ended 31<sup>st</sup> March, 2011.

For Ipca Laboratories Limited  
Premchand Godha  
Managing Director / CEO

Mumbai,  
24<sup>th</sup> May, 2011

### CEO/CFO CERTIFICATION

The Board of Directors  
Ipca Laboratories Limited  
48, Kandivli Industrial Estate,  
Kandivli - West  
Mumbai – 400 067

We hereby certify that:

- (a) We have reviewed financial statements and the cash flow statement for the year ended 31<sup>st</sup> March, 2011 and that to the best of our knowledge and belief;
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) No transaction is entered into by the company during the year which is fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee:
  - i. significant changes in internal control over financial reporting during the year;
  - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For **Ipca Laboratories Ltd.**

Mumbai,  
24<sup>th</sup> May, 2011

**Premchand Godha**  
Managing Director / CEO

**A.K. Jain**  
Joint Managing Director / CFO

## AUDITORS' REPORT

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To  
The Members of  
**IPCA LABORATORIES LIMITED**

We have audited the attached Balance Sheet of Ipca Laboratories Limited as at 31<sup>st</sup> March, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. 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) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure Statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to 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 it appears from our examination of the 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 accounts.
- iv) In our opinion, the Balance Sheet, 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.
- v) On the basis of the written representation received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> 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.
- vi) In our opinion and to the best of our information and according to the explanation given to us, the accounts and the other notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view.
  - (a) in the case of Balance Sheet, of the State of Affairs of the Company as at 31<sup>st</sup> March, 2011 and
  - (b) in the case of Profit and Loss Account, of the Profit for the year ended on 31<sup>st</sup> March 2011.
  - (c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

Mumbai,  
May 24, 2011

For **Natvarlal Vepari & Co.**  
Chartered Accountants  
Firm Registration No. 106971W

**N. Jayendran**  
Partner  
M.No. 40441

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in our report of even date)

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) The fixed assets have been physically verified by the management at reasonable intervals and any material discrepancies noticed on such verification have been properly dealt with in the books of account;
- (c) The Company has not disposed off any substantial part of fixed assets.
- (ii) (a) Stock of finished goods, stores, spare parts and raw materials has been physically verified by the management at reasonable intervals during the year.
- (b) In our opinion and according to the information and explanations given to us, the procedure of physical verification of stock followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The valuation of stock has been done on the basis of physically verified quantity. Therefore shortage / excess automatically gets adjusted and the same is properly dealt in the books of accounts.
- (iii) The Company has not taken / given any loan from / to any party listed in the register maintained under Section 301 .
- (iv) In our opinion and according to the information and explanations given to us there is an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. We have not come across any continuing failure to correct major weaknesses in internal control.
- (v) (a) In our opinion and according to the information and explanations given to us the transactions that need to be entered into a register in pursuance of Section 301 of the Act has been properly entered.
- (b) All the transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time and the nature of services rendered by such party.
- (vi) The Company has not accepted any deposits from the public during the year under review, and consequently the directives issued by the Reserve Bank of India and the provisions of Sections 58A and 58AA of the Act and the rules framed there under are not applicable.
- (vii) In our opinion the Company has an internal audit system commensurate with the size of the company and the nature of its business.
- (viii) According to the records produced and information given to us, the cost records and accounts as prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 have been made and maintained by the company but no examination of such records and accounts has been carried out by us.
- (ix) (a) The Company is regular in depositing provident fund, employees state insurance, income tax, sales tax, service tax, customs duty and excise duty dues with the appropriate authorities and there are no arrears of outstanding statutory dues as at the last day of the financial year for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us, the following tax / duty, etc., has not been deposited on account of dispute.

Name of the Statute	Nature of Dues	Amount (Rs in crores)	Period to which the amount relates	Forum where dispute is pending
Excise Duty	Valuation of Inputs	0.12	2001-2002 & 2002-2003	Commissioner of Central Excise
Excise Duty	Cenvat availed on direct clearance of goods from job worker's premises.	0.34	April 2002 - Jan 2005	CESTAT
Excise Duty/ Service Tax	Availment of Cenvat Credits on Input Services.	0.03	2006-2007 and 2007-2008	Assistant Commissioner of Central Excise
Excise Duty / Service Tax	Availment of Cenvat Credits on Input Services.	0.01	April 2008 - Dec 2008	Assistant Commissioner of Central Excise
Excise Duty / Service Tax	Availment of Cenvat Credits on Input Services.	0.01	Jan 2009 - Sep 2009	Assistant Commissioner of Central Excise
Service Tax	Availment of Cenvat Credits on H.O invoices.	0.91	April 2006 –Nov 2008	Commissioner of Central Excise.
Service Tax	Availment of Cenvat Credits on H.O invoices.	2.06	April 2006 –Nov 2008	Commissioner of Central Excise.
Excise Duty / Service Tax	Availment of Cenvat Credits on Common Inputs.	5.76	May 2007 –March 2008	Commissioner of Central Excise.

## AUDITORS' REPORT

Name of the Statute	Nature of Dues	Amount (Rs in crores)	Period to which the amount relates	Forum where dispute is pending
Excise Duty	Non reversal of service tax credit on short receipt and destruction of RM/PM	0.01	2005-2006 to 2007-2008	Assistant Commissioner of Central Excise
Excise Duty	Payment of Excise Duty	0.51	April 2003 to Dec 2008	CESTAT-New Delhi
Service Tax	Availment Of Cenvat Credit on Service Tax	0.01	2006-2007	Asst Commissioner of Central Excise
Sales Tax	Disputed demand	0.01	2001-2002	Sales Tax Authority- Patna
Sales Tax	Disputed demand	0.03	2004-2005	Sales Tax Authority – Jaipur
Sales Tax	Disputed Demand	0.95	2006-2007	Gujarat Sales Tax
Sales Tax	Disputed Demand	0.08	2008-2009	Sales Tax Authority-UP
Income tax	Disputed disallowances	0.57	AY:-2007-08	CIT(Appeal)

- (x) The Company does not have any accumulated losses and has not incurred cash losses in current year and the previous year.
- (xi) We are informed that the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders.
- (xii) On the basis of the audit procedures followed and the representations from the management, we report that the Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a nidhi/ mutual benefit fund/society and accordingly clause (xiii) of the Companies (Auditors' Report) Order, 2003 is not applicable.
- (xiv) The company does not trade in securities and other investments. However in respect of shares and other securities held as investments, the said investments are in the name of the company.
- (xv) According to the information and explanations given to us, the company has given guarantee for loans taken by others from bank, the terms and conditions whereof are not prejudicial to the interest of the company.
- (xvi) On the basis of the documents submitted to the bankers and the other records perused by us we have to state that the term loans which are in the nature of External Commercial Borrowings taken during the year have been applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanation given to us, on an over all examination of the Balance Sheet of the company and the necessary representations from the management, we report that no short term funds raised by the company have been applied towards long term assets / investments.
- (xviii) 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. Accordingly clause (xviii) of the Companies (Auditors' Report) Order, 2003 is not applicable.
- (xix) The Company has not made any fresh issue of debentures during the year and accordingly clause (xix) of Companies (Auditors' Report) Order, 2003 is not applicable
- (xx) The Company has not raised any money by public issues during the year and accordingly clause (xx) of Companies (Auditors' Report) Order, 2003 is not applicable;
- (xxi) Based on the audit procedures performed and the information and explanation given by the management we report that no fraud on or by the company has been noticed or reported during the year.

For **Natvarlal Vepari & Co.**  
Chartered Accountants  
Firm Registration No. 106971W

**N. Jayendran**  
Partner  
M.No. 40441

Mumbai,  
May 24, 2011



## BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011

	Schedule	31 <sup>st</sup> March, 2011		31 <sup>st</sup> March, 2010	
		Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	25.14		25.04	
Share Application money pending allotment (Refer Note No. 19(c) and 26)		-		0.01	
Reserves and Surplus	2	<u>1,028.72</u>	<u>1,053.86</u>	<u>849.82</u>	874.87
<b>Loan Funds</b>					
Secured Loans	3	427.25		364.08	
Unsecured Loans	3	<u>103.56</u>	<u>530.81</u>	<u>89.90</u>	453.98
Deferred Taxation (Net) (Refer Note No. 7)			80.73		79.31
			<u>1,665.40</u>		<u>1,408.16</u>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	4	985.58		878.47	
Less : Depreciation/Amortisation/Impairment		<u>287.76</u>		<u>242.00</u>	
Net Block		697.82		636.47	
Capital Work-in-Progress and Capital Advances		<u>113.15</u>	<u>810.97</u>	<u>38.28</u>	674.75
<b>Investments</b>					
	5		48.94		49.42
<b>Current Assets, Loans and Advances</b>					
Inventories	6	462.51		370.84	
Sundry Debtors	7	466.31		391.91	
Cash and Bank Balances	8	8.44		8.29	
Loans and Advances	9	<u>115.99</u>		<u>126.98</u>	
		<u>1,053.25</u>		<u>898.02</u>	
<b>Less : Current Liabilities and Provisions</b>					
Current Liabilities	10	205.76		183.13	
Provisions		<u>42.00</u>		<u>30.90</u>	
		<u>247.76</u>		<u>214.03</u>	
<b>Net Current Assets</b>					
			805.49		683.99
			<u>1,665.40</u>		<u>1,408.16</u>
<b>Notes to the Accounts</b>					
	17				

As per our Report of even date attached  
For **Natvarlal Vepari & Co.**  
Chartered Accountants  
Firm Registration No. 106971W

N. Jayendran  
Partner  
M.No.40441  
Mumbai  
24<sup>th</sup> May, 2011

Harish P. Kamath  
Company Secretary

For and on behalf of the Board of Directors  
Premchand Godha Managing Director  
A. K. Jain Joint Managing Director  
Pranay Godha Executive Director

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

	Schedule	2010-2011		2009-2010	
		Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
<b>INCOME</b>					
Sales			1,920.94		1,588.75
Less : Excise duty		12.78		10.31	
Sales Tax		42.24	55.02	32.89	43.20
			1,865.92		1,545.55
Income from Operations	11		15.18		7.19
Other Income	12		8.44		12.76
			1,889.54		1,565.50
<b>EXPENDITURE</b>					
Material Cost and Inventory Adjustments	13	767.57		640.95	
Personnel Cost	14	261.59		216.38	
Manufacturing and Other Expenses	15	473.45		360.49	
Financial Cost	16	31.14		32.38	
Depreciation and Amortisation	4	55.43		46.33	
Loss/(Gain) on foreign exchange translations		(43.34)		(5.79)	
Provision for Diminution in value of investments		-	1,545.84	3.03	1,293.77
<b>PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM</b>			343.70		271.73
Less : Provision for Taxation					
- Current		73.25		47.30	
- Deferred (Net)		1.42		14.20	
- Short/(Excess) provision of earlier years		3.70	78.37	1.04	62.54
<b>PROFIT AFTER TAXATION BEFORE EXCEPTIONAL ITEM</b>			265.33		209.19
EXCEPTIONAL ITEM					
Less: Provision for Investments in Subsidiaries [Refer Note No. 15(a)]			9.96		-
<b>NET PROFIT</b>			255.37		209.19
Balance brought forward			152.70		151.95
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>			408.07		361.14
<b>APPROPRIATIONS</b>					
Debenture Redemption Reserve			15.00		15.00
General Reserve			200.00		152.54
Interim Dividend			25.13		22.49
Proposed Final Dividend			15.08		12.52
Proposed Dividend of previous year reversed on Shares bought back			-		(0.01)
Tax on Dividend			6.62		5.90
Balance carried forward to Balance Sheet			146.24		152.70
			408.07		361.14
<b>EARNINGS PER SHARE (In Rupees)</b>					
[Refer Note No. 17]					
(Nominal value of each share Rs. 2/-)					
Basic					
Before Exceptional Items			21.16		16.75
After Exceptional Items			20.36		16.75
Diluted					
Before Exceptional Items			21.15		16.72
After Exceptional Items			20.35		16.72
<b>Notes to the Accounts</b>	17				

As per our Report of even date attached  
For **Natvarlal Vepari & Co.**  
Chartered Accountants  
Firm Registration No. 106971W

N. Jayendran  
Partner  
M.No.40441  
Mumbai  
24<sup>th</sup> May, 2011

Harish P. Kamath  
Company Secretary

For and on behalf of the Board of Directors  
Premchand Godha      Managing Director  
A. K. Jain              Joint Managing Director  
Pranay Godha         Executive Director



## CASH FLOW FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

	2010-2011 Rupees in Crores	2009-2010 Rupees in Crores
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
1 Net profit before taxation and extraordinary item	343.70	271.73
Adjustments for :		
Depreciation , amortisation and Impairment	55.43	46.33
Reversal of Impairment loss of assets	(0.50)	-
Provision for employee benefit	-	2.76
(Profit) / Loss on sale of assets	1.05	0.38
(Profit) / Loss on sale of investments	-	(3.70)
Assets scrapped	2.36	0.69
Miscellaneous balance written off/( back)	(0.07)	-
Bad debts (recovered) / Written off	-	0.47
Provision for doubtful debts/advances	0.17	1.15
Provision for diminution in value of investment	-	3.03
Employee Stock Option Compensation expenses	0.31	1.08
Foreign exchange (gain) / loss	(43.34)	(5.79)
Interest income	(6.44)	(6.55)
Dividend income	(0.36)	(1.12)
Interest expense	25.33	27.03
	<u>33.94</u>	<u>65.76</u>
2 Operating profit before working capital changes	377.64	337.49
Increase/(Decrease) in short term borrowings	30.06	23.51
Decrease/(Increase) in Receivables	(62.49)	(76.18)
Decrease/(Increase) in Inventories	(91.68)	(71.01)
Increase/(Decrease) in Sundry creditors	24.82	26.13
	<u>(99.29)</u>	<u>(97.55)</u>
3 Cash generated from operation	278.35	239.94
Income tax paid (Net)	(64.03)	(45.44)
Gratuity contribution to LIC	(1.50)	(0.98)
Net cash from operating activities	<u>212.82</u>	<u>193.52</u>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(195.83)	(143.44)
Investment in subsidiaries	(1.63)	(0.87)
Purchase of Investments	(7.86)	-
Proceeds from sale of investments	-	9.15
Purchase/redemption of mutual fund units		
- Purchases	(610.41)	(481.95)
- Redemption	610.41	481.95
Proceeds from sale of assets	1.26	1.01
Interest received	4.86	6.43
Dividend received	0.36	1.12
Net cash from / (used in) investing activities	<u>(198.84)</u>	<u>(126.60)</u>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share Capital including premium	2.19	2.56
Share bought back & extinguished	-	(2.54)
Proceeds from long-term borrowings	95.48	71.21
Repayment of long-term borrowings	(41.54)	(69.05)
Interest paid	(26.10)	(28.78)
Dividend & dividend tax paid	(43.86)	(37.87)
Net cash used in financing activities	<u>(13.83)</u>	<u>(64.47)</u>
Net increase / (decrease) in cash and cash equivalents ( A + B + C )	<u>0.15</u>	<u>2.45</u>
Cash and cash equivalents at beginning of year	8.29	5.84
Cash and cash equivalents at end of year	<u>8.44</u>	<u>8.29</u>
<b>Components of Cash &amp; Cash equivalents :</b>		
Cash and Cheques on hand	3.12	3.37
Balance with banks		
- On current account	4.14	4.13
- On deposit account	0.02	0.01
Balance with non scheduled Banks	1.16	0.78
	<u>8.44</u>	<u>8.29</u>

As per our Report of even date attached  
For **Natvarial Vepari & Co.**  
Chartered Accountants  
Firm Registration No. 106971W

N. Jayendran  
Partner  
M.No.40441  
Mumbai  
24<sup>th</sup> May, 2011

For and on behalf of the Board of Directors  
Premchand Godha      Managing Director  
A. K. Jain              Joint Managing Director  
Pranay Godha         Executive Director

Harish P. Kamath  
Company Secretary



## SCHEDULES TO THE ACCOUNTS

Schedules 1 to 17 forming part of the Balance Sheet as at 31<sup>st</sup> March, 2011 and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2011

	31.03.2011		31.03.2010	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
<b>SCHEDULE 1</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised :</b>				
22,50,00,000 Equity Shares of Rs.2 each		<u>45.00</u>		<u>45.00</u>
<b>Issued and Subscribed :</b>				
12,69,87,500 Equity Shares of Rs.2 each (Previous year 12,65,08,750 Equity Shares)		<u>25.40</u>		<u>25.30</u>
<b>Paid up :</b>				
12,57,06,405 Equity Shares of Rs.2 each (Previous year 12,52,27,655 Equity Shares)		25.14		25.04
PER BALANCE SHEET		<u>25.14</u>		<u>25.04</u>
Of the above :				
(i) 48,200 Equity Shares of Rs. 10 each have been issued as fully paid for consideration other than cash				
(ii) (a) 84,00,000 Equity Shares of Rs. 10 each fully paid have been issued as Bonus Shares by capitalisation of General Reserve				
(b) 1,25,00,000 Equity Shares of Rs.10 each fully paid have been issued as Bonus Shares by capitalisation of Share Premium				
(iii) Aggregate Shares issued under Employees Stock Option Scheme (ESOS): 19,87,500 Equity Shares of Rs.2/- each (Previous year 15,08,750 Equity Shares)				
(iv) 2,56,219 Equity Shares of Rs.10 each have been extinguished under Buy back Scheme				
Note : Equity Share of Rs.10 each have been sub-divided into five equity shares of Rs.2 each pursuant to the resolution passed by the shareholders at the Extra Ordinary General Meeting held on 25 <sup>th</sup> February,2010				
<b>SCHEDULE 2</b>				
<b>RESERVES AND SURPLUS</b>				
<b>Capital Reserve</b>				
Per last Balance Sheet		0.04		0.04
<b>Capital Redemption Reserve</b>				
Per last Balance Sheet	0.26		0.20	
Add : Transferred from General Reserve	-	0.26	0.06	0.26
<b>Share Premium Account</b>				
Per last Balance Sheet	38.54		34.11	
Add : On issue of Equity Shares under Employee stock options	3.82	42.36	4.43	38.54
<b>General Reserve</b>				
Per last Balance Sheet	600.00		450.00	
Less : Amount withdrawn for Shares Buy back	-		2.48	
Less : Amount transferred to Capital Redemption Reserve	-		0.06	
Add: Transferred from Profit and Loss Account	200.00	800.00	152.54	600.00
<b>Debenture Redemption Reserve</b>				
Per last Balance Sheet	20.00		5.00	
Add : Transferred from Profit and Loss Account	15.00	35.00	15.00	20.00
<b>Employee Stock Options</b>				
Employee stock option outstanding	0.60		2.47	
Less : Deferred Employee compensation expenses	0.12	0.48	0.58	1.89
<b>Foreign Exchange Hedging Reserve</b>				
		4.34		36.39
<b>Profit and Loss Account</b>				
PER BALANCE SHEET		<u>1,028.72</u>		<u>849.82</u>

**SCHEDULE 3**  
**LOANS**

	31.03.2011 Rupees in Crores	31.03.2010 Rupees in Crores
<b>a) Secured Loans</b>		
<b>Working Capital Loan</b>	<b>160.29</b>	144.23
- Canara Bank-Consortium-Secured by first charge by way of hypothecation of raw materials, packing materials, work-in process, finished goods, stores and spares, book debts and all other movable current assets of the Company and second charge by way of mortgage of the immovable properties of the Company and hypothecation of plant & machinery of the Company.		
<b>12.75% Secured Redeemable Non-Convertible Debentures</b>	<b>50.00</b>	50.00
- Redeemable in 3 equal annual instalments from 26 <sup>th</sup> December, 2011, Secured by mortgage over company's office premises at Ahmedabad, Gujarat, first pari passu charge over movable & immovable properties at Dehradun & pari passu first charge on Company's plant & machinery at Rattlam.		
<b>Rupee Term Loan</b>		
<b>HDFC Bank Ltd.</b>	<b>18.81</b>	29.33
- Secured by first pari passu charge by way of hypothecation of movable fixed assets both present and future except on movable fixed assets at Pithampur, Indore.		
<b>Bank of Baroda</b>	<b>15.00</b>	15.00
- Secured by first charge by way of equitable mortgage of land and building of the Company situated at Indore(except Pithampur), Dehradun, Rattlam, Mumbai, Athal & Piparia.		
<b>Foreign Currency Term Loans</b>		
<b>Barclays Bank</b>	<b>44.60</b>	-
- Secured by first pari passu charge on the plant & machinery of the Company except assets at Pithampur, Indore.		
<b>ICICI Bank Offshore Banking Unit</b>	<b>20.07</b>	33.82
- Secured by exclusive charge on the entire movable fixed assets at SEZ, Indore, Pithampur and pari passu first charge on movable fixed assets at Kandla.		
<b>BNP PARIBAS</b>	<b>56.49</b>	24.05
- Secured by first pari passu charge by way of hypothecation of movable fixed assets both present and future except on movable fixed assets at Pithampur, Indore.		
<b>CITI BANK</b>	<b>22.30</b>	22.55
- Secured by first pari passu charge by way of hypothecation of all the movable fixed assets both present and future except on movable fixed assets at Pithampur, Indore.		
<b>DBS BANK SINGAPORE</b>	<b>39.69</b>	45.10
- Secured by first pari passu charge by way of hypothecation of all the movable fixed assets both present and future except on movable fixed assets at Pithampur, Indore.		
PER BALANCE SHEET	<b>427.25</b>	364.08
( Refer Note No. 5)		
<b>b) Unsecured Loans</b>		
Short Term Loans from Banks :		
- HSBC	<b>35.64</b>	-
- UBS AG	<b>40.00</b>	-
- Barclays Bank	-	11.27
- CITI BANK	-	13.53
- BNP Paribas	<b>13.38</b>	15.00
- Buyers Credit	<b>14.04</b>	49.59
Deposits from dealers	<b>0.50</b>	0.51
PER BALANCE SHEET	<b>103.56</b>	89.90
( Refer Note No. 5)		

**SCHEDULE 4  
FIXED ASSETS**

(Rs. in Crores)

SR. NO.	DESCRIPTION OF ASSETS	GROSS BLOCK			DEPRECIATION, AMORTISATION & IMPAIRMENT					NET BLOCK		
		As on 01.04.2010	Additions during the year	Sales, w/off, adjustments during the year	As on 31.03.2011	Up to 31.03.2010	For the year	Sales, w/back, adjustments during the year	Impairment Changes	Up to 31.03.2011	As on 31.03.2011	As on 31.03.2010
<b>A Tangible Assets</b>												
1	Land											
	- Freehold	23.33	0.87	-	24.20	0.03	-	-	-	0.03	24.17	23.30
	- Leasehold	10.90	-	-	10.90	0.44	0.11	-	-	0.55	10.35	10.46
2	Buildings	161.33	9.73	(0.02)	171.04	26.76	4.99	-	-	31.75	139.29	134.57
3	Plant & machinery	569.37	84.64	(10.58)	643.43	160.92	38.76	(6.21)	(0.50)	192.97	450.46	408.45
4	Effluent treatment plant	6.05	2.84	-	8.89	2.71	0.85	-	-	3.56	5.33	3.34
5	Furniture & fixtures	16.22	2.77	(0.28)	18.71	7.71	1.59	(0.04)	-	9.26	9.45	8.51
6	Vehicles	7.69	6.15	(1.64)	12.20	4.26	1.09	(1.29)	-	4.06	8.14	3.43
7	Leasehold improvement	-	0.76	-	0.76	-	0.07	-	-	0.07	0.69	-
<b>B Intangible Assets</b>												
1	Software	3.75	1.04	-	4.79	1.65	0.82	-	-	2.47	2.32	2.10
2	Know-how	3.84	-	-	3.84	3.65	-	-	-	3.65	0.19	0.19
3	Brands and trademarks	2.16	0.03	-	2.19	2.05	0.01	-	-	2.06	0.13	0.11
<b>C R &amp; D assets</b>												
<b>Tangible Assets</b>												
	- Building	7.20	0.67	(0.81)	7.06	1.62	0.24	(0.03)	-	1.83	5.23	5.58
	- Leasehold improvement	-	0.74	-	0.74	-	0.06	-	-	0.06	0.68	-
	- Equipments	65.21	12.00	(2.51)	74.70	29.59	6.69	(1.65)	-	34.63	40.07	35.62
	- Furniture	1.41	0.23	(0.11)	1.53	0.61	0.16	(0.03)	-	0.74	0.79	0.80
<b>Intangible Assets</b>												
	- Software	0.01	0.59	-	0.60	-	0.07	-	-	0.07	0.53	0.01
	<b>Total</b>	<b>878.47</b>	<b>123.06</b>	<b>(15.95)</b>	<b>985.58</b>	<b>242.00</b>	<b>55.51</b>	<b>(9.25)</b>	<b>(0.50)</b>	<b>287.76</b>	<b>697.82</b>	
	Previous Year	763.99	122.10	(7.62)	878.47	200.96	46.39	(5.35)	-	242.00		636.47
<b>D Capital work-in-progress &amp; capital advances including project expenses pending allocation</b>												
											113.15	38.28
											<u>810.97</u>	<u>674.75</u>

PER BALANCE SHEET

## Notes:

- Buildings include cost of shares in Co-operative societies.
- Out of depreciation and amortisation for the year of Rs. 55.51 crores (Previous year Rs.46.39 crores), depreciation of Rs.0.08 crore (Previous year Rs.0.06 crore) relating to projects under execution for the period before start of production is transferred to project expenses pending allocation.
- Cost of Borrowing of Rs. 1.21 crores (Previous year Rs. 0.09 crore) is capitalised to the projects.

	No. of Shares		Face Value	31.03.2011		31.03.2010	
	31.03.2011	31.03.2010	Rupees	Rupees in Crores		Rupees in Crores	
<b>SCHEDULE 5</b>							
<b>INVESTMENTS - At cost</b>							
<b>A) Unquoted : Long Term (Trade)</b>							
(i) Government Securities							
National Saving Certificates (Refer Note No.26)				-		-	
(ii) Subsidiary Companies							
Equity Shares (Fully paid)							
Ipca Pharmaceuticals, Inc. USA	1000	1000	No Par Value	7.61		7.61	
Ipca Laboratories U.K. Ltd.,U.K.	645955	500955	STG 1	5.11		4.08	
Ipca Pharma Nigeria Ltd. Nigeria	51589190	51589190	Naira 1	2.82		2.82	
National Druggist (PTY) Ltd. South Africa	1059732	1059732	Rand 1	0.64		0.64	
Ipca Pharma (Australia) Pty Ltd. Australia	26944	26944	AUS \$ 1	0.17		0.17	
Ipca Pharmaceuticals(Shanghai) Ltd.China	-	-	No Par Value	1.19		0.84	
Ipca Pharmaceuticals Ltd. SA de CV. Mexico	-	-	No Par Value	0.62		0.38	
Ipca Traditional Remedies Pvt. Ltd.	2960000	2960000	10	2.96		2.96	
Laboratories Ipca Do Brasil Ltda.,Brasil (Quotas of Brazilian Real of 1 each )	6917694	6917694	R \$ 1	11.33		10.83	
Less : Provision for diminution in value (Refer Note No.15(a))				(21.29)	11.16	(10.83)	19.50
(iii) Associates							
Equity Shares ( Fully paid )							
Paschim Chemicals Pvt. Ltd.	63690	63690	100	20.34		20.34	
CCPL Software Pvt.Ltd. #	55000	55000	100	-	20.34	-	20.34
# Cost fully written off in books							
(iv) Others							
Equity Shares							
Trophic Wellness Pvt. Ltd. (100000 shares fully paid & 680000 partly paid - Rs.5/- per share)	780000	-	10	7.86		-	-
<b>B) Quoted : Long Term (Trade)</b>							
Equity Shares ( Fully paid )							
Mangalam Drugs & Organics Ltd.	1633417	1633417	10	5.09		5.09	
Tonira Pharma Ltd.(Associate) (Refer Note No.15(b))	2565808	2565808	10	7.33		7.33	
Less : Provision for Diminution in value				12.42		12.42	
				(2.99)	9.43	(2.99)	9.43
<b>C) Quoted : Current (Non - Trade)</b>							
Aurobindo Pharma Ltd. PER BALANCE SHEET	25000	5000	1	0.15		0.15	
				48.94		49.42	

Note - For details of securities purchased and sold during the year Refer Note No.14

Aggregate Book Value of Investments

Unquoted

39.36 39.84

Quoted

9.58 9.58

Aggregate Market Value of Quoted Investments

7.27 10.88

## SCHEDULE 6

### INVENTORIES

(As taken, valued and certified by the Management)

#### Stock in Trade

Raw materials	192.71	156.75
Packing materials	23.26	18.92
Work-in-process	90.98	68.44
Finished goods	150.87	123.70
Stores and spares	4.69	3.03
PER BALANCE SHEET	462.51	370.84

	31.03.2011		31.03.2010	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
<b>SCHEDULE 7</b>				
<b>SUNDRY DEBTORS</b>				
(Unsecured-considered good, unless otherwise stated)				
Outstanding for more than six months				
- Considered good		62.96		100.23
- Considered doubtful	0.24		0.25	
Less : Provision for doubtful debts	0.24	-	0.25	-
Other debts		403.35		291.68
PER BALANCE SHEET		466.31		391.91
<b>SCHEDULE 8</b>				
<b>CASH AND BANK BALANCES</b>				
Cash on hand		0.38		0.36
Cheques on hand		2.74		3.01
Balances with scheduled banks				
On current accounts	4.14		4.13	
On deposit accounts	0.02	4.16	0.01	4.14
Balances with non scheduled banks		1.16		0.78
(Refer Note No. 9)				
PER BALANCE SHEET		8.44		8.29
<b>SCHEDULE 9</b>				
<b>LOANS AND ADVANCES</b>				
(Unsecured-considered good, unless otherwise stated)				
Advances recoverable in cash or in kind or for value to be received				
- Considered good		35.38		27.31
Loans given to :				
- Subsidiaries	-		3.86	
- Employees	2.55		2.72	
- Others	25.75		20.12	
	28.30		26.70	
Less : Provision for Loan to subsidiary	-	28.30	0.50	26.20
Indirect Taxes Recoverable		33.64		20.37
Deposits		6.70		5.23
Foreign Currency hedging gain		5.59		36.39
Prepaid Taxes (net of provisions)		6.38		11.48
PER BALANCE SHEET		115.99		126.98
<b>SCHEDULE 10</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Current Liabilities</b>				
Sundry creditors :				
- Micro, Small and Medium Enterprises (Refer Note No. 10)	1.05		0.63	
- Others	92.41		68.68	
Against acceptance of import documents	39.00		49.84	
Unpaid dividends (Refer Note No.13)	1.20		1.16	
Foreign Currency hedging loss	1.25		-	
Duties & Taxes Payable	10.74		9.66	
Other liabilities	51.71		45.56	
Advances from customers	6.19		5.02	
Interest accrued but not due on loans	2.21	205.76	2.58	183.13
<b>Provisions</b>				
Proposed final dividend	15.08		12.52	
Provision for tax on dividend	2.45		2.08	
Provision for gratuity	0.33		1.50	
Provision for leave encashment	5.67		6.50	
Provision for leave travel assistance	2.57		2.07	
Other employee related provision	2.65		0.79	
Provision for taxation (net of prepaid taxes)	13.25	42.00	5.44	30.90
PER BALANCE SHEET		247.76		214.03

	2010-2011		2009-2010	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
<b>SCHEDULE 11</b>				
<b>INCOME FROM OPERATIONS</b>				
Focus market and other schemes		6.45		2.92
Other income from operations		8.73		4.27
PER PROFIT AND LOSS ACCOUNT		<u>15.18</u>		<u>7.19</u>
<b>SCHEDULE 12</b>				
<b>OTHER INCOME</b>				
Interest income		6.44		6.55
[Including tax deducted at source Rs.0.34 crore (Previous year Rs.0.55 crore)]				
Profit on sale of assets		0.16		0.15
Profit on sale of Investments		-		3.70
Dividend income from :				
- Joint Venture		-	0.89	
- Others	0.36	0.36	0.23	1.12
Reversal of Impairment loss of assets		0.50		-
Miscellaneous income		0.98		1.24
PER PROFIT AND LOSS ACCOUNT		<u>8.44</u>		<u>12.76</u>
<b>SCHEDULE 13</b>				
<b>MATERIAL COST AND INVENTORY ADJUSTMENTS</b>				
<b>Raw materials consumed</b>				
Opening stock	156.75		104.54	
Add: Purchases	644.71		547.95	
Raw material conversion charges	16.97		12.35	
	<u>818.43</u>		<u>664.84</u>	
Less: Closing stock	<u>192.71</u>	625.72	<u>156.75</u>	508.09
<b>Packing materials consumed</b>				
Opening stock	18.92		14.41	
Add: Purchases	137.42		107.16	
	<u>156.34</u>		<u>121.57</u>	
Less: Closing stock	<u>23.26</u>	133.08	<u>18.92</u>	102.65
<b>Finished goods purchased</b>				
		94.64		71.25
<b>Inventory adjustments</b>				
Stock at commencement				
Work-in-process	68.44		50.18	
Finished goods	<u>123.70</u>		<u>127.79</u>	
	<u>192.14</u>		<u>177.97</u>	
Less : Stock at close				
Work-in-process	90.98		68.44	
Finished goods	<u>150.87</u>		<u>123.70</u>	
	<u>241.85</u>	(49.71)	<u>192.14</u>	(14.17)
<b>Neutralisation of duties and taxes on inputs on exports - DEPB/Drawback benefits</b>				
		(37.18)		(28.67)
<b>Variation in excise duty on :</b>				
Closing stock of finished goods	8.42		7.40	
Less : Opening stock of finished goods	<u>7.40</u>	1.02	<u>5.60</u>	1.80
PER PROFIT AND LOSS ACCOUNT		<u>767.57</u>		<u>640.95</u>
<b>SCHEDULE 14</b>				
<b>PERSONNEL COST</b>				
Payment to and provision for salaries, wages and bonus		236.20		194.75
Contribution to provident fund, employees' state Insurance and other funds		11.50		8.84
Gratuity Expenses		2.99		2.29
Employee Stock Option Compensation expenses		0.31		1.08
Employee leave encashment benefit		0.76		2.73
Welfare expenses		5.11		4.47
Recruitment and training		4.72		2.22
PER PROFIT AND LOSS ACCOUNT		<u>261.59</u>		<u>216.38</u>

	2010-2011		2009-2010	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
<b>SCHEDULE 15</b>				
<b>MANUFACTURING AND OTHER EXPENSES</b>				
Consumption of stores		13.28		10.68
Power, fuel, gas & water charges		58.95		47.42
Repairs :				
- Building	7.93		5.60	
- Machinery	25.28		20.42	
- Others	0.55	33.76	0.52	26.54
Insurance		7.28		5.65
Rent		6.40		5.16
Rates and taxes		4.73		3.46
Freight, forwarding and transportation		66.02		40.12
Commission		18.13		11.42
Royalty		-		0.14
Field staff expenses		46.26		27.81
Auditors' remuneration :				
Audit fees (Including tax audit)	0.29		0.25	
Tax Matters	0.05		0.05	
Certification Fees	0.03		0.03	
Reimbursement of expenses	0.02	0.39	0.01	0.34
Director's Sitting Fees		0.05		0.05
Expenditure on scientific research (Refer Note No . 11)		29.96		28.80
Loss on sale of assets		1.21		0.53
Fixed assets scrapped		2.36		0.69
Outside manufacturing charges		16.76		12.86
Laboratory expenses and analytical charges		11.20		9.53
Communication expenses		7.56		6.81
Travelling expenses		15.96		11.41
Professional charges		9.59		6.71
Printing and stationery		5.43		4.35
Books, Subscription & Software		1.40		1.59
Product information catalogue		15.39		10.89
Sales & marketing expenses		86.25		67.02
Net miscellaneous balance written off /(back)		(0.07)		0.47
Provision for doubtful debts/advances		0.17		1.15
Intellectual property right expenses		0.64		0.79
Product registration expenses		4.23		5.89
Excise duty		1.92		4.41
Miscellaneous expenses		8.24		7.80
PER PROFIT AND LOSS ACCOUNT		<u>473.45</u>		<u>360.49</u>
<b>SCHEDULE 16</b>				
<b>FINANCIAL COST</b>				
Interest Expenses				
On Debentures and fixed period loans	11.75		13.62	
Others	11.28	23.03	13.41	27.03
Interest on Income Tax		2.30		-
		<u>25.33</u>		<u>27.03</u>
Bank charges		5.81		5.35
PER PROFIT AND LOSS ACCOUNT		<u>31.14</u>		<u>32.38</u>

**SCHEDULE 17**  
**ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS**

**1. ACCOUNTING POLICIES**

**a) Accounting Convention**

The financial statements have been prepared under the historical cost convention, on an accrual basis of accounting, to comply in all material respects with the notified accounting standards by the Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The accounting policies discussed more fully below, are consistent with those used in the previous year.

**b) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

**c) Inflation**

Assets and liabilities are shown at historical cost except revalued assets, which are shown at revalued amounts. No adjustments are made for changes in purchasing power of money.

**d) Fixed Assets**

- i. Fixed assets are recorded at cost of acquisition or construction less CENVAT/Service Tax/VAT credit availed. Revalued assets are recorded at revalued amounts.
- ii. Project expenses pending allocation are apportioned to the fixed assets of the project proportionately.
- iii. Cost of borrowing for assets taking substantial time to be ready for use is capitalised for the period up to the time the asset is ready for use.
- iv. Intangible Assets are recorded at cost of acquisition.
- v. Leasehold land is amortised over the leasehold period.

**e) Investments**

Long term Investments are stated at cost. Provisions are made for diminution in value of investments other than temporary in nature. Current Investments are stated at cost or market value which ever is lower.

**f) Depreciation, Amortisation and Impairment**

- i) Depreciation on all assets of the Company is charged on straight line method over the useful life of assets estimated by the management in the manner provided in Schedule XIV of the Companies Act, 1956 for the proportionate period of use during the year. Intangible assets are amortised over the economic useful life estimated by the management.

The management has estimated the useful life for the various fixed assets as follows.

<b>Assets</b>	<b>Estimated useful life (Years)</b>
Buildings	28 to 58
Plant and Machinery and R&D Equipments	9 to 20
Computers	6
Furniture and Fixtures	10
Vehicles	6
Brands and Trademarks	4
Technical Know how	4
Software for internal use	4
Leasehold Improvements	Period of Lease

- ii) The Company carries out exercise of assessment of any impairment to its fixed assets as at each balance sheet date. Changes in level of impairment are accounted in Profit and Loss Account separately. Impairment loss in respect of assets sold / scrapped are reversed and consequent profit or loss on such sale is accounted.

Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Depreciation charged on assets impaired is adjusted in future period over its remaining useful life.



**g) Inventories**

Items of inventories are valued on the basis given below :

Raw Materials and Packing Materials	a) At Cost net of CENVAT/VAT computed on First-in-First-out method. b) Bulk drugs produced for captive consumption are valued at cost.
Work-in-process and Finished Goods	At cost including material cost net of CENVAT, labour cost and all overheads other than selling and distribution overheads for work-in-process and the same or net realisable value, whichever is lower in case of finished goods except physicians' samples which are valued at cost as computed above. Excise duty is considered as cost for finished goods wherever applicable.
Stores and Spares	Stores and spare parts are valued at purchase cost computed on First-in-First-out method.

**h) Employee Benefits**

- i. Retirement benefit in the form of provident fund is a defined contribution scheme and contributions are charged to the Profit and Loss Account for the year/period when the contributions are due.
- ii. Gratuity being a defined benefit obligation is provided on the basis of an actuarial valuation made at the end of each year/period.
- iii. Leave encashment is recognised on the basis of an actuarial valuation made at the end of each year.
- iv. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.
- v. Leave Travel Assistance (LTA) liability has been provided on the basis of actual accumulated obligation.

**i) Excise Duty and CENVAT Credit**

- I. The excise duty expenses are bifurcated into three components: excise duty expenses related to sales is reduced from gross sales, excise duty relating to the difference between the closing and opening stock of finished goods is recognized in the material cost and inventory adjustments and the un-recovered excise duty is recognized under manufacturing and other expenses.
- II. CENVAT credit utilised during the year is accounted in excise duty and unutilised CENVAT balance at the year end is considered as advance excise duty.

**j) Service Tax Credit**

Service tax credit utilised during the year towards excise liability is accounted in excise duty and unutilised service tax credit at the year-end is considered as advance excise duty.

**k) Sales**

Revenue from sale of products is recognized on transfer of all significant risk and rewards of ownership of the products on to the customers, which is generally on dispatch of goods .Local sales include excise duty and sales tax.

**l) Foreign Exchange Transactions**

Transactions denominated in foreign currency are recorded at the exchange rate on the date of transaction. The exchange gain/loss on settlement / negotiation during the year is recognised in the Profit and Loss Account.

Foreign currency transactions remaining unsettled at the end of the year are converted at year-end rates. Gain or loss arising on account of transactions covered by forward contract is recognised over the period of contracts.

Current assets and current liabilities at the end of the year are converted at the year end rate and the resultant gain or loss is accounted for in the Profit and Loss Account.

The overseas trading and non trading offices are integral foreign operation and are accounted accordingly.

**m) Derivative instruments and hedge accounting**

The Company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company designates these hedging instruments as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard 30 "Financial Instruments: Recognition and Measurement" (AS-30).The use of hedging instruments is governed by the Company's policies approved by the Board of Directors, which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy.

Hedging instruments are initially measured at fair value, and are remeasured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in shareholders' funds and the ineffective portion is recognised immediately in the profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in shareholders' funds is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' funds is transferred to the profit and loss account for the period

**n) Research and Development**

Revenue expenditure on research and development is charged to Profit and Loss Account in the year in which it is incurred. Capital expenditure on research and development is considered as an addition to fixed assets.

**o) Revenue Recognition**

- i. In respect of incentives attributable to the export of goods, the Company following the accounting principle of matching revenue with the cost has recognised export incentive receivable when all conditions precedent to the eligibility of benefits have been satisfied and when it is reasonably certain of deriving the benefit. Since these schemes are meant for neutralisation of duties and taxes on inputs pursuant to exports, the same are grouped under material costs.
- ii. The other export incentives that do not arise out of neutralisation of duties and taxes are disclosed under income from operations.
- iii. Revenue in respect of insurance/other claims, commission, etc. are recognised only when it is reasonably certain that the ultimate collection will be made.
- iv. Interest income is recognised on time proportion method basis taking into account the amounts outstanding and the rate applicable.
- v. Dividend income is accounted when the right to receive the same is established.

**p) Borrowing Cost**

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized. Other borrowing costs are recognized as expenses in the period in which they are incurred. In determining the amount of borrowing costs eligible for capitalization during a period, any income earned on the temporary investment of those borrowings is deducted from the borrowing costs incurred.

**q) Employee Stock Option Scheme**

Employee stock options are evaluated and accounted on intrinsic value method as per the accounting treatment prescribed under Guidance Note on "Accounting for Employee Share-based payments" issued by the ICAI read with SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 issued by Securities and Exchange Board of India. Accordingly the excess of market value of the stock options as on the date of grant over the exercise price of the options is recognized as deferred employee compensation and is charged to profit and loss account on graded vesting basis over the vesting period of the options. The un-amortized portion of the deferred employee compensation is reduced from Employee Stock Option Outstanding which is shown under Reserves and Surplus.

**r) Taxation**

Tax expenses comprise Current Tax and Deferred Tax.:

**I. Current Tax:**

Current Tax is calculated as per the provisions of the Income tax Act, 1961.

**II. Deferred Tax:**

Deferred Tax is recognized on timing differences being the differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax Assets, subject to the consideration of prudence are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized. The tax effect is calculated on the accumulated timing difference at the year-end based on the tax rates and laws enacted or substantially enacted on balance sheet date.

**III.** In view of judicial pronouncements and in accordance with advice of the Company's Tax Advisor, no provision has been made for the completed assessments, which are in appeal.

**IV. MAT Credit:**

MAT Credit entitlement is recognized only when the Company actually avails the MAT credit based on its annual tax computation.

**s) Provisions, Contingent Liabilities and Contingent Assets**

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent Liabilities are not recognised but disclosed in notes to accounts.

Contingent assets are neither recognised nor recorded in financial statements.

**t) Government Grants**

The Company accounts government grants relating to specific fixed assets as deferred income and recognises the same proportionately over the useful life of the asset.

**u) Cash and Cash Equivalents**

Cash and cash equivalents in the Balance Sheet comprise cash at bank, cheques on hand, cash in hand and short term investments with an original maturity of three months or less.

	31.03.2011	31.03.2010
	Rupees in Crores	Rupees in Crores
2. Estimated amount of contracts remaining to be executed on capital account.		
- Tangible Assets	78.70	38.25
- Intangible Assets	5.08	3.17
3. Contingent liabilities not provided for in respect of :		
a) Bills discounted with banks.	106.95	87.00
Since realized	47.85	26.48
b) Other moneys for which the Company is contingently liable for tax, excise, customs and other matters not accepted by the Company.	11.39	30.31
c) Claims against the Company not acknowledged as debts.	0.01	0.10
d) Corporate Guarantees given to bankers of associates & subsidiaries for which the Company holds counter guarantees.	30.00	30.00
e) Corporate Guarantee given to others	2.28	2.28
f) Guarantees given by banks in favour of Govt. & others/ Letter of Credit opened against which goods are not received	96.75	33.86
g) Uncalled liability on partly paid shares	4.48	-

**4. Additional information pursuant to paragraphs 3, 4, 4A, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956**

(A) Installed Capacity, Actual Production, Purchases, Sales and Stock : (Value in Rupees Crores)												
Class of Goods	Units	Basis	Installed Capacity	Actual Production	Opening Stock		Purchases		Sales		Closing Stock	
					Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Tablets / Capsules	Lacs	Single Shift	166090 (144679)	129086 (100493)	8285 (6515)	49.09 (37.29)	2563 (2099)	53.87 (41.10)	129810 (100822)	1213.99 (928.26)	10124 (8285)	69.24 (49.09)
Orals/Liquids	Lacs	Single Shift	238 (178)	420 (395)	74 (70)	7.38 (5.80)	85 (34)	10.39 (6.47)	482 (425)	71.37 (71.03)	97 (74)	12.07 (7.38)
Injectables	Lacs	Single Shift	138 (138)	582 (637)	138 (120)	10.61 (7.40)	71 (94)	8.68 (5.49)	649 (713)	102.01 (87.70)	142 (138)	12.97 (10.61)
Basic Drugs/ Intermediates	Tonnes	Triple Shift	4380 (4150)	3814 (3049)	382 (575)	56.48 (77.30)	245 (307)	16.74 (13.64)	2687 (2461)	474.24 (452.96)	295 (382)	56.47 (56.48)
Others					-	0.14 (-)	-	4.96 (4.55)	-	4.31 (5.60)	-	0.12 (0.14)
<b>Total</b>						123.70 (127.79)		94.64 (71.25)		1865.92 (1545.55)		150.87 (123.70)

Notes :-

- As the industrial licensing in respect of drugs and pharmaceuticals produced by the Company has been abolished under the Industrial Policy, the particulars of licensed capacity are not stated.
- Installed capacity, being of a technical nature is not verified by the Auditors.
- Production of basic drugs/intermediates includes 1459 tonnes (Previous year 1088 tonnes) used for captive consumption.
- Production includes production under contract manufacturing.
- Previous year's figures are given in bracket.

(B) Raw Materials Consumed:

	Units	2010-2011		2009-2010	
		Quantity	Rupees in Crores	Quantity	Rupees in Crores
Artemisinin	Tonnes	42	80.69	33	45.46
Novaldiamine	Tonnes	218	14.41	219	13.85
Ethoxymethylene Malonic Acid Ester	Tonnes	640	14.00	653	12.75
Para Hydroxy Acetophenone	Tonnes	441	12.01	438	11.72
Amoxycillin Trihydrate	Tonnes	87	11.44	163	23.32
Others (None of which individually forms more than 10% of the total consumption.)		-	493.17	-	400.99
			<u>625.72</u>		<u>508.09</u>

(C) Imported & Indigenous Consumption: -

	2010-2011		2009-2010	
	Rupees in Crores	Percentage	Rupees in Crores	Percentage
(a) Raw materials :				
Imported	240.39	38.42	207.76	40.89
Indigenous	385.33	61.58	300.33	59.11
	<u>625.72</u>	<u>100.00</u>	<u>508.09</u>	<u>100.00</u>
(b) Packing materials :				
Imported	4.01	3.02	6.62	6.45
Indigenous	129.07	96.98	96.03	93.55
	<u>133.08</u>	<u>100.00</u>	<u>102.65</u>	<u>100.00</u>
(c) Stores and spares :				
Imported	2.66	20.00	0.89	8.33
Indigenous	10.62	80.00	9.79	91.67
	<u>13.28</u>	<u>100.00</u>	<u>10.68</u>	<u>100.00</u>

(D) Value of Imports on CIF basis :

	2010-2011	2009-2010
	Rupees in Crores	Rupees in Crores
Raw materials	221.02	189.71
Packing Materials	2.66	5.70
Traded goods	11.80	8.90
Capital goods	38.17	40.96
Stores and machine components	2.37	0.89
	<u>276.02</u>	<u>246.16</u>

(E) Expenditure in Foreign Currency :

Professional charges	2.71	1.06
Interest on foreign currency loan	5.09	6.27
Overseas office expenses	37.21	25.83
Product registration and marketing expenses	16.67	27.76
Other matters	26.29	22.35
	<u>87.97</u>	<u>83.27</u>

(F) Earnings in Foreign Currency :

FOB value of exports	982.90	783.32
Dividend and Interest	0.54	1.07
Proceeds received on disposal of Joint Venture	-	0.23
Other Service charges	3.11	1.10
	<u>986.55</u>	<u>785.72</u>

5. a) Amount of long term loans repayable in the following 12 months aggregate to Rs. 72.20 crores (Previous year Rs. 41.18 crores).
- b) During the year the Company had raised and repaid Commercial Paper. The maximum outstanding amount during the year was Rs. 45.00 crores and the Closing balance at year end is Rs. Nil.
6. Provision for taxation includes provision for wealth tax of Rs.0.07 crore (Previous year Rs.0.05 crore).

7. Break-up of Deferred tax assets and liabilities are as under :

Particulars	As at 31.03.2011 Rupees in Crores	As at 31.03.2010 Rupees in Crores
<b>Deferred tax liability on account of</b>		
Depreciation including on R & D Assets, amortisation and impairment	85.92	82.85
<b>Deferred tax asset on account of</b>		
Provision for leave encashment	1.84	2.15
Provision for unpaid bonus	2.16	0.95
Other tax disallowance	1.19	0.44
<b>Net deferred tax liability</b>	<b>80.73</b>	79.31

8. In the opinion of the Board of Directors, all the current assets, loans & advances have value on realisation atleast of an amount equal to the amount at which they are stated in the Balance Sheet.

9. Bank balances :

- a) Balances with scheduled banks in Schedule 8 include Rs.1.20 crore (Previous year Rs. 1.16 crore) in unpaid dividend account.
- b) Balances with non-scheduled banks in Schedule 8 :

Name of the Bank	Maximum Balance		Balance As On	
	2010-2011 Rupees in Crores	2009-2010 Rupees in Crores	31.03.2011 Rupees in Crores	31.03.2010 Rupees in Crores
Moscow Indus Bank, Russia (Balance as on 31/03/2011 Rs.8,681/-)	3.08	1.69	-	0.08
Vietcom Bank, Vietnam	0.06	0.19	0.04	-
First Ukrainian Int. Bank, Ukraine	0.58	0.51	0.40	0.29
Texaka Bank, Kazakhstan	0.03	0.15	0.03	0.03
Bank of Baroda (Kenya) Ltd.	0.21	0.15	0.13	0.01
Union Bank of Phillipines	0.28	0.18	0.18	0.08
ICICI Bank Srilanka	0.30	0.13	0.09	0.06
Banco de Credito, Columbia	0.16	0.23	0.03	0.16
Bancolumbia Group, Colombia	0.41	0.09	0.22	0.04
Helm Trust S.A., Colombia (Balance as on 31/03/2011 Rs.13,008/- & maximum balance Rs.13,162/-) (Previous year balance as on 31/03/2010 Rs.12,930/- & maximum balance Rs.13,162/-)	-	-	-	-
May Bank, Malaysia	0.05	0.03	0.03	0.03
JSC MT Bank , Belarus	0.03	-	0.01	-
<b>Total</b>			<b>1.16</b>	0.78

10. The disclosure of information related to Micro, Small and Medium Enterprises creditors is made on the basis of information of registration under the Micro, Small and Medium Enterprises Development Act 2006 given to the Company by the creditors. This information is relied upon by the auditors.

The disclosure pursuant to the said Act is as under.

	2010-11 (Rs. in Crores)	2009-10 (Rs. in Crores)
Principal Amount due at year end for period beyond 45 days	0.05	0.04
Interest accrued as on 31.03.2011 thereon Rs.43,373/- (Previous year Rs. 6,057/-)	-	-
Payment made to suppliers (other than interest) beyond the appointed day during the year	5.36	3.75
Interest paid to suppliers under the MSME Act	0.03	0.01
Interest due & payable to suppliers under MSME Act towards payment already made	0.04	0.03

	2010-2011	2009-2010
	Rupees in Crores	Rupees in Crores
11. Total expenditure on R & D is included in respective heads of accounts as under:		
Expenditure on Scientific Research (Includes stores and chemicals, Bio-availability, Bio-equivalence and Toxicity Studies)	29.96	28.80
Material Cost	0.51	0.38
Personnel cost	15.03	13.19
Other overheads	11.54	8.15
Depreciation	7.22	6.29
	<u>64.26</u>	<u>56.81</u>

12. Managerial Remuneration :

i) Managerial remuneration under Section 198 of the Companies Act, 1956.

Salary	1.96	1.74
Commission	6.55	5.89
Contribution to provident fund and other funds	0.43	0.38
Perquisites and benefits	1.21	1.06
Sitting fees	0.05	0.05
	<u>10.20</u>	<u>9.12</u>

Managerial Remuneration does not include Stock Option Compensation cost relating to Joint managing Director & Independent Directors of Rs.0.01 crore (previous year Rs. 0.04 crore) charged to Profit & Loss Account.

ii) Computation of Net Profit as per Section 349 read with Section 309(5) of the Companies Act, 1956.

Profit before taxation as per Profit and Loss Account	343.70	271.73
Add : Depreciation / Amortisation / Impairment as per Accounts	55.43	46.33
Directors' remuneration (Including sitting fees)	3.66	3.23
Commission to Directors	6.55	5.89
	<u>409.34</u>	<u>327.18</u>
Less : Depreciation and Amortisation under Section 350	55.43	46.33
Reversal of Impairment loss of assets	0.50	-
Profit on sale of Investment	-	3.70
Net Profit	<u>353.41</u>	<u>277.15</u>
Overall ceiling on Managerial remuneration under Section 198 of the Companies Act, 1956.	35.34	27.71
Total Managerial remuneration paid/payable during the year	10.20	9.12

13. Unpaid dividend does not include any amount to be credited to Investor Education and Protection fund.

14. Investments purchased and sold during the year :

Mutual Fund	Face Value (Rupees)	No. of Units (In Lacs)	Cost (Rupees in Crores)
ICICI Prudential Liquid plan Super Inst. Daily Dividend	100/-	129.78	129.80
ICICI Prudential Flexible Income Plan – Daily Dividend	100/-	12.07	12.76
Canara Robeco Liquid Fund – Super inst. Daily Dividend Reinvestment Fund	10/-	3928.77	395.04
Birla Sunlife Cash plus Instl. Prem. Daily Dividend Reinvest	10/-	696.69	69.81
Pramerica Liquid Fund - Daily Dividend Option	10/-	30.02	3.00

15. a) The Company has made provision for diminution in the value of Investments in shares of Ipca Traditional Remedies Pvt. Ltd. and Ipca Pharmaceuticals Inc. USA for Rs.2.96 crores and Rs. 7.00 crores respectively,
- b) The diminution in the value of investments in shares of Tonira Pharma Ltd. determined on the basis of market price as on 31<sup>st</sup> March, 2011 is not considered permanent based on the intrinsic value of the company. Consequently no provision for diminution in the value of investments in said Tonira Pharma Ltd. is considered necessary.
16. Disclosure under Accounting Standard -29 "Provisions, Contingent Liabilities and Contingent Assets".

(Rupees in Crores)

Particulars	Opening Balance	Additions during the year	Amounts paid / reversed during the year	Closing Balance
Provision for wage revision under negotiation (Previous Year)	0.79 (0.51)	1.86 (0.28)	- -	2.65 (0.79)

17. Earning per share

The earning per share is calculated by dividing the profit after tax by weighted average no. of shares outstanding for basic & diluted EPS.

Sr.No	Particulars	2010-11	2009-10
i)	Profit after tax before Exceptional Item (Rs. In Crores)	265.33	209.19
ii)	Profit after tax and exceptional Items (Rs. In Crores)	255.37	209.19
iii)	No. of shares outstanding	12,57,06,405	12,52,27,655
iv)	Weighted Average no. of shares outstanding (Nos.) - Basic	12,54,04,983	12,48,96,735
v)	Weighted Average no. of shares outstanding (Nos.) - Diluted	12,54,57,068	12,51,48,680
vi)	Nominal value of equity share (Rs.)	2	2
	<b>Basic EPS</b>		
vii)	Earning per share before Exceptional Item (Rs.) (i/iv)	21.16	16.75
viii)	Earning per share after Exceptional Item (Rs.) (ii/iv)	20.36	16.75
	<b>Diluted EPS</b>		
ix)	Earning per share before Exceptional Item (Rs.) (i/v)	21.15	16.72
x)	Earning per share after Exceptional Item (Rs.) (ii/v)	20.35	16.72

18. Interest in Joint Venture :

The Company had a Joint Venture Company in Middle East by name of Activa Pharmaceuticals (FZC), SAIF – Zone, Sharjah in which it had a control of 50%. In the standalone Balance Sheet of the Company, Joint Venture interest is reported under Long term Investment at Cost. During the previous year, the said JV had been shut down and liquidated. The excess of Rs. 0.23 crore over the value of Investment had been included in Profit on Sale of Investments. The final accounts post liquidation has been received and necessary effects have been given. Proportionate share of the Company as on 31<sup>st</sup> March 2010 in the assets, liabilities, income, expenditure, contingent liability and capital commitments of the Joint Venture company is as follows:

(Rupees in crores)

Description	31.03.2011	31.03.2010
<b>Assets</b>		
Non Current Assets	-	-
Current Assets	-	-
Accumulated Losses	-	-
<b>Total</b>	-	-
<b>Liabilities</b>		
Share Capital	-	-
Reserves & Surplus	-	-
Current Liabilities	-	-
Provisions	-	-
<b>Total</b>	-	-
<b>Income</b>		
Sales and Other Income	-	1.92
<b>Expenditure</b>		
Cost of Sales	-	1.87
Other Expenses	-	0.21
<b>Total</b>	-	2.08
<b>Contingent Liabilities</b>	-	-
<b>Capital Commitments</b>	-	-

19. a) If the compensation cost of shares issued under Employees Stock Option Scheme 2006 (ESOS) is determined in accordance with the fair value approach described in the Guidance Note, the Company's net profit for the year ended March 31, 2011 as reported would change to amounts indicated below:

(Rupees in Crores)

Particulars	2010-11	2009-10
Net Profit as reported (after exceptional items)	255.37	209.19
Add: Stock based compensation expense included in the reported income	0.19	1.08
Less: Stock based compensation expenses determined using fair value of options	0.26	1.81
Net profit (adjusted)	255.30	208.46
Weighted average number of shares considered for basic earnings per share	12,54,04,983	12,48,96,735
Weighted average number of shares considered for diluted earnings per share	12,54,57,068	12,51,48,680
Basic earnings per share as reported (Rupees)	20.36	16.75
Basic earnings per share (adjusted) (Rupees)	20.36	16.69
Diluted earnings per share as reported (Rupees)	20.35	16.72
Diluted earnings per share (adjusted) (Rupees)	20.35	16.66

- b) The details of options as at 31<sup>st</sup> March, 2011 are as under:

Options	31.03.2011	31.03.2010
At the beginning of the year	1,41,250	2,69,250
Granted	-	-
Exercised	95,750	1,09,750
Forfeited / lapsed	10,750	18,250
Outstanding at the end of the year	34,750	1,41,250
Outstanding exercisable at the end of the year	-	-
Exercise price for outstanding options – Grant I	Rs. 200	Rs. 200
– Grant II	Rs. 315	Rs. 315
– Grant III	Rs. 315	Rs. 315

- c) ESOS Commitment Deposit:

Amount received from employees/directors on grant of stock options pending exercise/allotment of shares is shown as share application money pending allotment.

20. As per Accounting Standard -15 "Employee Benefits" and as defined in the accounting standard the summarised components of net benefit expense recognized in the profit and loss account and the funded status and amounts recognized in the balance sheet are given herein below.

(Rupees In Crores)

Sr. No.	Particulars	Gratuity		Leave Encashment	
		2010-11	2009-10	2010-11	2009-10
<b>I.</b>	<b>Change in Benefit Obligation</b>				
	Liability at the beginning of the year	11.12	8.58	6.50	5.10
	Interest cost	0.89	0.69	0.55	0.45
	Current Service Cost	1.29	0.88	1.65	1.53
	Past year Service Cost	-	-	-	-
	Benefit Paid	(0.81)	(0.57)	(1.59)	(1.33)
	Actuarial (gain)/loss on obligations	1.94	1.54	(1.44)	0.75
	Curtailments and Settlements	-	-	-	-
	Liability at the end of the year	14.43	11.12	5.67	6.50
<b>II.</b>	<b>Fair Value of Plan Assets</b>				
	Fair Value of Plan Assets at the beginning of the year	9.62	7.58	-	-
	Expected Return on Plan Assets	1.13	0.82	-	-
	Contributions	4.16	1.79	-	-
	Benefit paid	(0.81)	(0.57)	-	-
	Actuarial gain/(loss) on Plan Assets	-	-	-	-
	Fair Value of Plan Assets at the end of the year	14.10	9.62	-	-
<b>III.</b>	<b>Actual Return on Plan Assets</b>				
	Expected Return on Plan Assets	1.13	0.82	-	-
	Actuarial gain/(loss) on Plan Assets	-	-	-	-
	Actual Return on Plan Assets	1.13	0.82	-	-



Sr. No.	Particulars	Gratuity		Leave Encashment	
		2010-11	2009-10	2010-11	2009-10
<b>IV.</b>	<b>Amount Recognised in the Balance Sheet.</b>				
	Liability at the end of the year	14.43	11.12	5.67	6.50
	Fair Value of Plan Assets at the end of the year	14.10	9.62	-	-
	Difference	0.33	1.50	5.67	6.50
	Unrecognised Past Service Cost	-	-	-	-
	Amount Recognised in the Balance Sheet	0.33	1.50	5.67	6.50
<b>V.</b>	<b>Expenses Recognised in the Income Statement</b>				
	Current Service Cost	1.29	0.88	1.65	1.53
	Interest Cost.	0.89	0.69	0.55	0.45
	Expected Return on Plan Assets	(1.13)	(0.82)	-	-
	Net Actuarial (gain)/loss to be Recognised	1.94	1.54	(1.44)	0.75
	Past Service Cost (Non Vested Benefit) Recognised	-	-	-	-
	Past Service Cost (Vested Benefit) Recognised	-	-	-	-
	Effect of Curtailment or Settlements.	-	-	-	-
	Expense Recognised in Profit and Loss Account	2.99	2.29	0.76	2.73
<b>VI.</b>	<b>Balance Sheet Reconciliation</b>				
	Opening Net Liability	1.50	1.00	6.50	5.10
	Expense as above	2.99	2.29	0.76	2.73
	Past year Service cost	-	-	-	-
	Employers Contribution	(4.16)	(1.79)	(1.59)	(1.33)
	Amount Recognised in Balance Sheet.	0.33	1.50	5.67	6.50
<b>VII.</b>	<b>Actuarial Assumptions</b>				
	Discount Rate	8%	8%	8.50%	8%

- Note :
- Employer's contribution includes payments made by the Company directly to its past employees.
  - The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
  - The Company's Gratuity fund is managed by Life Insurance Corporation of India. The plan assets under the fund are deposited under approved securities.

21. Disclosure under Accounting Standard – 19 "Leases", issued by the Institute of Chartered Accountants of India:

The Company has taken various residential / godowns / office premises (including Furniture and Fittings if any) under lease and licence agreements for periods which generally range between 11 months to 3 years. These arrangements are renewable by mutual consent on mutually agreed terms. Under some of these arrangements the Company has given refundable security deposits. The lease payments are recognized in the Profit and Loss Account under Rent.

22. a) The Company has entered into various derivatives transactions, which are not intended for trading or speculative purpose but to hedge the export receivable including future receivables and foreign currency loan interest rate risks.

The Company as on 31<sup>st</sup> March, 2011 has the following derivatives instruments / forward cover outstanding.

Sr.No	Type of Transaction	Purpose	Amount Outstanding (In Million)	
			31.03.2011	31.03.2010
i.	USD Put Options (Purchase)	To hedge export receivable	USD 27.00	USD 37.50
ii.	USD Call Option (Sold)	To hedge export receivable	USD 27.00	USD 39.30
iii.	JPY/ USD full Currency swap	To hedge the currency risk and interest rate risk of JPY Loan	JPY 318.60 (outstanding)	JPY 637.20 (outstanding)
iv.	USD Interest Rate Swap (Rs)	To hedge the USD LIBOR risk by moving from Floating LIBOR rate to Fixed LIBOR Rate.	USD 21.07 (outstanding)	USD 17.83 (outstanding)
v.	Currency Swap	To reduce cost of borrowing	USD 3.30	USD 10.74
vi.	Forward Cover beyond six months	To hedge export receivables	STG 2.00 USD 66.50	STG 5.00 USD 90.50

- b) The Company has continued its decision not to exercise the option available under amendment to AS 11 relating to “The effects of Changes in Foreign Exchange Rates” in respect of its Long Term Foreign Currency Monetary Items in respect of foreign currency loans for the acquisition of fixed assets.
- c) The Company has following unhedged foreign exchange risk.

Sr.No	Particulars	31.03.2011 USD (Million)	31.03.2010 USD (Million)
i	Term loan	41.07	27.83
ii.	Short term working capital loan / PCFC / Buyers credit	8.53	18.33
iii.	Sundry creditors for imports	8.74	11.05
iv.	Currency Swap	3.30	10.74

- d) The Company has an annual average exports of USD 224 Million of which the Company has partially hedged its receivables by the aforesaid options disclosed in para (a) above. The unhedged currency risk detailed in para (c) above has a natural hedge against the unhedged export receivables of USD 17.63 Million (Previous year USD 14.04 Million) as at 31<sup>st</sup> March, 2011.
23. The entire operations of the Company relate to only one segment viz. pharmaceuticals. As such, there is no separate reportable segment under Accounting Standard - AS 17 on Segment Reporting.
24. Related Party Disclosure as required by Accounting Standard – AS 18 issued by the Institute of Chartered Accountants of India.

#### Relationships:

##### A. Entities where control exists

###### Shareholders of Ipca Laboratories Ltd

Kaygee Investments Pvt.Ltd.  
Chandurkar Investments Pvt.Ltd.

###### Subsidiaries

Laboratories Ipca Do Brasil Ltda, Brazil (Under liquidation)  
Ipca Pharmaceuticals, Inc. USA  
Ipca Laboratories U.K. Ltd. United Kingdom  
Ipca Pharma (Australia) Pty Ltd. Australia  
Ipca Pharma Nigeria Ltd., Nigeria  
National Druggists (Pty) Ltd., South Africa  
Ipca Pharmaceuticals (Shanghai) Ltd.  
Ipca Pharmaceuticals Ltd. Mexico  
Ipca Traditional Remedies Pvt. Ltd.

###### Step-down Subsidiaries

Ipca Pharma (NZ) Pty Ltd., New Zealand.

###### Joint Venture Company

Activa Pharmaceuticals (FZC), UAE. (Liquidated on 09.03.2010)

##### B. Key Management Personnel

Mr. Premchand Godha            Managing Director  
Mr. A.K.Jain                        Joint Managing Director  
Mr. Pranay Godha                Executive Director

##### C. Associates

Paschim Chemicals Pvt.Ltd.  
Tonira Pharma Ltd.  
Makers Laboratories Ltd.

##### D. Other Related Parties (Entities in which Directors or their relatives have significant influence)

Nipra Industries Pvt.Ltd.  
Keymed  
Oscar Industries  
Mrs. Usha P. Godha  
Prabhat Foundation  
Vandhara Resorts Pvt.Ltd.

**Transactions with Related Parties**

(Rupees in Crores)

Description	Entities where control exists			Key Management Personnel	Associates	Other Related Parties	Total
	Shareholders of Ipca	Subsidiaries	Joint Venture Co.				
Purchase of goods and services (Previous year)	-	3.09	-	-	43.86	1.18	48.13
	-	0.60	1.67	-	26.07	1.02	29.36
Sales of goods and services (Previous year)	-	18.27	-	-	5.01	-	23.28
	-	23.73	2.08	-	5.43	-	31.24
Interest income (Previous year)	-	0.54	-	-	2.02	-	2.56
	-	0.18	-	-	1.36	-	1.54
Purchase of fixed assets (Previous year)	-	-	-	-	0.02	-	0.02
	-	12.54	-	-	0.06	-	12.60
Sale of fixed assets (Previous year)	-	-	-	-	0.15	-	0.15
	-	-	-	-	0.44	-	0.44
Excise duty, Rent and other expenses (Previous year)	-	4.11	-	-	0.46	0.58	5.15
	-	2.26	-	-	0.01	0.18	2.45
Rent and Other Income (Previous year)	-	-	-	-	-	-	-
	-	-	-	-	0.01	-	0.01
Dividend Income (Previous year)	-	-	-	-	-	-	-
	-	-	0.89	-	-	-	0.89
Net loans and advances given/ (Recovered)	-	(3.93)	-	-	12.88	-	8.95
	-	0.91	-	-	(2.04)	-	(1.13)
Investments made (Previous year)	-	2.12	-	-	-	-	2.12
	-	1.92	-	-	-	-	1.92
Sale of Investments (Previous year)	-	-	-	-	-	-	-
	7.31	-	0.67	-	-	1.17	9.15
Guarantees Outstanding (Previous year)	-	-	-	-	30.00	-	30.00
	-	-	-	-	30.00	-	30.00
Remuneration to Directors (Previous year)	-	-	-	10.16	-	-	10.16
	-	-	-	9.07	-	-	9.07
Donation (Previous year)	-	-	-	-	-	0.25	0.25
	-	-	-	-	-	1.10	1.10
Balance as on 31/03/11							
Receivables	-	7.17	-	-	26.01	-	33.18
Payables	-	-	-	6.89	1.92	0.23	9.04
Balance as on 31/03/10							
Receivables	-	12.83	-	-	2.88	-	15.71
Payables	-	0.40	-	6.38	2.09	0.15	9.02

Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the year.

(Rupees in crores)

	2010-11	2009-10		2010-11	2009-10
<b>Purchase of Goods &amp; Services:</b>			<b>Net Loans &amp; Advances Given/ (Recovered):</b>		
Paschim Chemicals Pvt. Ltd.	26.19	19.84	Laboratories Ipca Do Brazil Ltda.	(0.50)	-
Makers Laboratories Ltd.	16.47	5.76	Paschim Chemicals Pvt. Ltd.	5.38	(0.42)
<b>Sale of Goods &amp; Services:</b>			Ipca Pharma Nigeria Ltd.	(3.23)	3.16
Ipca Pharma Nigeria Ltd.	9.38	15.01	Tonira Pharma Ltd.	7.50	(1.62)
Activa Pharmaceuticals (FZC)	-	2.08	Ipca Traditional Remedies Pvt.Ltd.	-	(2.25)

	2010-11	2009-10		2010-11	2009-10
<b>Sale of Goods &amp; Services:</b>			<b>Investments Made:</b>		
Ipca Pharmaceuticals, Inc. USA	8.89	7.35	Laboratories Ipca Do Brazil Ltda.	0.50	1.14
Paschim Chemicals Pvt. Ltd.	1.19	3.24	Ipca Laboratories U.K Ltd.	1.03	-
Makers Laboratories Ltd.	3.14	2.15	Ipca Pharmaceuticals (Shanghai) Ltd.	0.35	0.59
<b>Purchase of Fixed Assets:</b>			Ipca Pharmaceuticals Ltd.Mexico	0.24	0.19
Ipca Traditional Remedies Pvt.Ltd.	-	12.54	<b>Interest Income:</b>		
Makers Laboratories Ltd.	0.01	-	Ipca Pharma Nigeria Ltd.	0.54	0.18
Tonira Pharma Ltd.	0.01	0.05	Tonira Pharma Ltd.	1.79	1.36
<b>Sale of Fixed Assets:</b>			<b>Remuneration to Directors:</b>		
Paschim Chemicals Pvt. Ltd.	0.10	0.26	Mr. Premchand Godha	7.56	6.83
Tonira Pharma Ltd.	-	0.18	Mr. A.K. Jain	1.63	1.40
Makers Laboratories Ltd.	0.05	-	<b>Receivables:</b>		
<b>Excise Duty, Rent &amp; Other Exp.:</b>			Ipca Pharma Nigeria Ltd.	6.12	10.28
Ipca Pharmaceuticals, Inc. USA	2.49	2.02	Paschim Chemicals Pvt. Ltd.	8.09	2.61
Ipca Pharma (Australia) Pty Ltd. Australia	0.21	0.24	Ipca Pharmaceuticals, Inc. USA	0.92	1.96
Vandhara Resorts Pvt.Ltd.	0.53	0.13	Tonira Pharma Ltd.	17.92	0.27
Ipca Pharma Nigeria Ltd.	1.33	-	<b>Payables:</b>		
<b>Donation:</b>			Mr. Premchand Godha	5.54	5.19
Prabhat Foundation	0.25	1.10	Mr. A.K. Jain	0.82	0.71
<b>Dividend Income:</b>			Makers Laboratories Ltd.	1.92	2.09
Activa Pharmaceuticals (FZC)	-	0.89			
<b>Sale of Investments:</b>					
Kaygee Investments Pvt.Ltd.	-	7.31			
<b>Guarantees Outstanding:</b>					
Tonira Pharma Ltd.	30.00	30.00			

25. a) Details of loans and advances in the nature of loan to subsidiaries, associates etc. as required under clause 32 of the listing agreement:

(Rupees in Crores)

Sr. No.	Name of the company	Relationship	Balance as on		Maximum outstanding	
			31.03.2011	31.03.2010	During 2010-2011	During 2009-2010
i)	Laboratories Ipca Do Brasil Ltda.	100% Subsidiary	-	0.50	0.50	0.50
ii)	Ipca Pharmaceuticals, Inc. USA (Rs.NIL Previous year Rs. 27,051/-) Maximum outstanding (Rs.27,051/- Previous year Rs. 30,432/-)	100% Subsidiary	-	-	-	-
iii)	Ipca Pharmaceuticals Ltd. Mexico	100% Subsidiary	-	0.08	0.08	0.09
iv)	Ipca Pharmaceuticals (Shanghai) Ltd.	100% Subsidiary	-	0.12	0.12	0.13
v)	Ipca Pharma Nigeria Ltd.	100% Subsidiary	-	3.16	7.34	4.02
vi)	Tonira Pharma Ltd.	Associate	16.36	8.86	16.36	14.86
vii)	Paschim Chemicals Pvt. Ltd.	Associate	3.77	-	3.77	-

Loans and advances to subsidiary companies (Sr. No. i to iv) are without interest and there is no repayment schedule fixed. Loans and advances to subsidiary/associate (Sr. No. v to vii) are interest bearing loans subject to repayment within three years.

- b) Investment by the loanee in the shares of the Company

None of the loanees have, per se, made investments in the shares of the Company.

26. Details of rounded off amounts

The financial statements are represented in Rupees crore. Those items which are not represented in the financial statement due to rounding off to the nearest Rs. Crore are given below.

Balance Sheet items (Rupees)

Refer	Description	As at 31 <sup>st</sup> March 2011	As at 31 <sup>st</sup> March 2010
Sources of funds	Share Application money pending allotment	34,750	-
Schedule 4	Sales, W/off, adjustments during the year		
	Intangible assets-Software	3,411	50,733
	Effluent treatment plant	-	(898)
	R&D Intangible Assets Software	461	461
Schedule 5	Government Securities		
	National Saving Certificates	33,000	36,000

Notes to the Accounts (Rupees)

Refer	Description	Year ended 31.03.2011	Year ended 31.03.2010
Note No.24	Sale of goods and services – Other related parties	-	36,590
	Excise Duty, Rent and Other expenses – Other related parties	-	639

27. Previous year's figures have been regrouped and rearranged wherever necessary.

As per our Report of even date attached

For **Natvarlal Vepari & Co.**

Chartered Accountants

Firm Registration No. 106971W

N. Jayendran  
Partner

M.No.40441

Mumbai

24<sup>th</sup> May, 2011

For and on behalf of the Board of Directors

Premchand Godha Managing Director

A. K. Jain Joint Managing Director

Pranay Godha Executive Director

Harish P. Kamath  
Company Secretary

28. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Additional information pursuant to Part IV of Schedule VI to the Companies Act, 1956.

**I. Registration details.**

Registration No.      State Code

Balance Sheet Date   Month   Year

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>	Rights Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>
Bonus Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>	Private Placement	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="7"/>

**III. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)**

Total Liabilities	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="7"/>	Total Assets	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="7"/>
Sources of Funds		Share Application money	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="5"/>
Paid-Up Capital	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="3"/>	Secured Loans	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="3"/>
Reserves & Surplus	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="5"/>	Deferred Tax Liability	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="0"/>
Unsecured Loans	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="1"/>	Investments	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="1"/>
Application of Funds		Misc. Expenditure	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>
Net Fixed Assets	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="3"/>	Total Expenditure	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="8"/>
Net Current Assets	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="3"/>	Profit/Loss After Tax (*)	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="5"/> <input type="text" value="3"/>
Accumulated Losses	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>	Dividend Rate %	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="0"/>

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="9"/>		
Profit /Loss Before Tax	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="1"/>	+	-
(Please tick appropriate box + for Profit, - for Loss)	<input checked="" type="checkbox"/>		
Earning Per Share in Rs. (*)	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="0"/> = <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="6"/>		

(\*) After exceptional item

**V. Generic names of three principal products/services of the Company.**

(as per monetary terms)

Item Code No.

(ITC Code)

Product Description 

A	R	T	E	M	E	T	H	E	R	&	
L	U	M	E	F	A	N	T	R	I	N	E

Item Code No.

(ITC Code)

Product Description 

A	T	E	N	O	L	O	L		
---	---	---	---	---	---	---	---	--	--

Item Code No.

(ITC Code)

Product Description 

H	Y	D	R	O	X	Y	C	H	L	O	R	O	Q	U	I	N	E
S	U	L	F	A	T	E											

Note : Classification of products/services under ITC code being of a technical nature is not verified by the Auditors.

For and on behalf of the Board of Directors  
 Premchand Godha Managing Director  
 A. K. Jain Joint Managing Director  
 Pranay Godha Executive Director

Mumbai  
24<sup>th</sup> May, 2011

Harish P. Kamath  
Company Secretary

## AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF IPCA LABORATORIES LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF IPCA LABORATORIES LIMITED, ITS SUBSIDIARIES AND ITS JOINT VENTURE

We have audited the attached consolidated Balance Sheet as at 31<sup>st</sup> March 2011, the Consolidated Profit and Loss Account and the consolidated cash flow statement for the year then ended of Ipca Laboratories Limited and its subsidiaries.

These financial statements are the responsibility of the management of Ipca Laboratories Limited. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principle used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have audited the financial statements of the subsidiaries for the purposes of complying with the requirements of the Companies Act 1956 relating to the subsidiaries and holding company disclosures relying on the Financial Statements which were audited by other auditors. The Financial Statements of the subsidiaries including the step down subsidiary which were audited by other auditors reflect total assets of Rs. 26.82 crores as at 31<sup>st</sup> March 2011 and total revenues of Rs. 42.10 crores for the year then ended. Further in case of Ipca Pharma (NZ) Pty Ltd, Laboratories Ipca Do Brazil LTDA and Ipca Pharma (Australia) Pty Ltd the accounts for the period 1<sup>st</sup> April 2010 to 31<sup>st</sup> March 2011 which include total assets of Rs. 12.34 crores and total revenue of Rs. 0.23 crores are based on un-audited data as certified by the management. Further we did not audit the financial statements of certain associates which were audited by other auditors and whose total assets and total revenue were Rs. 81.37 crores and Rs. 56.05 crores respectively. Excepting the aforementioned information relating to management accounts, the aforesaid financial statements have been audited by other auditors whose report(s) have been furnished to us, and our opinion, in so far as they relates to the amounts included in respect of these subsidiary companies, are based on the reports of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirement of Accounting Standard (AS) 21, "Consolidated Financial Statements", Accounting Standard - 23 "Accounting for Investment in Associates in Consolidated Financial Statements" and Accounting Standard – 27 "Financial Reporting of Interest in Joint Ventures" issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Ipca Laboratories Ltd., its subsidiaries including step down subsidiaries and associates which have been included in the consolidated financial statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of Ipca Laboratories Ltd., its aforesaid subsidiaries and its joint venture, we are of the opinion that :

- a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Ipca Laboratories Limited, its subsidiaries including step down subsidiaries as at 31<sup>st</sup> March 2011 and
- b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Ipca Laboratories Limited, its subsidiaries including step down subsidiary for the year then ended.
- c) the Consolidated Cash Flow Statement, gives a true and fair view of the cash flows of Ipca Laboratories Limited, its subsidiaries including step down subsidiary for the year then ended.

For **Natvarlal Vepari & Co.**  
Chartered Accountants  
Firm Registration No. 106971W

Mumbai,  
May 24, 2011

**N. Jayendran**  
Partner  
M.No. 40441



## CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011

	Schedule	31 <sup>st</sup> March, 2011		31 <sup>st</sup> March, 2010	
		Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	25.14		25.04	
Share Application money pending allotment (Refer Note No. 12(c))		-		0.01	
Reserves and Surplus	2	<u>1,026.45</u>	<u>1,051.59</u>	<u>839.84</u>	<u>864.89</u>
<b>Minority Interest</b>			<b>(0.66)</b>		<b>(0.58)</b>
<b>Loan Funds</b>					
Secured Loans	3	427.25		364.08	
Unsecured Loans	3	<u>103.57</u>	<u>530.82</u>	<u>90.43</u>	<u>454.51</u>
Deferred Taxation ( Net ) ( Refer Note No. 10)			<u>80.73</u>		<u>79.31</u>
			<u><u>1,662.48</u></u>		<u><u>1,398.13</u></u>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	4	988.42		881.17	
Less : Depreciation / Amortisation / Impairment		<u>289.20</u>		<u>243.32</u>	
Net Block		<u>699.22</u>		<u>637.85</u>	
Capital Work-in-Progress and Capital Advances		<u>113.15</u>	<u>812.37</u>	<u>38.28</u>	<u>676.13</u>
<b>Investments</b>	5		<b>40.83</b>		<b>32.54</b>
<b>Current Assets, Loans and Advances</b>					
Inventories	6	466.40		380.23	
Sundry Debtors		463.67		388.02	
Cash and Bank Balances	7	10.36		10.79	
Loans and Advances	8	<u>118.18</u>		<u>125.91</u>	
		<u>1,058.61</u>		<u>904.95</u>	
<b>Less : Current Liabilities and Provisions</b>	9				
Current Liabilities		207.33		184.24	
Provisions		<u>42.00</u>		<u>31.25</u>	
		<u>249.33</u>		<u>215.49</u>	
<b>Net Current Assets</b>			<b>809.28</b>		<b>689.46</b>
			<u><u>1,662.48</u></u>		<u><u>1,398.13</u></u>
<b>Notes to the Consolidated Accounts</b>	16				

As per our Report of even date attached  
For **Natvarlal Vepari & Co.**  
Chartered Accountants  
Firm Registration No. 106971W

N. Jayendran  
Partner  
M.No.40441  
Mumbai  
24<sup>th</sup> May, 2011

Harish P. Kamath  
Company Secretary

For and on behalf of the Board of Directors  
Premchand Godha Managing Director  
A. K. Jain Joint Managing Director  
Pranay Godha Executive Director



## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

	Schedule	2010-2011		2009-2010	
		Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
<b>INCOME</b>					
Sales			1,937.56		1,602.75
Less: Excise Duty		12.78		10.31	
Sales Tax		42.24	55.02	32.89	43.20
			1,882.54		1,559.55
Income from Operations	10	16.32		7.21	
Other Income	11	8.31	24.63	8.91	16.12
			1,907.17		1,575.67
<b>EXPENDITURE</b>					
Material Cost and Inventory Adjustments	12	776.42		645.60	
Personnel Cost	13	266.28		220.70	
Manufacturing and Other Expenses	14	480.03		366.77	
Financial Cost	15	31.40		32.93	
Depreciation and Amortisation	4	55.79		46.74	
Loss / (Gain) on foreign exchange translations		(43.44)		(6.27)	
Provision for Diminution in Value of Investments		-	1,566.48	2.94	1,309.41
			340.69		266.26
<b>PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM</b>					
Less : Provision for Taxation					
- Current		73.26		47.48	
- Deferred (Net)		1.42		14.20	
- Short/(Excess) provision of earlier year		3.70	78.38	1.04	62.72
			262.31		203.54
<b>PROFIT AFTER TAXATION</b>					
Share of loss transferred to Minority Interest			0.08		0.20
Share of profits/ (loss) from Investments in Associates		(0.25)		1.03	
Proportionate share of dividend received by Associates from cross-holding		0.68	0.43	0.59	1.62
			262.82		205.36
<b>PROFIT AFTER TAXATION BEFORE EXCEPTIONAL ITEM</b>					
EXCEPTIONAL ITEM			-		-
<b>NET PROFIT</b>					
Balance brought forward			142.63		145.71
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>					
			405.45		351.07
<b>APPROPRIATIONS</b>					
Debenture Redemption Reserve			15.00		15.00
General Reserve			200.00		152.54
Interim Dividend			25.13		22.49
Proposed Final Dividend			15.08		12.52
Proposed Dividend of previous year reversed on Shares bought back			-		(0.01)
Tax on Dividend			6.62		5.90
Balance carried forward to Balance Sheet			143.62		142.63
			405.45		351.07
<b>EARNINGS PER SHARE (In Rupees)</b>					
[Refer Note No.18]					
(Nominal value of each share Rs. 2/-)					
Basic					
Before Exceptional Item			20.96		16.44
After Exceptional Item			20.96		16.44
Diluted					
Before Exceptional Item			20.95		16.41
After Exceptional Item			20.95		16.41

### Notes to the Consolidated Accounts

16

As per our Report of even date attached

For **Natvarlal Vepari & Co.**

Chartered Accountants

Firm Registration No. 106971W

N. Jayendran  
Partner

M.No.40441

Mumbai

24<sup>th</sup> May, 2011

For and on behalf of the Board of Directors

Premchand Godha

Managing Director

A. K. Jain

Joint Managing Director

Pranay Godha

Executive Director

Harish P. Kamath  
Company Secretary



## STATEMENT OF CONSOLIDATED CASH FLOW FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2011

	2010-11 Rupees in Crores	2009-10 Rupees in Crores
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
1 Net profit before taxation and extraordinary item	340.69	266.26
Adjustments for :		
Depreciation and Amortisation	55.79	46.74
Reversal of Impairment Loss of Assets	(0.50)	-
Provision for employee benefits	-	2.76
(Profit) / Loss on sale of assets	1.04	(0.01)
(Profit) / Loss on sale of investments	-	(0.16)
Fixed Assets scrapped	2.36	0.70
Miscellaneous Balance Written off / (back)	(0.07)	0.73
Bad debts written off	0.35	-
Provision for diminution in value of investment	-	2.94
Provision for Doubtful Debts/Advances	0.17	1.15
Employee Stock Option Compensation expenses	0.31	1.08
Foreign exchange (gain) / loss	(43.44)	(6.27)
Interest income	(5.90)	(6.37)
Dividend income	(0.37)	(0.23)
Interest expense	25.33	27.39
2 Operating profit before working capital changes	35.07	70.45
(Decrease) / Increase in short term borrowings	29.54	24.05
(Increase) / Decrease in Receivables	(67.42)	(73.06)
(Increase) in inventories	(86.17)	(74.07)
(Decrease) / Increase in sundry creditors	25.40	24.65
Movement in Foreign Currency Translation Reserve	0.26	0.01
3 Cash generated from operation	277.37	238.29
Income tax paid (Net)	(64.37)	(45.86)
Gratuity contribution to LIC	(1.50)	(0.98)
Net cash from operating activities	211.50	191.45
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(196.19)	(134.09)
Purchase of Investments	(7.86)	-
Disposal of Joint Venture / Subsidiaries	-	0.23
Disposal of Investment in Associates	-	8.49
Purchase / Redemption of mutual fund units		
- Purchases	(610.41)	(481.95)
- Redemption	610.41	481.95
Proceeds from sale of assets	1.26	1.50
Interest received	4.32	6.25
Dividend received from others	0.37	0.23
Net cash from / (used in) investing activities	(198.10)	(117.39)
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Share Capital Including Premium	2.19	2.56
Share bought back and extinguished	-	(2.54)
Proceeds from long-term borrowings	95.48	71.21
Repayment of long-term borrowings	(41.54)	(78.24)
Interest paid	(26.10)	(29.13)
Dividend paid	(43.86)	(37.87)
Net cash used in financing activities	(13.83)	(74.01)
Net increase in cash and cash equivalents (A + B + C)	(0.43)	0.05
Cash and cash equivalents at beginning of year	10.79	10.74
Cash and cash equivalents at end of year	10.36	10.79
<b>Components of Cash &amp; Cash equivalents :</b>		
Cash and Cheques on hand	3.20	3.40
Balance with banks on Current Account	7.16	7.39
	10.36	10.79

As per our Report of even date attached  
For **Natvarlal Vepari & Co.**  
Chartered Accountants  
Firm Registration No. 106971W

N. Jayendran  
Partner  
M.No.40441  
Mumbai  
24<sup>th</sup> May, 2011

Harish P. Kamath  
Company Secretary

For and on behalf of the Board of Directors  
Premchand Godha      Managing Director  
A. K. Jain              Joint Managing Director  
Pranay Godha         Executive Director

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

Schedules 1 to 16 forming part of the Consolidated Balance Sheet as at 31<sup>st</sup> March, 2011 and Consolidated Profit & Loss Account for the year ended 31<sup>st</sup> March, 2011.

SCHEDULE 1 SHARE CAPITAL	31.03.2011		31.03.2010	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
<b>Authorised :</b>				
22,50,00,000 Equity Shares of Rs.2 each		<u>45.00</u>		<u>45.00</u>
<b>Issued and Subscribed :</b>				
12,69,87,500 Equity Shares of Rs. 2 each (Previous year 12,65,08,750 Equity Shares of Rs. 2 each)		<u>25.40</u>		<u>25.30</u>
<b>Paid up :</b>				
12,57,06,405 Equity Shares of Rs. 2 each (Previous year 12,52,27,655 Equity Shares of Rs. 2 each)		<u>25.14</u>		<u>25.04</u>
PER BALANCE SHEET		<u>25.14</u>		<u>25.04</u>
Of the above :				
(i) 48,200 Equity Shares of Rs. 10 each have been issued as fully paid for consideration other than cash				
(ii) (a) 84,00,000 Equity Shares of Rs. 10 each fully paid have been issued as Bonus Shares by capitalisation of General Reserve				
(b) 1,25,00,000 Equity Shares of Rs.10 each fully paid have been issued as Bonus Shares by capitalisation of Share Premium				
(iii) Aggregate Shares issued under Employees Stock Option Scheme (ESOS) : 19,87,500 Equity Shares of Rs.2/- each (Previous year 15,08,750 Equity Shares)				
(iv) 2,56,219 Equity Shares of Rs.10 each have been extinguished under Buy back Scheme				
Note : Equity Share of Rs.10 each have been sub-divided into five equity shares of Rs.2 each pursuant to the resolution passed by the shareholders at the Extra Ordinary General Meeting held on 25 <sup>th</sup> February,2010				
<b>SCHEDULE 2 RESERVES AND SURPLUS</b>				
<b>Capital Reserve</b>				
Per last Balance Sheet		0.04		0.04
<b>Capital Redemption Reserve</b>				
Per last Balance Sheet	0.26		0.20	
Add: Transferred from General Reserve	-	0.26	0.06	0.26
Share Premium Account				
Per last Balance Sheet	38.54		34.11	
Add : On issue of Employee stock options	<u>3.82</u>	<u>42.36</u>	<u>4.43</u>	<u>38.54</u>
<b>General Reserve</b>				
Per last Balance Sheet	600.43		449.37	
Less: Amount withdrawn for shares buy back	-		2.48	
Less: Amount transferred to Capital redemption reserve	-		0.06	
Add: Reversal of effects of changes in carrying value of Investments in associates on account of sale	-		1.28	
Less: Reversal of transfer of profit to reserves by joint venture pursuant to closure of joint venture	-		0.22	
Add: Transferred from Profit and Loss Account	<u>200.00</u>	<u>800.43</u>	<u>152.54</u>	<u>600.43</u>
<b>Debenture Redemption Reserve</b>				
Per last Balance Sheet	20.00		5.00	
Add: Transferred from Profit and Loss Account	<u>15.00</u>	<u>35.00</u>	<u>15.00</u>	<u>20.00</u>
<b>Employee Stock Options</b>				
Employee stock option outstanding	0.60		2.47	
Less : Deferred Employee compensation expenses (Refer Note No.12)	<u>0.12</u>	<u>0.48</u>	<u>0.58</u>	<u>1.89</u>
<b>Foreign Exchange Hedging Reserve</b>		4.34		36.39
<b>Foreign Currency Translation Reserve</b>				
Per last Balance Sheet	(0.34)		(0.35)	
Add/(Less) : Movements during the year	<u>0.26</u>	<u>(0.08)</u>	<u>0.01</u>	<u>(0.34)</u>
Profit and Loss Account		<u>143.62</u>		<u>142.63</u>
PER BALANCE SHEET		<u>1,026.45</u>		<u>839.84</u>

**SCHEDULE 3**  
**LOANS**

**a) Secured Loans**

<b>Working Capital Loan</b>	<b>160.29</b>	144.23
- Canara Bank-Consortium-Secured by first charge by way of hypothecation of raw materials, packing materials, work-in process, finished goods, stores and spares, book debts and all other movable current assets of the Company and second charge by way of mortgage of the immovable properties of the Company and hypothecation of plant & machinery of the Company.		
<b>12.75% Secured Redeemable Non-Convertible Debentures</b>	<b>50.00</b>	50.00
- Redeemable in 3 equal annual instalments from 26 <sup>th</sup> December, 2011, Secured by mortgage over company's office premises at Ahmedabad, Gujarat, first pari passu charge over movable & immovable properties at Dehradun & pari passu first charge on Company's plant & machinery at Ratlam.		
<b>Rupee Term Loan</b>		
<b>HDFC Bank Ltd.</b>	<b>18.81</b>	29.33
- Secured by first pari passu charge by way of hypothecation of movable fixed assets both present and future except on movable fixed assets at Pithampur, Indore.		
<b>Bank of Baroda</b>	<b>15.00</b>	15.00
- Secured by first charge by way of equitable mortgage of land and building of the Company situated at Indore(except Pithampur), Dehradun, Ratlam, Mumbai, Athal & Piparia.		
<b>Foreign Currency Term Loans</b>		
<b>Barclays Bank</b>	<b>44.60</b>	-
- Secured by first pari passu charge on the plant & machinery of the Company except assets at Pithampur, Indore.		
<b>ICICI Bank Offshore Banking Unit</b>	<b>20.07</b>	33.82
- Secured by exclusive charge on the entire movable fixed assets at SEZ, Indore, Pithampur and pari passu first charge on movable fixed assets at Kandla.		
<b>BNP PARIBAS</b>	<b>56.49</b>	24.05
- Secured by first pari passu charge by way of hypothecation of movable fixed assets both present and future except on movable fixed assets at Pithampur, Indore.		
<b>CITI BANK</b>	<b>22.30</b>	22.55
- Secured by first pari passu charge by way of hypothecation of all the movable fixed assets both present and future except on movable fixed assets at Pithampur, Indore.		
<b>DBS BANK SINGAPORE</b>	<b>39.69</b>	45.10
- Secured by first pari passu charge by way of hypothecation of all the movable fixed assets both present and future except on movable fixed assets at Pithampur, Indore.		
PER BALANCE SHEET	<b>427.25</b>	364.08
( Refer Note No. 6 )		

**b) Unsecured Loans**

Short Term Loans from Banks :		
- HSBC	35.64	-
- UBS AG	40.00	-
- Barclays Bank	-	11.27
- CITI BANK	-	13.53
- BNP Paribas	13.38	15.00
- Buyers Credit	14.04	49.59
Others	0.01	-
Deposits from dealers	0.50	0.51
Bill Discounted with Bank - China	-	0.53
PER BALANCE SHEET	<b>103.57</b>	90.43
( Refer Note No. 6 )		

**SCHEDULE 4  
FIXED ASSETS**

(Rs. in Crores)

SR. NO.	DESCRIPTION OF ASSETS	GROSS BLOCK			DEPRECIATION, AMORTISATION AND IMPAIRMENT					NET BLOCK			
		As on 01.04.2010	Additions during the year	Sales, w/off, adjustments during the year	As on 31.03.2011	Up to 31.03.2010	For the Year	Sales, w/back, adjustments during the year	Impairment Changes	Up to 31.03.2011	As on 31.03.2011	As on 31.03.2010	
<b>A Tangible Assets</b>													
1	Land :												
	Freehold	23.33	0.87	-	24.20	0.03	-	-	-	0.03	24.17	23.30	
	Leasehold	10.90	-	-	10.90	0.46	0.11	-	-	0.57	10.33	10.44	
2	Buildings	161.74	9.74	(0.03)	171.45	26.86	5.00	(0.01)	-	31.85	139.60	134.88	
3	Plant & Machinery	570.04	84.69	(10.58)	644.15	161.39	38.81	(6.21)	(0.50)	193.49	450.66	408.65	
4	Effluent Treatment Plant	6.05	2.84	-	8.89	2.71	0.85	-	-	3.56	5.33	3.34	
5	Furniture & fixtures	16.61	2.84	(0.31)	19.14	8.00	1.61	(0.06)	-	9.55	9.59	8.61	
6	Vehicles	8.93	6.57	(2.01)	13.49	4.70	1.37	(1.50)	-	4.57	8.92	4.23	
7	Leasehold Improvement	-	0.76	-	0.76	-	0.07	-	-	0.07	0.69	-	
<b>B Intangible Assets</b>													
1	Software	3.75	1.04	-	4.79	1.65	0.82	-	-	2.47	2.32	2.10	
2	Know-how	3.84	-	-	3.84	3.65	-	-	-	3.65	0.19	0.19	
3	Brands & Trademarks	2.16	0.03	-	2.19	2.05	0.01	-	-	2.06	0.13	0.11	
<b>C R &amp; D Assets</b>													
<b>Tangible Assets</b>													
	- Building	7.20	0.67	(0.81)	7.06	1.62	0.24	(0.03)	-	1.83	5.23	5.58	
	- Leasehold Improvement	-	0.74	-	0.74	-	0.06	-	-	0.06	0.68	-	
	- Equipments	65.20	12.00	(2.51)	74.69	29.59	6.69	(1.65)	-	34.63	40.06	35.61	
	- Furniture	1.41	0.23	(0.11)	1.53	0.61	0.16	(0.03)	-	0.74	0.79	0.80	
<b>Intangible Assets</b>													
	- Software	0.01	0.59	-	0.60	-	0.07	-	-	0.07	0.53	0.01	
	<b>Total</b>	<b>881.17</b>	<b>123.61</b>	<b>(16.36)</b>	<b>988.42</b>	<b>243.32</b>	<b>55.87</b>	<b>(9.49)</b>	<b>(0.50)</b>	<b>289.20</b>	<b>699.22</b>		
	Previous Year	778.96	123.20	(20.99)	881.17	202.20	46.80	(5.68)	-	243.32		637.85	
<b>D</b>	Capital work-in-progress & capital advances including project expenses pending allocation										113.15	38.28	
											PER BALANCE SHEET	812.37	676.13

Notes:

- Buildings include cost of shares in Co-operative societies.
- Out of depreciation and amortisation for the year of Rs. 55.87 crores (previous year Rs. 46.80 crores) , Depreciation of Rs. 0.08 crore (previous year Rs. 0.06 crore) relating to projects under execution for the period before start of production is transferred to project expenses pending allocation.
- Cost of Borrowing of Rs. 1.21 crore (Previous year Rs. 0.09 crore) is capitalised to the projects.

	No. of Shares	Face Value	31.03.2011	31.03.2010
	31.03.2011	31.03.2010	Rupees	Rupees in Crores

## SCHEDULE 5

### INVESTMENTS - At cost -

#### A) Unquoted : Long Term (Trade)

(i) Government Securities						
National Saving Certificates				-		-
(Refer Note No.25)						
(ii) Equity Shares ( Fully paid )						
<b>In Associates using Equity Method</b>						
Paschim Chemicals Pvt. Ltd.	63,690	63,690	100	23.54		22.45
CCPL Software Pvt.Ltd. #	55,000	55,000	100	-		-
Tonira Pharma Ltd. (Quoted)	2,565,808	2,565,808	10	7.18	30.72	7.84
# Cost fully written off in books						30.29
(iii) Others						
Equity Shares						
Trophic Wellness Pvt. Ltd.	780,000	-	10	7.86		-
(100,000 shares fully paid & 680,000 partly paid - Rs. 5/- share)						

#### B) Quoted : Long Term (Trade)

Equity Shares ( Fully paid )						
Mangalam Drugs & Organics Ltd.	1,633,417	1,633,417	10	5.09		5.09
Less: Provision for Diminution in Value				(2.99)	2.10	(2.99)
						2.10

#### C) Quoted : Current (Non - Trade)

Aurobindo Pharma Ltd.	25,000	5,000	1	0.15		0.15
PER BALANCE SHEET				40.83		32.54

Note :- Refer note no. 5 for details of investments in associates under equity method.

## SCHEDULE 6

### INVENTORIES

(As taken, valued and certified by the Management)

#### Stock in Trade

Raw materials				192.71		156.75
Packing materials				23.26		18.92
Work-in-process				90.98		68.44
Finished goods				154.76		133.09
Stores and spares				4.69		3.03
PER BALANCE SHEET				466.40		380.23

## SCHEDULE 7

### CASH AND BANK BALANCES

Cash on hand				0.46		0.39
Cheques on hand				2.74		3.01
Balances with banks				7.16		7.39
PER BALANCE SHEET				10.36		10.79

## SCHEDULE 8

### LOANS AND ADVANCES

(Unsecured-considered good unless otherwise stated)

Advances recoverable in cash or in kind or for value to be received				37.45		29.41
Loans to employees				2.55		2.72
Other loans				25.75		20.14
Indirect taxes recoverable				33.64		20.37
Deposits				6.70		5.25
Foreign Currency hedging gain				5.59		36.39
Prepaid Taxes (Net of Provisions)				6.50		11.63
PER BALANCE SHEET				118.18		125.91

	31.03.2011		31.03.2010	
	Rupees in Crores	Rupees in Crores	Rupees in Crores	Rupees in Crores
<b>SCHEDULE 9</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Current Liabilities</b>				
Sundry creditors	94.26		69.77	
Against acceptance of import documents	39.00		49.84	
Unpaid dividends	1.20		1.16	
Other liabilities	52.48		46.21	
Advances from customers	6.19		5.02	
Foreign Currency hedging loss	1.25		-	
Duties and taxes payable	10.74		9.66	
Interest accrued but not due on loans	2.21	207.33	2.58	184.24
<b>Provisions</b>				
Proposed final dividend	15.08		12.52	
Provision for tax on dividend	2.45		2.08	
Provision for gratuity	0.33		1.50	
Provision for leave encashment	5.67		6.50	
Provision for leave travel assistance	2.57		2.07	
Other Employee related provision	2.65		0.79	
Provision for taxation (Net of Prepaid Taxes)	13.25	42.00	5.79	31.25
PER BALANCE SHEET		249.33		215.49
<b>SCHEDULE 10</b>				
<b>INCOME FROM OPERATIONS</b>				
Focus Market and other schemes		6.45		2.92
Other Income from operations		9.87		4.29
PER PROFIT AND LOSS ACCOUNT		16.32		7.21
<b>SCHEDULE 11</b>				
<b>OTHER INCOME</b>				
Interest Income		5.90		6.37
Profit on sale of assets		0.17		0.54
Profit on sale of Investment in associate		-		0.16
Dividend Income		0.37		0.23
Reversal of Impairment loss of Assets		0.50		-
Miscellaneous Income		1.37		1.61
PER PROFIT AND LOSS ACCOUNT		8.31		8.91
<b>SCHEDULE 12</b>				
<b>MATERIAL COST AND INVENTORY ADJUSTMENTS</b>				
<b>Raw materials consumed</b>				
Opening stock	156.75		104.54	
Add: Purchases	641.63		547.38	
Raw material conversion charges	16.97		12.35	
	815.35		664.27	
Less: Closing stock	192.71	622.64	156.75	507.52
<b>Packing materials consumed</b>				
Opening stock	18.92		14.41	
Add: Purchases	137.43		107.16	
	156.35		121.57	
Less: Closing stock	23.26	133.09	18.92	102.65
<b>Finished goods purchased</b>				
		101.06		79.53
<b>Inventory adjustments</b>				
Stock at commencement				
Work-in-process	68.44		50.18	
Finished goods	133.09		134.12	
	201.53		184.30	
Less: Stock at Close				
Work-in-process	90.98		68.44	
Finished goods	154.76		133.09	
	245.74	(44.21)	201.53	(17.23)
<b>Neutralisation of duties and taxes on inputs on exports-DEPB/Drawback Benefits</b>				
		(37.18)		(28.67)
<b>Variation in excise duty on :</b>				
Closing stock of finished goods	8.42		7.40	
Less : Opening stock of finished goods	7.40	1.02	5.60	1.80
PER PROFIT AND LOSS ACCOUNT		776.42		645.60

	2010-11 Rupees in Crores	2009-10 Rupees in Crores
<b>SCHEDULE 13</b>		
<b>PERSONNEL COST</b>		
Payment to and provision for salaries, wages and bonus	240.08	198.64
Contribution to provident fund, employees' state Insurance and other funds	11.80	8.84
Gratuity Expenses	2.99	2.29
Employee stock option compensation expenses	0.31	1.08
Employee leave encashment Benefit	0.76	2.73
Welfare expenses	5.62	4.90
Recruitment and training	4.72	2.22
PER PROFIT AND LOSS ACCOUNT	<u>266.28</u>	<u>220.70</u>
<b>SCHEDULE 14</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
Consumption of stores	13.28	10.68
Power, fuel, gas & water charges	59.18	47.61
Repairs & Maintenance	33.92	26.69
Insurance	7.55	5.97
Rent	7.17	5.94
Rates and taxes	4.87	3.58
Freight, forwarding and transportation	66.19	40.73
Commission	18.16	11.53
Royalty	-	0.14
Field staff expenses	47.30	28.88
Auditors' remuneration	0.39	0.34
Directors' sitting fees	0.05	0.05
Expenditure on scientific research	29.96	28.80
Loss on sale of assets	1.21	0.53
Fixed assets scrapped	2.36	0.70
Outside manufacturing charges	16.76	12.86
Laboratory expenses and analytical charges	11.30	9.53
Communication expenses	7.76	7.01
Travelling expenses	17.04	12.37
Professional charges	10.09	7.22
Printing and stationery	5.51	4.42
Product information catalogue	15.39	11.14
Sales and Marketing expenses	84.95	66.63
Miscellaneous balance written off/(back)	(0.07)	0.73
Provision for doubtful debts / advances	0.17	1.15
Bad debts written off/(back)	0.35	-
Books, Subscription & Software	1.42	1.59
Intellectual property right expenses	0.64	0.79
Product registration expenses	6.72	6.49
Excise duty	1.92	4.41
Pre-Incorporation expenses written off	-	0.05
Miscellaneous expenses	8.49	8.21
PER PROFIT AND LOSS ACCOUNT	<u>480.03</u>	<u>366.77</u>
<b>SCHEDULE 15</b>		
<b>FINANCIAL COST</b>		
Interest Expenses	23.03	27.39
Interest on Income tax shortfalls	2.30	-
Bank Charges	6.07	5.54
PER PROFIT AND LOSS ACCOUNT	<u>31.40</u>	<u>32.93</u>



## SCHEDULE 16

### ACCOUNTING POLICIES AND NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

#### 1. Principles of Consolidation:

The consolidated financial statements relates to Ipca Laboratories Ltd. and its Subsidiary Companies, Joint Venture and associates. The consolidated financial statements have been prepared in accordance with Accounting Standard - 21 "Consolidated Financial Statement", Accounting Standard - 23 "Accounting for Investment in associate in consolidated financial statements" and Accounting Standard – 27 "Financial Reporting of Interest in Joint Venture" issued by the Institute of Chartered Accountants of India. The Consolidated Financial Statements have been prepared on the following basis: -

- The Financial Statements of the Company and its subsidiary companies 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 fully eliminating intra group balances and inter group transactions resulting in unrealized profits and losses.
- In case of foreign subsidiaries, revenue items are consolidated at average rate prevailing during the year. All Assets and Liabilities are converted at the rates prevailing at the end of the year. Exchange gain or loss on conversion arising on consolidation is recognized under foreign currency translation reserve.
- Investments in Associate Companies have been accounted under equity method as per Accounting Standard - 23.
- Interest in Joint Venture has been accounted using proportionate consolidation method as per Accounting Standard - 27.
- The financial statements of the subsidiaries, associate and Joint Venture used in consolidation are drawn up to the same reporting date as that of the Company i.e. 31<sup>st</sup> March.
- The difference between the cost to the Company of its investments in the subsidiary companies and joint venture over the Company's portion of equity is recognized in the financial statement as Goodwill or Capital Reserve.

The list of subsidiary companies and associate companies included in consolidation and Company's holding therein are as under: -

Name of the Subsidiaries	Country of Incorporation	% of ultimate holding	
		2010-11	2009-10
Laboratories Ipca Do Brasil Ltda.	Brasil	100	100
Ipca Pharmaceuticals, Inc. USA	USA	100	100
Ipca Laboratories (U.K.) Ltd.	UK	100	100
National Druggists (Pty) Ltd.	South Africa	100	100
Ipca Pharma Nigeria Ltd.	Nigeria	100	100
Ipca Pharma (Australia) Pty.Ltd.	Australia	100	100
Ipca Pharmaceuticals (Shanghai) Ltd.	China	100	100
Ipca Pharmaceuticals Ltd.,SA de CV	Mexico	100	100
Ipca Traditional Remedies Private Ltd.	India	74*	74*
Ipca Pharma (NZ) Pty. Ltd.	New Zealand	100	100
<b>Name of the associate companies</b>			
CCPL Software Private Ltd.	India	28.95	28.95
Paschim Chemicals Private Ltd.	India	45.23	45.23
Tonira Pharma Ltd.	India	32.30	32.30

[\* Although the Company's holding in Ipca Traditional Remedies Private Limited is to be 74% as per the shareholders agreement with the other minority shareholder, on account of the non-infusion of capital by the minority shareholder, the company's holding is 99.20% as at the Balance Sheet Date. Since this holding is only temporary pending infusion of funds, the consolidation is done considering the minority interest at 26%.]

## 2. ACCOUNTING POLICIES

### a) Accounting Convention

The financial statements have been prepared under the historical cost convention, on an accrual basis of accounting, to comply in all material respects with the notified accounting standards by the Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The accounting policies discussed more fully below, are consistent with those used in the previous year.

### b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

### c) Inflation

Assets and liabilities are shown at historical cost except revalued assets, which are shown at revalued amounts. No adjustments are made for changes in purchasing power of money.

### d) Fixed Assets

- i. Fixed assets are recorded at cost of acquisition or construction less CENVAT/ Service Tax/ VAT credit availed. Revalued assets are recorded at revalued amounts.
- ii. Project expenses pending allocation are apportioned to the fixed assets of the project proportionately.
- iii. Cost of borrowing for assets taking substantial time to be ready for use is capitalised for the period up to the time the asset is ready for use.
- iv. Goodwill on acquisition of shares representing excess of cost of investment over its share of equity is charged to the reserves in the first year of such acquisition.
- v. Intangible assets are recorded at cost of acquisition.
- vi. Leasehold land is amortised over leasehold period.

### e) Investments

- i. Long term Investments are stated at cost. Provisions are made for diminution in value of investments other than temporary in nature. Current Investments are stated at Cost or market value whichever is lower.
- ii. Investments in associates are accounted for using equity method. The difference between the cost of investment in the associates and the share of net assets at the time of acquisition of shares in the associates is identified in the financial statements as Goodwill or Capital Reserve as the case may be.

### f) Depreciation, Amortisation and Impairment

- i. Depreciation on all assets of the Company is charged on straight line method over the useful life of assets estimated by the management in the manner provided in Schedule XIV of the Companies Act, 1956 for the proportionate period of use during the year. Intangible assets are amortised over the economic useful life estimated by the management.

The management has estimated the useful life for the various fixed assets as follows.

Assets	Estimated useful life (Years)
Buildings	28 to 58
Plant and Machinery and R&D Equipments	9 to 20
Computers	6
Furniture and Fixtures	10
Vehicles	6
Brands and Trademarks	4
Technical Know how	4
Software for internal use	4
Leasehold Improvements	Period of lease

- ii. The Company carries out exercise of assessment of any impairment to its fixed assets as at each balance sheet date. Changes in level of impairment are accounted in Profit and Loss Account separately. Impairment loss in respect of assets sold / scrapped are reversed and consequent profit or loss on such sale is accounted.

Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Depreciation charged on assets impaired is adjusted in future period over its remaining useful life.

- iii. In respect of assets belonging to foreign subsidiaries including step down subsidiaries, depreciation is charged at the rates and in the manner provided under the respective local laws.

#### **g) Inventories**

Items of inventories are valued on the basis given below:

Raw Materials and Packing Materials	<ul style="list-style-type: none"> <li>• At Cost net of CENVAT / VAT computed on First-in-First-out method.</li> <li>• Bulk drugs produced for captive consumption are valued at cost.</li> </ul>
Work-in-process and Finished Goods	<ul style="list-style-type: none"> <li>• At cost including material cost net of CENVAT, labour cost and all overheads other than selling and distribution overheads for work-in-process and the same or net realisable value, whichever is lower in case of finished goods except Physicians' Samples which are valued at cost as computed above. Excise duty is considered as cost for finished goods wherever applicable.</li> </ul>
Stores and Spares	<ul style="list-style-type: none"> <li>• Stores and spare parts are valued at purchase cost computed on First-in-First-out method.</li> </ul>

#### **h) Employee Benefits**

- i. Retirement benefits in the form of provident fund is a defined contribution scheme and contributions are charged to the Profit and Loss Account for the year/period when the contributions are due.
- ii. Gratuity being a defined benefit obligation is provided on the basis of an actuarial valuation made at the end of each year/period.
- iii. Leave encashment is recognised on the basis of an actuarial valuation made at the end of each year.
- iv. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.
- v. Leave Travel Assistance (LTA) liability has been provided on the basis of actual accumulated obligation.

#### **i) Excise Duty and CENVAT Credit**

- i. The excise duty expenses are bifurcated into three components: excise duty expenses related to sales is reduced from Gross Sales, excise duty relating to the difference between the closing and opening stock of finished goods is recognized in the material cost and inventory adjustments and the un-recovered excise duty is recognized under manufacturing and other expenses.
- ii. CENVAT credit utilised during the year is accounted in excise duty and unutilised CENVAT balance at the year-end is considered as advance excise duty.

#### **j) Service Tax Credit**

Service tax credit utilised during the year towards excise liability is accounted in excise duty and unutilised service tax credit at the year-end is considered as advance excise duty.

#### **k) Sales**

Revenue from sale of products is recognized on transfer of all significant risk and rewards of ownership of the products on to the customers, which is generally on dispatch of goods. Local sales include excise duty and sales tax.

#### **l) Foreign Exchange Transactions**

Transactions denominated in foreign currency are recorded at the exchange rate on the date of transaction. The exchange gain/loss on settlement / negotiation during the year is recognised in the Profit and Loss Account.

Foreign currency transactions remaining unsettled at the end of the year are converted at yearend rates. Gain or loss arising on account of transactions covered by forward contract is recognised over the period of contracts.

Current assets and current liabilities at the end of the year are converted at the yearend rate and the resultant gain or loss is accounted for in the Profit and Loss Account.

The overseas trading and non trading offices are integral foreign operation and are accounted accordingly.

#### **m) Derivative instruments and hedge accounting**

The Company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company designates these hedging instruments as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard 30 "Financial Instruments: Recognition and Measurement" (AS-30). The use of hedging instruments is governed by the Company's policies approved by the Board of Directors, which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy.

Hedging instruments are initially measured at fair value, and are remeasured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in shareholders' funds and the ineffective portion is recognised immediately in the profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in shareholders' funds is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' funds is transferred to the profit and loss account for the period.

**n) Research and Development**

Revenue expenditure on research and development is charged to Profit and Loss Account in the year in which it is incurred. Capital expenditure on research and development is considered as an addition to fixed assets.

**o) Revenue Recognition**

i. In respect of incentives attributable to the export of goods, the Company following the accounting principle of matching revenue with the cost has recognised export incentive receivable when all conditions precedent to the eligibility of benefits have been satisfied and when it is reasonably certain of deriving the benefit. Since these schemes are meant for neutralisation of duties and taxes on inputs pursuant to exports, the same are grouped under material costs.

ii. The other export incentives that do not arise out of neutralisation of duties and taxes are disclosed under income from operations.

iii. Revenue in respect of insurance / other claims, commission, etc. are recognised only when it is reasonably certain that the ultimate collection will be made.

iv. Interest income is recognised on time proportion method basis taking into account the amounts outstanding and the rate applicable.

v. Dividend income is accounted when the right to receive the same is established.

**p) Borrowing Cost**

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized. Other borrowing costs are recognized as expenses in the period in which they are incurred. In determining the amount of borrowing costs eligible for capitalization during a period, any income earned on the temporary investment of those borrowings is deducted from the borrowing costs incurred.

**q) Employee Stock Option Scheme**

Employee stock options are evaluated and accounted on intrinsic value method as per the accounting treatment prescribed under Guidance Note on "Accounting for Employee Share-based payments" issued by the ICAI read with SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 issued by Securities and Exchange Board of India. Accordingly the excess of market value of the stock options as on the date of grant over the exercise price of the options is recognized as deferred employee compensation and is charged to profit and loss account on graded vesting basis over the vesting period of the options. The un-amortized portion of the deferred employee compensation is reduced from Employee Stock Option Outstanding which is shown under Reserves and Surplus.

**r) Taxation**

Tax expenses comprise Current Tax and Deferred Tax:

**I. Current Tax:**

Current Tax is calculated as per the provisions of the Income tax Act, 1961.

**II. Deferred Tax:**

Deferred Tax is recognized on timing differences being the differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax Assets, subject to the consideration of prudence are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized. The tax effect is calculated on the accumulated timing difference at the year-end based on the tax rates and laws enacted or substantially enacted on balance sheet date.

III. In view of judicial pronouncements and in accordance with advice of the Company's Tax Advisor, no provision has been made for the completed assessments, which are in appeal.

#### IV. MAT Credit:

MAT Credit entitlement is recognized only when the Company actually avails the MAT credit based on its annual tax computation.

#### s) Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent Liabilities are not recognised but disclosed in notes to accounts.

Contingent assets are neither recognised nor recorded in financial statements.

#### t) Government Grants

The Company accounts government grants relating to specific fixed assets as deferred income and recognises the same proportionately over the useful life of the asset.

#### u) Cash and Cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank, cheques on hand and cash in hand and short term investments with an original maturity of three months or less.

	31.03.2011	31.03.2010
	Rupees in Crores	Rupees in Crores
3. Estimated amount of contracts remaining to be executed on capital account.		
- Tangible Assets	78.70	38.25
- Intangible Assets	5.08	3.17
4. Contingent liabilities not provided for in respect of :		
a) Bills discounted with banks.	106.95	87.00
Since realized	47.85	26.48
b) Other moneys for which the Company is contingently liable for tax, excise, customs and other matters not accepted by the Company.	11.39	30.31
c) Claims against the Company not acknowledged as debts.	0.01	0.10
d) Corporate Guarantees given to bankers of associates & subsidiaries for which the Company holds counter guarantees.	30.00	30.00
e) Corporate Guarantee given to others	2.28	2.28
f) Guarantees given by banks in favour of Govt. & others/ Letter of Credit opened against which goods are not received	96.75	33.86
g) Uncalled liability on partly paid shares	4.48	-
5. The associates of the Company and the ownership interest are as follows: -		

(Rs. In Crores)

Name of the Associate	% of Share held	Original cost of Investment	(Goodwill)/ Capital Reserve	Accumulated Profit/ (Loss) up to 31/03/10 (Including proportionate Dividend received by associates from cross holdings)	Share of Profit / (Loss) for the year Plus Proportionate Dividend received by Associates	Dividend received from associates	Carrying value of Investment on 31/03/11
CCPL Software Private Ltd.	28.95%	1.31	(0.79)	(0.51)*	-	NIL	NIL**
Paschim Chemicals Private Ltd.	45.23%	20.34	(18.34)	2.11	1.09	-	23.54
Tonira Pharma Ltd.	32.30%	7.33	(3.27)	0.51	(0.66)	-	7.18
Total		28.98			0.43	-	30.72

\* No effect of share of loss from CCPL is taken since 01.04.2004, as the Company has no further commitment towards its share of loss in the Associate.

\*\* Balance cost is fully written off in books.

6. a) Amount of long term loans repayable in the following 12 months aggregate to Rs. 72.20 crores (Previous year Rs. 41.18 crores).  
b) During the year the Company had raised and repaid Commercial Paper. The maximum outstanding amount during the year was Rs. 45.00 crores and the Closing balance at year end is Rs. Nil.
7. Provision for taxation includes provision for wealth tax of Rs.0.07 crore (Previous year Rs.0.05 crore).
8. Remuneration to auditors of the Subsidiaries including the step down subsidiaries and Joint Venture are grouped with the professional charges.
9. Significant accounting policies and notes to this consolidated financial statement are intended to serve as a means of informative disclosure and a guide to better understanding the consolidated position of the companies. Recognising this purpose, the Company has disclosed only such policies and notes from the individual financial statements, which fairly presents the needed disclosures. Lack of homogeneity and other similar considerations made it desirable to exclude some of them, which in the opinion of the Management could be better viewed when referred from the individual financial statements.
10. Break-up of Deferred tax assets and liabilities are as under :

Particulars	As at 31.03.2011 Rupees in Crores	As at 31.03.2010 Rupees in Crores
<b>Deferred tax liability on account of</b>		
Depreciation including on R & D Assets, amortisation and impairment	85.92	82.85
<b>Deferred tax asset on account of</b>		
Provision for leave encashment	1.84	2.15
Provision for unpaid bonus	2.16	0.95
Other tax disallowance	1.19	0.44
<b>Net deferred tax liability</b>	<b>80.73</b>	79.31

No credit for deferred tax assets is taken in the consolidated financial statements of the loss making foreign subsidiaries since in the opinion of the Management there is no virtual certainty supported by convincing evidence to assess fairly the future business prospects and the likely tax assessments.

11. The Company had a Joint Venture Company in Middle East by name of Activa Pharmaceuticals (FZC), SAIF – Zone, Sharjah in which it had a control of 50%. In the standalone Balance Sheet of the Company, Joint Venture interest is reported under Long term Investment at Cost. During the previous year, the said JV had been shut down and liquidated. The excess of Rs. 0.23 crore over the value of Investment had been included in Profit on Sale of Investments. The final accounts post liquidation has been received and necessary effects have been given. Proportionate share of the Company as on 31<sup>st</sup> March 2010 in the assets, liabilities, income, expenditure, contingent liability and capital commitments of the Joint Venture company is as follows:

Description	31.03.2011	31.03.2010
(Rupees in Crores)		
<b>Assets</b>		
Non Current Assets	-	-
Current Assets	-	-
Accumulated Losses	-	-
<b>Total</b>	-	-
<b>Liabilities</b>		
Share Capital	-	-
Reserves & Surplus	-	-
Current Liabilities	-	-
Provisions	-	-
<b>Total</b>	-	-
<b>Income</b>		
Sales and Other Income	-	1.92
<b>Expenditure</b>		
Cost of Sales	-	1.87
Other Expenses	-	0.21
<b>Total</b>	-	2.08
<b>Contingent Liabilities</b>	-	-
<b>Capital Commitments</b>	-	-

12. a) If the compensation cost of shares issued under Employees Stock Option Scheme 2006 (ESOS) is determined in accordance with the fair value approach described in the Guidance Note, the Company's net profit for the year ended March 31, 2011 as reported would change to amounts indicated below:

(Rupees in Crores)

Particulars	2010-11	2009-10
Net Profit as reported (after exceptional items)	262.82	205.36
Add: Stock based compensation expense included in the reported income	0.19	1.08
Less: Stock based compensation expenses determined using fair value of options	0.26	1.81
Net profit (adjusted)	262.75	204.63
Weighted average number of shares considered for basic earnings per share	12,54,04,983	12,48,96,735
Weighted average number of shares considered for diluted earnings per share	12,54,57,068	12,51,48,680
Basic earnings per share as reported (Rupees)	20.96	16.44
Basic earnings per share (adjusted) (Rupees)	20.95	16.38
Diluted earnings per share as reported (Rupees)	20.95	16.41
Diluted earnings per share (adjusted) (Rupees)	20.94	16.36

- b) The details of options as at 31st March, 2011 are as under:

Options	31.03.2011	31.03.2010
At the beginning of the year	1,41,250	2,69,250
Granted	-	-
Exercised	95,750	1,09,750
Forfeited / lapsed	10,750	18,250
Outstanding at the end of the year	34,750	1,41,250
Outstanding exercisable at the end of the year	-	-
Exercise price for outstanding options – Grant I	Rs. 200	Rs. 200
– Grant II	Rs. 315	Rs. 315
– Grant III	Rs. 315	Rs. 315

- c) ESOS Commitment Deposit:

Amount received from employees/directors on grant of stock options pending exercise/allotment of shares is shown as share application money pending allotment.

13. As per Accounting Standard -15 "Employee Benefits" and as defined in the accounting standard the summarised components of net benefit, expense recognized in the profit and loss account and the funded status and amounts recognized in the balance sheet are given herein below.

(Rs. In Crores)

Sr. No.	Particulars	Gratuity		Leave Encashment	
		2010-11	2009-10	2010-11	2009-10
<b>I.</b>	<b>Change in Benefit Obligation</b>				
	Liability at the beginning of the year	11.12	8.58	6.50	5.10
	Interest cost	0.89	0.69	0.55	0.45
	Current Service Cost	1.29	0.88	1.65	1.53
	Past year Service Cost	-	-	-	-
	Benefit Paid	(0.81)	(0.57)	(1.59)	(1.33)
	Actuarial (gain)/loss on obligations	1.94	1.54	(1.44)	0.75
	Curtailments and Settlements	-	-	-	-
	Liability at the end of the year	14.43	11.12	5.67	6.50
<b>II.</b>	<b>Fair Value of Plan Assets</b>				
	Fair Value of Plan Assets at the beginning of the year	9.62	7.58	-	-
	Expected Return on Plan Assets	1.13	0.82	-	-
	Contributions	4.16	1.79	-	-
	Benefit paid	(0.81)	(0.57)	-	-
	Actuarial gain/(loss) on Plan Assets	-	-	-	-
	Fair Value of Plan Assets at the end of the year	14.10	9.62	-	-

Sr. No.	Particulars	Gratuity		Leave Encashment	
		2010-11	2009-10	2010-11	2009-10
<b>III.</b>	<b>Actual Return on Plan Assets</b>				
	Expected Return on Plan Assets	1.13	0.82	-	-
	Actuarial gain/(loss) on Plan Assets	-	-	-	-
	Actual Return on Plan Assets	1.13	0.82	-	-
<b>IV.</b>	<b>Amount Recognised in the Balance Sheet.</b>				
	Liability at the end of the year	14.43	11.12	5.67	6.50
	Fair Value of Plan Assets at the end of the year	14.10	9.62	-	-
	Difference	0.33	1.50	5.67	6.50
	Unrecognised Past Service Cost	-	-	-	-
	Amount Recognised in the Balance Sheet	0.33	1.50	5.67	6.50
<b>V.</b>	<b>Expenses Recognised in the Income Statement</b>				
	Current Service Cost	1.29	0.88	1.65	1.53
	Interest Cost	0.89	0.69	0.55	0.45
	Expected Return on Plan Assets	(1.13)	(0.82)	-	-
	Net Actuarial (gain)/loss to be Recognised	1.94	1.54	(1.44)	0.75
	Past Service Cost (Non Vested Benefit) Recognised	-	-	-	-
	Past Service Cost (Vested Benefit) Recognised	-	-	-	-
	Effect of Curtailment or Settlements	-	-	-	-
	Expense Recognised in Profit and Loss Account	2.99	2.29	0.76	2.73
<b>VI.</b>	<b>Balance Sheet Reconciliation</b>				
	Opening Net Liability	1.50	1.00	6.50	5.10
	Expense as above	2.99	2.29	0.76	2.73
	Past year Service cost	-	-	-	-
	Employers Contribution	(4.16)	(1.79)	(1.59)	(1.33)
	Amount Recognised in Balance Sheet	0.33	1.50	5.67	6.50
<b>VII.</b>	<b>Actuarial Assumptions</b>				
	Discount Rate	8%	8%	8.50%	8%

- Note :
- Employer's contribution includes payments made by the Company directly to its past employees.
  - The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
  - The Company's Gratuity fund is managed by Life Insurance Corporation of India. The plan assets under the fund are deposited under approved securities.

- Sundry debtors are unsecured and considered good.
- The entire operations of the Company relate to only one segment viz. pharmaceuticals. As such, there is no separate reportable segment Under Accounting Standard - AS 17 on Segment Reporting.
- Related Party Disclosure as required by Accounting Standard – AS 18 issued by the Institute of Chartered Accountants of India

#### Relationships:

##### A. Entities where control exists

###### Shareholders of Ipca Laboratories Ltd.

Kaygee Investments Pvt. Ltd.  
Chandurkar Investments Pvt. Ltd.

##### B. Key Management Personnel

Mr. Premchand Godha      Managing Director  
Mr. A. K. Jain              Joint Managing Director  
Mr. Pranay Godha        Executive Director

##### C. Associates

Paschim Chemicals Pvt. Ltd.  
Tonira Pharma Ltd.  
Makers Laboratories Ltd.



**D. Other Related Parties (Entities in which Directors or their relatives have significant influence)**

Nipra Industries Pvt.Ltd.  
 Keymed  
 Oscar Industries  
 Mrs. Usha P. Godha  
 Prabhat Foundation  
 Vandhara Resorts Pvt.Ltd.

**Transactions with Related Parties**

(Rupees in Crores)

Description	Entities where control Exists	Key Management Personnel	Associates	Other Related Parties	Total
Purchase of Goods & Services (Previous Year)	- -	- -	<b>43.86</b> 26.07	<b>1.18</b> 1.02	<b>45.04</b> 27.09
Sale of Goods & Services (Previous Year)	- -	- -	<b>5.01</b> 5.43	- -	<b>5.01</b> 5.43
Interest Income (Previous Year)	- -	- -	<b>2.02</b> 1.36	- -	<b>2.02</b> 1.36
Purchase of Fixed Assets (Previous Year)	- -	- -	<b>0.02</b> 0.06	- -	<b>0.02</b> 0.06
Sale of Fixed Assets (Previous Year)	- -	- -	<b>0.15</b> 0.44	- -	<b>0.15</b> 0.44
Excise Duty, Rent & other Expenses (Previous Year)	- -	- -	<b>0.46</b> 0.01	<b>0.58</b> 0.18	<b>1.04</b> 0.19
Rent Income (Previous Year)	- -	- -	- 0.01	- -	- 0.01
Net Loans & Advances Given / (Recovered) (Previous Year)	- -	- -	<b>12.88</b> (2.04)	- -	<b>12.88</b> (2.04)
Sale of Investment (Previous year)	- 7.31	- -	- -	- 1.17	- 8.48
Donation (Previous year)	- -	- -	- -	<b>0.25</b> 1.10	<b>0.25</b> 1.10
Guarantees Outstanding (Previous year)	- -	- -	<b>30.00</b> 30.00	- -	<b>30.00</b> 30.00
Remuneration to Directors (Previous Year)	- -	<b>10.16</b> 9.07	- -	- -	<b>10.16</b> 9.07
Balances as on 31/03/11					
Receivables	-	-	<b>26.01</b>	-	<b>26.01</b>
Payables	-	<b>6.89</b>	<b>1.92</b>	<b>0.23</b>	<b>9.04</b>
Balances as on 31/03/10					
Receivables	-	-	2.88	-	2.88
Payables	-	6.38	2.09	0.15	8.62

Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the year.

(Rupees in crores)

	2010-11	2009-10		2010-11	2009-10
<b>Purchase of Goods &amp; Services:</b>			<b>Net Loans &amp; Advances Given/ (Recovered):</b>		
Makers Laboratories Ltd.	16.47	5.76	Paschim Chemicals Pvt. Ltd.	5.38	(0.42)
Paschim Chemicals Pvt. Ltd.	26.19	19.84	Tonira Pharma Ltd.	7.50	(1.62)
<b>Sale of Goods &amp; Services:</b>			<b>Excise Duty, Rent &amp; other Expenses</b>		
Makers Laboratories Ltd.	3.14	2.15	Makers Laboratories Ltd.	0.45	0.07
Paschim Chemicals Pvt. Ltd.	1.19	3.24	Keymed	0.04	0.04
Tonira Pharma Ltd.	0.68	0.04	Vandhara Resorts Pvt.Ltd.	0.53	0.13
<b>Interest Received:</b>			<b>Guarantees Outstanding:</b>		
Tonira Pharma Ltd.	1.79	1.36	Tonira Pharma Ltd	30.00	30.00
Paschim Chemicals Pvt. Ltd.	0.23	-			
<b>Purchase of Fixed Assets:</b>			<b>Remuneration to Directors:</b>		
Tonira Pharma Ltd.	0.01	0.05	Mr. Premchand Godha	7.56	6.83
Makers Laboratories Ltd.	0.01	-	Mr. A.K. Jain	1.63	1.40
<b>Sale of Fixed Assets:</b>			<b>Receivables:</b>		
Paschim Chemicals Pvt. Ltd.	0.10	0.26	Paschim Chemicals Pvt. Ltd.	8.09	2.61
Tonira Pharma Ltd.	-	0.18	Tonira Pharma Ltd.	17.92	0.27
Makers Laboratories Ltd.	0.05	-	<b>Payables:</b>		
<b>Sale of Investment:</b>			Mr. Premchand Godha	5.54	5.19
Kaygee Investments Pvt. Ltd.	-	7.31	Mr. A.K. Jain	0.82	0.71
<b>Donation:</b>			Makers Laboratories Ltd.	1.92	2.09
Prabhat Foundation	0.25	1.10			

17. Disclosure under Accounting Standard -29 "Provisions, Contingent Liabilities and Contingent Assets".

(Rupees in Crores)

Particulars	Opening Balance	Additions during the year	Amounts paid / reversed during the year	Closing Balance
Provision for wage revision under negotiation (Previous Year)	0.79 (0.51)	1.86 (0.28)	- -	2.65 (0.79)

18. Earning per share

The earning per share is calculated by dividing the profit after tax by weighted average no. of shares outstanding for basic & diluted EPS.

Sr.No	Particulars	2010-11	2009-10
i)	Profit after tax before Exceptional Item (Rs. In Crores)	262.82	205.36
ii)	Profit after tax and exceptional Items (Rs. In Crores)	262.82	205.36
iii)	No. of shares outstanding	12,57,06,405	12,52,27,655
iv)	Weighted Average no. of shares outstanding (Nos.) - Basic	12,54,04,983	12,48,96,735
v)	Weighted Average no. of shares outstanding (Nos.) - Diluted	12,54,57,068	12,51,48,680
vi)	Nominal value of equity share (Rs.)	2	2
	<b>Basic EPS</b>		
vii)	Earning per share before Exceptional Item (Rs.) (i/iv)	20.96	16.44
viii)	Earning per share after Exceptional Item (Rs.) (ii/iv)	20.96	16.44
	<b>Diluted EPS</b>		
ix)	Earning per share before Exceptional Item (Rs.) (i/v)	20.95	16.41
x)	Earning per share after Exceptional Item (Rs.) (ii/v)	20.95	16.41

19. In the opinion of the Board of Directors all the current assets, loans & advances have value on realization atleast of an amount equal to the amount at which they are stated in the Balance Sheet.
20. Disclosure under Accounting Standard – 19 “Leases”, issued by the Institute of Chartered Accountants of India.
- a) The Company has taken various residential / godowns / office premises (including Furniture and Fittings if any) under leave and licence agreements for periods which generally range between 11 months to 3 years. These arrangements are renewable by mutual consent on mutually agreed terms. Under some of these arrangements the Company has given refundable security deposits. The lease payments are recognized in the Profit and Loss Account under Rent.
- b) The Company has three lease commitments for its offices and guesthouse which expires on 31<sup>st</sup> March 2014, 28<sup>th</sup> February 2012 and 31<sup>st</sup> May 2011 respectively. The total lease commitments are Rs. 0.83 lacs (USD 184,384) [Previous year Rs. 0.89 lacs (USD 197,695)].
21. a) The Company has entered into various derivatives transactions, which are not intended for trading or speculative purpose but to hedge the export receivable including future receivables and foreign currency loan interest rate risks.

The Company as on 31<sup>st</sup> March 2011 has the following derivatives instruments / forward cover outstanding.

Sr. No.	Type of Transaction	Purpose	Amount Outstanding (In Million)	
			31.03.2011	31.03.2010
i.	USD Put Options (Purchase)	To hedge export receivable	USD 27.00	USD 37.50
ii.	USD Call Option (Sold)	To hedge export receivable	USD 27.00	USD 39.30
iii.	JPY/ USD full Currency swap	To hedge the currency risk and interest rate risk of JPY Loan	JPY 318.60 (outstanding)	JPY 637.20 (outstanding)
iv.	USD Interest Rate Swap (Rs)	To hedge the USD LIBOR risk by moving from Floating LIBOR rate to Fixed LIBOR Rate.	USD 21.07 (outstanding)	USD 17.83 (outstanding)
v.	Currency Swap	To reduce cost of borrowing	USD 3.30	USD 10.74
vi.	Forward Cover beyond six months	To hedge export receivables	STG 2.00 USD 66.50	STG 5.00 USD 90.50

- b) The Company has continued its decision not to exercise the option available under amendment to AS 11 relating to “The effects of Changes in Foreign Exchange Rates” in respect of its Long Term Foreign Currency Monetary Items in respect of foreign currency loans for the acquisition of fixed assets.
- c) The Company has following unhedged foreign exchange risk

Sr. No.	Particulars	31.03.2011 USD (Million)	31.03.2010 USD (Million)
i	Term loan	41.07	27.83
ii.	Short term working capital loan / PCFC / Buyers credit	8.53	18.33
iii.	Sundry creditors for imports	8.74	11.05
iv.	Currency Swap	3.30	10.74

- d) The Company has an annual average exports of USD 224 Million of which the Company has partially hedged its receivables by the aforesaid options disclosed in para (a) above. The unhedged currency risk detailed in para (c) above has a natural hedge against the unhedged export receivables of USD 17.63 Million (Previous year 14.04 Million) as at 31<sup>st</sup> March, 2011.
- e) None of the foreign subsidiaries have effected any steps to hedge their currency risks vis a vis the Indian Parent.
22. In terms of the shareholders agreement between the Company and the minority shareholders of Ipca Traditional Remedies Private Limited, the share of profit / loss of the said subsidiary is allocated to the minority shareholders at 26% although the investment by the minority shareholders is not completed by the end of the year, on account of this there is a debit balance in the minority interest.
23. The figures of the subsidiaries including the step down subsidiaries and proportionate share in Joint Venture are appropriately grouped along with the figures of the parent Ipca Laboratories Ltd.
24. a) The company's provision for diminution in value of investments in shares of Ipca Traditional Remedies Pvt. Ltd. and Ipca Pharmaceuticals Inc., USA for Rs. 2.96 crores and Rs. 7.00 crores respectively is reversed in these consolidated accounts since the full loss of the said subsidiaries is accounted in this accounts.
- b) The diminution in the value of investments in shares of Tonira Pharma Ltd. determined on the basis of market price as on 31<sup>st</sup> March, 2011 is not considered permanent based on the intrinsic value of the company. Consequently no provision for diminution in the value of investments in said Tonira Pharma Ltd. is considered necessary.

25. Details of rounded off amounts

The financial statements are represented in Rupees crore. Those items which are not represented in the financial statement due to rounding off to the nearest Rs. Crore are given below.

Balance Sheet items

(Rupees)

Refer	Description	As at 31 <sup>st</sup> March 2011	As at 31 <sup>st</sup> March 2010
Sources of funds	Share Application money pending allotment	34,750	-
Schedule 4	Sales, W/off, adjustments during the year		
	Intangible assets-Software	3,411	50,733
	Effluent treatment plant	-	(898)
	R&D Intangible Assets Software	461	461
Schedule 5	Government Securities		
	National Saving Certificates	33,000	36,000

Notes to the Accounts

Refer	Description	Year ended 31.03.2011	Year ended 31.03.2010
Note No. 16	Sale of goods and services – Other related parties	-	36,590
	Excise Duty, Rent and Other expenses – Other related parties	-	639

26. Previous year's figures have been regrouped and rearranged wherever necessary.

As per our Report of even date attached

For **Natvarlal Vepari & Co.**

Chartered Accountants

Firm Registration No. 106971W

N. Jayendran  
Partner  
M.No.40441  
Mumbai  
24<sup>th</sup> May, 2011

Harish P. Kamath  
Company Secretary

For and on behalf of the Board of Directors

Premchand Godha

Managing Director

A. K. Jain

Joint Managing Director

Pranay Godha

Executive Director

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

PARTICULARS	NAME OF THE SUBSIDIARY									
	IPCA PHARMA NIGERIA LIMITED, NIGERIA	NATIONAL DRUGGIST (Pty) LIMITED, SOUTH AFRICA	IPCA PHARMA (Australia) Pty Ltd, Australia	LABORATORIES IPCA DO BRASIL LTDA. BRAZIL	IPCA PHARMACEUTICALS INC., USA	IPCA LABORATORIES UK LTD., UK	IPCA PHARMACEUTICALS LIMITED S.A DE C.V, MEXICO	IPCA PHARMACEUTICALS (SHANGHAI) LTD, CHINA	IPCA TRADITIONAL REMEDIES PRIVATE LIMITED	IPCA PHARMA (NZ) Pty Ltd, NEW ZEALAND
Financial year/period of the subsidiary companies ended on	31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2011
No. of Equity shares held by Ipca Laboratories Limited in the subsidiary as at 31 <sup>st</sup> March, 2011	5,15,89,190 Equity shares of Naira 1 each fully paid	10,59,732 Equity shares of Rand 1 each fully paid	26,944 Equity shares of Aus \$ 1 each fully paid	69,17,694 Quotas of Brazilian Real of 1 each	1000 Shares of no par value	6,45,955 Shares of STG £ 1 each	Shares of no par value	Shares of no par value	29,60,000 shares of Rs. 10 each	100 Equity shares of NZ \$ 1 each
Extent of interest of Ipca Laboratories Limited in the capital of the subsidiary	100%	100%	100%	100%	100%	100%	100%	100%	99.2%	@
Net aggregate amount of the profits/(losses) of the subsidiaries so far it concerns to the members of Ipca Laboratories Limited as it is not dealt with the Company's Accounts for the year ended 31 <sup>st</sup> March, 2011 of the subsidiaries	(N 5,69,65,878) (Rs.197.48 lacs)	R 39,046 Rs. 2.47 Lacs	(Aus \$ 982) (Rs. 0.40 Lacs)	This Company is under voluntary winding up process	(US\$ 27,103) (Rs. 12.41 Lacs)	(STG £ 33,215) (Rs. 23.55 Lacs)	(MXN 5,43,738) (Rs. 19.88 lacs)	(RMB 7,38,040) (Rs. 50.11 lacs)	(Rs. 30.87 lacs)	Aus \$ 221 Rs. 0.09 Lacs
Net aggregate amount of the profits/(losses) of the subsidiaries so far as dealt with or provision is made for those losses in the Accounts of Ipca Laboratories Limited for the subsidiary's Financial year ended 31 <sup>st</sup> March, 2011	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Note: 1. Figures in Indian Rupees, wherever it appears in respect of overseas subsidiaries, have been given only as additional information.

@ Ipca Pharma (NZ) Pty Ltd, New Zealand is a wholly owned subsidiary of Ipca Pharma (Australia) Pty. Ltd, Australia which is a wholly owned subsidiary of the Company

For and on behalf of the Board of Directors  
Premchand Godha      Managing Director  
A. K. Jain              Joint Managing Director  
Pranay Godha        Executive Director

Mumbai  
24<sup>th</sup> May, 2011

Harish P. Kamath  
Company Secretary

Details of Subsidiaries

(Rs. In thousands)

PARTICULARS	IPCA PHARMA NIGERIA LIMITED, NIGERIA	NATIONAL DRUGGIST (PTY) LIMITED, SOUTH AFRICA	IPCA PHARMA (Australia) Pty Ltd, Australia	LABORATORIES IPCA DO BRASIL LTDA. BRAZIL	IPCA PHARMACEUTICALS INC., USA	IPCA LABORATORIES UK LTD., UK	IPCA PHARMACEUTICALS LIMITED S.A DE C.V, MEXICO	IPCA PHARMACEUTICALS (SHANGHAI) CO LTD, CHINA	IPCA TRADITIONAL REMEDIES PRIVATE LIMITED	IPCA PHARMA (NZ) PTY. LTD, NEW ZEALAND
Capital	18,894	4,572	1,298	1,13,273	76,097	51,075	6,244	11,890	29,840	4
Reserves	29,631	5,807	3,276	(1,10,798)	(74,814)	(29,749)	(5,496)	(11,276)	(28,901)	10
Total Assets	99,907	10,417	6,541	1,16,734	85,818	51,937	8,366	11,770	30,117	137
Total Liabilities	99,907	10,417	6,541	1,16,734	85,818	51,937	8,366	11,770	30,117	137
Investments	-	20	4	-	-	-	-	-	-	-
Total Income/turnover	2,64,321	286	2,263	-	1,14,054	9,102	-	33,270	406	-
Profit / (loss) Before Taxation	(19,748)	264	(77)	-	(1,241)	(2,279)	(1,988)	(5,007)	(3,087)	9
Provision for Taxation	-	17	(37)	-	-	76	-	4	-	-
Profit / (loss) After Taxation	(19,748)	247	(40)	-	(1,241)	(2,355)	(1,988)	(5,011)	(3,087)	9
Proposed Dividend	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

Exchange rate considered as on 31<sup>st</sup> March 2011: 1 USD = Rs. 45.2854, 1R\$ (Brazilian Real) = Rs. 27.5074, 1 STG £ = Rs. 72.5993, 1 N (Nigerian Naira) = Rs. 0.2897, 1R (South African Rand) = Rs. 6.6153, 1Aus \$ = Rs. 46.6852, 1RMB (Chinese Yuan) = Rs. 6.8926, 1MXN (Mexican Peso) = Rs. 3.7907, 1 NZ \$ = Rs. 34.3929

The Company owns 100 % interest in all the above subsidiaries excepting Ipca Traditional Remedies Pvt. Ltd. In which it holds 99.20% of the paid up equity share capital and Ipca Pharma (NZ) Pty Ltd, New Zealand which is a 100% subsidiary of Ipca Pharma (Australia ) Pty Ltd.

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# Ipca Laboratories Limited

## PROXY

Registered Office: 48, Kandivli Industrial Estate, Kandivli (W), Mumbai - 400 067.

I/We .....  
of ..... in the district of .....  
being a member/members of the above named  
Company hereby appoint .....  
of ..... in  
the district of ..... or failing him  
of .....  
in the district of .....  
as my/our proxy to vote for me/  
us on my/our behalf at the 61<sup>st</sup> Annual General Meeting of the Company to be held on Thursday, 28<sup>th</sup> July, 2011 at 3.30 p.m. and  
at any adjournment thereof.

Signed this ..... day of ..... 2011

Signed by the said .....

**30 ps.  
Revenue  
Stamp**

Reg. Folio No. ....

\* Client ID No. ....

\* DP ID No. .... No. of Shares held .....

Note.: The Companies Act, 1956 lays down that an instrument appointing a proxy shall be deposited at the Registered Office of the Company not less than FORTY EIGHT hours before the time for holding the meeting.

\* Applicable for investors holding shares in electronic form.

# Ipca Laboratories Limited

## ATTENDANCE SLIP

Registered Office: 48, Kandivli Industrial Estate, Kandivli (W), Mumbai - 400 067.

I hereby record my presence at the 61<sup>st</sup> Annual General Meeting held at Shri Bhaidas Maganlal Sabhagriha, Swami Bhakti Vedanta Marg, J.V.P.D. Scheme, Vile Parle (W), Mumbai 400 056 on Thursday, 28<sup>th</sup> July, 2011 at 3.30 p.m.

Name of the Shareholder (s) .....  
(In Block Capitals)

Name of the Proxy or Company Representative .....  
(In Block Capitals)

Signature of the Shareholder or  
Proxy or Company Representative .....

Note : 1. A Proxy attending on behalf of a Shareholder should please write the name of the Shareholder from whom he holds Proxy.  
2. Members are requested to bring their copy of the Annual Report with them to the Meeting as additional copies of the same will not be made available at the Meeting.

Reg. Folio No. ....

\* Client ID No. ....

\* DP ID No. .... No. of Shares held .....

\* Applicable for investors holding shares in electronic form





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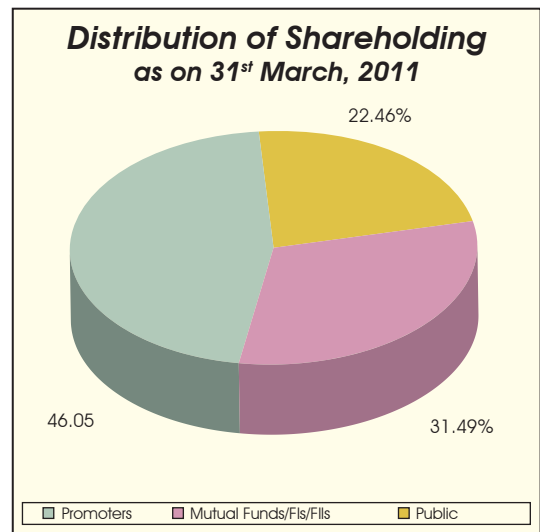
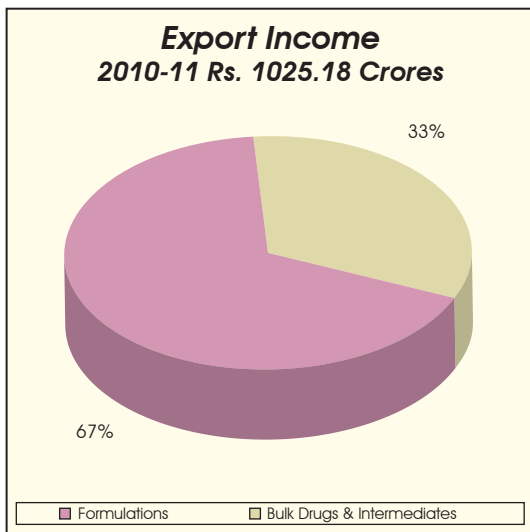
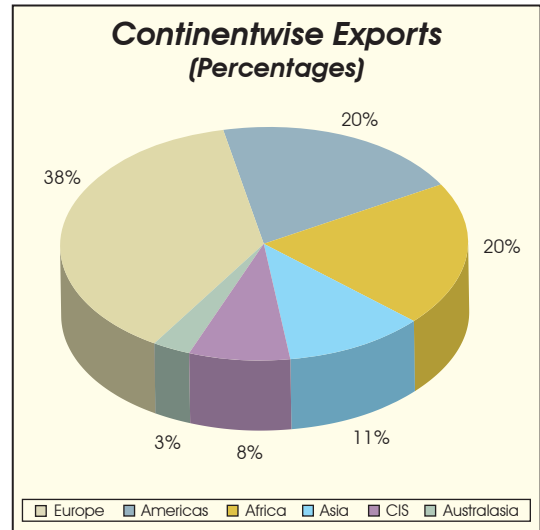
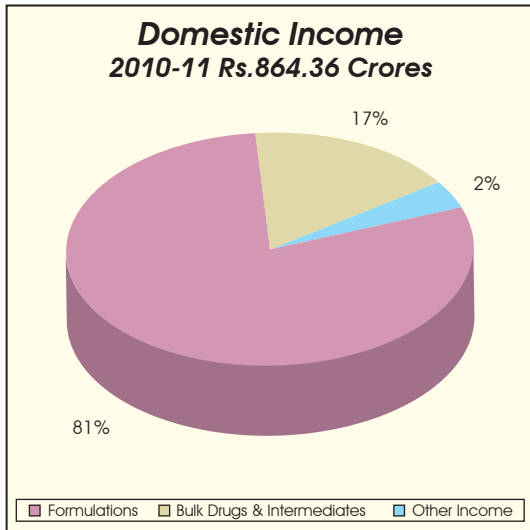
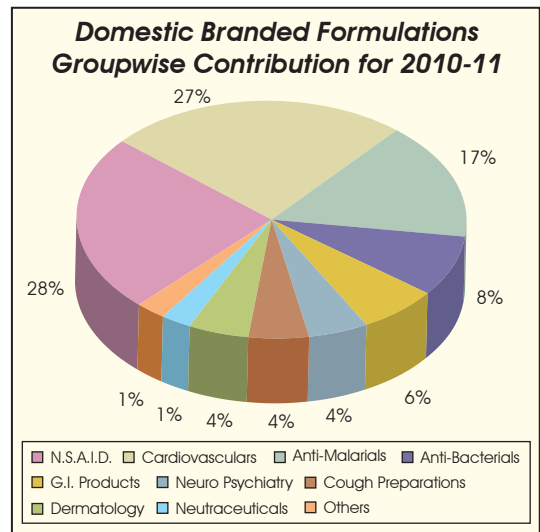
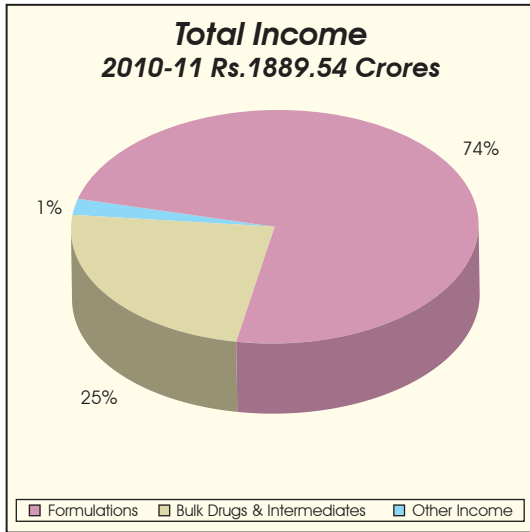
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Ipca Laboratories Limited  
*Partnering healthcare globally*



## International Subsidiaries

### USA

Ipca Pharmaceuticals, Inc.  
51, Cragwood Road, Suite No. 203  
South Plainfield, New Jersey, 07080.  
Phone ++ 1 908 412 6561  
(D) 908 412 6563  
Fax ++ 1 908 412 6564  
Email : hasit@ipcausa.com

### SOUTH AFRICA

National Druggists (pty) Ltd.  
30, Marlborough Road  
Spring Field Johannesburg,  
2190 Gauteng, S.A.  
Phone ++ 27011 4345669  
TeleFax ++ 27011 4345719  
Email : ipca.southafrica@ipca.co.in

### CHINA

Ipca Pharmaceuticals (Shanghai) Ltd.  
Room 1110, 11/F Hua Tian Holiday Hotel  
Office Building, 469 Zhonghua Xin Road  
Zhabei District, Shanghai PRC

### UK

Ipca Laboratories (UK) Ltd.  
72, New Bond Street  
Mayfair, London W1S 1RR.  
Phone ++ 44 207 493 7302  
Fax ++ 44 207 493 4120  
Email : ipca.uk@ipca.co.in

### AUSTRALIA

Ipca Pharma (Australia) Pty Ltd.  
6, Morotai Avenue, Ashburton, vic 3147  
Melbourne, Australia  
Phone ++ 613 98856172  
Tele Fax ++ 613 98856173  
Email : ipca.australia@ipca.co.in

### NEW ZEALAND

Ipca Pharama (NZ) Pvt. Ltd.  
3-A, St. Oswalds Road,  
Greenlane,  
Auckland - 1061, New Zealand  
Phone ++ 64 2136 0880  
Email : ipca.newzealand@ipca.co.in

### NIGERIA

Ipca Pharma Nigeria Ltd.  
17, Osolo Way, Ajao Estate,  
Isolo, Lagos.  
Phone ++ 2341 7926460 / 4528738  
Fax ++ 2341 4521146  
Email : ipca.nigeria@ipca.co.in

### MEXICO

Ipca Pharmaceuticals Limited SA de CV  
Presa la Angostura No. 116  
Colonia Irrigacion Mexico D.F.

### Registered Office

48 Kandivli Industrial Estate,  
Kandivli (West), Mumbai 400 067. India.  
Tel.: 91-22-6647 4444 Fax : 91-22-2868 6613  
Email : ipca@ipca.co.in Website: www.ipcalabs.com

**DIRECTORS REPORT**

To the Members

Your Directors are pleased to present the Company's Annual Report together with the Audited Annual Accounts for the year ended March 31, 2011.

**FINANCIAL RESULTS**

Your Company is a wholly owned subsidiary of Ipsca Laboratories Ltd (India). The business activity of the company is importation and marketing of pharmaceutical formulations as well as Active Pharmaceutical Ingredients (APIs). During the year under report, your Company achieved a net total income of Rs. 2643.21 Lacs (previous year Rs. 2640.02 lacs). The operations for the financial year have resulted in a net loss of Rs. 197.48 Lacs as against net loss of Rs. 178.98 lacs in the previous year.

Your company is in process of registering more pharmaceuticals in Nigeria as well as increasing the field force strength to cover more geographies for promoting the company's products in the Nigerian market.

**DIVIDEND**

In view of the loss incurred during the financial year under report, no dividend is proposed by the Directors.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors confirm:

that in the preparation of annual accounts, the applicable accounting standards have been followed;

that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give the true and fair view of the state of affairs of the company at the end of the financial year ended 31st March, 2011 and the loss of the Company for the year; that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

that the Directors have prepared annual accounts on a going concern basis.

**PARTICULARS OF EMPLOYEES**

During the year under review, the company had no employee who was in receipt of remuneration of not less than Rs. 60,00,000/- per annum or not less than Rs. 5,00,000/- per month or any part thereof.

The relationship between the company and its employees remained cordial throughout the year.

**AUDITORS**

M/s Natvarlal Vepari & Co., Chartered Accountants retire at the ensuing Annual General Meeting and have offered themselves for re-appointment.

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

During the year under review, the Company has not carried out any manufacturing activities. Therefore, information required pursuant to Section 217(1)(e) of the Companies Act, 1956 are not applicable.

For and on behalf of the Board

**S. V. Kotian**

Chairman

May 20, 2011

**AUDITORS' REPORT TO THE MEMBERS OF IPCA PHARMA NIGERIA LIMITED**

We have audited the attached Balance Sheet of Ipsca Pharma Nigeria Limited as at 31<sup>st</sup> March, 2011, Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. 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. In carrying out our audit we have placed reliance on the work of Amobi Nwokor & Co. Chartered Accountants, Nigeria and have carried out such further checks as we considered necessary to enable us to form our opinion. 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.

Since the company is not a foreign company as defined in Section 591 of the Companies Act 1956, the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, does not apply and hence the matters specified therein are not reported upon.

Further to our comments above, we report that :

- 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.
- In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books.
- The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts.
- In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- These accounts are prepared to comply with the requirements of the Companies Act 1956 relating to the subsidiary and holding company disclosure requirements.
- Since the appointment of directors to this company are not governed by the provisions of the Companies Act, 1956 the provisions relating to disqualifications u/s 274(1)(g) of the Companies Act 1956 do not apply to this company.
- In our opinion and to the best of our information and according to the explanation given to us, the accounts read with and subject to the notes thereon give the information required by the Companies Act, 1956 in the manner so require and give a true and fair view.

- in the case of Balance Sheet of the State of Affairs of the Company as at 31<sup>st</sup> March, 2011
- in the case of Profit and Loss Account of the loss for the year ended on 31<sup>st</sup> March 2011. and;
- in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For **NATVARLAL VEPARI & CO.**  
CHARTERED ACCOUNTANTS  
Firm Registration No. 106971W

**Shihab R. Halim**  
Partner  
M.No. 49758

Mumbai  
May 20, 2011

**BALANCE SHEET AS AT 31ST MARCH, 2011**

Schedule	31st March, 2011 (Rs. in thousands)	31st March, 2010 (Rs. in thousands)
<b>SOURCES OF FUNDS</b>		
<b>Shareholders' Funds</b>		
1	18,894	18,894
2	33,118	52,866
	(3,487)	(3,540)
	48,525	68,220
<b>Loan Funds</b>		
	-	31,560
	(From Ipsca Laboratories Limited)	
	TOTAL	99,780
	48,525	
<b>APPLICATION OF FUNDS</b>		
3	19,553	17,956
	Gross Block	
	Less : Depreciation	7,226
	Net Block	10,730
<b>Current Assets, Loans and Advances</b>		
4	16,686	17,088
5	29,868	29,283
6	32,416	104,317
7	10,389	7,775
	89,359	158,463
<b>Less : Current Liabilities and Provisions</b>		
8	51,382	69,413
	37,977	89,050
	48,525	99,780
<b>TOTAL</b>		
16	48,525	99,780

**Notes to Accounts**

As Per our report of even date attached

For **Natvarlal Vepari & Co.**

Chartered Accountants  
Firm Registration no. 106971W

**Shihab. R. Halim**

Partner

Membership no. 49758

Place : Mumbai

May 20, 2011

For and on Behalf of the Board

S. V. Kotian

Director

James Awolola

Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

Schedule	2010-11 (Rs. in thousands)	2009-10 (Rs. in thousands)
<b>INCOME</b>		
9	259,126	259,913
10	5,195	4,089
	264,321	264,002
<b>EXPENDITURE</b>		
11	198,511	202,261
12	1,240	1,242
13	19,610	20,836
14	55,242	56,174
15	7,931	2,953
3	3,440	3,243
	(1,905)	(4,809)
	284,069	281,900
	(19,748)	(17,898)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		
Less : Provision for Taxation		
<b>PROFIT/(LOSS) AFTER TAXATION</b>		
	(19,748)	(17,898)
	43,537	61,435
<b>Appropriation</b>		
Dividend		
	23,789	43,537
<b>Balance carried forward to Balance Sheet</b>		
<b>Earning per Share (in Rupees)</b>		
	(0.38)	(0.35)
	(0.38)	(0.35)
(Refer note 7)		
16	43,537	61,435

**Notes to Accounts**

As Per our report of even date attached

For **Natvarlal Vepari & Co.**

Chartered Accountants  
Firm Registration no. 106971W

**Shihab. R. Halim**

Partner

Membership no. 49758

Mumbai

May 20, 2011

For and on Behalf of the Board

S. V. Kotian

Director

James Awolola

Director

**SCHEDULES TO THE ACCOUNTS**

Schedules 1 to 16 forming part of the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended 31st March, 2011

 31st March, 2011 31st March, 2010  
 (Rs. in thousands) (Rs. in thousands)

**SCHEDULE 1**
**SHARE CAPITAL**
**Authorised :**

52,000,000 Ordinary Shares of N 1 each

**Issued and Subscribed :**

 51,589,190 (Previous year 51,589,190) **18,894** 18,894  
 Ordinary Shares of N 1 each

(All the above shares are held by holding company IpcA Laboratories limited)

**PER BALANCE SHEET** **18,894** **18,894**
**SCHEDULE 2**
**RESERVE AND SURPLUS**

 Share Premium **9,329** 9,329

 Profit & Loss account **23,789** 43,537

**PER BALANCE SHEET** **33,118** **52,866**
**SCHEDULE 3**
**FIXED ASSETS**

Particulars	Gross Block					Depreciation				Net block		
	Opening as on 01/04/10	Additions	Sales / Adjustment	Foreign Exchange fluctuation Reserve	Total as on 31/03/11 at closing rate	Up to 31/03/10	Sales / Adjustment	For the year	Foreign Exchange fluctuation Reserve	Up to 31/03/11 at closing rate	As on 31/03/11	As on 31/03/10
Leasehold Property	1,614	149	-	(68)	<b>1,695</b>	944	-	174	(46)	<b>1,072</b>	<b>623</b>	671
Office Equipment	1,986	134	-	(87)	<b>2,033</b>	1,012	-	209	(51)	<b>1,170</b>	<b>863</b>	973
Computers	653	150	-	(29)	<b>774</b>	590	-	159	(30)	<b>719</b>	<b>55</b>	63
Furniture & Fixture	1,655	273	-	(72)	<b>1,856</b>	621	-	190	(32)	<b>779</b>	<b>1,077</b>	1,034
Motor Vehicles	12,047	4,244	(2,567)	(529)	<b>13,195</b>	4,059	(1,288)	2,708	(214)	<b>5,265</b>	<b>7,930</b>	7,988
<b>Total</b>	<b>17,956</b>	<b>4,950</b>	<b>(2,567)</b>	<b>(786)</b>	<b>19,553</b>	<b>7,226</b>	<b>(1,288)</b>	<b>3,440</b>	<b>(373)</b>	<b>9,005</b>	<b>10,548</b>	10,730
Previous Year	13,247	8,418	(1,682)	(2,027)	<b>17,956</b>	5,666	(676)	3,243	(1,006)	<b>7,226</b>	<b>10,730</b>	7,583

**SCHEDULE 4**
**LOANS AND ADVANCES**

 Advances recoverable in cash or in kind or for value to be received **16,686** 17,088

(Unsecured-considered good unless otherwise stated)

**PER BALANCE SHEET** **16,686** **17,088**
**SCHEDULE 5**
**SUNDRY DEBTORS**

(Unsecured considered good, unless otherwise stated)

 Outstanding for more than six months **18,084** 9,183

 Other Debts **11,784** 20,100

**PER BALANCE SHEET** **29,868** **29,283**
**SCHEDULE 6**
**INVENTORIES**

(As taken, valued and certified by the Management)

 Finished goods **32,416** 104,317

**PER BALANCE SHEET** **32,416** **104,317**
**SCHEDULE 7**
**CASH AND BANK BALANCES**

 Cash in Hand **574** 228

 Balances with non scheduled banks (Refer Note No. 5) **9,815** 7,547

**PER BALANCE SHEET** **10,389** **7,775**
**SCHEDULE 8**
**CURRENT LIABILITIES AND PROVISIONS**

Current Liabilities

 Sundry Creditors **45,787** 61,340

 Liabilities for Expenses **5,595** 4,599

Provision for Tax - 3,474

**PER BALANCE SHEET** **51,382** **69,413**
**SCHEDULE 9**
**SALES AND INCOME FROM OPERATIONS**

 Sales **259,126** 259,913  
**PER PROFIT AND LOSS ACCOUNT** **259,126** **259,913**
**SCHEDULE 10**
**OTHER INCOME**

 Profit on sale of assets **83** 3,903

 Miscellaneous income **5,112** 186

**PER PROFIT AND LOSS ACCOUNT** **5,195** **4,089**
**SCHEDULE 11**
**MATERIAL COST AND INVENTORY ADJUSTMENTS**

 Finished goods purchased **126,610** 243,019

**Inventory adjustments**

Stock at commencement

 Finished goods **104,317** 63,559

Less : Stock at close

 Finished goods **32,416** 104,317

 (Increase) / Decrease of inventory **71,901** (40,758)

**PER PROFIT AND LOSS ACCOUNT** **198,511** **202,261**
**SCHEDULE 12**
**DIRECTORS REMUNERATION**

 Directors remuneration **1,219** 1,223

 Directors fees **21** 19

**PER PROFIT AND LOSS ACCOUNT** **1,240** **1,242**

(Rs. In thousand)

**SCHEDULE 13**
**PERSONNEL COST**

 Payment to and provision for salaries, wages and bonus **14,743** 16,580

 Welfare expenses **4,867** 4,256

**PER PROFIT AND LOSS ACCOUNT** **19,610** **20,836**
**SCHEDULE 14**
**OTHER OPERATING EXPENSES**

 Power, fuel, gas & water charges (including fuel for generator) **2,319** 1,503

Repairs :

 Building **684** 571

 Office Equipment **770** 580

 Other Repairs **45** 20

 Insurance **2,183** 2,746

 Rent **2,762** 2,298

 Rates and taxes **1,342** 1,134

 Freight, forwarding and transportation **5,694** 6,074

 Field staff expenses **10,409** 10,678

Fixed assets scrapped - 141

 Communication expenses **1,316** 1,250

 Travelling expenses **7,524** 7,156

 Audit Fee **134** 88

 Professional charges **748** 511

 Printing and stationery **479** 502

 Books, Subscription & Software **146** 25

 Product promotion expenses **1,576** 2,518

 Marketing & sales administration expenses **9,928** 13,066

 Product Registration Expenses **2,557** 2,186

 Bad Debts Written off **3,518** 2,581

 Net Misc. Bal. Written off/(back) **24** (13)

 Miscellaneous expenses **1,084** 559

**PER PROFIT AND LOSS ACCOUNT** **55,242** **56,174**
**SCHEDULE 15**
**FINANCIAL COST**

 Bank charges **2,088** 1,648

 Interest on loan from IpcA India **5,843** 1,305

**PER PROFIT AND LOSS ACCOUNT** **7,931** **2,953**

## IPCA PHARMA NIGERIA LIMITED, NIGERIA

### SCHEDULE 16

#### NOTES FORMING PART OF THE ACCOUNTS

##### 1. Accounting Policies

a) The financial statements are prepared under the historical cost convention on accrual basis. The financial statements confirm to the requirements of Schedule VI to the Companies Act 1956.

b) Conversion in to Indian Rupees:

The translation of financial statements into Indian Rupees is done in accordance with AS 11 (Revised) the Effects of Changes in Foreign Exchange Rates issued by the Institute of Chartered Accountants of India, which is mandatory w.e.f. 01.04.2004. The resultant Foreign Currency Translation Reserve is shown separately under shareholders funds or under Profit and Loss account on the asset side.

The Assets and Liabilities are translated at closing rate except share capital, which is translated at the rate as on transaction date. The income and expenditure are translated at a rate nearing the average rate during the year.

c) Fixed assets: All fixed assets are recorded at cost of acquisition.

d) Depreciation: Depreciation is computed on straight line basis over the estimated useful life of the assets at the following rates:

Leasehold improvement	-	10%
Office Equipment	-	10%
Computers & Accessories	-	20%
Furniture & Fixtures	-	10%
Motor Vehicles	-	20%

e) Inventories: Inventories are valued on First in first out (FIFO) method at cost or net realizable value (NRV), whichever is lower.

Revenue Recognition: Sales of goods is recognised at the point of dispatch to customer.

2. The Company is 100% subsidiary of Ipca Laboratories Limited. The accounts have been prepared and audited in Indian Rupees for the purpose of attachment to the accounts of the holding company to comply with the provisions of Indian Companies Act.

3. For the purpose of conversion of the local currency (N) into Indian Currency (INR), the exchange rate applied is as per para 1(b) of the accounting policies.

4. Additional Information pursuant to paragraphs 3, 4, 4A, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

Stock of each class of Finished Goods.

Particulars	31.03.2011		31.03.2010	
	Quantity (thousands)	Rs. In thousands	Quantity (thousands)	Rs. In thousands
Bulk Drug (Kg)	1	824	6	8,900
Injectables (No.)	55	4,581	94	9,758
Liquid/Oral (No.)	38	1,340	103	2,725
Tablets/Capsules (No.)	210	25,671	521	82,934
Total		32,416		104,317

Sales and Purchase in respect of each class of Finished Goods.

Particulars	SALES				PURCHASES			
	2010-11		2009-10		2010-11		2009-10	
	Quantity (thousand)	Rs. In thousands	Quantity (thousand)	Rs. In thousands	Quantity (thousand)	Rs. In thousands	Quantity (thousand)	Rs. In thousands
Bulk Drug (Kg)	5	6,675	17	19,379	-	-	20	24,484
Injectables (No.)	144	24,182	158	32,092	105	9,516	254	26,779
Liquid/Oral (No.)	97	3,313	81	3,008	32	842	84	3,018
Tablets/Capsules	893	224,956	722	205,434	582	116,232	942	188,738
Others (No.)	-	-	-	-	-	-	-	-
Total		259,126		259,913		126,610		243,019

5. Balances with non-scheduled banks in Schedule 7:

Name of the Banks	Maximum Balance		Balance As On	
	2010-11 (Rs. In thousand)	2009-10 (thousand)	31/03/2011 (Rs. In thousand)	31/03/2010 (Rs. In thousand)
Intercontinental Bank	109	106	106	105
Intercontinental Bank-i class	8,830	5,267	381	3,501
Standard Chartered Bank- \$ A/C	337	337	154	337
Standard Chartered Bank	25,490	17,078	4,723	3,374
United Bank for Africa	2,903	-	463	-
Wema Bank	5,514	9,644	3,988	230
Total			9,815	7,547

6. Related Party Disclosure as required by Accounting Standard-AS 18 issued by The Institute of Chartered Accountants of India.

Relationship:

Entities where control exists

Ipca Laboratories Limited – Holding Company

Key Management Personnel

S.V Kotian  
James Awolola  
K. Chaturvedi

Transactions with Related Parties

(Rs. In Thousands)

Description	Entities where control exists	Key Management Personnel	Total
Goods and Services Purchased (Previous Year)	94,917 196,260	-	94,917 196,260
Loan taken/(Repaid) (Previous Year)	(31,560) 31,560	-	(31,560) 31,560
Interest Paid (Previous Year)	5,843 1,305	-	5,843 1,305
Reimbursement of expenditure (Previous Year)	13,307	-	13,307

Remuneration (Previous Year)	-	1,240	1,240
Balances as on 31st March 2011 Payable	40,627	-	40,627
Balances as on 31st March 2010 Payable	84,158	-	84,158

Disclosure in respect of transactions, which are more than 10% of the total transactions of the same type with, related parties during the year.

(Rs. In Thousands)

Description	Related Party	2010-11	2009-10
Remuneration Key Management Personnel	S.V. Kotian	588	619
	James Awolola	486	623
	K. Chaturvedi	166	-
Goods and Services Purchased	Ipca Laboratories Limited	94,917	196,260
Reimbursement of expenditure	Ipca Laboratories Limited	13,307	-
Loan Taken/(Repaid)	Ipca Laboratories Limited	(31,560)	31,560
Interest Paid	Ipca Laboratories Limited	5,843	1,305
Payables	Ipca Laboratories Limited	40,627	84,158

##### 7. Earning per Share

The earning per share is calculated by dividing the profit after tax by weighted average no. of shares outstanding for basic & diluted EPS.

Particulars	2010-11	2009-10
Profit after tax (Rs. In thousand)	(19,748)	(17,898)
No. of shares outstanding		
Weighted Average no. of shares outstanding (Nos.) - Basic	51,589,190	51,589,190
Weighted Average no. of shares outstanding (Nos.) - Diluted	51,589,190	51,589,190
Earning per share (Rs.)		
- Basic	(0.38)	(0.35)
- Diluted	(0.38)	(0.35)

8. Previous year's figures have been regrouped and rearranged wherever necessary to make them comparable.

As Per our report of even date attached

For **Natvarlal Vepari & Co.**

Chartered Accountants

Firm Registration no. 106971W

**Shihab. R. Halim**

Partner

Membership no. 49758

Mumbai

May 20, 2011

For and on behalf of the Board

S. V. Kotian

Director

James Awolola

Director

#### CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

	2010-11	2009-10
	Rs. in thousands	Rs. in thousands
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
1. <b>Net profit/(loss) before taxation</b>	(19,748)	(17,898)
Adjustments for :		
Depreciation	3,440	3,243
Fixed assets scrapped	-	141
Bad Debts written off	3,518	2,581
Interest on loan	5,843	1,305
Profit on sale of Fixed asset	(83)	3,367
<b>Operating profit before working capital changes</b>	(7,030)	(14,531)
Decrease/(Increase) in Receivables	(4,103)	(9,402)
Decrease/(Increase) in Loans and Advances	402	(5,793)
Decrease/(Increase) in Inventories	71,901	(40,758)
Increase/(Decrease) in Sundry creditors	(18,031)	50,169
<b>3. Cash generated from operation</b>	43,139	24,488
Movement in Foreign Currency Translation Reserve	466	466
Net cash from operating activities	43,605	(45,996)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of Fixed Assets	1,362	4,769
Purchase of Fixed Assets	(4,950)	(3,588)
<b>Net cash from / (used) in investing activities</b>	(3,588)	(3,649)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loan from Ipca	(31,560)	31,560
Interest on loan	(5,843)	(37,403)
<b>Net cash from / (used) in financing activities</b>	(37,403)	30,255
Net increase/(decrease) in cash and cash equivalents (A + B + C)	2,614	(18,399)
Cash and cash equivalents at beginning of period	7,775	26,174
Cash and cash equivalents at end of period	10,389	7,775
Components of Cash & Cash equivalents:		
Cash and Cheques on hand	574	228
Balance with non scheduled Banks	9,815	7,547

As Per our report of even date attached

For **Natvarlal Vepari & Co.**

Chartered Accountants

Firm Registration no. 106971W

**Shihab. R. Halim**

Partner

Membership no. 49758

Mumbai

May 20, 2011

For and on behalf of the Board

S. V. Kotian

Director

James Awolola

Director

### DIRECTORS REPORT

#### To the Members

Your Directors are pleased to present the Company's Annual Report together with the Audited Annual Accounts for the year ended March 31, 2011.

#### FINANCIAL RESULTS

Your Company is a wholly owned subsidiary of Ipca Laboratories Ltd (India). The business activity of the company is holding of product registration dossiers, importing and marketing of pharmaceuticals manufactured by the parent company in South Africa.

During the year under report, your Company achieved net total income of Rs. 2.86 lacs (previous year 187.34 lacs). The operations for the financial year have resulted in a net profit of Rs. 2.47 lac as against loss of Rs. 0.81 Lac in the previous year.

#### DIVIDEND

In order to conserve resources of the company, no dividend has been proposed by the board for the financial year under report.

#### DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm:

that in the preparation of annual accounts, the applicable accounting standards have been followed;

that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give the true and fair view of the state of affairs of the company at the end of the financial year ended 31st March, 2011 and the profit of the Company for the year;

that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

that the Directors have prepared annual accounts on a going concern basis.

#### PARTICULARS OF EMPLOYEES

During the year under review, the company had no employee who was in receipt of remuneration of not less than Rs. 60,00,000/- per annum or not less than Rs. 5,00,000/- per month or any part thereof.

#### AUDITORS

M/s Natvarlal Vepari & Co., Chartered Accountants retire at the ensuing Annual General Meeting and have offered themselves for re-appointment.

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

During the year under review, the Company has not carried out any manufacturing activities nor the company has any manufacturing unit. Therefore, information required pursuant to Section 217(1) (e) of the Companies Act, 1956 are not applicable.

For and on behalf of the Board

#### T. Ramachandran

Chairman  
May 20, 2011

#### AUDITORS' REPORT TO THE MEMBERS OF NATIONAL DRUGGISTS (PROPRIETARY) LIMITED

We have audited the attached Balance Sheet of **National Druggists (Proprietary) Limited** as at 31<sup>st</sup> March, 2011, Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. 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. In carrying out our audit we have placed reliance on the work of Karola Jeena Inc. Chartered Accountants, South Africa and have carried out such further checks as we considered necessary to enable us to form our opinion. 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.

Since the company is not a foreign company as defined in Section 591 of the Companies Act 1956, the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, does not apply and hence the matters specified therein are not reported upon.

Further to our comments above, we report that:

- 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.
- In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books.
- The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts.
- In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- These accounts are prepared to comply with the requirements of the Companies Act 1956 relating to the subsidiary and holding company disclosure requirements.
- Since the appointment of directors to this company are not governed by the provisions of the Companies Act, 1956 the provisions relating to disqualifications u/s 274(1)(g) of the Companies Act 1956 do not apply to this company.

vii) In our opinion and to the best of our information and according to the explanation given to us, the accounts read with and subject to the notes thereon give the information required by the Companies Act, 1956 in the manner so require and give a true and fair view.

- in the case of Balance Sheet of the State of Affairs of the Company as at 31<sup>st</sup> March, 2011
- in the case of Profit and Loss Account of the profit for the year ended on 31<sup>st</sup> March 2011. and;
- in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For **Natvarlal Vepari & Co.**  
CHARTERED ACCOUNTANTS  
Firm Registration No. 106971W  
**Shihab R. Halim**  
Partner

M.No. 49758

Mumbai  
May 20, 2011

#### BALANCE SHEET AS AT 31ST MARCH, 2011

Schedule	31st March, 2011 (Rs. in thousands)	31st March, 2010 (Rs. in thousands)
<b>SOURCES OF FUNDS</b>		
Shareholders' Funds		
Share Capital	1 4,572	4,572
Reserves and Surplus	2 6,447	6,200
Foreign Currency Translation Reserve	(640)	(1,421)
	<u>10,379</u>	<u>9,351</u>
	<u>10,379</u>	<u>9,351</u>

#### APPLICATION OF FUNDS

Fixed Assets		
Gross Block		434
Less : Depreciation	-	434
Net Block	-	-
<b>INVESTMENTS</b>	2A 20	-
<b>Current Assets, Loans and Advances</b>		
Sundry Debtors	3 10,259	9,694
Cash and Bank Balances	4 138	17
	<u>10,397</u>	<u>9,711</u>

#### Less : Current Liabilities and Provisions

Current Liabilities	5 38	360
Net Current Assets	<u>10,359</u>	<u>9,351</u>
Foreign Currency Translation Reserve		
	<u>10,379</u>	<u>9,351</u>

#### NOTES TO ACCOUNTS

11	As Per our report of even date attached	For and on behalf of the Board
	For <b>Natvarlal Vepari &amp; Co.</b> Chartered Accountants Firm Registration no. 106971W	T. Ramachandran N. Venkat Director Director

**Shihab. R. Halim**  
Partner  
Membership no. 49758  
Mumbai  
May 20, 2011

#### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

Schedule	2010-11 (Rs. in thousands)	2009-10 (Rs. in thousands)
<b>INCOME</b>		
Sales and Income from Operations	6 -	18,695
Other Income	7 286	39
	<u>286</u>	<u>18,734</u>
<b>EXPENDITURE</b>		
Material Cost and Inventory Adjustments	8 -	16,455
Operating and Administration expenses	9 19	2,321
Financial Cost	10 3	39
	<u>22</u>	<u>18,815</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<u>264</u>	<u>(81)</u>
Less : Provision for Taxation	17	-
<b>PROFIT/(LOSS) AFTER TAXATION</b>	<u>247</u>	<u>(81)</u>
Balance brought forward	6,200	6,281
Balance carried forward to Balance Sheet	<u>6,447</u>	<u>6,200</u>
Earning per Share (In Rupees)		
Basic	0.23	(0.08)
Diluted	0.23	(0.08)

11	As Per our report of even date attached	For and on behalf of the Board
	For <b>Natvarlal Vepari &amp; Co.</b> Chartered Accountants Firm Registration no. 106971W	T. Ramachandran N. Venkat Director Director

**Shihab. R. Halim**  
Partner  
Membership no. 49758  
Mumbai  
May 20, 2011



## NATIONAL DRUGGISTS (PTY) LIMITED, SOUTH AFRICA

### SCHEDULES TO THE ACCOUNTS

Schedules 1 to 11 forming part of the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended 31st March, 2011

31st March, 2011  
(Rs. in thousands)

31st March, 2010  
(Rs. in thousands)

#### SCHEDULE 1

##### SHARE CAPITAL

###### Authorised

11,00,000 Ordinary Shares of R 1 each

###### Issued and Subscribed :

10,59,732 (Previous year 10,59,732) Ordinary Shares of R 1 each

(All the above shares are held by holding company Ipca Laboratories limited)

<b>PER BALANCE SHEET</b>	4,572	4,572
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#### SCHEDULE 2

##### RESERVE AND SURPLUS

Profit & Loss account

	6,447	6,200
<b>PER BALANCE SHEET</b>	6,447	6,200

#### SCHEDULE 2A

##### INVESTMENT

Unquoted Investments - Joint Medical Holding (Pty.) Ltd. (Shares at cost)

	20	-
<b>PER BALANCE SHEET</b>	20	-

#### SCHEDULE 3

##### SUNDRY DEBTORS

(Unsecured considered good, unless otherwise stated)

Outstanding for more than six months	10,259	9,694
Other Debts	-	-
<b>PER BALANCE SHEET</b>	10,259	9,694

#### SCHEDULE 4

##### CASH AND BANK BALANCES

Balances with the non scheduled banks

	138	17
<b>PER BALANCE SHEET</b>	138	17

#### SCHEDULE 5

##### CURRENT LIABILITIES AND PROVISIONS

###### Current Liabilities

Sundry Creditors	-	-
Tax payable	18	108
Provisions	20	252
<b>PER BALANCE SHEET</b>	38	360

2010-11

2009-10

(Rs. in thousands) (Rs. in thousands)

#### SCHEDULE 6

##### SALES AND INCOME FROM OPERATIONS

Sales	18,695	18,695
<b>PER PROFIT AND LOSS ACCOUNT</b>	-	18,695

#### SCHEDULE 7

##### OTHER INCOME

Management Fee	-	-
Dividend received	99	-
Miscellaneous income	187	39
<b>PER PROFIT AND LOSS ACCOUNT</b>	286	39

#### SCHEDULE 8

##### MATERIAL COST AND INVENTORY ADJUSTMENTS

Finished goods purchased	-	16,455
<b>Inventory adjustments</b>		
Stock at commencement		
Finished goods	-	-
Less : Stock at close		
Finished goods	-	-
<b>PER PROFIT AND LOSS ACCOUNT</b>	-	16,455

### SCHEDULE 9

#### OPERATING AND ADMINISTRATION EXPENSES

Auditors' Fee	19	33
Asset scrapped	-	-
Professional charges	-	110
Management Fees	-	2,146
Miscellaneous expenses	-	32
<b>PER PROFIT AND LOSS ACCOUNT</b>	19	2,321

#### SCHEDULE 10

##### FINANCIAL COST

Bank Charges	3	39
<b>PER PROFIT AND LOSS ACCOUNT</b>	3	39

### SCHEDULE 11 - NOTES FORMING PART OF THE ACCOUNTS.

#### 1. Accounting Policies

- The financial statements are prepared under the historical cost convention on accrual basis. The financial statements conform to the requirements of Schedule VI to the Companies Act 1956.
- Conversion in to Indian Rupees:  
The translation of financial statements into Indian Rupees is done in accordance with AS 11 (Revised) the Effects of Changes in Foreign Exchange Rates issued by the Institute of Chartered Accountants of India, which is mandatory w.e.f 01.04.2004. The resultant Foreign Currency Translation Reserve is shown separately under shareholders funds or under Profit and Loss account on the asset side.  
The Assets and Liabilities are translated at closing rate except share capital, which is translated at the rate as on transaction date. The income and expenditure are translated at a rate nearing the average rate during the year.
- Investments: Long term Investments are stated at cost. Provisions are made for diminution in value of investments other than temporary in nature. Current Investments are stated at cost or market value whichever is lower.
- Fixed assets: All fixed assets are recorded at cost of acquisition.
- Depreciation: Depreciation is computed on reducing balance basis over the estimated useful life of the assets at the following rates:  
Computers - 33.33%  
Furniture & Fixtures - 16.67%
- Inventories: Inventories are valued on First in first out (FIFO) method at cost or net realizable value (NRV), whichever is lower.
- Revenue Recognition: Sales of goods is recognised at the point of dispatch to customer.
- Dividend Income: Dividend income is accounted when the right to receive the same is established.

- The Company is 100% subsidiary of Ipca Laboratories Limited. The accounts have been prepared and audited in Indian Rupees for the purpose of attachment to the accounts of the holding company to comply with the provisions of Indian Companies Act.

- For the purpose of conversion of the local currency (R) into Indian Currency (INR), the exchange rate applied is as per para 1 (b) of the accounting policies.

- Additional Information pursuant to paragraphs 3, 4, 4A, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

Stock of each class of Finished Goods.

Particulars	31.03.2011		31.03.2010	
	Quantity	Rs. In thousands	Quantity	Rs. In thousands
Tablets/ Capsules	-	-	-	-

Sales and Purchase in respect of each class of Finished Goods

Particulars	SALES				PURCHASES			
	2010-11		2009-10		2010-11		2009-10	
	Quantity (thousands)	Rs. In thousands	Quantity (thousands)	Rs. In thousands	Quantity (thousands)	Rs. In thousands	Quantity (thousands)	Rs. In thousands
Tablets/ Capsules	-	-	2,626	18,695	-	-	2,626	16,455

5. Related Party Disclosure as required by Accounting Standard-AS 18 issued by The Institute of Chartered Accountants of India.

**Relationship:**

Entities where control exists

Ipca Laboratories Limited.- Holding company

Transactions with Related Parties

(Rs. In Thousands)

Description	Entities where control exists	Total
Goods and Services Purchased (Previous Year)	-	-
	16,455	16,455

Disclosure in respect of transactions, which are more than 10% of the total transactions of the same type with, related parties during the year.

(Rs. In Thousands)

	2010-11	2009-10
Goods and Services Purchased		
Ipca Laboratories Limited.	-	16,455

**6. Earning per Share**

The earning per share is calculated by dividing the profit after tax by weighted average no. of shares outstanding for basic & diluted EPS.

Particulars	2010-11	2009-10
Profit after tax (Rs. In thousand)	247	(81)
No. of shares outstanding		
Weighted Average no. of shares outstanding (Nos.) - Basic	1,059,732	1,059,732
Weighted Average no. of shares outstanding (Nos.) - Diluted	1,059,732	1,059,732
Earning per share (Rs.)		
- Basic	0.23	(0.08)
- Diluted	0.23	(0.08)

7. Previous year's figures have been regrouped and rearranged wherever necessary to make them comparable.

As Per our report of even date attached

For and on behalf of the Board

For **Natvarlal Vepari & Co.**

Chartered Accountants

Firm Registration no. 106971W

T. Ramachandran  
Director

N. Venkat  
Director

**Shihab. R. Halim**

Partner

Membership no. 49758

Mumbai

May 20, 2011

**CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011**

2010-11  
(Rs. in Thousands)

2009-10  
(Rs. in Thousands)

**CASH FLOW FROM OPERATING ACTIVITIES**

<b>1. Net profit/(loss) before taxation</b>	<b>264</b>	(81)
Add: Asset scrapped	-	-
Less: Dividend income	(99)	(99)
<b>2. Operating profit before working capital changes</b>	<b>165</b>	(81)
Decrease/(Increase) in Receivables	(565)	17,065
Increase/(Decrease) in Sundry creditors	(232)	(797)
<b>3. Cash generated from operation</b>	<b>(632)</b>	(1,243)
Income tax paid (Net)	(107)	-
Movement in Foreign currency translation reserve	781	543
<b>Net cash from operating activities</b>	<b>42</b>	(700)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investment purchased	(20)	-
Dividend received	99	-
<b>Net cash from investing activity activities</b>	<b>79</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>121</b>	(700)
Cash and cash equivalents at beginning of period	17	717
Cash and cash equivalents at end of period	138	17

As Per our report of even date attached

For and on behalf of the Board

For **Natvarlal Vepari & Co.**

Chartered Accountants

Firm Registration no. 106971W

T. Ramachandran  
Director

N. Venkat  
Director

**Shihab. R. Halim**

Partner

Membership no. 49758

Mumbai

May 20, 2011

## DIRECTORS REPORT

To the Members

Your Directors are pleased to present the Company's Annual Report together with the Audited Annual Accounts for the year ended March 31, 2011.

### INCORPORATION

Your Company is a wholly owned subsidiary of Ipca Laboratories Limited, India and engaged in the activities of holding product registration dossiers with TGA, Australia and sale of Pharmaceutical Formulations manufactured by the parent company in Australia.

During the financial year under report, the total income of the company was 22.63 lacs [Previous year Rs. 25.16 lacs] and the operations have resulted in a net loss of Rs. 0.40 lacs [Previous year net profit of Rs. 19.12 lacs].

Eleven Formulation dossiers of the company are currently registered with TGA, Australia.

### DIVIDEND

In view of the loss incurred during the financial year under report, no dividend is proposed by the Directors.

### DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm:

that in the preparation of annual accounts, the applicable accounting standards have been followed;

that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give the true and fair view of the state of affairs of the company at the end of the financial year ended 31st March, 2011 and the net loss of the Company for the year;

that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

that the Directors have prepared annual accounts on a going concern basis.

### SUBSIDIARY COMPANIES

Your company has a wholly owned subsidiary by the name Ipca Pharma (NZ) Pty Ltd, New Zealand incorporated for holding product registration dossiers of Pharmaceutical Formulations in New Zealand.

Sixteen formulation dossiers of this subsidiary are registered with MEDSAFE, New Zealand and another five dossiers are under registration.

This subsidiary is yet to commence the business of distribution of pharmaceuticals in the New Zealand market.

### PARTICULARS OF EMPLOYEES

During the year under review, the company had no employee who was in receipt of remuneration of not less than Rs. 60,00,000/- per annum or not less than Rs. 5,00,000/- per month or any part thereof.

### AUDITORS

M/s Natvarlal Vepari & Co., Chartered Accountants have stated their inability to continue as the Auditors of the company. The company has appointed M/s P. M. Kathariya & Co., Chartered Accountants as the Auditors of the company.

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

During the year under review, the Company has not carried out any manufacturing activities nor the company has any manufacturing unit. Hence, information pursuant to Section 217(1)(e) of the Companies Act, 1956 is not applicable.

For and on behalf of the Board

**Murali Sarma**

Chairman  
May 20, 2011

### AUDITORS' REPORT TO THE MEMBERS OF IPCA PHARMA (AUSTRALIA) PTY LIMITED

We have audited the attached Balance Sheet of **Ipca Pharma (Australia) Pty Limited** as at 31<sup>st</sup> March, 2011, Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. 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. In carrying out our audit we have placed reliance on the work of Pender & Associates Pty Ltd, Certified Practising Accountants, Australia and have carried out such checks as we considered necessary to enable us to form our opinion. 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.

Since the company is not a foreign company as defined in Section 591 of the Companies Act 1956, the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 does not apply and hence the matters specified therein are not reported upon.

Further to our comments 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 it appears from our examination of the books.
- iii) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts.
- iv) These accounts are prepared to comply with the requirements of the Companies Act 1956 relating to the subsidiary and holding company disclosure requirements.
- v) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- vi) Since the appointment of directors to this company are not governed by the provisions of the Companies Act, 1956 the provisions relating to disqualifications u/s 274(1)(g) of the Companies Act 1956 do not apply to this company.
- vii) In our opinion and to the best of our information and according to the explanation given to us, the accounts read with and subject to the notes thereon give the information required by the Companies Act, 1956 in the manner so require and give a true and fair view.
  - (a) in the case of Balance Sheet of the State of Affairs of the Company as at 31<sup>st</sup> March, 2011
  - (b) in the case of Profit and Loss Account of the profit for the year ended on 31<sup>st</sup> March 2011. and;
  - (c) in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For **P. M. Kathariya & Co.**  
CHARTERED ACCOUNTANTS  
Firm Registration No. 104922W  
**P. M. Kathariya**  
Proprietor  
M.No. 31315

Mumbai  
May 20, 2011

### BALANCE SHEET AS AT 31ST MARCH, 2011

Schedule **31st March 2011** 31st March 2010  
(Rs. In Thousand) (Rs. In Thousand)

#### SOURCES OF FUNDS

##### Shareholders' Funds

Share Capital	1	1,298	1,298
Reserves and Surplus	2	2,626	2,666
Unsecured Loan		121	107
Foreign Currency Translation Reserves		650	132
		<u>4,695</u>	<u>4,203</u>

#### APPLICATION OF FUNDS

##### Fixed Assets

Intangibles	3,602	2,685
-------------	-------	-------

##### Investments

4 4

##### Current Assets, Loans and Advances

Loans & Advances	3	598	349
Cash and Bank Balances	4	2,337	1,898
		<u>2,935</u>	<u>2,247</u>

##### Less : Current Liabilities and Provisions

Current Liabilities	5	1,846	733
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##### Net Current Assets

1,089 1,514

		<u>4,695</u>	<u>4,203</u>
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##### Notes to the Accounts

10

As Per our report of even date attached

For **P. M. Kathariya & Co.**

For and on behalf of the Board

Chartered Accountants

Firm Registration No. 104922W

Murali Sarma Alakkudi Sundararaman

Director Director

**P. M. Kathariya**

Proprietor

M.No. 31315

Mumbai

May 20, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

	Schedule	2010-11 (Rs. In Thousand)	2009-10 (Rs. In Thousand)
<b>INCOME</b>			
Income from Operations	6	2,213	2,516
Other Income	7	50	-
		<u>2,263</u>	<u>2,516</u>
<b>EXPENDITURE</b>			
Administrative and Other Expenses	8	2,325	1,332
Financial Cost	9	15	8
		<u>2,340</u>	<u>1,340</u>
<b>PROFIT/(LOSS) BEFORE TAXATION AND PRIOR PERIOD ITEMS</b>		<b>(77)</b>	1,176
Prior period income		-	990
Less: Provision for Taxation		-	254
Short/(Excess) provision		(37)	-
<b>PROFIT/(LOSS) AFTER TAXATION AND PRIOR PERIOD ITEMS</b>		<b>(40)</b>	1,912
<b>Profit Brought Forward</b>		<b>2,666</b>	754
<b>Balance carried forward to Balance Sheet</b>		<b>2,626</b>	<u>2,666</u>
<b>Earning per Share (in Rupees)</b>			
Basic		(1.48)	70.97
Diluted		(1.48)	70.97

(Refer note 7)

**Notes to the Accounts**

As Per our report of even date attached  
For P. M. Kathariya & Co.  
Chartered Accountants  
Firm Registration No. 104922W

For and on behalf of the Board  
Murali Sarma Alakkudi Sundararaman  
Director Director

**P. M. Kathariya**  
Proprietor  
M.No. 31315  
Mumbai  
May 20, 2011

**SCHEDULES TO THE ACCOUNTS**

**Schedules 1 to 10 forming part of the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended 31st March, 2011**

	31st March, 2011 (Rs. In Thousand)	31st March, 2010 (Rs. In Thousand)
--	---------------------------------------	---------------------------------------

**SCHEDULE 1**
**SHARE CAPITAL**
**Issued and Subscribed :**

26,944 Shares (Previous year 26,944)  
(Par Value AUS \$ 1 each)

(All shares are held by holding company-  
Ipsca Laboratories Limited)

<b>PER BALANCE SHEET</b>	<u>1,298</u>	<u>1,298</u>
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**SCHEDULE 2**
**RESERVE & SURPLUS**

Profit & Loss account	2,626	2,666
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<b>PER BALANCE SHEET</b>	<u>2,626</u>	<u>2,666</u>
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**SCHEDULE 3**
**LOANS & ADVANCES**

(Unsecured, considered good unless stated otherwise)

Loan to Ipsca Pharma (NZ) Pty Ltd. (Subsidiary Co.)	123	93
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Deposit	-	3
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Advance Income Tax (net of Provision)	440	222
---------------------------------------	-----	-----

GST on Creditors	35	31
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<b>PER BALANCE SHEET</b>	<u>598</u>	<u>349</u>
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**SCHEDULE 4**
**CASH AND BANK BALANCES**

Cash in hand	5	4
Balances with non scheduled banks (Refer Note No. 3)	2,332	1,894

<b>PER BALANCE SHEET</b>	<u>2,337</u>	<u>1,898</u>
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**SCHEDULE 5**
**CURRENT LIABILITIES AND PROVISIONS**

Creditors- Others	1,846	733
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<b>PER BALANCE SHEET</b>	<u>1,846</u>	<u>733</u>
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	2010-11 (Rs. In Thousand)	2009-10 (Rs. In Thousand)
--	------------------------------	------------------------------

**SCHEDULE 6**
**INCOME FROM OPERATIONS**

Sales	2,213	2,516
-------	-------	-------

<b>PER PROFIT AND LOSS ACCOUNT</b>	<u>2,213</u>	<u>2,516</u>
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**SCHEDULE 7**
**OTHER INCOME**

Interest received	16	-
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Income tax	34	-
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<b>PER PROFIT AND LOSS ACCOUNT</b>	<u>50</u>	<u>-</u>
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**SCHEDULE 8**
**ADMINISTRATIVE AND OTHER EXPENSES**

Books, Subscription and Journals	14	12
----------------------------------	----	----

Professional charges	1,806	1,111
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Communication expenses	21	20
------------------------	----	----

Accounting fees	431	15
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Printing & Stationery	5	-
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Product Registration	48	174
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<b>PER PROFIT AND LOSS ACCOUNT</b>	<u>2,325</u>	<u>1,332</u>
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**SCHEDULE 9**
**FINANCIAL COST**

Bank charges	15	8
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<b>PER PROFIT AND LOSS ACCOUNT</b>	<u>15</u>	<u>8</u>
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**SCHEDULE 10 - NOTES FORMING PART OF THE ACCOUNTS.**
**1. Accounting Policies**

a) Accounting convention

The financial statements are prepared under the historical cost convention on accrual basis. The financial statements confirm to the requirements of Schedule VI to the Companies Act 1956.

b) Conversion into Indian rupees

The translation of financial statements into Indian Rupees is done in accordance with AS 11 (Revised) The Effects of Changes in Foreign Exchange Rates issued by the Institute of Chartered Accountants of India, which is mandatory w.e.f 01.04.2004. The resultant Foreign Currency Translation Reserve is shown separately under shareholders funds or under Profit and Loss account on the asset side.

The Assets and Liabilities are translated at closing rate except share capital which is translated at the rate as on transaction date. The income and expenditure are translated at a rate nearing the average rate during the year.

c) Investments: Long term Investments are stated at cost. Provisions are made for diminution in value of investments other than temporary in nature. Current Investments are stated at cost or market value which ever is lower.

d) Revenue in respect of insurance/other claims, interest, commission, etc., are recognized only when it is reasonably certain that the ultimate collection will be made.

2. Related Party Disclosure as required by Accounting standard- 18 issued by The Institute of Chartered Accountants of India.

**Relationship:**
**A. Entities where control exists**

Shareholders of Ipsca Pharma (Australia) Pty Limited  
Ipsca Laboratories Limited.

Subsidiary  
Ipsca Pharma (NZ) PTY Ltd.

**B. Key Management Personnel**

 Murali Sarma  
 A. Sundarraraman

Transactions with Related Parties (Rs. In thousand)

Description	Entities where control exists		Key Management personnel	Total
	Holding Co.	Subsidiary		
Loan Given /(Recovered) (Previous Year)	-	30	-	30
		93	-	93
Loan Taken /(Repaid) (Previous Year)	-	-	14	14
			13	13
Balances as on 31st March 2011				
Receivable	-	123	-	123
Payable	1,275	-	121	1,396
Balances as on 31st March 2010				
Receivable	-	93	-	93
Payable	154	-	107	261

Disclosure in respect of transactions, which are more than 10% of the total transactions of the same type with, related parties during the year.

(Rs. In Thousands)

Description	2010-11	2009-10
Loan Given /(Recovered) IpcA Pharma (NZ) Pty Ltd.	30	93
Loan Taken /(Repaid) A. Sundarraraman	14	13
Receivable IpcA Pharma (NZ) Pty Ltd.	123	93
Payable IpcA Laboratories Limited A. Sundarraraman	1,275 121	154 107

**3. Balances with non-scheduled banks in Schedule 4: (Rs. In thousand)**

Name of the Banks	Maximum Balance		Balance As On	
	2010-11	2009-10	31/03/2011	31/03/2010
ANZ Bank	3,880	1,894	2,332	1,894

- The annual accounts have been prepared on going concern basis.
- The Company is 100% subsidiary of IpcA Laboratories Limited. The accounts have been prepared and restated in Indian Rupees for the purpose of attachment to the accounts of the holding company to comply with the provisions of Indian Companies Act.
- Since the Company is not having any manufacturing / trading activity during the year, information pursuant to paragraphs 3, 4, 4A, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 in not given.
- Earning per share  
The earning per share is calculated by dividing the profit after tax by weighted average no. of shares outstanding for basic & diluted EPS.

Particulars	2010-11	2009-10
Profit after tax (Rs. In thousand)	(40)	1912
No. of shares outstanding		
Weighted Average no. of shares outstanding (Nos.) - Basic	26,944	26,944
Weighted Average no. of shares outstanding (Nos.) - Diluted	26,944	26,944
Earning per share (Rs.)		
- Basic	(1.48)	70.97
- Diluted	(1.48)	70.97

- For the purpose of conversion of the local currency (AUS \$) into Indian Currency (INR), the exchange rate applied is as per Para 1(b) of the accounting policies.
- Previous year's figures have been regrouped and rearranged wherever necessary to make them comparable.

As Per our report of even date attached

For <b>P. M. Kathariya &amp; Co.</b> Chartered Accountants Firm Registration No. 104922W	For and on behalf of the Board Murali Sarma Alakkudi Sundarraraman Director Director
--	--

**P. M. Kathariya**  
 Proprietor  
 M.No. 31315  
 Mumbai  
 May 20, 2011

**Cashflow statement for the year ended 31st March 2011**

	2010-11	2009-10
	Rs. in Thousands	Rs. in Thousands
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>1. Net profit/(loss) before taxation</b>	(77)	1,176
<b>2. Operating profit/(loss) before working capital changes</b>	(77)	1,176
(Increase)/Decrease in Loan and Advances	(31)	907
Increase/(Decrease) in Sundry creditors	1,113	(1,025)
Increase/(Decrease) in current assets on account of prior period adjustment	- 1,082	990
Movement in Foreign currency translation reserve	518	424
<b>3. Cash generated from operation</b>	<b>1,523</b>	2,472
Tax paid	(181)	(93)
<b>Net cash from operating activities A</b>	<b>1,342</b>	2,379
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchases of Fixed Assets	(917)	(801)
<b>Net cash from/(used) in investing activities B</b>	<b>(917)</b>	(801)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Loan	14	13
<b>Net cash from Financing activities C</b>	<b>14</b>	13
<b>Net increase/(decrease) in cash and cash equivalents (A + B+C)</b>	<b>439</b>	1,591
Cash and cash equivalents at beginning of period	1,898	307
Cash and cash equivalents at end of period	<b>2,337</b>	1,898

As Per our report of even date attached

For <b>P. M. Kathariya &amp; Co.</b> Chartered Accountants Firm Registration No. 104922W	For and on behalf of the Board Murali Sarma Alakkudi Sundarraraman Director Director
--	--

**P. M. Kathariya**  
 Proprietor  
 M.No. 31315  
 Mumbai  
 May 20, 2011

### DIRECTORS REPORT

To the Members

Your Directors are pleased to present the Company's Annual Report together with the Audited Annual Accounts for the year ended March 31, 2011.

#### FINANCIAL RESULTS

Your Company is a wholly owned subsidiary of IpcA Laboratories Ltd., India. During the financial under report, the company has not done any business. Since the business operations of the company was not viable, necessary steps for voluntary winding up of your company has been initiated and the necessary application for the same has been filed with the appropriate authority in Brazil during the previous financial year.

#### DIVIDEND

No dividend is proposed by the Directors for the financial year under report.

#### DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm:

that in the preparation of annual accounts, the applicable accounting standards have been followed;

that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give the true and fair view of the state of affairs of the company at the end of the financial year ended 31st March, 2011.

that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

that the company is under liquidation.

#### PARTICULARS OF EMPLOYEES

During the year under review, the company had no employee who was in receipt of remuneration of not less than Rs. 60, 00,000/- per annum or not less than Rs. 5, 00,000/- per month or any part thereof.

#### AUDITORS

M/s Natvarlal Vepari & Co., Chartered Accountants have stated their inability to continue as the Auditors of the company. The company has appointed M/s P. M. Kathariya & Co., Chartered Accountants as the Auditors of the company.

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

During the year under review, the Company has neither carried out any manufacturing activities nor the Company has any manufacturing unit. Therefore, information required pursuant to Section 217(1) (e) of the Companies Act, 1956 are not applicable.

For and on behalf of the Board

**M. R. Chandurkar**

Chairman

May 20, 2011

#### AUDITORS' REPORT TO THE MEMBERS OF LABORATORIES IPCA DO BRASIL LTDA

We have audited the attached Balance Sheet of **Laboratories IPCA DO BRASIL LTDA** as at 31<sup>st</sup> March, 2011, Profit and Loss Account of the Company for the year ended on that date annexed thereto. 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. In carrying out our audit we have carried out such checks as we considered necessary to enable us to form our opinion. 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.

Since the company is not a foreign company as defined in Section 591 of the Companies Act 1956, the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, does not apply and hence the matters specified therein are not reported upon.

Further to our comments above, we report that:

- 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.
- In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books.
- The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts.
- These accounts are prepared to comply with the requirements of the Companies Act 1956 relating to the subsidiary and holding company disclosure requirements.
- In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- Since the appointment of directors to this company are not governed by the provisions of the Companies Act, 1956 the provisions relating to disqualifications u/s 274(1)(g) of the Companies Act 1956 do not apply to this company.
- In our opinion and to the best of our information and according to the explanation given to us, the accounts read with and subject to the notes

thereon give the information required by the Companies Act, 1956 in the manner so require and give a true and fair view.

(a) in the case of Balance Sheet of the State of Affairs of the Company as at 31<sup>st</sup> March, 2011

(b) in the case of Profit and Loss Account of the profit for the year ended on 31<sup>st</sup> March 2011.

For **P. M. Kathariya & Co.**  
 CHARTERED ACCOUNTANTS  
 Firm Registration No. 104922W  
**P. M. Kathariya**  
 Proprietor  
 M.No. 31315

Mumbai  
 May 20, 2011

#### BALANCE SHEET AS AT 31ST MARCH, 2011

	Schedule	31st March, 2011 (Rs. in thousands)	31st March, 2010 (Rs. in thousands)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	113,273	113,273
Foreign Currency Translation Reserve		2,863	2,652
		<u>116,136</u>	<u>115,925</u>
<b>Total</b>		<u>116,136</u>	<u>115,925</u>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets	2		
Gross Block		2,908	2,556
Less : Depreciation		<u>2,614</u>	<u>2,287</u>
		294	269
<b>Current Assets, Loans and Advances</b>			
Cash and Bank Balances	3	115	106
Loans and Advances	4	<u>2,664</u>	<u>2,436</u>
		2,779	2,542
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	5	<u>598</u>	<u>547</u>
		598	547
<b>Net Current Assets</b>		<u>2,181</u>	<u>1,995</u>
Balance in Profit & Loss Account		<u>113,661</u>	<u>113,661</u>
		<u>116,136</u>	<u>115,925</u>
Notes to Accounts	9		

As Per our report of even date attached  
 For **P. M. Kathariya & Co.**  
 Chartered Accountants  
 Firm Registration No. 104922W

For and on behalf of the Board

M. R. Chandurkar Unnikrishnan Menon  
 Director Administrator

**P. M. Kathariya**  
 Proprietor  
 M.No. 31315  
 Mumbai  
 May 20, 2011

#### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	Schedule	2010-11 (Rs. in thousands)	2009-10 (Rs. in thousands)
<b>INCOME</b>			
Other Income	6	-	619
		-	619
<b>EXPENDITURE</b>			
Manufacturing and Other Expenses	7	-	169
Financial Cost	8	-	90
Depreciation	2	-	9
		-	268
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		-	351
Less:- Provision for Taxation		-	-
<b>PROFIT / (LOSS) AFTER TAXATION</b>		-	351
Balance brought forward		<u>(113,661)</u>	<u>(114,012)</u>
Balance carried forward to Balance Sheet		<u>(113,661)</u>	<u>(113,661)</u>
<b>Earning per Share (in Rupees)</b>			
Basic		-	0.05
Diluted		-	0.05
(Refer note 5)			
<b>Notes to Accounts</b>	9		

As Per our report of even date attached  
 For **P. M. Kathariya & Co.**  
 Chartered Accountants  
 Firm Registration No. 104922W

For and on behalf of the Board

M. R. Chandurkar Unnikrishnan Menon  
 Director Administrator

**P. M. Kathariya**  
 Proprietor  
 M.No. 31315  
 Mumbai  
 May 20, 2011

**LABORATORIES IPCA DO BRASIL LTDA, BRAZIL**
**SCHEDULES TO THE ACCOUNTS**
**Schedules 1 to 9 forming part of the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended 31st March, 2011**

	31st March, 2011 (Rs. in thousands)	31st March, 2010 (Rs. in thousands)
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**SCHEDULE 1  
SHARE CAPITAL**
**Issued and Subscribed :**

6,917,694 Quotas of R\$.1 each fully paid-up (All the above quotas are held by holding company Ipca Laboratories Limited)	113,273	113,273
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<b>PER BALANCE SHEET</b>	<u>113,273</u>	<u>113,273</u>
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**SCHEDULE 2**
**FIXED ASSETS SCHEDULE AS AT 31ST MARCH 2011**

Particulars	Gross Block					Depreciation				Net Block		
	As on 01/04/2010	Additions during the year	Total before adjustment	Foreign Exchange flu. Reserve	As on 31/03/2011	Upto 31/03/2010	Depreciation For the year	Sale/ W/off / Adjustment	Foreign Exchange flu. Reserve	As on 31/03/2011	As on 31/03/2011	As on 31/03/2010
<b>Plant and Machinery</b>												
Office installation	910	-	910	198	1,108	910			198	1,108	-	-
Computers	1,471	-	1,471	138	1,609	1,247			117	1,364	245	224
<b>Furniture and Fixtures</b>	175	-	175	16	191	130			12	142	49	45
<b>Total</b>	2,556	-	2,556	352	2,908	2,287	-	-	327	2,614	294	269
Previous Year	2,404	-	2,404	152	2,556	2,154	9	-	124	2,287	269	250

**SCHEDULE 3**
**CASH AND BANK BALANCES**

Cash on hand	18	17
Balances with non scheduled banks	97	89
<b>PER BALANCE SHEET</b>	<u>115</u>	<u>106</u>

**SCHEDULE 4**
**LOANS AND ADVANCES**

(Unsecured-considered good unless otherwise stated)

Advances recoverable in cash or in kind or for value to be received	2,664	2,436
<b>PER BALANCE SHEET</b>	<u>2,664</u>	<u>2,436</u>

**SCHEDULE 5**
**CURRENT LIABILITIES AND PROVISIONS**
**Current Liabilities**

Other liabilities	598	547
<b>PER BALANCE SHEET</b>	<u>598</u>	<u>547</u>

2010-11	2009-10
(Rs. in thousands)	(Rs. in thousands)

**SCHEDULE 6**
**OTHER INCOME**

Miscellaneous income	-	63
Foreign Exchange Fluctuation gain	-	556
<b>PER PROFIT AND LOSS ACCOUNT</b>	<u>-</u>	<u>619</u>

**SCHEDULE 7**
**MANUFACTURING AND OTHER EXPENSES**

Professional charges	-	5
Audit Fees	-	128
Printing and stationery	-	1
Miscellaneous expenses	-	35
<b>PER PROFIT AND LOSS ACCOUNT</b>	<u>-</u>	<u>169</u>

**SCHEDULE 8**
**FINANCIAL COST**

Bank charges	-	90
<b>PER PROFIT AND LOSS ACCOUNT</b>	<u>-</u>	<u>90</u>

**SCHEDULE 9 NOTES FORMING PART OF THE ACCOUNTS**
**1. Accounting Policies**

The financial statements are prepared under the historical cost convention on accrual basis. The financial statements confirm to the requirements of Schedule VI to the Companies Act 1956.

Conversion in to Indian Rupees:

The translation of financial statements into Indian Rupees is done in accordance with AS 11 (Revised) the Effects of Changes in Foreign Exchange Rates issued by the Institute of Chartered Accountants of India, which is mandatory w.e.f 01.04.2004. The resultant Foreign Exchange Fluctuation reserve is shown separately under shareholders funds or under Profit and Loss account on the asset side.

The Assets and Liabilities are translated at closing rate except share capital, which is translated at the rate as on transaction date. The income and expenditure are translated at a rate nearing the average rate during the year.

Fixed assets: All fixed assets are recorded at cost of acquisition.

Depreciation: Depreciation is computed on straight line basis over the estimated useful life of the assets at the following rates:

	2010-11	2009-10
Office Equipments	-	10%
Computers	-	20%
Furniture & Fixtures	-	10%
Office Installation	-	40%

Inventories: Inventories are valued on First in first out (FIFO) method at cost or net realizable value (NRV), whichever is lower.

- The Company is 100% subsidiary of Ipca Laboratories Limited. The accounts have been prepared and audited in Indian Rupees for the purpose of attachment to the accounts of the holding company to comply with the provisions of Indian Companies Act.
- For the purpose of conversion of the local currency (Real) into Indian Currency (INR), the exchange rate applied is as per para 1 (b) of the accounting policies.
- Since the company is not having any manufacturing / trading activity during the year, information pursuant to paragraphs 3, 4, 4A, 4C and 4D of part II of Schedule VI to the companies act, 1956 is not given.
- Earning per Share  
The earning per share is calculated by dividing the profit after tax by weighted average no. of shares outstanding for basic & diluted EPS.

Particulars	2010-11	2009-10
Profit/(Loss) after tax (Rs. In thousand)	-	351
No. of shares outstanding		
Weighted Average no. of shares outstanding (Nos.) - Basic	6,917,694	6,917,694
Weighted Average no. of shares outstanding (Nos.) - Diluted	6,917,694	6,917,694
Earning per share (Rs.)		
- Basic	-	0.05
- Diluted	-	0.05

- Previous year's figures have been regrouped and rearranged wherever necessary to make them comparable.

As Per our report of even date attached For and on behalf of the Board

For **P. M. Kathariya & Co.**

Chartered Accountants  
Firm Registration No. 104922W

**P. M. Kathariya**

Proprietor  
M.No. 31315  
Mumbai  
May 20, 2011

M. R. Chandurkar Unnikrishnan Menon  
Director Administrator

### DIRECTORS REPORT

To the Members  
Your Directors are pleased to present the Company's Annual Report together with the Audited Annual Accounts for the year ended March 31, 2011.

#### INCORPORATION

The Company was incorporated under the laws of the State of New Jersey in the United States of America on July 10, 2003. The Company is a wholly owned subsidiary of IpcA Laboratories Limited, India.

#### FINANCIAL RESULTS

Your Company is presently coordinating the development and registrations of formulations developed by the parent company in United States of America as well as distribution of Active Pharmaceutical Ingredients (APIs) manufactured by the parent company viz. IpcA Laboratories Limited in the US market.

During the financial year under report, your Company had a total income of Rs. 1,140.54 lacs (previous year Rs. 930.82 lacs) and has incurred net Loss of Rs. 12.41 lacs (Previous year - net profit of Rs. 20.56 lacs).

#### DIVIDEND

In view of the loss incurred during the financial year under report, no dividend is proposed by the Directors.

#### DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm:

that in the preparation of annual accounts, the applicable accounting standards have been followed;

that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give the true and fair view of the state of affairs of the company at the end of the financial year ended 31st March, 2011 and the Loss of the Company for the year;

that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the applicable provisions and for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; that the Directors have prepared annual accounts on a going concern basis.

#### PARTICULARS OF EMPLOYEES

Information required under section 217 (2A) of the Companies Act, 1956 read with Companies (particulars of employees) Rules 1975 forms part of this report and is annexed hereto.

#### AUDITORS

M/s Natvarial Vepari & Co., Chartered Accountants retire at the ensuing Annual General Meeting and have offered themselves for re-appointment.

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

During the year under review, neither the Company has carried out any manufacturing activities nor the Company has any manufacturing unit. Hence, information required pursuant to Section 217(1)(e) of the Companies Act, 1956 are not applicable.

For and on behalf of the Board

#### Pranay Godha

Chairman

May 20, 2011

Statement required u/s 217 (2A) of the Companies Act, 1956 referred to in the Director's report for the year ended March 31, 2011:

Employed throughout the financial year:

Sr. No	Name	Designation	Qualification	Date of Employment	Exp Yr	Gross Remuneration	Age	Last Employment
1	Hasit Bhatt	President	B.Com., L.L.B., AICWA	01/04/04	26 yrs.	Rs. 108.32 lacs	52 yrs.	Vice President (Business Development) IpcA Laboratories Ltd., Mumbai

Employed for part of financial year:

Sr. No	Name	Designation	Qualification	Date of Employment	Exp Yr	Gross Remuneration	Age	Last Employment
1	Niranjan Deo	Director - Business Development & Strategic Marketing	Ph.D.	12/ 10/ 2010	18 yrs 9 months	Rs. 31.84 lacs	46 yrs	BASF Corp., USA

#### AUDITORS' REPORT TO THE MEMBERS OF IPCA PHARMACEUTICALS, INC

We have audited the attached Balance Sheet of IPCA PHARMACEUTICALS, INC as at 31st March, 2011, Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. 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. In carrying out our audit we have placed reliance on the work of Virendra K Jain, Certified Public Accountants, New York and have carried out such further checks as we considered necessary to enable us to form our opinion. 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.

Since the company is not a foreign company as defined in Section 591 of the Companies Act 1956, the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, does not apply and hence the matters specified therein are not reported upon.

Further to our comments above we report that:

- 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.
- In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books.
- The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts.
- In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report

comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

- These accounts are prepared to comply with the requirements of the Companies Act, 1956 relating to the subsidiary and holding company disclosure requirements.
- Since the appointment of directors to this company are not governed by the provisions of the Companies Act, 1956 the provisions relating to disqualifications u/s 274(1)(g) of the Companies Act 1956 do not apply to this company.
- In our opinion and to the best of our information and according to the explanation given to us, the accounts read with and subject to the notes thereon give the information required by the Companies Act, 1956 in the manner so require and give a true and fair view.
  - in the case of Balance Sheet of the State of Affairs of the Company as at 31st March, 2011
  - in the case of Profit and Loss Account of the loss for the year ended on 31st March 2011 and;
  - in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For **Natvarial Vepari & Co.**  
Chartered Accountants  
Firm Registration No. 106971W  
**Shihab R. Halim**  
Partner  
M.No. 49758

Mumbai  
May 20, 2011

#### BALANCE SHEET AS AT 31ST MARCH, 2011

Schedule	31st March, 2011 (Rs. in thousands)	31st March, 2010 (Rs. in thousands)
<b>SOURCES OF FUNDS</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	76,097
Foreign Currency Translation Reserve		53
<b>TOTAL</b>	<b>76,203</b>	<b>76,150</b>
<b>APPLICATION OF FUNDS</b>		
<b>Fixed Assets</b>		
Gross Block	2	3,135
Less : Depreciation		2,646
Net Block		489
<b>Current Assets, Loans and Advances</b>		
Cash and Bank Balances	3	200
Loans and Advances	4	768
Sundry Debtors	5	2,140
Inventory		7,301
		10,409
<b>Less : Current Liabilities and Provisions</b>		
Current Liabilities	6	9,615
		9,615
		794
<b>Net Current Assets</b>	<b>74,920</b>	<b>73,679</b>
Balance in Profit & Loss Accounts		76,203
<b>TOTAL</b>	<b>76,203</b>	<b>76,150</b>
<b>Notes to Accounts</b>	10	

As Per our report of even date attached

For **Natvarial Vepari & Co.**

Chartered Accountants  
Firm Registration no 106971W

**Shihab. R. Halim**  
Partner  
Membership no. 49758  
Mumbai  
May 20, 2011

#### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

Schedule	2010-11 (Rs. in thousands)	2009-10 (Rs. in thousands)
<b>INCOME</b>		
Sales	89,464	75,894
Other Income	24,587	17,186
Interest Income	3	2
	<b>114,054</b>	<b>93,082</b>
<b>EXPENDITURE</b>		
Material Cost & Inventory adjustment	7	86,567
Personnel Cost	8	18,935
Operating and Administration expenses	9	9,694
Depreciation	2	99
	<b>115,295</b>	<b>91,026</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<b>(1,241)</b>	<b>2,056</b>
<b>PROFIT/(LOSS)AFTER TAXATION</b>	<b>(1,241)</b>	<b>2,056</b>
Loss Brought Forward	<b>(73,679)</b>	<b>(75,735)</b>
<b>Balance carried forward to Balance Sheet</b>	<b>(74,920)</b>	<b>(73,679)</b>
<b>Earning per Share (in Rupees)</b>		
<b>Notes to Accounts</b>	10	

As Per our report of even date attached

For **Natvarial Vepari & Co.**

Chartered Accountants  
Firm Registration no 106971W

**Shihab. R. Halim**  
Partner  
Membership no. 49758  
Mumbai  
May 20, 2011

For and on behalf of the Board

**Pranay Godha** **Hasit Bhatt**  
Director **President**



**IPCA PHARMACEUTICALS INC., USA**
**SCHEDULES TO THE ACCOUNTS**

Schedules 1 to 10 forming part of the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended 31st March, 2011

	31st	31st
	March, 2011	March, 2010
	(Rs. in	(Rs. in
	thousands)	thousands)

**SCHEDULE 1**
**SHARE CAPITAL**

Issued and Subscribed :

1000 Shares (Previous Year-1000) of no par value 76,097 76,097

( All the above shares are held by the holding company Ipca Laboratories Limited)

**PER BALANCE SHEET**

<u>76,097</u>	<u>76,097</u>
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**SCHEDULE 2**
**FIXED ASSETS SCHEDULE AS AT 31ST MARCH 2011**

Particulars	Gross Block				Depreciation				Net Block		
	As on 01/04/2010	Additions	Sale/ W/off / Adjustment	Foreign Exchange flu. Reserve	As on 31/03/2011	As on 01/04/2010	For the year	Sale/ W/off / Adjustment	Foreign Exchange flu. Reserve	As on 31/03/2011	As on 31/03/2010
Office Equipments	844	134	-	4	982	843	27	-	5	875	107
Furniture and Fixtures	1,689	454	-	10	2,153	1,690	72	-	9	1,771	382
	2,533	588	-	14	3,135	2,533	99	-	14	2,646	489
Previous Year	2,855	-	-	(322)	2,533	2,533	284	-	(304)	2,533	-

**SCHEDULE 3**
**CASH AND BANK BALANCES**

Cash in Hand	-	4
Balances with non scheduled banks (Refer Note No. 4)	200	5,427
<b>PER BALANCE SHEET</b>	<u>200</u>	<u>5,431</u>

**SCHEDULE 4**
**LOANS AND ADVANCES**

Advances recoverable in cash or in kind or for value to be received (Unsecured-considered good unless otherwise stated)	768	616
<b>PER BALANCE SHEET</b>	<u>768</u>	<u>616</u>

**SCHEDULE 5**
**SUNDRY DEBTORS**

(Unsecured considered good, unless otherwise stated)	-	-
Outstanding for more than six months	-	-
Other Debts	2,140	12,722
<b>PER BALANCE SHEET</b>	<u>2,140</u>	<u>12,722</u>

**SCHEDULE 6**
**CURRENT LIABILITIES AND PROVISIONS**

Current Liabilities	-	-
Accounts Payables	9,298	19,597
Accrued Expenses	317	387
<b>PER BALANCE SHEET</b>	<u>9,615</u>	<u>19,984</u>
	2010-11 (Rs. in thousands)	2009-10 (Rs. in thousands)
	9,615	19,984

**SCHEDULE 7**
**MATERIAL COST AND INVENTORY ADJUSTMENTS**

Finished goods purchased	90,182	75,202
Inventory adjustments	-	-
Stock at commencement	-	-
Finished goods	3,686	-
Less : Stock at close	-	-
Finished goods	7,301	3,686
(Increase) / Decrease of inventory	(3,615)	(3,686)
<b>PER PROFIT AND LOSS ACCOUNT</b>	<u>86,567</u>	<u>71,516</u>

**SCHEDULE 8**
**PERSONNEL COST**

Salaries	16,807	10,054
Fringe & taxes	1,934	2,134
Staff Welfare	194	50
<b>PER PROFIT AND LOSS ACCOUNT</b>	<u>18,935</u>	<u>12,238</u>

**SCHEDULE 9**
**OPERATING AND ADMINISTRATION EXPENSES**

Travelling & Boarding	1,619	765
Rent	4,050	3,740
Insurance	496	372
Rates and taxes	99	50
Printing & Stationery	126	62
Repairs & Maintenance	-	-
- Others	134	118
Vehicle Expenses	1,180	621
Communication expenses	508	399
Professional charges	253	191
Office Supplies	143	120
Audit Fess	182	191
Misc Expenses	904	359
<b>PER PROFIT AND LOSS ACCOUNT</b>	<u>9,694</u>	<u>6,988</u>

(Rs. in thousands)

**SCHEDULE 10**
**NOTES FORMING PART OF THE ACCOUNTS**
**1. Accounting Policies:**

a) The financial statements are prepared under the historical cost convention on accrual basis. The financial statements confirm to the requirements of Schedule VI to the Companies Act 1956.

b) Conversion in to Indian Rupees:

The translation of financial statements into Indian Rupees is done in accordance with AS 11 (Revised) the Effects of Changes in Foreign Exchange Rates issued by the Institute of Chartered Accountants of India, which is mandatory w.e.f 01.04.2004. The resultant Foreign Currency Translation Reserve is shown separately under shareholders funds or under Profit and Loss account on the asset side.

The Assets and Liabilities are translated at closing rate except share capital which is translated at the rate as on transaction date. The income and expenditure are translated at a rate nearing the average rate during the year.

c) Fixed Assets: Acquisition of equipments, furniture and fixtures are capitalized in their respective accounts at cost. Ordinary maintenance and repair items are charged directly to expenses as incurred. Depreciation is being provided based on estimated useful life using straight-line method.

d) Inventories: Inventories are valued on first in first out (FIFO) method at cost or net realizable value (NRV), whichever is lower.

e) Revenue in respect of insurance/other claims, interest, commission, etc., are recognized only when it is reasonably certain that the ultimate collection will be made.

f) Corporate Tax:

Since the company has accumulated loss, no corporate tax provision has been made.

g) Commitments and contingencies

The Company has three lease commitments for its offices and guesthouse which expires on 31st March 2014 and 28th February 2012 and 31st May 2011 respectively. The total lease commitments are Rs. 8,349.90 thousands (USD 184,384) [Previous year Rs 8,902.22 thousands (USD 197,695)].

h) For the purpose of conversion of the local currency (USD) in to Indian Currency (Indian Rupees), the exchange rate applied is as per Para 1 (b) of the accounting policies.

2. Additional Information pursuant to paragraphs 3, 4, 4A, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

(A) Stock of each class of Finished Goods.

Particulars	31.03.2011		31.03.2010	
	Quantity (Kg)	Rs. In thousands	Quantity (Kg)	Rs. In thousands
Bulk Drug	2,950	7,301	2,775	3,686

(B) Sales and Purchase in respect of each class of Finished Goods.

Particulars	SALES				PURCHASES			
	2010-11		2009-10		2010-11		2009-10	
	Quantity (Kg)	Rs. In thousands	Quantity (Kg)	Rs. In thousands	Quantity (Kg)	Rs. In thousands	Quantity (Kg)	Rs. In thousands
Bulk Drug	36,555	89,464	29,750	75,894	36,730	90,182	32,525	75,202

3. Related Party Disclosure as required by accounting standard-AS 18 issued by The Institute of Chartered Accountants of India.

**Relationship:**
**A. Entities where control exists**

 Shareholders of Ipca Pharmaceuticals Inc.  
 Ipca Laboratories Limited.

**B. Key Management Personnel**

 Mr. Pranay Godha-Director  
 Mr. Hasit V. Bhatt- President

Transactions with Related Parties

(Rs. In Thousands)

Description	Entities where control exists	Key Management Personnel	Total
Remuneration (Previous Year)	-	10,832	10,832
Goods and Services Purchased (Previous Year)	88,582	-	88,582
Reimbursement of expenditure (Previous Year)	74,471	-	74,471
Balances as on 31st March 2011	24,587	-	24,587
Receivable	17,186	-	17,186
Payable	-	-	-
Balances as on 31st March 2010	9,298	-	9,298
Receivable	-	-	-
Payable	19,597	-	19,597

Disclosure in respect of transactions, which are more than 10% of the total transactions of the same type with, related parties during the year.

(Rs. In Thousands)

Description	Related Party	2010-11	2009-10
Goods and Services Purchased	Ipca Laboratories Limited.	88,582	74,471
Reimbursement of expenditure	Ipca Laboratories Limited.	24,587	17,186
Remuneration Key Management Personnel	Hasit V. Bhatt	10,832	9,775
Payables	Ipca Laboratories Limited.	9,298	19,597

## 4. Balances with non-scheduled banks in Schedule 3:

(Rs. In Thousands)

S. no.	Name of the Bank	Max. Bank Balance during the period		Closing Bank Balance	
		2010-11	2009-10	2010-11	2009-10
1	Wachovia Business Checking # 354	17,578	24,704	87	4,065
2	Wachovia Bank Business Savings # 339	3,650	3,342	113	1,362
	Total			200	5,427

5. The entity is C. Corporation organized and incorporated under the Laws of state of New Jersey, (USA). The Company is a 100% subsidiary of Ipca Laboratories Ltd. The accounts have been prepared and audited in Indian Rupees for the purpose of attachment to the accounts of the Holding company to comply with the provisions of Indian Companies Act.

6. Earning per share is not given since shares carry no par value.

7. Previous year's figures have been regrouped and rearrange wherever necessary to make them comparable.

As Per our report of even date attached

 For **Natvarlal Vepari & Co.**

 Chartered Accountants  
 Firm Registration no 106971W

For and on behalf of the Board

 Pranay Godha Director  
 Hasit Bhatt President

**Shihab. R. Halim**

 Partner  
 Membership no. 49758  
 Mumbai  
 May 20, 2011

**CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011**

	2010-11	2009-10		
	Rs. in Thousands	Rs. in Thousands		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>1. Net profit/(loss) before taxation</b>	(1,241)		2,056	
Adjustments for :				
Depreciation	99	99	284	284
<b>2. Operating profit/(loss) before working capital changes</b>	(1,142)		2,340	
Decrease/(Increase) in Inventory	(3,615)		(3,686)	
Decrease/(Increase) in Receivables	10,430		(10,475)	
Increase/(Decrease) in Sundry creditors	(10,369)	(3,554)	15,442	1,281
Movement in Foreign currency translation reserve	53	53	(559)	(559)
<b>3. Cash generated from operation</b>	(4,643)		3,062	
<b>Net cash from operating activities (A)</b>	(4,643)		3,062	

**CASH FLOW FROM INVESTING ACTIVITIES**

Sale/(Purchase) of Fixed Assets	(588)	(588)		
<b>Net cash from / (used) in investing activities (B)</b>	(588)			

**CASH FLOW FROM FINANCING ACTIVITIES**

Increase in paid in capital		-		
<b>Net cash from financing activities (C)</b>		-		
<b>Net increase/(decrease) in cash and cash equivalents ( A + B + C)</b>	(5,231)		3,062	
Cash and cash equivalents at beginning of period	5,431		2,369	
Cash and cash equivalents at end of period	200		5,431	

As Per our report of even date attached

 For **Natvarlal Vepari & Co.**

 Chartered Accountants  
 Firm Registration no 106971W

For and on behalf of the Board

 Pranay Godha Director  
 Hasit Bhatt President

**Shihab. R. Halim**

 Partner  
 Membership no. 49758  
 Mumbai  
 May 20, 2011

### DIRECTORS REPORT

To the Members

Your Directors are pleased to present the Company's Annual Report together with the Audited Annual Accounts for the year ended March 31, 2011.

#### INCORPORATION

Your Company is a wholly owned subsidiary of Ipcal Laboratories Limited, India and was incorporated on 4th November 2003 mainly to hold product registration dossiers.

During the financial year under report, your Company had an income of Rs. 91.02 lacs [Previous year: Rs. 9.06 lacs] most of which is fee from licensing of product registration dossiers backed by supply agreements. The operations have resulted in a net loss of Rs. 23.55 lacs during the year under report [Previous year: net loss of Rs. 101.85 lacs].

#### DIVIDEND

In view of the losses incurred, your directors do not propose the payment of dividend for the financial year under review.

#### DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm:

that in the preparation of annual accounts, the applicable accounting standards have been followed;

that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give the true and fair view of the state of affairs of the company at the end of the financial year ended 31st March, 2011 and the loss of the Company for the year;

that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

that the Directors have prepared annual accounts on a going concern basis.

#### PARTICULARS OF EMPLOYEES

During the year under review, the company had no employee who was in receipt of remuneration of not less than Rs. 60,00,000/- per annum or not less than Rs. 5,00,000/- per month or any part thereof.

The relationship between the company and its employees remained cordial throughout the year.

#### AUDITORS

M/s Natvarlal Vepari & Co., Chartered Accountants retire at the ensuing Annual General Meeting and have offered themselves for re-appointment.

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

During the year under review, the Company has not carried out any manufacturing activities nor the company has any manufacturing unit. Therefore, information required pursuant to Section 217(1)(e) of the Companies Act, 1956 are not applicable.

For and on behalf of the Board

**M.R. Chandurkar**

Chairman

May 20, 2011

#### AUDITORS' REPORT TO THE MEMBERS OF IPICAL LABORATORIES U.K. LTD.

We have audited the attached Balance Sheet of **IPICAL LABORATORIES U.K. LTD.** as at 31st March, 2011, Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. 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. In carrying out our audit we have placed reliance on the work of King & King, Chartered Accountants and Registered Auditor and have carried out such further checks as we considered necessary to enable us to form our opinion. 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.

Since the company is not a foreign company as defined in Section 591 of the Companies Act 1956, the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, does not apply and hence the matters specified therein are not reported upon.

Further to our comments we report that:

- 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.
- In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books.

- The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts.
- In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- These accounts are prepared to comply with the requirements of the Companies Act, 1956 relating to the subsidiary and holding company disclosure requirements.
- Since the appointment of directors to this company are not governed by the provisions of the Companies Act, 1956 the provisions relating to disqualifications u/s 274(1)(g) of the Companies Act 1956 do not apply to this company
- In our opinion and to the best of our information and according to the explanation given to us, the accounts read with and subject to the notes thereon give the information required by the Companies Act, 1956 in the manner so require and give a true and fair view.
  - in the case of Balance Sheet of the State of Affairs of the Company as at 31st March, 2011
  - in the case of Profit and Loss Account of the loss for the year ended on 31st March 2011. and;
  - in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For **Natvarlal Vepari & Co.**  
Chartered Accountants  
Firm Registration No. 106971W  
**Shihab R. Halim**  
Partner  
M. No. 49758

Mumbai  
May 20, 2011

#### BALANCE SHEET AS AT 31ST MARCH, 2011

	Schedule	31st March, 2011 (Rs. in thousands)	31st March, 2010 (Rs. in thousands)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	51,075	40,777
Foreign Currency Translation Reserve		(1,053)	(2,084)
<b>TOTAL</b>		<b>50,022</b>	<b>38,693</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	2	33,461	15,018
Less : Depreciation		17,516	10,953
Net Block		15,945	4,065
<b>Current Assets, Loans and Advances</b>			
Sundry Debtors	3	2,721	3,246
Cash and Bank Balances	4	4,575	5,958
		7,296	9,204
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	5	1,915	917
		1,915	917
<b>Net Current Assets</b>		<b>5,381</b>	<b>8,287</b>
Balance in Profit & Loss Account		28,696	26,341
<b>TOTAL</b>		<b>50,022</b>	<b>38,693</b>
<b>Notes to Accounts</b>	9		

As Per our report of even date attached

For **Natvarlal Vepari & Co.**

Chartered Accountants

Firm Registration no 106971W

**Shihab. R. Halim**

Partner

Membership no. 49758

Mumbai

May 20, 2011

For and on behalf of the Board

M.R. Chandurkar

Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

	Schedule	2010-11 (Rs. in Thousands)	2009-10 (Rs. in Thousands)
<b>INCOME</b>			
Income from Operations		9,087	816
Other Income		15	90
		<u>9,102</u>	<u>906</u>
<b>EXPENDITURE</b>			
Operating & Administration Expenses	6	5,200	5,196
Personnel Cost	7	-	237
Financial cost	8	21	33
Exchange Gain /Loss		494	742
Depreciation	2	5,666	3,375
		<u>11,381</u>	<u>9,583</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>(2,279)</b>	<b>(8,677)</b>
Less : Provision for Taxation		76	1,508
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>(2,355)</b>	<b>(10,185)</b>
Prior period items		-	-
<b>Brought forward</b>		<b>(26,341)</b>	<b>(16,156)</b>
<b>Balance carried forward to Balance Sheet</b>		<b>(28,696)</b>	<b>(26,341)</b>

**Earning per Share (in Rupees)**

Basic	(4.38)	(20.34)
Diluted	(4.38)	(20.34)

**Notes to Accounts**

9

As Per our report of even date attached

 For **Natvarlal Vepari & Co.**

Chartered Accountants

Firm Registration no 106971W

For and on behalf of the Board

M.R. Chandurkar

Director

**Shihab. R. Halim**

Partner

Membership no. 49758

Mumbai

May 20, 2011

**SCHEDULES TO THE ACCOUNTS**
**Schedules 1 to 9 forming part of the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended 31st March, 2011**

	31st March, 2011 (Rs. in Thousands)	31st March,2010 (Rs. in Thousands)
--	--	---

**SCHEDULE 1**
**SHARE CAPITAL**
**Issued and Subscribed :**

(645955 Ordinary shares of STG 1 each fully paid-up (Previous year-5,00,955 shares) (All the above shares are held by the holding company IpcA Laboratories Limited)	51,075	40,777
<b>PER BALANCE SHEET</b>	<u>51,075</u>	<u>40,777</u>

**SCHEDULE 2**
**FIXED ASSETS SCHEDULE AS AT 31ST MARCH 2011**

Particulars	Opening as on 01/04/10	Additions	Gross Block		Total as on 31/03/11	Up to 31/03/10	Depreciation			Net block		
			Sale/W.off/Adjustment	Foreign Exchange flu. Reserve			For the year	Sale/W.off/Adjustment	Foreign Exchange flu. Reserve	Up to 31/03/11	As on 31/03/11	As on 31/03/10
Leasehold Properties	120	-	-	8	128	120	-	-	8	128	-	-
Intangibles	14,324	17,397	-	999	32,720	10,260	5,666	-	849	16,775	15,945	4,063
Motor Vehicles	574	-	-	39	613	573	-	-	40	613	-	1
<b>Total</b>	<b>15,018</b>	<b>17,397</b>	<b>-</b>	<b>1,046</b>	<b>33,461</b>	<b>10,953</b>	<b>5,666</b>	<b>-</b>	<b>897</b>	<b>17,516</b>	<b>15,945</b>	<b>4,065</b>
Previous Year	16,070	-	-	(1,052)	15,018	8,505	3,375	-	(928)	10,953	4,065	7,565

**SCHEDULE 3**
**SUNDRY DEBTORS**

(Unsecured considered good, unless otherwise stated)

Outstanding for more than six months	2,721	3,246
Other Debts	-	-
<b>PER BALANCE SHEET</b>	<u>2,721</u>	<u>3,246</u>

**SCHEDULE 4**
**CASH AND BANK BALANCES**

Balances with non scheduled Banks

On current accounts	4,575	5,958
<b>PER BALANCE SHEET</b>	<u>4,575</u>	<u>5,958</u>

**SCHEDULE 5**
**CURRENT LIABILITIES AND PROVISIONS**
**Current Liabilities**

Trade Creditors	887	-
Other Liabilities	1,028	917
<b>PER BALANCE SHEET</b>	<u>1,915</u>	<u>917</u>

**SCHEDULE 6**
**OPERATING & ADMINISTRATION EXPENSES**

Power, fuel, gas & water charges	-	-
Audit fees	383	358
Rent	262	311
Insurance	9	9
Rates and taxes	-	-
Printing & Stationery	-	-
Vehicle Expenses	-	-
Communication expenses	34	39
Travelling expenses	-	33
Professional charges	330	1,012
Commission	344	-
Repairs & Maintenance	-	-
Misc Expenses	18	2
Analytical Expenses	975	2,085
Product Registration Exp	2,845	1,347
<b>PER PROFIT AND LOSS ACCOUNT</b>	<u>5,200</u>	<u>5,196</u>

**SCHEDULE 7**
**PERSONNEL COST**

Salaries	-	237
Fringe & taxes	-	-
<b>PER PROFIT AND LOSS ACCOUNT</b>	<u>-</u>	<u>237</u>

**SCHEDULE 8**
**FINANCIAL COST**

Bank charges	21	33
<b>PER PROFIT AND LOSS ACCOUNT</b>	<u>21</u>	<u>33</u>

**SCHEDULE 9 - NOTES FORMING PART OF THE ACCOUNTS**
**1. Accounting Policies.**
**1.1. Accounting convention**

The financial statements are prepared under the historical cost convention on accrual basis. The financial statements conform to the requirements of Schedule VI to the Companies Act 1956.

**1.2. Conversion into Indian rupees**

The translation of financial statements into Indian Rupees is done in accordance with AS 11 (Revised) the Effects of Changes in Foreign Exchange Rates issued by the Institute of Chartered Accountants of India, which is mandatory w.e.f 01.04.2004. The resultant Foreign Currency Translation Reserve is shown separately under shareholders funds or under Profit and Loss account on the asset side.

The Assets and Liabilities are translated at closing rate except share capital which is translated at the rate as on transaction date. The income and expenditure are translated at a rate nearing the average rate during the year.

**1.3. Fixed Assets**

Fixed assets: Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows: -

Leasehold properties - Straight line over the life of the lease.  
Motor Vehicles - 25% Straight line

**2. Related Party Disclosure as required by Accounting Standard-AS 18 issued by the Institute of Chartered Accountants of India.**
**Relationship:**

- A. Entities where control exists  
Shareholders of Ipca Laboratories UK Ltd.  
Ipca Laboratories Limited.
- B. Key Management Personnel  
Mr. M.R.Chandurkar-Director

The Company has issued shares amounting to Rs. 10,298 thousand Previous year Rs. nil) to the holding company.

**3. Going concern**

The Balance Sheet shows a net deficit. The parent Company continues its support to the Company.

**4. The Company is 100% subsidiary of Ipca Laboratories Limited. The accounts have been prepared and audited in Indian Rupees for the purpose of attachment to the accounts of the holding company to comply with the provisions of Indian Companies Act.**
**5. Since the company is not having any manufacturing / trading activity during the year, information pursuant to paragraphs 3, 4, 4A, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 is not given.**
**6. Earning per Share**

The earning per share is calculated by dividing the profit after tax by weighted average no. of shares outstanding for basic & diluted EPS.

Particulars	2010-11	2009-10
Profit after tax (Rs. in thousand)	(2,355)	(10,185)
No. of shares outstanding		
Weighted Average no. of shares outstanding (Nos.) - Basic	537,205	5,00,955
Weighted Average no. of shares outstanding (Nos.) - Diluted	537,205	5,00,955
Earning per share (Rs.)		
- Basic	(4.38)	(20.34)
- Diluted	(4.38)	(20.34)

**7. For the purpose of conversion of the local currency (£) into Indian Currency (INR), the exchange rate applied is as per Para 1.2 of the accounting policies.**
**8. Previous year's figures have been regrouped and rearranged wherever necessary to make them comparable.**

As Per our report of even date attached

For **Natvarlal Vepari & Co.** For and on behalf of the Board  
Chartered Accountants  
Firm Registration no 106971W

**Shihab. R. Halim** M.R. Chandurkar  
Partner Director  
Membership no. 49758  
Mumbai  
May 20, 2011

**CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011**

	2010-11	2009-10
	Rs. in Thousands	Rs. in Thousands
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>1. Net profit/(loss) before taxation</b>	(2,279)	(8,677)
Adjustments for :		
Bank Deposit Interest	(15)	
Tax Paid	(76)	(1,508)
Depreciation	5,666	3,375
	5,575	1,867
<b>2. Operating profit/(loss) before working capital changes</b>	3,296	(6,810)
(Increase)/Decrease in Debtors	525	7,172
Increase/(Decrease) in Sundry creditors	998	(317)
	1,523	6,855
<b>3. Cash generated from operation</b>	4,819	46
Movement in Foreign currency translation reserve	882	(264)
	882	(264)
<b>Net cash from operating activities</b>	(A) 5,701	(218)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Intangibles purchased	(17,397)	
Bank Deposit Interest	15	
	(17,382)	
<b>Net cash from / (used) in investing activities</b>	(B) (17,382)	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital	10,298	
	10,298	
<b>Net cash from financing activities</b>	(C) 10,298	
<b>Net increase/(decrease) in cash and cash equivalents (A + B + C)</b>	(1,383)	(218)
Cash and cash equivalents at beginning of period	5,958	6,176
Cash and cash equivalents at end of period	4,575	5,958

As Per our report of even date attached

For **Natvarlal Vepari & Co.** For and on behalf of the Board  
Chartered Accountants  
Firm Registration no 106971W

**Shihab. R. Halim** M.R. Chandurkar  
Partner Director  
Membership no. 49758  
Mumbai  
May 20, 2011

### DIRECTORS REPORT

To the Members

Your Directors are pleased to present the Company's Annual Report together with the Audited Annual Accounts for the year ended March 31, 2011.

#### FINANCIAL RESULTS

Your Company is a wholly owned subsidiary of Ipsca Laboratories Limited, India and was incorporated on 7th May, 2008 mainly to hold pharmaceutical registration dossiers and promotion of pharmaceuticals manufactured by the parent company viz. Ipsca Laboratories Ltd., India in the Mexican market.

Your company is currently in the process of registering formulation dossiers with the regulatory authority in Mexico and yet to commence any business and therefore, has no income. During the year under report your company has incurred a loss of Rs. 19.88 lacs (previous year loss of Rs. 24.20 lacs).

#### DIVIDEND

In view of the losses incurred during the financial year under report, no dividend is proposed by the Directors.

#### DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm:

that in the preparation of annual accounts, the applicable accounting standards have been followed;

that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give the true and fair view of the state of affairs of the company at the end of the financial year ended 31st March, 2011 and the loss of the Company for the year;

that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

that the Directors have prepared annual accounts on a going concern basis.

#### PARTICULARS OF EMPLOYEES

During the year under review, the company had no employee who was in receipt of remuneration of not less than Rs. 60,00,000/- per annum or not less than Rs. 5,00,000/- per month or any part thereof.

#### AUDITORS

M/s Natvarlal Vepari & Co., Chartered Accountants retire at the ensuing Annual General Meeting and have offered themselves for re-appointment.

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

During the year under review, the Company has not carried out any manufacturing activities nor the company has any manufacturing unit. Therefore, information required pursuant to Section 217(1)(e) of the Companies Act, 1956 are not applicable.

For and on behalf of the Board

**N. Guhaprasad**  
Chairman

May 20, 2011

#### AUDITORS' REPORT TO THE MEMBERS OF IPCA PHARMACEUTICALS LTD SA DE CV

We have audited the attached Balance Sheet of **IPCA PHARMACEUTICALS LTD SA DE CV** as at 31<sup>st</sup> March, 2011, Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. 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. In carrying out our audit we have placed reliance on the work of Jose Francisco Campos Ruiz, Mexico D.F, and have carried out such further checks as we considered necessary to enable us to form our opinion. 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.

Since the company is not a foreign company as defined in Section 591 of the Companies Act 1956, the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, does not apply and hence the matters specified therein are not reported upon.

Further to our comments above, we report that:

- 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.
- In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books.
- The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts.
- In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956
- These accounts are prepared to comply with the requirements of the Companies Act 1956 relating to the subsidiary and holding company disclosure requirements.

vi) Since the appointment of directors to this company are not governed by the provisions of the Companies Act, 1956 the provisions relating to disqualifications u/s 274(1)(g) of the Companies Act 1956 do not apply to this company.

vii) In our opinion and to the best of our information and according to the explanation given to us, the accounts read with and subject to the notes thereon give the information required by the Companies Act, 1956 in the manner so require and give a true and fair view

- in the case of Balance Sheet of the State of Affairs of the Company as at 31<sup>st</sup> March, 2011
- in the case of Profit and Loss Account of the loss for the year ended on 31<sup>st</sup> March 2011. and;
- in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For **Natvarlal Vepari & Co.**  
Chartered Accountants  
Firm Registration No. 106971W

**Shihab R. Halim**  
Partner  
M.No. 49758

Mumbai  
May 20, 2011

#### BALANCE SHEET AS AT 31ST MARCH, 2011

Schedule	31st March 2011 (Rs. in thousands)	31st March 2010 (Rs. in thousands)
<b>SOURCES OF FUNDS</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	3,761
Foreign Currency Translation Reserves	893	752
	<u>7,137</u>	<u>4,513</u>
<b>APPLICATION OF FUNDS</b>		
<b>Fixed Assets</b>		
	2	49
<b>Less: Depreciation</b>	<u>19</u>	<u>4</u>
	<u>32</u>	<u>45</u>
<b>Current Assets, Loans and Advances</b>		
Loan & Advances	3	710
Cash and Bank Balances	4	219
	<u>1,945</u>	<u>929</u>
<b>Less : Current Liabilities and Provisions</b>		
Current Liabilities	5	862
<b>Net Current Assets</b>	<u>716</u>	<u>67</u>
Profit & Loss account (Debit) balance	<u>6,389</u>	<u>4,401</u>
	<u>7,137</u>	<u>4,513</u>
<b>Notes to the Accounts</b>	9	

As per our report of even date attached.

For and on behalf of the board

For **Natvarlal Vepari & Co.**  
Chartered Accountants  
Firm Registration no. 106971W

**Shihab R. Halim**  
Partner  
Membership no. 49758  
May 20, 2011  
Mumbai

N. Guhaprasad Harish P Kamath  
Director Director

#### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

Schedule	2010-11 (Rs. in thousands)	2009-10 (Rs. in thousands)
<b>INCOME</b>		
Sales and Income from Operations	-	-
	<u>-</u>	<u>-</u>
<b>EXPENDITURE</b>		
Personal Cost	6	159
Other Operating Expenses	7	2,243
Financial Cost	8	14
Depreciation	15	4
	<u>1,988</u>	<u>2,420</u>
<b>LOSS BEFORE TAXATION</b>	<u>(1,988)</u>	<u>(2,420)</u>
Less : Provision for Taxation	-	-
<b>LOSS AFTER TAXATION</b>	<u>(1,988)</u>	<u>(2,420)</u>
<b>Profit (Loss) Brought Forward</b>	<u>(4,401)</u>	<u>(1,981)</u>
<b>Balance carried forward to Balance Sheet</b>	<u>(6,389)</u>	<u>(4,401)</u>
<b>Notes to the Accounts</b>	9	

As per our report of even date attached.

For and on behalf of the board

For **Natvarlal Vepari & Co.**  
Chartered Accountants  
Firm Registration no. 106971W

**Shihab R. Halim**  
Partner  
Membership no. 49758  
May 20, 2011  
Mumbai

N. Guhaprasad Harish P Kamath  
Director Director

**SCHEDULES TO THE ACCOUNTS**  
Schedules 1 to 9 forming part of the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended 31st March, 2011

	31st March 2011 (Rs. in thousands)	31st March 2010 (Rs. in thousands)										
<b>SCHEDULE 1</b>												
<b>SHARE CAPITAL</b>												
Issued and Subscribed :												
Shares with no par value	6,244	3,761										
(All the shares are held by holding company Ipca Laboratories Limited)												
<b>PER BALANCE SHEET</b>	<b>6,244</b>	<b>3,761</b>										
<b>SCHEDULE 2</b>												
<b>FIXED ASSETS SCHEDULE AS AT 31ST MARCH 2011</b>												
Particulars	Gross Block					Depreciation				Net block		
	Opening as on 01/04/10	Additions	Sale/W.off/Adjustment	Foreign Exchange flu. Reserve	Total as on 31/03/2011	Up to 31/03/10	For the year	Sale/W.off/Adjustment	Foreign Exchange flu. Reserve	Up to 31/03/11	As on 31/03/11	As on 31/03/10
Computer	49	-	-	2	51	4	15	-	-	19	32	45
	49	-	-	2	51	4	15	-	-	19	32	45
Previous Year	-	49	-	-	49	-	4	-	-	4	45	-
Tax refundable	712	450										
Other Advances	591	260										
<b>PER BALANCE SHEET</b>	<b>1,303</b>	<b>710</b>										
	642	219										
<b>PER BALANCE SHEET</b>	<b>642</b>	<b>219</b>										
Sundry Creditors	1,201	827										
Tax payable	12	26										
Others	16	9										
<b>PER BALANCE SHEET</b>	<b>1,229</b>	<b>862</b>										
Payment to and provision for salaries, wages and bonus	222	155										
Welfare expenses	-	3										
<b>PER PROFIT AND LOSS ACCOUNT</b>	<b>222</b>	<b>159</b>										
Product Registration Expenses	1,074	1,818										
Communication Expenses	15	18										
Printing & Stationary	-	13										
Travelling Expenses	-	12										
Audit Fees	12	18										
Professional Charges	551	217										
Rent	13	70										
Others	72	77										
<b>PER PROFIT AND LOSS ACCOUNT</b>	<b>1,737</b>	<b>2,243</b>										
Bank charges	14	14										
<b>PER PROFIT AND LOSS ACCOUNT</b>	<b>14</b>	<b>14</b>										

Depreciation: Depreciation is computed on straight line basis over the estimated useful life of the assets at the following rates:  
Computers - 30%

2. Related Party Disclosure as required by Accounting standard-AS 18 issued by The Institute of Chartered Accountants of India.  
Relationship:  
Entities where control exists  
Shareholders of Ipca.pharmaceuticals Limited S.A de C.V  
Ipca Laboratories Limited.- Holding company  
The Company has issued shares amounting to Rs. 2,483 thousand (Previous year Rs. 945 thousand) to the holding company.

3. Going concern  
The annual accounts have been prepared on going concern basis.

(Rs. in thousands)

Name of the Banks	Maximum Balance		Balance As On	
	2010-11 (Rs. In thousand)	2009-10 (Rs. In thousand)	2010-11 (Rs. In thousand)	2009-10 (Rs. In thousand)
HSBC MEXICO 82672	997	977	0	219
HSBC MEXICO 20469	1,235	0	642	0
Total			642	219

4. The Company is 100% subsidiary of Ipca Laboratories Limited. The accounts have been prepared and audited in Indian Rupees for the purpose of attachment to the accounts of the holding company to comply with the provisions of Indian Companies Act.

5. Earning per share is not given since shares carry no par value.

6. Since the company is not having any manufacturing / trading activity during the year, information pursuant to paragraphs 3, 4, 4A, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 is not given.

7. Balances with non-scheduled banks in Schedule 4:

Name of the Banks	Maximum Balance		Balance As On	
	2010-11 (Rs. In thousand)	2009-10 (Rs. In thousand)	2010-11 (Rs. In thousand)	2009-10 (Rs. In thousand)
HSBC MEXICO 82672	997	977	0	219
HSBC MEXICO 20469	1,235	0	642	0
Total			642	219

8. Previous year's figures have been regrouped and rearranged wherever necessary to make them comparable.

9. For the purpose of conversion of the local currency (MXN) into Indian Currency (INR), the exchange rate applied is as per Para 1.2 of the accounting policies.

As per our report of even date attached. For and on behalf of the board  
**For Natvarial Vepari & Co.**  
Chartered Accountants  
Firm Registration no. 106971W  
**Shihab. R. Halim**  
Partner N. Guhaprasad Harish P. Kamath  
Director Director  
Membership no. 49758  
May 20, 2011  
Mumbai

**CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011**

	2010-11 (Rs. in Thousands)	2009-10 (Rs. in Thousands)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
1. Net profit/(loss) before taxation	(1,988)	(2,420)
Depreciation	15	4
2. Operating profit/(loss) before working capital changes	(1,973)	(2,416)
(Increase)/Decrease in Loan and Advances	(593)	(558)
Increase/(Decrease) in Sundry creditors	367	748
190	-	-
3. Cash generated from operation	(2,199)	(2,226)
Movement in Foreign currency translation reserve	139	800
4. Net cash from operating activities A	(2,060)	(1,426)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets -	-	(49)
Net cash from investing activities B	-	(49)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital	2,483	945
Net cash from financing activities C	2,483	945
Net increase/(decrease) in cash and cash equivalents (A + B + C)	423	(530)
Cash and cash equivalents at beginning of period	219	749
Cash and cash equivalents at end of period	642	219

As per our report of even date attached. For and on behalf of the board  
**For Natvarial Vepari & Co.**  
Chartered Accountants  
Firm Registration no. 106971W  
**Shihab. R. Halim**  
Partner N. Guhaprasad Harish P. Kamath  
Director Director  
Membership no. 49758  
May 20, 2011  
Mumbai

### DIRECTORS REPORT

To the Members

Your Directors are pleased to present the Company's Annual Report together with the Audited Annual Accounts for the year ended March 31, 2011.

#### INCORPORATION

Your Company is a wholly owned subsidiary of Ipsca Laboratories Limited, India and was incorporated on October 24, 2008 in the Peoples Republic of China mainly to coordinate sourcing of chemicals and drug intermediates for the parent company and marketing of products manufactured by the parent company viz. Ipsca Laboratories Limited in the Peoples Republic of China.

During the financial year under report, your Company has a income of Rs. 332.70 lacs (Previous year Rs. 63.03 lacs) and has incurred a loss of Rs. 50.11 lacs ( Previous year Loss of Rs. 52.09 lacs).

#### DIVIDEND

In view of the losses incurred, your directors do not propose the payment of dividend for the financial year under review.

#### DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm:

that in the preparation of annual accounts, the applicable accounting standards have been followed;

that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give the true and fair view of the state of affairs of the company at the end of the financial year ended 31st March, 2011 and the loss of the Company for the year;

that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

that the Directors have prepared annual accounts on a going concern basis.

#### PARTICULARS OF EMPLOYEES

During the year under review, the company had no employee who was in receipt of remuneration of not less than Rs. 60,00,000/- per annum or not less than Rs. 5,00,000/- per month or any part thereof.

#### AUDITORS

M/s Natvarlal Vepari & Co., Chartered Accountants retire at the ensuing Annual General Meeting and have offered themselves for re-appointment.

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

During the year under review, the Company has not carried out any manufacturing activities nor the Company has any manufacturing unit. Hence, information required pursuant to Section 217(1)(e) of the Companies Act, 1956 are not applicable.

For and on behalf of the Board

**Manoj Kumar Jain**  
Chairman  
May 20, 2011

#### AUDITORS' REPORT TO THE MEMBERS OF IPCA PHARMACEUTICALS (SHANGHAI) LTD.

We have audited the attached Balance Sheet of **Ipsca Pharmaceuticals (Shanghai) Ltd.** as at 31<sup>st</sup> March, 2011, Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. 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. In carrying out our audit we have placed reliance on the work of Shanghai Shen Bei Certified Public Accountants, China and have carried out such checks as we considered necessary to enable us to form our opinion. 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.

Since the company is not a foreign company as defined in Section 591 of the Companies Act 1956, the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, does not apply and hence the matters specified therein are not reported upon.

Further to our comments 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 it appears from our examination of the books.
- iii) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts.
- iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- v) These accounts are prepared to comply with the requirements of the Companies Act 1956 relating to the subsidiary and holding company disclosure requirements.
- vi) Since the appointment of directors to this company are not governed by the provisions of the Companies Act, 1956 the provisions relating to disqualifications u/s 274(1)(g) of the Companies Act 1956 do not apply to this company.
- vii) In our opinion and to the best of our information and according to the explanation given to us, the accounts read with and subject to the notes thereon give the information required by the Companies Act, 1956 in the manner so require and give a true and fair view.
  - (a) in the case of Balance Sheet of the State of Affairs of the Company as at 31<sup>st</sup> March, 2011
  - (b) in the case of Profit and Loss Account of the loss for the year ended on 31<sup>st</sup> March 2011. and;
  - (c) in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For **Natvarlal Vepari & Co.**  
Chartered Accountants  
Firm Registration No. 106971W  
**Shihab R. Halim**  
Partner  
M.No. 49758

Mumbai  
May 20, 2011

#### BALANCE SHEET AS AT 31ST MARCH, 2011

Schedule	31st March 2011 (Rs. in thousands)	31st March 2010 (Rs. in thousands)	
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	11,890	8,414
Foreign Currency Translation Reserves		(146)	(81)
		<u>11,744</u>	<u>8,333</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	2	341	326
Less : Depreciation		<u>115</u>	<u>48</u>
Net Block		226	278
<b>Current Assets, Loans and Advances</b>			
Sundry Debtors		-	361
Loan & Advances	3	-	808
Cash and Bank Balances	4	414	1,163
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	5	<u>26</u>	<u>396</u>
<b>Net Current Assets</b>		<u>388</u>	<u>1,936</u>
Profit & Loss account		<u>11,130</u>	<u>6,119</u>
		<u>11,744</u>	<u>8,333</u>
<b>Notes to the Accounts</b>	10		

As per our report of even date attached. For and on behalf of the board  
For **Natvarlal Vepari & Co.**

Chartered Accountants  
Firm registration no. 106971W  
**Shihab. R. Halim**  
Partner  
Membership no. 49758  
Mumbai  
May 20, 2011

Manoj Kumar Jain Hu Hongxin  
Director General Manager/  
Partner Country head



**IPCA PHARMACEUTICALS (SHANGHAI) LTD., CHINA**
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

	2010-11	2009-10
	(Rs. in thousands)	(Rs. in thousands)
<b>INCOME</b>		
Sales	32,877	6,300
Other Income	6 393	3
	<u>33,270</u>	<u>6,303</u>
<b>EXPENDITURE</b>		
Material Cost & Inventory Adjustment	31,084	5,595
Manufacturing and Other Expenses	7 2,165	1,582
Personnel Cost	8 4,428	4,240
Financial Cost	9 406	11
Depreciation/Amortisation	2 63	48
Exchange Loss	131	36
	<u>38,277</u>	<u>11,512</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<u>(5,007)</u>	<u>(5,209)</u>
Taxes paid	4	-
<b>PROFIT/(LOSS) AFTER TAXATION</b>	<u>(5,011)</u>	<u>(5,209)</u>
<b>PROFIT/(LOSS) BROUGHT FORWARD</b>	<u>(6,119)</u>	<u>(910)</u>
<b>Balance carried forward to Balance Sheet</b>	<u>(11,130)</u>	<u>(6,119)</u>

**Notes to the Accounts** 10

As per our report of even date attached. For and on behalf of the board

For **Natvarlal Vepari & Co.**

Chartered Accountants

Firm registration no. 106971W

Manoj Kumar Jain Hu Hongxin

**Shihab. R. Halim**

Director General Manager/

Partner

Country head

Membership no. 49758

Mumbai

May 20, 2011

**SCHEDULE TO THE ACCOUNTS**

Schedules 1 to 10 forming part of the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended 31st March, 2011

31st March 2011 31st March 2010  
(Rs. in thousands) (Rs. in thousands)

**SCHEDULE 1**
**SHARE CAPITAL**

Issued and Subscribed :

Shares with no par value 11,890 8,414

(All the shares are held by holding company Ipca Laboratories Limited)

**PER BALANCE SHEET** 11,890 8,414
**SCHEDULE 2**
**FIXED ASSETS SCHEDULE AS AT 31ST MARCH 2011**

Particulars	Gross Block				Depreciation				Net block		
	Opening as on 01/04/10	Adjustment	Foreign Exch. Fluctuation Reserve	Total as on 31/03/11	Up to 31/03/10	Sales/ Adjustment	For the year	Foreign Exch. Fluctuation Reserve	Up to 31/03/11	As on 31/03/11	As on 31/03/10
Computers	56	24	3	83	10	1	15	1	27	56	46
Office Equipments	270	(24)	12	258	38	(1)	48	3	88	170	232
<b>Total</b>	<b>326</b>	<b>0</b>	<b>15</b>	<b>341</b>	<b>48</b>	<b>0</b>	<b>63</b>	<b>4</b>	<b>115</b>	<b>226</b>	<b>278</b>
Previous Year	227	172	(73)	326	4		48	(4)	48	278	223

**SCHEDULE 3**
**LOANS & ADVANCES**

(Unsecured, Considered good)

Advance Tax - 808

Deposits - -

**PER BALANCE SHEET** - 808
**SCHEDULE 4**
**CASH AND BANK BALANCES**

Cash 167 27

Balances with non scheduled banks 247 1,136

(Refer Note No. 3)

**PER BALANCE SHEET** 414 1,163
**SCHEDULE 5**
**CURRENT LIABILITIES AND PROVISIONS**

Other Liabilities	26	396
<b>PER BALANCE SHEET</b>	<u>26</u>	<u>396</u>

2010-11 2009-10  
(Rs. in thousands) (Rs. in thousands)

**SCHEDULE 6**
**OTHER INCOME**

Commission	382	-
Interest	11	3
<b>PER PROFIT AND LOSS ACCOUNT</b>	<u>393</u>	<u>3</u>

**SCHEDULE 7**
**MANUFACTURING AND OTHER EXPENSES**

Travelling Expenses	239	374
Professional charges	67	
Entertainment Expenses	-	76
Communication Expenses	120	130
Selling Expenses	57	88
Other Expenses	1,201	501
Rent	481	413
<b>PER PROFIT AND LOSS ACCOUNT</b>	<u>2,165</u>	<u>1,582</u>

**SCHEDULE 8**
**PERSONNEL COST**

Endowment	1,025	987
Salary & Wages	3,403	3,253
Miscellaneous expenses	-	
<b>PER PROFIT AND LOSS ACCOUNT</b>	<u>4,428</u>	<u>4,240</u>

**SCHEDULE 9**
**FINANCE COST**

Bank Charges	406	11
<b>PER PROFIT AND LOSS ACCOUNT</b>	<u>406</u>	<u>11</u>

**SCHEDULE 10- NOTES FORMING PART OF THE ACCOUNTS**
**1. Accounting Policies**
**1.1. Accounting convention**

The financial statements are prepared under the historical cost convention on accrual basis. The financial statements confirm to the requirements of Schedule VI to the Companies Act 1956.

**1.2. Conversion into Indian rupees**

The translation of financial statements into Indian Rupees is done in accordance with AS 11 (Revised) the Effects of Changes in Foreign Exchange Rates issued by the Institute of Chartered Accountants of India, which is mandatory w.e.f 01.04.2004. The resultant Foreign Currency Translation Reserve is shown separately under shareholders funds or under Profit and Loss account on the asset side.

The Assets and Liabilities are translated at closing rate except share capital

(Rs. in thousands)

which is translated at the rate as on transaction date. The income and expenditure are translated at a rate nearing the average rate during the year.

1.3. Revenue Recognition: Sales of goods is recognised at the point of dispatch to customer.

1.4. Revenue in respect of insurance/other claims, interest, commission, etc., are recognized only when it is reasonably certain that the ultimate collection will be made.

1.5. Commitments and contingencies

Rent of Shanghai Office Rs. 281 thousands (RMB 40,800) and Rent of Nanjing Office Rs. 207 thousand (RMB 30,000)

2. Related Party Disclosure as required by AS -18 issued by The Institute of Chartered Accountants of India.

Relationship:

Entities where control exists

Shareholders of IpcA Pharmaceuticals (Shanghai) Ltd  
IpcA Laboratories Limited - Holding Company  
Key Management Personnel  
Mr. Hu Hongxin

Transactions with Related Parties (Rs. In Thousands)

Description	Entities where control exists	Total
Issue of shares (Previous Year)	3,476 5,913	3,476 5,913
Sale of goods (Previous Year)	32,877 6,300	32,877 6,300
Balances as on 31st March 2011		
Receivable (Previous Year)	- 361	- 361

Disclosure in respect of transactions, which are more than 10% of the total transactions of the same type with, related parties during the year.

(Rs. In Thousands)

Particulars	2010-11	2009-10
Issue of shares IpcA Laboratories Limited	3,476	5,913
Sales of goods IpcA Laboratories Limited	32,877	6,300
Receivables IpcA Laboratories Limited	-	361

3. Balances with non-scheduled banks as per Schedule 4:

(Rs. In Thousands)

S. no.	Name of the Bank	Max. Bank Balance		Closing Bank Balance	
		2010-11	2009-10	2010-11	2009-10
1	China Merchants Bank	2,263	2,909	200	991
2	Bank of China	2,644	-	8	-
3	China Construction Bank	144	153	39	144
	Total			247	1,136

- The annual accounts have been prepared on going concern basis.
- The Company is 100% subsidiary of IpcA Laboratories Limited. The accounts have been prepared and audited in Indian Rupees for the purpose of attachment to the accounts of the holding company to comply with the provisions of Indian Companies Act.
- Earning per share is not given since shares carry no par value.
- Additional Information pursuant to paragraphs 3, 4, 4A, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

Stock of each class of Finished Goods.

Particulars	31.03.2011		31.03.2010	
	Quantity (thousand)	Rs. In thousands	Quantity (thousand)	Rs. In thousands
Bulk Drug (Kg)	-	-	-	-

Sales and Purchase in respect of each class of Finished Goods

Particulars	SALES				PURCHASES			
	2010-11		2009-10		2010-11		2009-10	
	Quantity (thousand)	Rs. In thousands	Quantity (thousand)	Rs. In thousands	Quantity (thousand)	Rs. In thousands	Quantity (thousand)	Rs. In thousands
Bulk Drug (Kg)	36	32,877	4	6,300	36	31,084	4	5,595
Total	36	32,877	4	6,300	36	31,084	4	5,595

- Previous year's figures have been regrouped and rearrange wherever necessary to make them comparable.
- For the purpose of conversion of the local currency (RMB) into Indian Currency (INR), the exchange rate applied is as per Para 1.2 of the accounting policies.

As per our report of even date attached. For and on behalf of the board

For **Natvarlal Vepari & Co.**

Chartered Accountants

Firm registration no. 106971W

**Shihab. R. Halim**

Partner

Membership no. 49758

Mumbai

May 20, 2011

Manoj Kumar Jain Hu Hongxin  
Director General Manager/  
Country head

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

	2010-11	2009-10
	Rs. in Thousands	Rs. in Thousands
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>1. Net profit/(loss) before taxation</b>	<b>(5,007)</b>	(5,209)
Adjustments for :		
Pre incorporation Expenses -		998
Depreciation/Amortisation	63	48
Exchange (Gain) / Loss	131 194	36 1,082
<b>2. Operating profit/(loss) before working capital changes</b>	<b>(4,813)</b>	(4,127)
(Increase)/Decrease in Loan and Advances	808	131
(Increase)/Decrease in Debtors	230	(397)
Increase/(Decrease) in Sundry creditors	(370) 668	(606) (872)
<b>3. Cash generated from operation</b>	<b>(4,145)</b>	(4,999)
Movement in foreign Currency Translation reserve	(76)	(103)
Tax paid	(4)	(808)
<b>4. Net cash from operating activities</b>	<b>A (4,225)</b>	(5,910)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchases of Fixed Assets	-	(172) (172)
<b>Net cash from / (used) in investing activities</b>	<b>B -</b>	(172)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital	3476	5,913
Proceeds of Loan from Shareholders	-	(1,338) 4,575
<b>Net cash from financing activities</b>	<b>C 3,476</b>	4,575
<b>Net increase/(decrease) in cash and cash equivalents ( A + B + C)</b>	<b>(749)</b>	(1,507)
Cash and cash equivalents at beginning of period	1,163	2,670
Cash and cash equivalents at end of period	414	1,163

As per our report of even date attached. For and on behalf of the board

For **Natvarlal Vepari & Co.**

Chartered Accountants

Firm registration no. 106971W

**Shihab. R. Halim**

Partner

Membership no. 49758

Mumbai

May 20, 2011

Manoj Kumar Jain Hu Hongxin  
Director General Manager/  
Country head

**DIRECTORS REPORT**

To the Members

Your Directors are pleased to present the Company's Annual Report together with the Audited Annual Accounts for the year ended March 31, 2011.

**INCORPORATION**

Your Company is a wholly owned subsidiary of Ipca Pharma (Australia) Pty Ltd, Australia. The Company was incorporated to hold formulation dossier registrations in New Zealand and to distribute formulations manufactured by Ipca Laboratories Limited, India in the New Zealand market.

Sixteen formulation dossiers of the Company are registered with MEDSAFE, New Zealand and another five dossiers are under registration. The Company is yet to commence any business of formulation distribution activities in New Zealand.

**DIVIDEND**

No dividend is recommended by your directors for the financial year under report.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors confirm:

that in the preparation of annual accounts, the applicable accounting standards have been followed;

that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give the true and fair view of the state of affairs of the company at the end of the financial year ended 31st March, 2011 and the profit of the Company for the year;

that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

that the Directors have prepared annual accounts on a going concern basis.

**PARTICULARS OF EMPLOYEES**

During the year under report, the company had no employee who was in receipt of remuneration of not less than Rs. 60,00,000/- per annum or not less than Rs. 5,00,000/- per month or any part thereof.

**AUDITORS**

M/s Natvarlal Vepari & Co., Chartered Accountants have stated their inability to continue as the Auditors of the company. The company has appointed M/s P. M. Kathariya & Co., Chartered Accountants as the Auditors of the company.

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

During the year under review, the Company has not carried out any manufacturing activities nor the Company has any manufacturing unit. Hence, information pursuant to Section 217(1)(e) of the Companies Act, 1956 is not applicable.

For and on behalf of the Board

**Murali Sarma**

Chairman

May 20, 2011

**AUDITORS' REPORT TO THE MEMBERS OF IPCA PHARMA (NZ) PTY LTD**

We have audited the attached Balance Sheet of Ipca Pharma (NZ) Pty Ltd as at 31<sup>st</sup> March, 2011, Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. 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. In carrying out our audit we have placed reliance on the work of Pender & Associates Pty Ltd, Certified Practising Accountants and have carried out such checks as we considered necessary to enable us to form our opinion. 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.

Since the company is not a foreign company as defined in Section 591 of the Companies Act 1956, the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, does not apply and hence the matters specified therein are not reported upon.

Further to our comments 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 it appears from our examination of the books.
- iii) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts.
- iv) These accounts are prepared to comply with the requirements of the Companies Act 1956 relating to the subsidiary and holding company disclosure requirements.
- v) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- vi) Since the appointment of directors to this company are not governed by the provisions of the Companies Act, 1956 the provisions relating to disqualifications u/s 274(1)(g) of the Companies Act 1956 do not apply to this company.
- vii) In our opinion and to the best of our information and according to the

explanation given to us, the accounts read with and subject to the notes thereon give the information required by the Companies Act, 1956 in the manner so require and give a true and fair view.

- (a) in the case of Balance Sheet of the State of Affairs of the Company as at 31<sup>st</sup> March, 2011
- (b) in the case of Profit and Loss Account of the profit for the year ended on 31<sup>st</sup> March 2011. and;
- (c) in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For **P. M. Kathariya & Co.**  
**CHARTERED ACCOUNTANTS**  
 Firm Registration No. 104922W

**P. M. Kathariya**

Proprietor

M.No. 31315

Mumbai

May 20, 2011

**BALANCE SHEET AS AT 31ST MARCH, 2011**

	Schedule	31st March, 2011 (Rs. in thousands)	31st March, 2010 (Rs. in thousands)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	4	4
Reserves and Surplus	2	9	-
Foreign Currency Translation Reserves		1	-
Unsecured Loan	3	123	93
		<u>137</u>	<u>97</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block-Intangibles		117	93
Less : Amortiasation / Depreciation		-	-
Net Block		<u>117</u>	<u>93</u>
<b>Current Assets, Loans and Advances</b>			
Cash and Bank Balances	4	20	4
		<u>20</u>	<u>4</u>
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities		-	-
<b>Net Current Assets</b>		<u>20</u>	<u>4</u>
		<u>137</u>	<u>97</u>
<b>Notes to the Accounts</b>	6		

As Per our report of even date attached

For **P. M. Kathariya & Co.**

Chartered Accountants

Firm Registration No. 104922W

**P. M. Kathariya**

Proprietor

M.No. 31315

Mumbai

May 20, 2011

For and on behalf of the Board

Murali Sarma Alakkudi Sundararaman

Director Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

	Schedule	2010-11 (Rs. in thousands)	2009-10 (Rs. in thousands)
<b>INCOME</b>			
Sales and Income from Operations		-	-
<b>EXPENDITURE</b>			
Financial Cost	5	2	-
		<u>(2)</u>	<u>-</u>
<b>PROFIT/(LOSS) BEFORE TAXATION AND PRIOR PERIOD ITEMS</b>		<u>11</u>	<u>-</u>
Prior period income		9	-
<b>PROFIT/(LOSS) AFTER TAXATION AND PRIOR PERIOD ITEMS</b>		<u>9</u>	<u>-</u>
Profit Brought Forward		-	-
<b>Balance carried forward to Balance Sheet</b>		<u>9</u>	<u>-</u>
Earning per Share (in Rupees)			
Basic		90	-
Diluted		90	-
(Refer note 7)			
<b>Notes to Accounts</b>	6		

As Per our report of even date attached

For **P. M. Kathariya & Co.**

Chartered Accountants

Firm Registration No. 104922W

**P. M. Kathariya**

Proprietor

M.No. 31315

Mumbai

May 20, 2011

For and on behalf of the Board

Murali Sarma Alakkudi Sundararaman

Director Director

SCHEDULES TO THE ACCOUNTS

SCHEDULES 1 TO 6 FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	<b>31st March</b>	31st March
	2010	2011
	(Rs. In	(Rs. In
	<b>Thousand)</b>	<b>Thousand)</b>

SCHEDULE 1

SHARE CAPITAL

Issued and Subscribed :

100 Shares (Previous year 100) (Par Value NZD \$ 1 each)	4	4
(All shares are held by holding company-Ipca Pharma (Australia) Pty Ltd)		

PER BALANCE SHEET

<u>4</u>	<u>4</u>
----------	----------

SCHEDULE 2

RESERVE & SURPLUS

Profit & Loss account

<u>9</u>	-
----------	---

PER BALANCE SHEET

<u>9</u>	-
----------	---

SCHEDULE 3

UNSECURED LOAN

Loan from Ipca Pharma (Australia) Pty Ltd. (Holding Co.)	123	93
--	-----	----

PER BALANCE SHEET

<u>123</u>	<u>93</u>
------------	-----------

SCHEDULE 4

CASH AND BANK BALANCES

Cash in hand	4	4
--------------	---	---

Balances with non-scheduled banks (Refer Note No. 3)	<u>16</u>	-
--	-----------	---

PER BALANCE SHEET

<u>20</u>	<u>4</u>
-----------	----------

<b>2010-11</b>	2009-10
(Rs. In	(Rs. In
<b>Thousand)</b>	<b>Thousand)</b>

SCHEDULE 5

FINANCIAL COST

Interest	-	-
----------	---	---

Bank charges	<u>2</u>	-
--------------	----------	---

PER PROFIT AND LOSS ACCOUNT

<u>2</u>	-
----------	---

SCHEDULE 6 - NOTES FORMING PART OF THE ACCOUNTS

1. Accounting Policies.

- Accounting convention  
The financial statements are prepared under the historical cost convention on accrual basis. The financial statements confirm to the requirements of Schedule VI to the Companies Act 1956.

- Conversion into Indian rupees  
The translation of financial statements into Indian Rupees is done in accordance with AS 11 (Revised) the Effects of Changes in Foreign Exchange Rates issued by the Institute of Chartered Accountants of India, which is mandatory w.e.f 01.04.2004. The resultant Foreign Currency Translation Reserve is shown separately under shareholders funds or under Profit and Loss account on the asset side.

The Assets and Liabilities are translated at closing rate except share capital which is translated at the rate as on transaction date. The income and expenditure are translated at a rate nearing the average rate during the year.

- Related Party Disclosure as required by Accounting standard- 18 issued by The Institute of Chartered Accountants of India.

Relationship:

Entities where control exists

IPCA PHARMA (AUSTRALIA) PTY LTD – Holding Company

Transactions with Related Parties

(Rs. In thousand)

Description	Entities where control exists	Total
Loan taken	30	30
(Previous Year)	93	93
Balances as on 31st March 2011		
Payable	123	123
Balances as on 31st March 2010		
Payable	93	93

Disclosure in respect of transactions, which are more than 10% of the total transactions of the same type with, related parties during the year.

(Rs. In Thousands)

Particulars	2010-11	2009-10
Loan Taken		
Ipca Pharma (Australia) Pty Ltd	30	93
Payable		
Ipca Pharma (Australia) Pty Ltd	123	93

3. Balances with non-scheduled banks in Schedule 4:

Name of the Banks	Maximum Balance		Balance As On	
	2010-11 (Rs. In thousand)	2009-10 (Rs. In thousand)	2010-11 (Rs. In thousand)	2009-10 (Rs. In thousand)
Bank of New Zealand	18	-	16	-
<b>Total</b>	<b>18</b>	<b>-</b>	<b>16</b>	<b>-</b>

4. The annual accounts have been prepared on going concern basis.

5. The Company is 100% subsidiary of Ipca Pharma (Australia) Pty Ltd. The accounts have been prepared and restated in Indian Rupees for the purpose of attachment to the accounts of the ultimate holding company to comply with the provisions of Indian Companies Act.

6. Since the company is not having any manufacturing / trading activity during the year, information pursuant to paragraphs 3, 4, 4A, 4C and 4D of part II of Schedule VI to the companies act, 1956 is not given.

7. Earning per Share

The earning per share is calculated by dividing the profit after tax by weighted average no. of shares outstanding for basic & diluted EPS.

Particulars	2010-11	2009-10
Profit after tax (Rs. In thousand)	9	-
No. of shares outstanding	100	100
Weighted Average no. of shares outstanding (Nos.) - Basic	100	100
Weighted Average no. of shares outstanding (Nos.) - Diluted	100	100
Earning per share (Rs.)		
- Basic	90	-
- Diluted	90	-

8. For the purpose of conversion of the reporting currency (AUS \$) into Indian Currency (INR), the exchange rate applied is as per Para 1(b) of the accounting policies.

9. Previous year's figures have been regrouped and rearranged wherever necessary to make them comparable.

As Per our report of even date attached

For **P. M. Kathariya & Co.**

For and on behalf of the Board

Chartered Accountants

Firm Registration No. 104922W

Murali Sarma

Alakkudi Sundararaman

Director

Director

**P. M. Kathariya**

Proprietor

M.No. 31315

Mumbai

May 20, 2011

CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

	<b>2010-11</b>	2009-10
	Rs. in Thousands	Rs. in Thousands

CASH FLOW FROM OPERATING ACTIVITIES

<b>1. Net profit/(loss) before taxation</b>	<b>9</b>	-
<b>2. Operating profit/(loss) before working capital changes</b>	<b>9</b>	-
<b>3. Cash generated from operation</b>	<b>9</b>	-
Movement in foreign Currency Translation reserve	1	-
Tax paid	<u>-</u>	<u>-</u>
<b>4. Net cash from operating activities</b>	<b>A 10</b>	-

CASH FLOW FROM INVESTING ACTIVITIES

Purchases of Fixed Assets	<u>(24)</u>	<u>(24)</u>	(93)	(93)
<b>Net cash from / (used) in investing activities</b>	<b>B (24)</b>		(93)	

CASH FLOW FROM FINANCING ACTIVITIES

Proceeds of Loan from Shareholders	<u>30</u>	<u>30</u>	93	93
<b>Net cash from financing activities</b>	<b>C 30</b>		93	
<b>Net increase/(decrease) in cash and cash equivalents (A + B + C)</b>	<b>16</b>		-	
Cash and cash equivalents at beginning of period		4		4
Cash and cash equivalents at end of period		<u>20</u>		<u>4</u>

As Per our report of even date attached

For **P. M. Kathariya & Co.**

For and on behalf of the Board

Chartered Accountants

Firm Registration No. 104922W

Murali Sarma

Alakkudi Sundararaman

Director

Director

**P. M. Kathariya**

Proprietor

M.No. 31315

Mumbai

May 20, 2011

**DIRECTORS' REPORT**

**TO THE MEMBERS:**

Your Directors have pleasure in presenting the 4<sup>th</sup> Annual Report together with the audited statement of accounts for the year ended 31<sup>st</sup> March, 2011.

**OPERATIONS**

Your Company was incorporated by Ipca Laboratories Limited in association with Padmashree Vaidya Balendu Prakash to set up Ayurvedic Treatment and Research centres and for marketing Ayurvedic formulations. Your Company has started marketing few Ayurvedic formulations since the last financial year. During the year under Report, the total income of the Company was Rs. 4.06 lacs (Previous year – 21.37 Lacs) and the operations have resulted in a net loss of Rs. 30.87 lacs (Previous year – net loss of Rs. 102.85 lacs).

**DIVIDEND**

In view of the losses incurred during the year under review, your Directors do not recommend any dividend for the financial year ended 31<sup>st</sup> March, 2011.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors confirm:

- I. that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- II. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that 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 ended 31<sup>st</sup> March, 2011 and of the loss of the Company for the year;
- III. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- IV. that the Directors have prepared the annual accounts on a going concern basis.

**DIRECTORS**

Mr. Prashant Godha retires by rotation and being eligible, offers himself for re-appointment.

**PARTICULARS OF EMPLOYEES**

Since the Company has no employee covered under the provisions, information required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is not applicable.

**FIXED DEPOSITS**

During the year under review, the Company has not accepted any fixed deposits.

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

The Company has not carried out any manufacturing operations and therefore, not applicable. There was no foreign exchange earnings or outgo

**COMPLIANCE CERTIFICATE**

A compliance certificate under section 383A of the Companies Act, 1956, received from the Secretary in whole time practice is attached herewith.

**AUDITORS**

Agarwal & Mangal, Chartered Accountant, retire as auditors and being eligible offer themselves for re-appointment as Auditors.

For and on behalf of the Board  
Ipca Traditional Remedies Pvt. Ltd.

**Premchand Godha**

Chairman  
Mumbai  
23<sup>rd</sup> May, 2011

**AUDITOR'S REPORT TO THE MEMBERS OF IPCA TRADITIONAL REMEDIES PRIVATE LIMITED**

1. We have audited the Balance Sheet of IPCA TRADITIONAL REMEDIES PRIVATE LIMITED as at 31<sup>st</sup> March, 2011 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto. 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.
2. 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.

3. As required by the Companies (Auditors Report) Order 2003, ( as amended ) issued by the Central Government of India in terms of Section 227 ( 4A ) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred in paragraph 3 above, We report that :

- (a) 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.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of the books.
- (c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of accounts.
- (d) In our opinion, the Balance Sheet and the Profit & Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2011, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> 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.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the accounts read 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 :
  - (i) in the case of the Balance Sheet of the state of affairs of the Company as at 31<sup>st</sup> March, 2011 ;
  - (ii) in the case of the Profit and Loss Account of the Loss for the year ended on that date;

For **Agarwal & Mangal**  
Firm Registration No. 100061W  
Chartered Accountants  
**B. P. MANGAL**  
Partner  
Membership No. 32973

Mumbai  
23<sup>rd</sup> May, 2011

**Annexure referred to in paragraph 3 of our audit report of even date,**

- (i) The Company has no fixed assets.
- (ii) (a) The inventory of the Company has been physically verified at reasonable intervals during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical records and the book records were not material.
- (iii) The Company has not taken or granted any loans from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Consequently, clause (iii)(f) and (iii)(g) of the order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness was noticed in the internal control system.
- (v) The Provision of clause 4(v) of the Companies ( Audit Report ) Order 2003, is not applicable to the Company
- (vi) The Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Act and the rules framed thereunder.

## IPCA TRADITIONAL REMEDIES PRIVATE LIMITED

- (vii) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- (viii) The provisions of clause 4 (viii) of the Company ( Audit Report ) Order, 2003 are not applicable to the Company.
- (ix) (a) According to the records of the Company, the Company is regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales-tax, wealth tax, Service Tax, customs duty, excise duty, cess and other statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess were outstanding as at 31st March, 2011 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of sales tax, income tax, custom duty, wealth tax, service tax, excise duty and cess, which have been not deposited on account of any dispute
- (x) In our opinion the accumulated losses of the Company are more than fifty percent of its net worth. The Company has incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) Based on our audit procedures and on the basis of the information and explanations given by the management, the Company has not defaulted in repayment of dues to bank. The Company has not taken any loan from financial institutions. Further, no loan has been taken by way of issuance of debentures.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) The Company has not given any guarantee for loans taken by others from banks or financial institution.
- (xvi) Based on our examination of records and information and explanations given to us, we are of the opinion that the term loans were applied for the purpose for which the loans were obtained.
- (xvii) On the basis of overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- (xviii) During the year, the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any money through public issue during the year.
- (xxi) Based on the information and explanations furnished by the management, which have been relied upon by us, there were no fraud on or by the Company noticed or reported during the year.

FOR **AGARWAL & MANGAL**  
Firm Registration No. 100061W  
Chartered Accountants  
**B. P. MANGAL**  
Partner  
Membership No. 32973

Mumbai  
23rd May, 2011

### BALANCE SHEET AS AT 31ST MARCH, 2011

SCHEDULE	31.03.2011	31.03.2010
	(RUPEES)	(RUPEES)
<b>SOURCES OF FUND :</b>		
<b>SHARE HOLDERS FUNDS :</b>		
Share Capital	1	29,840,000
		<u>29,840,000</u>
<b>APPLICATION OF FUND</b>		
CURRENT ASSETS, LOANS & ADVANCES		
Inventories	278,233	338,500
Sundry Debtors	2	275,987
Cash & Bank Balances	3	327,099
Loans & Advances	4	46,863
		<u>928,182</u>
		3,810,823
<b>Less: CURRENT LIABILITIES &amp; PROVISIONS</b>	5	276,870
		<u>113,342</u>
		3,697,481
<b>NET CURRENT ASSETS</b>		
		651,312
<b>MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
Preliminary Expenditure	288,084	329,239
PROFIT & LOSS ACCOUNT	28,900,604	25,813,280
	<u>29,840,000</u>	<u>29,840,000</u>
Significant Accounting Policies and Notes to the Accounts	11	

As per our Report of even date attached

For **AGARWAL & MANGAL**

Firm Registration No. 100061W

Chartered Accountants

For and on behalf of the Board

Premchand Godha  
Director

Prashant Godha  
Director

**B. P. MANGAL**

Partner

Membership No.32973

Mumbai

23rd May, 2011

### PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2011

Schedule	2010-11	2009-10
	(RUPEES)	(RUPEES)
<b>INCOME</b>		
Sales	374,344	341,883
Less : Sales Tax	17,229	13,757
Other Income	6	49,217
	<u>406,332</u>	<u>1,808,592</u>
		2,136,718
<b>EXPENDITURE</b>		
Cost of Goods Sold	7	282,620
Personnel Cost	8	2,448,078
Administrative & other Exp.	9	758,591
Financial Cost	10	4,367
Depreciation		-
	<u>3,493,656</u>	<u>12,421,264</u>
	(3,087,324)	(10,284,546)
<b>NET LOSS</b>		
SHORT PROVISION OF FRINGE BENEFIT TAX OF EARLIER YEARS	-	(7,286)
LOSS BROUGHT FORWARD	(25,813,280)	(15,521,448)
LOSS CARRIED TO BALANCE SHEET	(28,900,604)	(25,813,280)
EARNING PER SHARE	(1.03)	(3.45)
Significant Accounting Policies and NOTES TO THE ACCOUNTS	11	

As per our Report of even date attached

For **AGARWAL & MANGAL**

Firm Registration No. 100061W

Chartered Accountants

For and on behalf of the Board

Premchand Godha  
Director

Prashant Godha  
Director

**B. P. MANGAL**

Partner

Membership No.32973

Mumbai

23rd May, 2011

## IPCA TRADITIONAL REMEDIES PRIVATE LIMITED

### SCHEDULES TO THE ACCOUNTS

Schedule 1 to 11 forming part of the Balance Sheet as at 31st March 2011 and Profit and Loss Account for the year ended 31, March 2011

31.03.2011 31.03.2010

(RUPEES) (RUPEES)

#### SCHEDULE 1

##### SHARE CAPITAL

Authorised

4000000 Equity Shares of Rs. 10/- each

( P. Y. 4000000 Equity Shares of Rs. 10/- each ) 40,000,000 40,000,000

Issued And Subscribed & Paid Up.

2984000 Equity Shares of Rs. 10/- each fully paid up 29,840,000 29,840,000

( P. Y. 2984000 Equity Shares of Rs. 10/- each )

**PER BALANCE SHEET** 29,840,000 29,840,000

#### SCHEDULE 2

##### SUNDRY DEBTORS

( Unsecured - Considered Good )

Outstanding for more than 6 Month 128,647 -

Other Debts 147,340 824,159

**PER BALANCE SHEET** 275,987 824,159

#### SCHEDULE 3

##### CASH & BANK BALANCES

Cash in Hand 2,734 35,874

Balances with Scheduled Bank

In Current Account 324,365 388,223

In Deposit Account - 2,042,360

**PER BALANCE SHEET** 327,099 2,466,457

#### SCHEDULE 4

##### LOANS & ADVANCES

( Unsecured - Considered Good )

Advances recoverable in cash or in kind or for

value to be received 9,505 21,499

Deposits - 150,000

Advance Fringe Benefit Tax - 3,399

TDS 37,358 6,809

**PER BALANCE SHEET** 46,863 181,707

#### SCHEDULE 5

##### CURRENT LIABILITIES & PROVISIONS

Sundry Creditors 179,509 66,037

Other Liabilities 97,361 47,305

**PER BALANCE SHEET** 276,870 113,342

#### SCHEDULE 6

##### OTHER INCOME

Accommodation Charges Received from Patient - 1,666,614

Registration Fees - 59,000

Interest Income (Including Tax Deducted

at source Rs. 3873 /- ) ( P. Y. 6809/- ) 49,217 68,078

Seminar Fees - 14,900

**PER PROFIT & LOSS ACCOUNT** 49,217 18,08,592

### SCHEDULE 7

#### COST OF GOODS SOLD

Opening Stock 338,500 429,669

Add :- Purchases 125,524 143,234

Add :- Packing Material 96,829 -

Less :- Closing Stock 278,233 338,500

**PER PROFIT & LOSS ACCOUNT** 282,620 234,403

### SCHEDULE 8

#### PERSONNEL COST

Payment to and Provision for Salaries, Wages and Bonus 2,446,328 3,419,524

Welfare Expenses - 52,638

Recruitment & training 1,750 11,614

**PER PROFIT & LOSS ACCOUNT** 2,448,078 3,483,776

### SCHEDULE 9

#### ADMINISTRATIVE & OTHERS EXP

Audit Fees 8,273 8,761

Electrical Consumables 95 39,782

Electricity & Water Charges - 397,108

Insurance - 30,799

Telephone Charges 13,985 82,012

Rent, Rates & Taxes 103,810 432,298

Vehicle Expenses 900 57,254

Repairs & Maintenance 6,256 136,153

Printing & Stationery 37,082 64,268

Travelling Expenses 261,790 369,790

Legal & Professional Charges 39,101 85,679

Loss on sale of Assets - 2,448,819

Miscellaneous Expenses 287,299 314,982

**PER PROFIT & LOSS ACCOUNT** 758,591 4,467,705

### SCHEDULE 10

#### FINANCIAL COST

On Fixed Loans - 3,682,455

Bank Charges 4,367 13,088

**PER PROFIT & LOSS ACCOUNT** 4,367 3,695,543

### SCHEDULE 11

#### NOTES FORMING PART OF THE ACCOUNTS

##### 1. SIGNIFICANT ACCOUNTING POLICIES

###### a. System of Accounting :

The Company follows accrual system of accounting for all items of revenue and costs.

###### b. Inflation :

Assets and Liabilities are shown at historical cost and no adjustments are made for changes in purchasing power of money.

###### c. Investments :

Investments are stated at cost.

###### d. Fixed Assets

Fixed Assets are stated at cost including taxes, duties, freight and other incidental expenses incurred in relation to acquisition and installation of the assets.

**e. Depreciation**

Depreciation on fixed assets is provided on Straight Line method at applicable rates and in the manner specified in schedule XIV of the Companies Act, 1956.

2. Additional Information pursuant to paragraphs 3, 4C and 4D of Part II of Schedule VI to the the Companies Act, 1956

**PARTICULARS OF STOCK, SALES & PURCHASES :**

	Units		2010-11		2009-10
		Quantity	Amount	Quantity	Amount
<b>a. STOCK OF GOODS</b>					
Capsules	Nos.	7374	266927	9414	320937
Tablets	Nos.	278	11306	475	17563
			<u>278233</u>		<u>338500</u>
<b>b. SALES OF FINISHED GOODS</b>					
Capsules	Nos.	3205	275185	3285	264498
Tablets	Nos.	1427	81930	1035	63628
			<u>357115</u>		<u>328126</u>
<b>c. PURCHASE OF FINISHED GOODS</b>					
Capsules	Nos.	1165	76405	1980	129374
Tablets	Nos.	1230	49119	360	13860
			<u>125524</u>		<u>143234</u>

3. Managerial Remuneration :

- i) Managerial remuneration under Section 198 of the Companies Act, 1956 to Whole time Directors.

	2010 - 11	2009 - 2010
	Rupees	Rupees
Salary (Previous Year paid for 1 month Apr'09)	-	225,000
Contribution to Provident Fund and other funds	-	-
Perquisites & benefits	-	-
	<u>-</u>	<u>225,000</u>

- ii) Computation of Net Profit as per Section 349 read with Section 309(5) of the Companies Act, 1956.

	2010 - 11	2009 - 10
	Rupees	Rupees
Profit after Taxation as per Profit and Loss Account	(3,087,324)	(10,284,546)
Add: Provision for Fringe Benefit Tax	-	-
Depreciation	-	539,837
Directors remuneration	-	225,000
Loss on sale of Assets	-	2,448,819
	<u>(3,087,324)</u>	<u>(7,070,890)</u>
Less: Depreciation under Section 350	-	539,837
Net Profit for the purpose of Managerial Remuneration	<u>(3,087,324)</u>	<u>(7,610,727)</u>

- ii) Company has not recommended any commission to the wholtime Directors.

4. Related Party Disclosure as required by Accounting Standard - AS 18 issued by the Institute of Chartered Accountants of India.

Relationships :

**A. Entities where control exists**

IpcA Laboratories Limited

**B. Key Management Personnel**

Mr. Premchand Godha Director  
Mr. Vaidya Balendu Prakash Director

**C. Associates**

Makers Laboratories Limited

Transaction with Related Parties

(Rupees)

Description	Entities where control exists	Associates	Total
Issue of Share to IpcA Laboratories Ltd.	NIL	-	NIL
	(28840000)	-	(28840000)
Remuneration to Directors	NIL	-	NIL
	(225000)	-	(225000)
Purchase of Goods and Services	NIL	-	NIL
	(10463)	-	(10463)
Sales of goods and services	146194	-	146194
	(286922)	-	(286922)
Sale of Fixed Assets	NIL	-	NIL
	(125351604)	(487783)	(125839387)
Balances as on 31-03-2011			
Receivables	48409	12582	60991

	(286922)	(487783)	(774705)
Payables	NIL	(NIL)	NIL
	(10463)	(NIL)	(10463)

Disclosures in respect of transactions which are more than 10 % of the total transactions of the same type with related parties during the year.

**Sale of Goods & Services**  
IpcA Laboratories Limited 146194  
(286922)

**Sale of Fixed Assets**  
IpcA Laboratories Limited NIL  
(125351604)

**Remuneration of Directors**  
Mr. Vaidya Balandu Prakash NIL  
(225000)

**Receivables**  
IpcA Laboratories Limited 48409  
Makers Laboratories Limited 12582

5. Previous years figure have been regrouped and rearranged wherever necessary.  
6. In the opinion of the Board of Directors of the Company all the current assets, loans and advances have value on realisation of an amount at least equal to the amount at which they are stated in the Balance Sheet. are stated in the Balance sheet.

As per our Report of even date attached

**For AGARWAL & MANGAL**  
Firm Registration No. 100061W  
Chartered Accountants

For and on behalf of the Board

**B. P. MANGAL**  
Partner  
Membership No.32973  
Mumbai  
23rd May, 2011

Premchand Godha Director  
Prashant Godha Director

**Additional information pursuant to Part IV of Schedule VI to the Companies Act 1956  
BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE**

<b>1 Registration Details</b>		
Registration No.		170959
State Code		11
Balance sheet		3/31/2011
<b>2 Capital raised during the year</b>		
Public Issue		NIL
Right Issue		NIL
Bonus Issue		NIL
Private Placement		NIL
<b>3 Position of mobilisation of funds</b>		
Total Liabilities		30,116,870
Total Assets		30,116,870
<b>Sources of funds</b>		
Paid - up Capital		29,840,000
Reserves & Surplus		NIL
Secured Loans		NIL
Unsecured Loans		NIL
<b>Application of funds</b>		
Net Fixed Assets		NIL
Investment		NIL
Net Current Assets		651,312
Miscellaneous Expenditure		288,084
Accumulated Losses		28,900,604
<b>4 Performance of the Company</b>		
Turnover		406,332
Total Expenditure		3,493,656
Loss Before Tax		(3,087,324)
Loss After Tax		(3,087,324)
Earning Per Share		(1.03)
Dividend Rate		NIL
<b>5 Generic Names of Principal Product of the Company (As per monetary terms)</b>		
Item Code No. ( ITC Code )		NOT APPLICABLE
Product Description		NOT APPLICABLE

As per our Report of even date attached

**For AGARWAL & MANGAL**  
Firm Registration No. 100061W  
Chartered Accountants

For and on behalf of the Board

**B. P. MANGAL**  
Partner  
Membership No.32973  
Mumbai  
23rd May, 2011

Premchand Godha Director  
Prashant Godha Director