

Auditors' Report

To
The members of
Fermenta Biotech Limited

1. We have audited the attached balance sheet of Fermenta Biotech Limited ('the Company') as at March 31, 2011 and also the profit and loss account and 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.
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 the 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 (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 a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. 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 purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account ;
 - iv. In our opinion, the balance sheet, profit and loss account and 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 representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 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 explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) In the case of the balance sheet, of the state of affairs of the Company as at March 31, 2011;
 - b) In the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) In the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Associates
Firm Registration No. 101049VV
Chartered Accountants

per **Vikram Mehta**

Partner

Place: Mumbai

Date: May 28, 2011

Membership No. 105938



Annexure referred to in paragraph 3 of our report of even date

Re: Fermenta Biotech Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) There was no disposal of a substantial part of fixed assets during the year.
- (ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. Inventories lying with outside parties have been confirmed by them as at year end.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company and hence not commented upon.
- (e) The Company has taken loan from a company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 105,987 thousand and the year-end balance of loans taken from such parties was Rs. 15,987 thousand.
- (f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (g) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interest has been regular.
- (iv) (a) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and for the sale of goods. *However, the internal control system for purchases of fixed assets needs to be strengthened with regard to documentation of vendor selection and analysis of quotation.* During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time *except in respect of purchase of technology from holding company being of the unique and specialised nature where comparable prices were not available, we are unable to comment whether the transactions was made at prevailing market prices at the relevant time.*
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, related to the manufacture of Bulk Drug and Formulations and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases.*

Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income tax, wealth tax, service tax, sales tax, customs duty, excise duty cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable..
- (c) According to the records of the Company, the dues outstanding of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Excise Duty	1,50,000	2005-06	Customs, Excise & Service Tax Appellate Tribunal (cestat), Delhi

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced before 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 (as amended) 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 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the Company.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S.R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per **Vikram Mehta**
Partner

Place: Mumbai
Date: May 28, 2011

Membership No. 105938



Balance Sheet as at March 31, 2011

Rs. in '000

	Schedules	As at March 31, 2011		As at March 31, 2010	
SOURCES OF FUNDS					
Shareholders' Funds					
Share capital	A	177,045		87,000	
Reserves and surplus	B	410,033		207,932	
			587,078		294,932
Loan Funds					
Secured loans	C	183,334		132,820	
Unsecured loans	D	15,987	199,321	30,000	162,820
Deferred Tax Liabilities(net)			882		-
(Refer Note 15 Schedule 'U')					
Total			787,281		457,752
APPLICATION OF FUNDS					
Fixed Assets		E			
Gross block		442,692		333,842	
Less : Accumulated depreciation		154,448		124,976	
Net block		288,244		208,866	
Capital work - in - progress including capital advances		185,000		56,850	
			473,244		265,716
Investments	F		18,662		18,662
Deferred Tax Assets (net)			-		3,275
(Refer Note 15 Schedule 'U')					
Current Assets, Loans and Advances					
Inventories	G	104,537		71,463	
Sundry debtors	H	155,922		112,367	
Cash and bank balances	I	103,819		31,928	
Loans and advances	J	38,950		26,697	
(A)		403,228		242,455	
Less: Current Liabilities and Provisions					
Current liabilities	K	83,465		58,066	
Provisions	L	24,388		14,290	
(B)		107,853		72,356	
Net Current Assets (A - B)			295,375		170,099
Total			787,281		457,752
Notes to Accounts		U			

The schedules referred to above and the notes to the accounts form an integral part of the Balance Sheet

As per our report of even date

For S.R.Batliboi & Associates
Firm Registration No.101049W
Chartered Accountants

per **Vikram Mehta**
Partner
Membership No.: 105938

Place: Mumbai
Date : May 28, 2011

For and on behalf of the Board of Directors

Peter Bains
Chairman

Vishwanath Chibrolu
Director

Rajendra Gaitonde
Whole Time Director - Operations

Place: Thane
Date : May 28, 2011

Satish Varma
Managing Director

Anupama Datla
Executive Director

Sudarshan G. Kamath
Chief Financial Officer

Krishna Datla
Director

Sanjay Buch
Director

Ranabir Sanyal
Company Secretary

Profit and Loss Account for the year ended March 31, 2011

Rs. in '000

Schedules	Year ended March 31, 2011	Year ended March 31, 2010
INCOME		
Turnover (Gross)		
- Exports	458,612	348,942
- Domestic	198,833	140,211
Total	657,445	489,153
Less: Excise duty	14,498	8,996
Net sales	642,947	480,157
Other income M	12,795	2,987
Total	655,742	483,144
EXPENDITURE		
Purchase of trading goods	553	9,367
Materials consumed N	207,798	138,742
(Increase)/Decrease in inventories O	(25,507)	(1,916)
Manufacturing expenses P	88,521	58,721
Personnel expenses Q	101,749	68,511
Interest and finance charges R	19,148	14,412
Selling and distribution expenses S	23,189	37,002
Administration and other expenses T	87,256	87,691
Depreciation E	29,472	23,125
Total	532,179	435,655
PROFIT BEFORE TAX	123,563	47,489
Less: Provision for tax		
(a) Current tax	24,950	8,850
(b) Deferred tax charge/(credit)	4,158	(3,275)
(Refer: Note 15 of Schedule 'U')	29,108	5,575
	94,455	41,914
Add: Excess (Short) provision for tax in respect of earlier year	-	(41)
PROFIT AFTER TAX	94,455	41,873
Add: Balance brought forward from previous year	132,362	90,489
Less: Transfer to Capital Redemption Reserve	(7,000)	-
(Refer Note 13 (b) of Schedule 'U')		
BALANCE CARRIED TO BALANCE SHEET	219,817	132,362
Earnings per share (basic and diluted)	6.64	5.23
Numerator - Profit after taxation (Rs. In 000)	94,455	41,873
Weighted average number of equity shares of Rs.10 each	14,230,199	8,000,000
Notes to Accounts U		

The schedules referred to above and the notes to the accounts form an integral part of the Profit and Loss Account

As per our report of even date

For S.R.Batliboi & Associates
Firm Registration No.101049W
Chartered Accountants

per **Vikram Mehta**
Partner
Membership No.: 105938

Place: Mumbai
Date : May 28, 2011

For and on behalf of the Board of Directors

Peter Bains
Chairman

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Chief Financial Officer

Krishna Datla
Director

Sanjay Buch
Director

Ranabir Sanyal
Company Secretary



Schedules annexed to and forming part of the Balance Sheet

as at March 31, 2011

Rs. in '000

	As at March 31, 2011		As at March 31, 2010	
SCHEDULE A SHARE CAPITAL				
Authorised:				
19,010,000 (2010 - 9,010,000) equity shares of Rs.10 each		190,100		90,100
990,000 (2010 - 990,000) Redeemable cumulative non-convertible preference shares of Rs.10 each		9,900		9,900
		200,000		100,000
Issued and Subscribed:				
18,192,844 (2010 - 8,000,000) equity shares of Rs.10 each fully paid-up		181,928		80,000
includes 7,000,000 (2010-NIL) shares of Rs.10 each allotted as fully paid up for consideration other than cash (Refer note 13 (b) of Schedule 'U') [Of the above 127,62,464 (2010-7,677,500) equity shares are held by the holding company, DIL LTD)				
Less: Amount recoverable from ESOP trust (Refer Note 13 (c) (i) of Schedule 'U')		(4,883)		-
NIL (2010 - 700,000) 0% Redeemable cumulative non-convertible preference shares of Rs.10 each fully paid-up, held by the holding company, DIL Limited, issued on a preferential basis at a premium of Rs. 90 per share. (Refer Note 13 (b) of Schedule 'U')		-		7,000
		177,045		87,000

SCHEDULE B RESERVES AND SURPLUS

Capital Redemption Reserve:				
As per last balance sheet		3,338		3,338
Add: Transferred from Profit and Loss account in the current year (Refer Note 13 (b) of schedule 'U')		7,000		-
		10,338		3,338
Securities Premium Account:				
As per last balance sheet		63,000		63,000
Add: Premium on issue of shares (Ref Note 13 (d) and 13 (c) ii of Schedule 'U')		192,659		-
Less: Share issue expenses written off (Refer Note 13 (c) ii of Schedule 'U')		(22,013)		-
Less: Refund of share issue premium on redemption of preference shares (Refer Note 13 (b) of Schedule 'U')		(63,000)		-
		170,646		63,000
General Reserve:		9,232		9,232
Profit and Loss Account		219,817		132,362
		410,033		207,932

Schedules annexed to and forming part of the Balance Sheet

as at March 31, 2011

Rs. in '000

	As at March 31, 2011		As at March 31, 2010	
SCHEDULE C SECURED LOANS				
Vehicle Loan		6,634		2,919
Secured against hypothecation of vehicles. [Repayable within a year Rs. 2,419 (2010 - Rs.1,776)]				
Term Loans		47,206		59,967
Secured by way of first charge on fixed assets procured with financial assistance of the term loan and by equitable mortgage of factory land and building at Kullu. [Repayable within a year Rs. 24,023 (2010 - Rs. 21,282)]				
Secured by way of first charge on fixed assets procured with financial assistance of the term loan and by equitable mortgage of factory land and building at Dahej pending execution. [Repayable within a year Rs.12,500 (2010 - Rs.NIL)]		73,900		-
Packing Credit		40,000		40,000
Secured by way of hypothecation of the Company's entire stocks of raw materials, semi-finished and finished goods, consumable stores and spares and such other moveable including book-debts, bills, whether documentary or clean, outstanding monies, receivables and also by way of first charge on all of the Company's fixed assets both present and future.				
Cash Credit		15,594		29,934
Secured by way of hypothecation of the Company's entire stocks of raw materials, semi-finished and finished goods, consumable stores and spares and such other moveable including book-debts, bills, whether documentary or clean, outstanding monies, receivables, and also by way of first charge on all of the Company's fixed assets both present and future.				
		183,334		132,820

SCHEDULE D UNSECURED LOANS

Short-term loan from holding company [includes interest accrued Rs. 236 (2010 - Rs.NIL)]		15,987		30,000
		15,987		30,000



Schedules annexed to and forming part of the Balance Sheet

as at March 31, 2011

SCHEDULE E FIXED ASSETS

Rs. in '000

Particulars	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	As at 01.04.2010	For the year	On Deductions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Tangible Assets										
Freehold land	3,604	-	-	3,604	-	-	-	-	3,604	3,604
Lease hold land	-	30,893	-	30,893	-	1,030	-	1,030	29,863	-
Building	71,729	1,737	-	73,466	14,908	2,684	-	17,592	55,874	56,821
Plant and machinery	2,26,679	42,910	-	2,69,589	1,00,291	19,359	-	1,19,650	1,49,939	126,388
Office equipment	1,871	507	-	2,378	744	104	-	848	1,530	4,083
Computers	6,612	1,856	-	8,468	3,656	935	-	4,591	3,877	-
Furniture and fixtures	4,161	4,017	-	8,178	1,313	1,173	-	2,486	5,692	2,848
Vehicles **	11,636	8,178	-	19,814	2,661	1,456	-	4,117	15,697	8,975
Intangible Assets										
Softwares	951	2,802	-	3,753	120	515	-	635	3,118	831
Product know-how*	6,599	15,950	-	22,549	1,283	2,216	-	3,499	19,050	5,316
Total	3,33,842	1,08,850	-	4,42,692	1,24,976	29,472	-	1,54,448	2,88,244	2,08,866
Previous year	2,95,029	39,487	674	3,33,842	1,02,525	23,125	674	1,24,976	2,08,866	-
Capital work-in-progress ***									1,10,004	40,757
Advances to Suppliers									74,996	16,093
									1,85,000	56,850

Capital work-in-progress ***

Advances to Suppliers

* Refer note 13 (f) of Schedule 'U'

** Includes vehicles hypothecated to bank

Gross block Rs.14,965 (2010 - Rs.6,552)

Net block Rs.12,606 (2010 - Rs.5,768)

*** Capital work-in-progress includes borrowing cost amounting to Rs. 5,122 (2010 - Rs. Nil) relating to qualifying assets.

Rs. in '000

	As at March 31, 2011	As at March 31, 2010
SCHEDULE F INVESTMENTS		
Long term trade and unquoted investments (at cost, fully paid-up):		
In subsidiary companies:		
(companies under same management)		
(a) In India:		
6,250 (2010 - 6,250) equity shares of Rs.10/- each in G. I. Biotech Private Limited.	63	63
(b) Outside India:		
220,001 (2010 - 220,001) shares of G.B. Pound 1/- each in Fermenta Biotech (UK) Limited	18,399	18,399
Long term other (unquoted):		
(a) In India:		
20,000 (2010 - 20,000) equity shares of Rs.10/- each in Shivalik Solid Waste Management Limited	200	200
	18,662	18,662
Aggregate amount of unquoted investments	18,662	18,662
There are no investments which are purchased and sold during the year:		

Schedules annexed to and forming part of the Balance Sheet

as at March 31, 2011

Rs. in '000

	As at March 31, 2011		As at March 31, 2010	
SCHEDULE G INVENTORIES				
(at lower of cost and net realisable value)				
Stock-in-trade:				
Raw materials [Including stock in transit Rs. 4,253 (2010 - Rs. 597)]		31,960		27,189
Packing materials		4,097		3,669
Intermediate raw materials		4,274		1,982
Work-in-process		26,505		20,198
Finished goods		33,588		14,388
Stores and spare parts		4,113		4,037
		104,537		71,463

SCHEDULE H SUNDRY DEBTORS (UNSECURED)

Debts outstanding for a period exceeding six months:				
Considered good	4,490		1,332	
Considered doubtful	15,233		15,233	
		19,723		16,565
Other debts:				
Considered good		1,51,432		1,11,035
		1,71,155		1,27,600
Less: Provision for doubtful debts		(15,233)		(15,233)
		155,922		112,367
Sundry Debtors include amounts due from companies under the same management:				
DIL Ltd.		3		73
(Maximum amount outstanding during the year)		641		110

SCHEDULE I CASH AND BANK BALANCES

Cash on hand		54		192
Balances with scheduled banks:				
On current accounts	2,899		21,736	
On term deposit account	100,866		10,000	
		103,765		31,736
		103,819		31,928



Schedules annexed to and forming part of the Balance Sheet

as at March 31, 2011

Rs. in '000

	As at March 31, 2011		As at March 31, 2010	
SCHEDULE J LOANS AND ADVANCES				
(Unsecured, considered good unless otherwise stated)				
Advances to subsidiary company		624		519
Advances recoverable in cash or in kind or for value to be received				
- Considered good		24,806		16,082
- Considered doubtful		508		508
Deposit with a body corporate - considered doubtful		26,783		26,783
Security deposits		4,857		1,890
Balance with customs and excise etc		8,664		8,207
		66,242		53,989
Less: Provision for doubtful advances		27,292		27,292
		38,950		26,697
Loans and advances includes dues from the companies under the same management				
G. I. Biotech Private Limited		624		519
(Maximum amount outstanding during the year)		624		1,393

SCHEDULE K CURRENT LIABILITIES

Sundry creditors of micro and small enterprises (Refer Note 18 of Schedule 'U')		1,150		108
Sundry creditors other than micro and small enterprises		76,412		48,793
Advance from customers		1,798		5,116
Other Liabilities		4,105		4,049
		83,465		58,066

Note : The Company has dues payable to micro and small enterprises as per MSMED Act, 2006 as at the year end amounting to Rs. 1,150 (2010 - Rs 108), identification of which is based on the management's knowledge of their status. No interest has been paid during the year or is payable as at the year end to any micro, small and medium enterprises as per the provisions of the Act.

SCHEDULE L PROVISIONS

Provision for Taxation (net of advance tax payments)		7,929		1,354
Provision for long term compensated absences (Refer Note 11 (b) of Schedule 'U')		12,425		8,363
Provision for gratuity (Refer Note 11 (b) of Schedule 'U')		4,034		4,573
		24,388		14,290

Schedules annexed to and forming part of the Profit and Loss Account

for the year ended March 31, 2011

Rs. in '000

	Year ended March 31, 2011		Year ended March 31, 2010	
SCHEDULE M OTHER INCOME				
Interest				
Bank Deposits [tax deducted at source Rs.18 (2010 - Rs. 4)]		907		59
Others [tax deducted at source Rs. NIL (2010 - Rs.33)]		160		327
Foreign exchange fluctuation gain (net)		10,134		-
Profit from joint marketing of product [tax deducted at source Rs. NIL (2010 - Rs.36)]		736		2,305
Miscellaneous income		858		296
		12,795		2,987

SCHEDULE N RAW MATERIALS AND PACKING MATERIALS CONSUMED

INVENTORIES AT THE COMMENCEMENT OF THE YEAR				
Raw materials	27,189		24,918	
Packing materials	3,669		2,092	
Intermediate raw materials	1,982	32,840	10,792	37,802
Add: Purchases:				
Raw materials		199,225		124,096
Packing materials		8,751		5,208
Freight inward		7,313		4,476
Less: INVENTORIES AT THE END OF THE YEAR				
Raw materials	31,960		27,189	
Packing materials	4,097		3,669	
Intermediate raw materials	4,274	40,331	1,982	32,840
		207,798		138,742

SCHEDULE O (INCREASE)/ DECREASE IN INVENTORIES

Inventories at the commencement of the year				
Work-in-process	20,198		9,903	
Finished goods	14,388	34,586	22,767	32,670
Less Inventories at the end of the year				
Work-in-process	26,505		20,198	
Finished goods	33,588	60,093	14,388	34,586
		(25,507)		(1,916)



Schedules annexed to and forming part of the Profit and Loss Account

for the year ended March 31, 2011

Rs. in '000

	Year ended March 31, 2011		Year ended March 31, 2010	
SCHEDULE P MANUFACTURING EXPENSES				
Stores and spare parts consumed		12,882		9,471
Excise duty expenses(Refer Note 13 (h) of Schedule 'U')		2,147		333
Power, fuel and gas		33,461		21,609
Labour charges		6,582		4,180
Repairs and maintenance:				
- Machinery	524		802	
- Building	1,055	1,579	2,334	3,136
Processing charges		31,870		19,992
		88,521		58,721

SCHEDULE Q PERSONNEL EXPENSES:

Salaries, wages and bonus		86,189		58,505
Contribution to provident and other funds		5,579		4,123
Gratuity expenses (Refer Note I (b) of Schedule 'U')		2,765		1,448
Staff welfare expenses		7,216		4,435
		101,749		68,511

SCHEDULE R INTEREST AND FINANCE CHARGES

Interest:				
- On term loans	7,576		6,728	
- Others	9,519		6,090	
		17,095		12,818
Bank charges		2,053		1,594
		19,148		14,412

SCHEDULE S SELLING AND DISTRIBUTION EXPENSES

Commission and discount on sales		529		1,452
Royalty		220		20,890
Freight outward		20,207		12,265
Business promotion expenses		709		1,672
Advertisement		1,524		723
		23,189		37,002

Schedules annexed to and forming part of the Profit and Loss Account

for the year ended March 31, 2011

Rs. in '000

	Year ended March 31, 2011		Year ended March 31, 2010	
SCHEDULE T ADMINISTRATION AND OTHER EXPENSES				
Rent		12,587		3,114
Insurance		4,342		3,011
Travelling and conveyance		20,951		14,954
Professional and legal fees		21,926		34,993
Postage and telephone		2,444		1,934
Rates and taxes		6,256		3,507
Lumpsum technical know-how fees		259		530
Printing & stationery		2,415		1,447
Staff recruitment expenses		1,599		928
Repairs and maintenance - others		2,748		1,745
Foreign exchange fluctuation - loss (net)		-		7,645
Provision for doubtful debts & advances		-		2,399
Bad debts and advances written off	-		7,886	-
Less Provision for bad debts and advances made in earlier years written back	-	-	(7,532)	354
Donations		949		53
Miscellaneous expenses (Refer Note 5 of Schedule 'U')		10,780		11,077
		87,256		87,691



Schedules annexed to and forming part of the Balance Sheet as at March 31, 2011 and Profit and Loss Account for the year ended on that date

SCHEDULE U NOTES TO ACCOUNTS

1 Background:

Fermenta Biotech Limited ('the Company') is in the business of manufacturing and marketing of chemicals and bulk drugs and enzymes.

2 Significant accounting policies:

a) Basis of accounting

The financial statements have been prepared to comply in all material respects with the notified Accounting Standards issued by Companies (Accounting Standards), Rule, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Company and 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 the management's best knowledge of current events and actions, actual results could differ from these estimates.

c) Fixed assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises cost of acquisition or construction including any attributable cost of bringing the asset to its working condition for its intended use, net of cenvat credit. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

d) Intangible Assets

Licenses

Costs relating to licenses, which are acquired, are capitalized and amortized on a straight-line basis over their five year useful lives.

Research and Development Costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate: (i) The technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) Its intention to complete the asset and use or sell it; (iii) Its ability to use or sell the asset; (iv) How the asset will generate probable future economic benefits; (v) The availability of adequate resources to complete the development and to use or sell the asset; and (vi) The ability to measure reliably the expenditure attributable to the Intangible asset during development.

Any expenditure so capitalised is amortised over their estimated useful lives of three years on a straight line basis.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

e) Depreciation

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management or at the rates prescribed under Schedule XIV of the Companies Act, 1956 whichever is higher.

	Estimated useful life (in years)
Building	30
Lease Hold Improvements (included in Buildings)	10
Plant and Machinery	10
Office Equipments	21
Computers	6
Furniture and Fixtures	6
Vehicles	11
Intangibles	3-5

Assets costing less than Rs. 5,000 are fully depreciated on installation.

Schedules annexed to and forming part of the Balance Sheet as at March 31, 2011 and Profit and Loss Account for the year ended on that date

SCHEDULE U NOTES TO ACCOUNTS (Contd.)

f) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

g) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined as follows:

- (a) Stores and spare parts: First-in-first-out method.
- (b) Raw materials and packing materials: Lower of cost and net realisable value. Cost is determined on a weighted average basis.
- (c) Intermediate raw materials, work-in-process and finished goods: Cost includes direct materials determined on the basis of weighted average method and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

h) Investments

Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Excise duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arisen during the year.

Interest

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Profit Sharing on Joint Marketing

Revenue is recognised on an accrual basis in accordance with the terms of the relevant agreement.

j) Foreign currency transactions

Initial Recognition

Transactions in foreign currencies are recorded in the reporting currency at the exchange rate prevailing between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations.



Schedules annexed to and forming part of the Balance Sheet as at March 31, 2011 and Profit and Loss Account for the year ended on that date

SCHEDULE U NOTES TO ACCOUNTS (Contd.)

Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

k) Employee benefits comprise gratuity, compensated absences, provident fund and superannuation fund.

Retirement benefits in the form of provident fund and superannuation funds are defined contribution schemes and the Company has no further obligation beyond the contributions made to the respective funds. Contributions are charged to profit and loss account in the period in which they accrue.

Employees are entitled to benefits under the Payment of Gratuity Act, 1972, a defined benefit plan covering employees of the Company. The plan provides for a lump-sum payment to eligible employees at retirement, death, incapacitation or on termination of employment, of an amount based on the respective employee's salary and tenure of employment subject to a maximum of Rs.10,00,000 per employee.

The gratuity liability and net periodic gratuity cost is actuarially determined based on the projected unit credit method after considering discount rates, expected long term return on plan assets and increase in compensation levels.

All actuarial gains/losses are immediately recorded to the profit and loss account and are not deferred.

The Company makes contributions to a fund administered and managed by Life Insurance Corporation of India ('LIC') to fund the gratuity liability. Under this scheme, the obligation to pay gratuity remains with the Company, although LIC administers the scheme.

Liability for long term compensated absences are provided for based on actuarial valuation done as per projected unit credit method.

l) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period.

The Company's bulk drugs production facility in Kullu, Himachal Pradesh, is eligible for deduction of 100% of profits until March 31, 2008 and 30% of profits from April 1, 2008 to March 31, 2013, under section 80IB of the Income Tax Act, 1961. In view of such deduction, no asset has been recognized in respect of the Minimum Alternate Tax (MAT) credit available to the Company. In the

Schedules annexed to and forming part of the Balance Sheet as at March 31, 2011 and Profit and Loss Account for the year ended on that date

SCHEDULE U NOTES TO ACCOUNTS (Contd.)

year in which MAT credit becomes eligible to be recognised as an asset in accordance with recommendations contained in the Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of credit to the Profit and Loss account and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal tax under specified period.

m) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The Company has not issued any potential equity shares and hence the basic earnings per share and diluted earnings per share are the same.

n) Provisions

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.

o) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating lease. Operating Lease payments are recognised as an expense in the profit and loss account on a straight line basis over the lease term.

p) Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

q) Segment Reporting

Identification of segments :

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

3. Research and development expenditure of Rs.17,038 thousand (2010 - Rs. 23,671 thousand) has been charged/amortised to the profit and loss account. Capital Expenditure in the current year on Research and Development amounts to Rs. 3,233 thousand (2010 - Rs. 3,283 thousand)

4. Remuneration to directors:

Rs. in '000

	Year ended March 31, 2011	Year ended March 31, 2010
a) Managerial remuneration under Section 198 of the Companies Act, 1956		
Salary & commission *	11,950	4,057
Contribution to provident and other funds	1,180	576
Perquisites and benefits	483	96
	13,613	4,729
b) Directors' sitting fees	695	96
	14,308	4,825



Schedules annexed to and forming part of the Balance Sheet as at March 31, 2011 and Profit and Loss Account for the year ended on that date

SCHEDULE U NOTES TO ACCOUNTS (Contd.)

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

Rs. in '000

	Year ended March 31, 2011	Year ended March 31, 2010
Profit before taxation	123,563	47,489
Managerial Remuneration	14,308	4,825
Profit as per Sec 349 of the Companies Act, 1956	137,871	52,314
Maximum remuneration to Executive Directors as per Section 198 and 309 of the Companies Act, 1956 @ 10%	13,787	5,231
Remuneration actually approved for payment	13,613	4,729
Commission payable to Managing Director u/s 198 of the Companies Act, 1956 @ 1.214%	1,674	-
* Commission actually approved for payment	1,500	-
Fees payable to Non-Executive Directors u/s 198 of the Companies Act, 1956 @ 1%	1,379	523
Fees actually approved for payment	695	96

5. Auditors' remuneration:

Audit fees	1,150	900
Tax audit fees *	135	150
Other services	60	20
Reimbursement of expenses*	95	54
	1,440	1,124

* includes amount paid to auditors other than statutory auditor

6. C. I. F. value of imports:

Raw materials	76,117	57,359
Stores and spare parts	173	-
Capital goods	4,661	5,165

7. Expenditure in foreign currency (cash basis):

Royalty Expenses	-	1,482
Technical know-how fees	405	1,133
Professional fees	3,374	6,806
Analytical fees	3,198	-
Travelling	854	812
Others	2,757	2,494

8. Earnings in foreign currency:

F. O. B. value of exports	443,449	341,423
Freight and insurance on exports	18,402	7,519
Others	-	-

Schedules annexed to and forming part of the Balance Sheet as at March 31, 2011 and Profit and Loss Account for the year ended on that date

SCHEDULE U NOTES TO ACCOUNTS (Contd.)

9. Raw materials consumed:

Rs. in '000

Material	Unit	Year ended March 31, 2011		Year ended March 31, 2010	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Resin	Kgs	344	8,900	-	-
Lithium Amide	Kgs	5,540	16,517	4,840	15,148
2-Amino Pyridine	Kgs	26,565	16,165	19,200	11,436
Iso Propyl Alcohol	Kgs	170,690	13,387	122,400	7,293
Styrene Oxide	Kgs	37,516	8,727	27,120	5,872
Dimethylformamide	Kgs	112,880	6,145	82,100	4,130
Cholesterol Acetate	Kgs	-	-	2,700	7,448
Toulene	Kgs	50,150	2,337	17,470	712
Hydrochloric Acid	Kgs	34,625	236	132,000	589
Monomer A & G	Ltrs	807	412	560	265
Denatured Spirit	Kgs	190,864	10,341	112,081	4,560
Sulphuric Acid	Ltrs	36,867	278	18,000	152
Acetone	Ltrs	54,408	3,437	5,760	314
Petroleum Ether	Kgs	56,370	3,087	59,130	3,017
X-Media	Kgs	10,609	1,581	13,296	1,979
Methanol Tech	Kgs	127,512	2,002	57,351	1,127
Methyl Cellulose	Kgs.	1,464	1,626	1,168	1,334
Simethicone USP	Kgs.	9,283	2,611	7,294	1,975
Skimmed Milk Powder	Kgs.	17,453	2,752	13,870	1,905
Cholesterol NF USP	Kgs.	19,044	53,360	10,010	27,125
Miscellaneous	Kgs		40,553		25,444
Total			194,454		121,825
Of which:		%		%	
Imported (excluding value of items locally purchased)		45	88,199	42	50,789
Local		54	106,255	58	71,036
		100.00	194,454	100	121,825

10. Stores and spares consumed:

Imported	-	-	-	-
Indigenous	100.00	12,882	100.00	9,471
	100.00	12,882	100.00	9,471

11. Employee Benefits:

Rs. in '000

	Year ended March 31, 2011	Year ended March 31, 2010
a) Defined Contribution Plan		
Contribution to Defined Contribution Plan, recognised in the statement of profit and loss account under personnel expenses on schedule Q for the year are as under-		
Employer's Contribution to Provident Fund	5,403	3,923
Employer's Contribution to Superannuation Fund	176	200



Schedules annexed to and forming part of the Balance Sheet as at March 31, 2011 and Profit and Loss Account for the year ended on that date

SCHEDULE U NOTES TO ACCOUNTS (Contd.)

b) Defined Benefit Plan

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans. Rs. in '000

	Year ended March 31, 2011		Year ended March 31, 2010	
	Gratuity	Long Term Compensated absences	Gratuity	Long Term Compensated absences
i) Changes in the present value of the defined benefit obligation				
Opening	8,838	8,363	7,140	6,455
Interest cost	655	627	530	484
Current service cost	2,835	3,790	2,039	2,244
Benefits paid	(510)	(830)	(99)	(542)
Net actuarial gain/(loss)	23	(475)	771	278
Closing	11,795	12,425	8,838	8,363
ii) Changes in fair value of plan assets				
Opening	4,265	-	3,198	-
Actual return on plan assets	564	-	329	-
Net actuarial gain/(loss)	138	-	20	-
Employer's contribution	3,303	-	817	-
Benefits paid	(510)	-	(99)	-
Closing	7,761	-	4,265	-
iii) Amounts recognised in balance sheet				
Present value of defined benefit obligation	11,795	12,425	8,838	8,363
Fair value of plan asset	7,761	-	4,265	-
Net liability recognised in balance sheet	4,034	12,425	4,573	8,363
iv) Amounts recognised in profit and loss account				
Interest cost	655	627	530	484
Current service cost	2,835	3,790	2,039	2,244
Expected return on plan assets	(564)	-	(329)	-
Net actuarial (gain)/loss recognised	(161)	475	(791)	(278)
Gratuity expense	2,765	4,892	1,448	2,450
v) Actual return on plan assets	564	-	329	-
vi) Principal assumptions used in actuarial valuation				
Discount rate	7.5%	7.5%	7.5%	7.5%
Expected return on plan assets	9.15%	N.A.	9.15%	N.A.
Salary escalation rate	10%	10%	10%	10%
Withdrawal rate	1%	1%	1%	1%
vii) Investments with Insurers	100%	-	100%	-
	Gratuity Funded as at			
	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
viii) Amounts for the current and previous periods				
Defined Benefit Obligations	11,795	8,838	7,140	4,730
Plan Assets	7,761	4,265	3,198	1,987
Surplus/(Deficit)	(4,034)	(4,573)	(3,942)	(2,743)
Experience adjustments on plan liabilities	161	791	225	1,703
Experience adjustments on plan assets	138	20	78	44

Schedules annexed to and forming part of the Balance Sheet as at March 31, 2011 and Profit and Loss Account for the year ended on that date

SCHEDULE U NOTES TO ACCOUNTS (Contd.)

- ix) a) The discount rate is considered based on market yield on government bonds having currency and terms consistent with the currency and terms of post-employment benefit obligations.
- b) Expected rate of return on assets assumed by the Insurance Company is generally based on their investment pattern as stipulated by the Government of India.
- c) The estimates of rate escalation in salary considered in the actuarial valuation take in to account inflation, seniority, promotion and other relevant factors including supply demand in the employment market.
- d) The Company expects to contribute Rs.1,245 thousand to the Gratuity fund in 2011-12, (2010 - Rs.1,374 thousand during 2010-11)

12. Segment Information:

- a) Primary Segment – The Company has identified Chemical, Bulk Drug & Enzymes as the only primary reportable segment
- b) Secondary Segments – Geographical Segments

Segment Revenue from external customers, based on geographical location of customers (Sales)

Rs. in '000

	Year ended March 31, 2011	Year ended March 31, 2010
India	198,833	140,211
Europe	425,462	278,886
Others	33,150	70,056
Total	657,445	489,153
Assets and additions to fixed and intangible assets		
Segment Assets		
India	760,081	441,114
Europe	130,756	82,962
Others	4,297	6,032
Total	895,134	530,108
Additions to fixed and intangible assets		
India	237,000	88,641
Europe	-	-
Others	-	-
Total	237,000	88,641

Note:

The operating facilities of the Company are commonly employed for both the domestic and export business, hence it is not possible to report segment result/liabilities by geographical segment.

13. a) Estimated amounts of contracts remaining to be executed on capital account and not provided for (net of advances) is Rs. 63,859 thousand (2010 Rs. 4,626 thousand).
- b) The Company had issued 700,000 Redeemable preference shares of Rs 10/- ('shares') each issued at a premium of Rs. 90/- per share to DIL Limited (DIL), in the year ended 31st March 2005. These share were redeemable at the issue price of Rs. 100 per share along with a redemption premium coupon of 100% p.a. on the face value ('additional premium'). The prorata additional redemption premium until March 31, 2010 was Rs. 36,750 thousand. During the current year with the consent of DIL, the Company converted the said 700,000 redeemable non convertible preference shares of Rs.10 each together with share issue premium of Rs. 90 each invested by DIL to redeemable convertible preference shares by waiving the additional premium that was due pursuant to the preference share issue documents. Subsequent to this these preference shares have been converted into 70,00,000 equity shares of Rs.10 each at face value and issued to DIL.
- c) (i) During the current year; pursuant to approval from shareholders, Company has allotted 488,334 equity shares at face value of Rs.10 each per share against cash to FBL ESOP Trust pending implementation of ESOP plan.



Schedules annexed to and forming part of the Balance Sheet as at March 31, 2011 and Profit and Loss Account for the year ended on that date

SCHEDULE U NOTES TO ACCOUNTS (Contd.)

- (ii) During the year, the Company has issued 789,474 equity shares at face value of Rs.10 each against cash to its investment advisors. As this shares has been issued to its investment advisors as the part of the professional fees in relation to arranging equity funding, based on the accounting pronouncement the difference between the fair value and the face value amounting to Rs.11,802 thousand has been considered as security premium and treated as share issue expenses.
- d) During the current year, the Company along with DIL Limited (DIL), has executed Shareholder agreement and Share Subscription agreement with Evolve India Life Sciences Fund (EILSF). The transaction was completed on January 17, 2011 whereby EILSF has acquired 21.05% equity capital of the Company through sale of 19,15,036 equity shares of the Company by DIL and issue of equal number of fresh equity shares by the Company to EILSF at a price of Rs.104.44 per equity share of Rs.10 each.
- e) During the year ended March 31, 2009 the Company had entered into an agreement for transfer of the throat lozenge business along with the trademark "Astrasept" and the related moveable assets for a consideration of Rs. 800 thousand, to its wholly-owned subsidiary G. I. Biotech Private Limited (G.I). Simultaneously, the Company has also entered into a share transfer agreement with Ronator Investments Limited (R I) a company incorporated under the legal provisions of Cyprus, to transfer its entire shareholding in G.I in four instalments to be completed by February 10, 2009 for a total consideration of USD 400 thousand. In accordance with the share transfer agreement the Company sold 3,750 shares for consideration of USD 150 thousand and recorded a profit of Rs. 7,064 thousand in the year ended March 2009. The time limit stipulated for completion of the share transfer agreement and completion of transaction has been extended further to December 31, 2011.
- f) During the current year, the Company has entered into Technology sale/transfer agreement and acquired Bulk Drug Technology from DIL Limited for a consideration of Rs.15,000 thousand.
- g) Excise department had issued show cause notice against credit taken by Company of Rs. 360 thousand on Pencillin G Amidase which was captively consumed in the manufacture of finished goods. Later on, The Commissioner (Appeals) reduced the penalty to Rs.150 thousand. Company had filed an appeal against the order on 25th March, 2008. Notice for final hearing not yet received.
- h) Excise duty on sales amounting to Rs.14,498 thousand (2010 - Rs. 8,996 thousand) has been reduced from sales from profit and loss account and increase/(decrease) of excise duty on inventories, captive consumption etc. amounting to Rs. 2,147 thousand (2010 - Rs. 333 thousand) has been considered as (income)/expenses in Schedule 'P' of financial statement.

14. Related party disclosure:

A) Parties where control exists

Holding company:-

DIL Limited

Subsidiaries:-

a) Fermenta Biotech (UK) Limited

b) G.I. Biotech Pvt Limited

B) Related party relationships where transactions have taken place during the year:

Key Management Personnel

Mr. Satish Varma-Managing Director.

Mr. Rajendra Gaitonde - Whole Time Director (Operations).

Ms. Anupama Datla – Executive Director.

Enterprises owned or significantly influenced by key management personnel or their relatives:-

Dupen Laboratories Pvt Limited.

Lacto Cosmetics (Vapi) Pvt. Ltd

Fellow subsidiaries:-

a) Evotec (India) Pvt. Ltd (formerly Research Support International Pvt Ltd - upto 31.08.2009)

b) Evotec-RSIL Limited (upto 31.08.2009)

C) An individual directly controlling the holding company, namely DIL limited and can exercise significant influence:-

Mr. Krishna Datla – Director

Schedules annexed to and forming part of the Balance Sheet as at March 31, 2011 and Profit and Loss Account for the year ended on that date

SCHEDULE U NOTES TO ACCOUNTS (Contd.)

D) Transactions with related parties

Rs. in '000

Sr. No.	Particulars	Holding Company	Subsidiaries	Fellow Subsidiaries	Key Management Personnel	Enterprises owned or significantly influenced by key management personnel or their relatives.
I	Sales					
	Dupen Laboratories Pvt Ltd	-	-	-	-	54
		-	-	-	-	(30)
2	Purchase of raw materials and spares					
	Dupen Laboratories Pvt Limited.	-	-	-	-	2,476
		-	-	-	-	(2,432)
	Lacto Cosmetics (Vapi) Pvt. Ltd	-	-	-	-	282
		-	-	-	-	-
3	Interest on loan taken	5,014 (1,123)	- -	- -	- -	- -
4	Royalty expenses	- (19,617)	- -	- -	- -	- -
	G. I. Biotech Pvt Ltd		142 -			
5	Rent paid	11,398 (2,345)	- -	- -	- -	- -
6	Research and development services received					
	Evotec (India) Pvt Ltd (formerly Research Support International Pvt Ltd)	- -	- -	- (2,120)	- -	- -
7	Processing Charges Paid					
	Evotec (India) Pvt Ltd (formerly Research Support International Pvt Ltd)	- -	- -	- (30)	- -	- -
	Lacto Cosmetics (Vapi) Pvt. Ltd					1,290 (494)
8	Advances written off					
	G. I. Biotech Pvt Ltd		- (354)			
9	Company's share of expenses paid	5,968 (16,619)	- -	- -	- -	- -
	Evotec (India) Pvt Ltd (formerly Research Support International Pvt Ltd)	- -	- -	- (415)	- -	- -
10	Other reimbursements received	655 (239)	- -	- -	- -	- -
11	Other reimbursements paid					
	Dupen Laboratories Pvt Ltd					11 -
	Evotec (India) Pvt Ltd (formerly Research Support International Pvt Ltd)	- -	- -	- (526)	- -	- -



Schedules annexed to and forming part of the Balance Sheet as at March 31, 2011 and Profit and Loss Account for the year ended on that date

SCHEDULE U NOTES TO ACCOUNTS (Contd.)

D) Transactions with related parties (Contd.)

Rs. in '000

Sr. No.	Particulars	Holding Company	Subsidiaries	Fellow Subsidiaries	Key Management Personnel	Enterprises owned or significantly influenced by key management personnel or their relatives.
11	Loan taken	60,000 (50,000)	- -	- -	- -	- -
12	Loan repaid	90,000 (20,000)	- -	- -	- -	- -
13	Professional fees paid					
	Dupen Laboratories Pvt Ltd.	- -	- -	- -	- -	- (1,221)
14	Remuneration to Key Management Personnel.					
	Mr. Rajendra Gaitonde	- -	- -	- -	3,142 (2,117)	- -
	Ms. Anupama Datla	- -	- -	- -	3,777 (2,612)	- -
	Mr. Satish Varma	- -	- -	- -	6,694 -	- -
15	Purchase of Bulk Drugs Technology	15,750 -	- -	- -	- -	- -
16	Balance outstanding as at the year end					
	a. Payables	16,125 (36,195)				
	Evotec (India) Pvt Ltd (formerly Research Support International Pvt Ltd)	- -	- -	- (226)	- -	- -
	Mr. Rajendra Gaitonde				400 (400)	
	Mr. Satish Varma				1,500 -	
	Dupen Laboratories Pvt Ltd					659 (253)
	Lacto Cosmetics (Vapi) Pvt. Ltd					299 (128)
	b. Receivables	3 (73)				
	G. I. Biotech Pvt Ltd	- -	624 (519)	- -	- -	- -
	Evotec (India) Pvt Ltd (formerly Research Support International Pvt Ltd)	- -	- -	- (59)	- -	- -
	Dupen Laboratories Pvt Ltd					15 (12)

(Figures in brackets are the corresponding figures in respect of the previous year.)

Schedules annexed to and forming part of the Balance Sheet as at March 31, 2011 and Profit and Loss Account for the year ended on that date

SCHEDULE U NOTES TO ACCOUNTS (Contd.)

15. Deferred Taxes:

Rs. in '000

Nature of timing difference	Deferred tax asset/(liability) as at March 31, 2010	(Charge)/ credit for the current year	Deferred tax asset/(liability) as at March 31, 2011
(i)	(ii)	(iii)	(iv)
(a) Deferred tax liabilities			
Depreciation	(15,529)	(4,901)	(20,430)
Income offered for tax on realisation basis	(46)	I	(45)
Sub-total	(15,575)	(4,900)	(20,475)
(b) Deferred tax assets			
Provision for doubtful debts	5,178	(118)	5,060
Provision for doubtful advances	9,276	(211)	9,066
Provision for long-term compensated absences	2,843	1,285	4,127
Provision for gratuity	1,554	(214)	1,340
Sub-total	18,851	742	19,593
Net Amount	3,275	(4,158)	(882)

16. The company has entered into arrangements for taking on leave and license basis certain office premises and guest house. The agreements have cancellable, escalation clauses and are renewable.

Rs. in '000

	Year ended March 31, 2011	Year ended March 31, 2010
(a) Lease payments recognised in the profit and loss for the year:	12,587	3,114
(b) Future minimum lease payments under the leases in the aggregate and for each of the following periods:		
i) Not later than one year	-	-
ii) Later than one year and not later than five years	-	-

17 Derivative Instruments

- a) The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company does not use forward contracts for speculative purposes. There are no outstanding Foreign Exchange Forward contracts outstanding as at March 31, 2011 and as at March 31, 2010.



Schedules annexed to and forming part of the Balance Sheet as at March 31, 2011 and Profit and Loss Account for the year ended on that date

SCHEDULE U NOTES TO ACCOUNTS (Contd.)

b) Particulars of un-hedged foreign currency exposure as at March 31, 2011

Rs. in '000

Particulars		March 31, 2011		March 31, 2010	
		Amount (Foreign Currency in 000)	Amount (Rs in 000)	Amount (Foreign Currency in 000)	Amount (Rs in 000)
Sundry Debtors	\$	172	7,772	80	3,599
	Euro	1,859	118,710	1,391	84,222
Advances from Customers	\$	16	740	-	-
Sundry Creditors	\$	5	243	-	-
	Euro	126	8,071	187	11,336
Advances to Creditors	\$	44	1,988	-	-
	Euro	103	6,583	19	1,172
Investment	GBP	220	18,399	220	18,399
Cash and Bank Balances	\$	2	78	2	77
	Euro	2	99	49	2,993

18. Details of dues to Micro and Small Enterprises as per MSMED Act, 2006

Rs. in '000

	Year ended March 31, 2011	Year ended March 31, 2010
(a) (i) Principal amount remaining unpaid to any supplier at the end of the accounting year	1,150	108
(ii) Interest due on above	Nil	Nil
The Total of (i) & (ii)	1,150	108
(b) The amount of interest paid by the buyer in terms of section 16, of the Micro, Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
(c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprise Development Act, 2006	Nil	Nil
(d) The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
(e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprise Development Act, 2006	Nil	Nil

Schedules annexed to and forming part of the Balance Sheet as at March 31, 2011 and Profit and Loss Account for the year ended on that date

SCHEDULE U NOTES TO ACCOUNTS (Contd.)

19. Capacities, Production and Sales:

Group	Unit	Year	Installed Capacity	Production	Opening Stock		Closing Stock		Sales	
					Quantity	Value (Rs. in '000)	Quantity	Value (Rs. in '000)	Quantity	Value (Rs. in '000)
			*	****			**			
Biocatalyst and Enzymes ***	Kgs	2010-2011	7,000	25,429	2,018	10,063	1,411	13,576	26,755	31,250
		2009-2010	7,000	12,586	2,793	5,740	2,018	10,063	12,606	51,424
Formulations Tablets and Lozenges	Blister Packs	2010-2011	-	1,493	-	-	149	269	1,344	3,538
	'000	2009-2010	-	-	2	18	-	-	-	-
Bulk Drugs ***	Kgs	2010-2011	101,900	129,410	5,795	4,325	6,978	19,743	125,178	622,128
		2009-2010	101,900	68,273	3,624	17,009	5,795	4,325	65,982	427,986
Total		2010-2011				14,388		33,588		656,916
		2009-2010				22,767		14,388		479,410

Details of Trading Goods

Group	Unit	Year	Purchase		Opening Stock		Closing Stock		Sales	
			Quantity	Value (Rs. in '000)	Quantity	Value (Rs. in '000)	Quantity	Value (Rs. in '000)	Quantity	Value (Rs. in '000)
Bulk Drugs	Kgs	2010-11	-	-	-	-	-	-	-	-
		2009-10	527	486	-	-	-	-	527	779
Formulations	Blister Packs '000	2010-11	19	553	-	-	-	-	19	529
		2009-10	432	8,881	-	-	-	-	432	8,964
TOTAL		2010-11	-	553	-	-	-	-	-	529
		2009-10	-	9,367	-	-	-	-	-	9,743

Notes :

- Licensed capacity is not indicated as industrial licensing for all bulk drugs, intermediate and their formulations stands abolished in terms of Press Note No.4 (1994 Series) dated 25th October, 1994 issued by the Department of Industrial Development, Ministry of Industry, Government of India.
- * Installed capacity (2010-11 and 2009-10) has been certified by the Vice President Manufacturing and accepted by the auditors without verification, this being a technical matter.
- ** Closing stock quantities exclude stocks written off (i) Biocatalyst - 442 Kgs (2010 - 795 Kgs), and (ii) Bulk Drugs - 3,170 Kgs (2010 - 120 Kgs).
- *** Sales quantity includes: Free supplies of (i) 3,170Kgs of Bulk Drug (2010 - 2,253 Kgs); and (ii) 25 Kgs of Biocatalyst (2010 - 60 Kgs)
- ****Production includes quantity manufactured by loan licensee.
Biocatalyst and Enzymes - 21,445 Kgs (2010 - 8,200 Kgs),
Formulations Tablets and Lozenges - 1493 Blister Packs '000 (2010 - Nil)
Bulk Drug - 47,550 Kgs (2010 - Nil)

20. Prior year amounts have been reclassified where necessary to confirm with current year's presentation.

As per our report of even date
For S.R.Batliboi & Associates
Firm Registration No.101049W
Chartered Accountants

per **Vikram Mehta**
Partner
Membership No.: 105938

Place: Mumbai
Date : May 28, 2011

For and on behalf of the Board of Directors

Peter Bains
Chairman

Vishwanath Chibrolu
Director

Rajendra Gaitonde
Whole Time Director - Operations

Place: Thane
Date : May 28, 2011

Satish Varma
Managing Director

Anupama Datla
Executive Director

Sudarshan G. Kamath
Chief Financial Officer

Krishna Datla
Director

Sanjay Buch
Director

Ranabir Sanyal
Company Secretary



21. Balance Sheet Abstract and Company's General Business Profile

Registration No.	U24234MH2001PLC13402I	State Code	I I
Balance Sheet Date	3 I 0 3 2 0 I I		
	Date Month Year		

Public Issue					N	I	L	Rights Issue					N	I	L
Bonus Issue					N	I	L	Private Placement			9	4	9	2	8

Total Liabilities							Total Assets								
Sources of Funds															
Paid-up Capital		1	7	7	0	4	5	Reserves & Surplus		4	1	0	0	3	3
Secured Loans		1	8	3	3	3	4	Unsecured Loans			1	5	9	8	7
Deferred Tax Liabilities					8	8	2								
Application of Funds															
Net Fixed Assets		4	7	3	2	4	4	Investments			1	8	6	6	2
Net Current Assets		2	9	5	3	7	5								

Turnover	6	5	5	7	4	2	Total Expenditure	5	3	2	1	7	9	
Profit/(Loss) Before Tax	+	1	2	3	5	6	3	Profit/(Loss) After Tax	+	9	4	4	5	5
(Please tick appropriate box + for profit, - for loss)														
Earnings Per Share (Rs.)				6	.	6	4	Dividend Rate (%)				N	1	L

Item Code No. (ITC code)	Product Description
3 0 0 2 9 0 0 0	P E N I C I L L I N G A M I D A S E
2 9 3 3 3 I . 0 0	B I O C A T A L Y S T
2 9 3 6 2 9 . I 3	P H E N Y R A M I D O L H C L
	V I T A M I N D 3

Ranabir Sanyal
Company Secretary

Cash Flow Statement for the year ended March 31, 2011

Rs. in '000

	Year ended March 31, 2011	Year ended March 31, 2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	123,563	47,489
Adjustment for:		
Depreciation	29,472	23,125
Foreign exchange (gain)/loss (net) - unrealised	(6,082)	3,600
(Profit)/Loss on sale of fixed assets (net)	-	(44)
Interest expenses	19,148	14,412
Interest income	(1,067)	(386)
Provision for doubtful debts and advances	-	2,399
Operating profit before working capital changes	165,034	90,595
Movements in working capital changes:		
Increase/(Decrease) in current liabilities and provisions	28,637	7,372
(Increase)/Decrease in sundry debtors	(37,295)	(10,839)
(Increase)/Decrease in inventories	(33,074)	3,191
(Increase)/Decrease in loans and advances	(14,710)	14,675
Cash from operations	108,592	104,994
Direct taxes paid (net of refund)	(18,375)	(3,702)
Net cash from operating activities (A)	90,217	101,292
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including adjustments for capital work-in-progress and advances for capital expenditure)	(237,000)	(106,201)
Proceeds from sale of fixed assets	-	44
Loan paid/(repaid) to other companies	2,564	4,447
Interest received	1,067	387
Net cash used in investing activities (B)	(233,369)	(101,323)



Cash Flow Statement for the year ended March 31, 2011 (Contd.)

Rs. in '000

	Year ended March 31, 2011	Year ended March 31, 2010
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Equity Shares	94,928	-
Premium received on issue of Shares (net of share issue expenses)	107,646	-
Loan to ESOP Trust	(4,883)	-
Proceeds from long term borrowings	88,884	79,765
Repayment of long term borrowings	(24,548)	(59,403)
Repayment of short-term borrowings (net)	(28,354)	-
Interest paid	(18,630)	(14,412)
Net cash (used in)/from financing activities (C)	215,043	5,950
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	71,891	5,919
CASH AND CASH EQUIVALENTS OPENING	31,933	26,014
CASH AND CASH EQUIVALENTS CLOSING	103,824	31,933
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash on hand	54	192
Balances with scheduled banks on:		
On current accounts	2,899	21,736
On deposit accounts	100,866	10,000
Balance as per Schedule I	103,819	31,928
Add/Less Unrealised loss/(gain) on foreign currency cash and cash equivalents	5	5
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	103,824	31,933

Note:- (1) Figures in brackets are outflows/deductions.

(2) Previous year's figures have been re-grouped wherever necessary.

As per our report of even date

For S.R.Batliboi & Associates
Firm Registration No.101049VV
Chartered Accountants

per **Vikram Mehta**
Partner
Membership No.: 105938

Place: Mumbai
Date : May 28, 2011

For and on behalf of the Board of Directors

Peter Bains
Chairman

Vishwanath Chibrolu
Director

Rajendra Gaitonde
Whole Time Director - Operations

Place: Thane
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Satish Varma
Managing Director

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Executive Director

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Chief Financial Officer

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Director

Sanjay Buch
Director

Ranabir Sanyal
Company Secretary