

ALEMBIC LIMITED



ANNUAL REPORT 2010-11

Board of Directors

Mr. Chirayu R. Amin
Chairman

Mrs. Malika Amin
Whole-time Director

Dr. B. R. Patel
Director

Mr. Milin Mehta
Director

Mr. R. M. Kapadia
Director
(w.e.f. 25.04.2011)

Mr. Sanjay Bhatt
Director & Company Secretary
(w.e.f. 31.03.2011 to 28.07.2011)

Regd. Office

Alembic Road, Vadodara - 390 003
Tel: (0265) 2280550, 2280880
Fax: (0265) 2282506
Email: alembic@alembic.co.in

Manufacturing Facility

Alembic Road, Vadodara 390 003. Gujarat

Statutory Auditors

K.S. Aiyar & Co.
Chartered Accountants
Laxmi Estate No. F - 07/08
Shakti Mills Lane
Off Dr. E. Moses Road
Mahalaxmi, Mumbai - 400 011

Bankers

Bank of Baroda
AXIS Bank
HDFC Bank Limited

Registrar & Transfer Agents

LINK-INTIME INDIA PVT. LIMITED,
B-102 & 103, SHANGRILA COMPLEX,
FIRST FLOOR, OPP. HDFC BANK,
NEAR RADHAKRISHNA CHAR RASTA,
AKOTA, VADODARA 390020
Tel:(0265) 2356573, 2356794
Fax:(0265) 2356791
Email: vadodara@intimespectrum.com.

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This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events.

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting their 104th Annual Report together with the Audited Statement of Accounts for the year ended on 31st March, 2011.

1 Financial Results :

(Rs. in Lacs)

For the year ended 31st March	2011	2010
Profit for the year before Interest, depreciation, Non-recurring Income or expenses and Tax	563	9,662
Adjusting therefrom:		
Interest (net)	(240)	(3,005)
Depreciation	(1,007)	(4,302)
Non-recurring Income or expenses i.e. Expenses on Voluntary Retirement Scheme	(422)	--
Provision for deferred tax liabilities or assets	105	102
Provision for current tax / wealth tax	(13)	(389)
Provision of Income Tax of earlier years written back (Net)	(276)	--
Net (Loss) / Profit	(1,290)	2,068
Adding thereto:		
Balance brought forward from last year	7,532	7,236
Less: Appropriated as per Scheme of Arrangement	(145)	
The amount available is	6,097	9,304
Appropriating there from:		
Debenture Redemption Reserve	--	792
Provision for Dividend - Equity Shares	--	667
Provision for Corporate Dividend tax	--	113
Reversal of Corporate Dividend tax	3	
Reversal of the Provision for Dividend due to buy-back	--	6
Reversal of the Provision for Corporate Dividend tax due to buy-back	--	1
General Reserve	--	207
Balance carried forward to next year's accounts	6,100	7,532

2 Dividend :

In view of loss for the current year, your Directors do not recommend Dividend on Equity Shares.

3 Management's Discussion and Analysis:

The Report on Management Discussion and Analysis as required under the Listing Agreements with the Stock Exchanges is enclosed as Annexure – A to this report. Certain statements in this section may be forward-looking. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of the future performance and outlook.

4 Demerger of Pharmaceutical Undertaking

The "Pharmaceutical Undertaking" of the Company has been demerged and the same is transferred to Alembic Pharmaceuticals Limited with effect from appointed date i.e. 1st April, 2010. The Hon'ble High Court of Gujarat has sanctioned the scheme of arrangement vide order dated 24th January, 2011, a certified true copy of which was received by the Company on 21st March, 2011. The Company filed the said order with the Registrar of Companies, Gujarat on 1st April, 2011. Alembic Limited was holding 5,50,00,000 equity shares of face value of Rs.2/- each in Alembic Pharmaceuticals Limited (APL). APL has issued and allotted 13,35,15,914 equity shares of face value of Rs.2/- each to the shareholders of the Company on 15th April, 2011 in ratio of 1:1. As per the scheme of arrangement, APL has submitted applications for listing of 18,85,15,914 equity shares of face value of Rs.2/- each to Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE).

Consequent upon demerger, becoming effective from 1st April, 2010, the figures of current year are not comparable with previous year. The figures of previous year have been regrouped wherever necessary.

5 Operations:

Consequent upon demerger, the Company's operations will include (i) manufacture of predominantly fermentation and chemistry based bulk drugs (APIs) at its Vadodara Undertaking and (ii) power generation through its co-generation power plant and through wind mills (the Power Business). (iii) The Company also has some real estate in Vadodara which can be potentially developed. The Company has plans to commence its real estate business and accordingly a part of the land has been converted as stock in trade for the said business. The Company will launch its maiden residential project in this financial year after obtaining approval from all the concerned authorities.

The Company's Gross Sales including export incentives was Rs.216.91 Crores for the year ended 31st March, 2011 as compared to Rs.1032.06 Crores for the previous year.

The profit before Interest, Depreciation, Non-recurring Income and expenses and Taxes was Rs.5.63 Crores for the year under review as compared to Rs.96.62 Crores for the previous year.

During the year, the interest and financing cost was Rs.2.40 Crores as compared to Rs. 30.05 Crores in previous year.

6 Listing of shares:

The equity shares of the Company are continued to be listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE).

7 Fixed Deposits:

As per the scheme of arrangement, the entire fixed deposits accepted by the Company is transferred to Alembic Pharmaceuticals Limited. Therefore, as on the last date of the financial year i.e. 31st March, 2011, there is no fixed deposits on the records of the Company. The Company does not plan to accept any deposits hereafter.

8 Directors:

Consequent upon demerger of Pharmaceutical Undertaking, the Board of Directors of the Company is reconstituted w.e.f. 31st March, 2011.

Mr. Chirayu Amin has resigned as Managing Director of the Company. However, he will continue as Chairman of the Company. Mr. R.K. Baheti has resigned as Director-Finance & Company Secretary. Mr. Pranav Amin has resigned as Director & President-International Business of the Company. The services of Mr. Chirayu Amin, Mr. R.K. Baheti and Mr. Pranav Amin have been transferred to Alembic Pharmaceuticals Limited. Mr. K.G. Ramanathan, Mr. Pranav Parikh and Mr. Pares Saraiya have resigned as Directors of the Company w.e.f. 31st March, 2011.

The Board places on record the valuable contributions made by them for the growth and development of the Company during their tenure.

In accordance with the provisions of the Companies Act, 1956 and Company's Articles of Association, Mr. Chirayu Amin and Dr. B.R. Patel Directors of the Company will retire by rotation at the ensuing Annual General Meeting who are eligible for re-appointment.

DIRECTORS' REPORT

The Board appointed Mr. Sanjay Bhatt as additional Director w.e.f. 31st March, 2011. Mr. Sanjay Bhatt has resigned from service of the company and also as Director of the Company. Board places its appreciation for the valuable services and contribution provided by Mr. Sanjay Bhatt during his tenure.

The Board appointed Mr. R.M. Kapadia as additional Director w.e.f. 25th April, 2011. The terms of office of Mr. R.M. Kapadia will expire at the ensuing Annual General Meeting in terms of Section 260 of the Companies Act, 1956. The Company has received notices under section 257 of the Companies Act, 1956 from a member proposing him as candidate for the offices of director of the Company.

The brief resumes of Mr. Chirayu Amin, Dr. B. R. Patel and Mr. R.M. Kapadia are given in the Corporate Governance Report.

9 Energy, Technology and Foreign Exchange:

In accordance with the provisions 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, the relevant information pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo is given in Annexure - B to this report.

10 Particulars of Employees:

The information required under section 217(2A) of the Companies Act, 1956, read with Companies (particular of Employees) Rules, 1975, forms part of this report as Annexure C.

11 Corporate Governance:

Your Company has complied with all the provisions of Corporate Governance as prescribed under the amended Listing Agreements of the Stock Exchanges, with which the Company's shares are listed.

A separate report on Corporate Governance is produced as a part of the Annual Report, along with the Auditor's Certificate on the compliance.

As required vide clause 49 of the listing agreement on Corporate Governance, the board has laid down a code of conduct for all members and senior management team of the Company. The said code of conduct has

been posted on the website of the Company – www.alembiclimited.com. All Board members and senior management personnel of the company have affirmed the requirements of the said code of conduct.

12 Audit Committee:

Consequent upon reconstitution of Board, the Audit Committee was also reconstituted. The Board of Directors in their meeting held on 31st March, 2011, reconstituted the Audit Committee comprising of 3 Directors viz. Mr. Milin Mehta, Dr. B.R. Patel and Mr. Sanjay Bhatt. Mr. Milin Mehta is Chairman of the Audit Committee. The Board of Directors of the Company in its meeting held on 2nd May, 2011 again reconstituted Audit Committee and appointed Mr. R.M. Kapadia as Member of Audit Committee in place of Mr. Sanjay Bhatt. All the Directors in Audit Committee are Non-Executive Independent Directors. The Committee reviewed the Internal Control System, Scope of Internal Audit and compliance of various regulations. The Committee reviewed at length the Annual Financial Statements and approved the same before they were placed before the Board of Directors.

13 Auditors:

M/s. K.S. Aiyar & Co., (Firm Registration No.100186W) the Company's Auditors, will retire at the conclusion of the ensuing Annual General meeting and are eligible for re-appointment as Auditors. Members are requested to re-appoint them and fix their remuneration.

14 Cost Auditors:

The Central Government has directed that an audit of Cost Accounts maintained by the Company relating to Bulk Drugs for the year ended on 31st March, 2011 be conducted by Auditors with qualification prescribed in Section 233B(1) of the Companies Act, 1956. Accordingly, the Board had appointed Mr. H. R. Kapadia as Cost Auditor for the year ended on 31st March, 2011.

⑮ Human Resource Management:

Human capital has always been the most important and valuable asset to your Company. Your Company has enhanced its performance management process that motivates people to take ownership of their own performance and encourages innovation and meritocracy. Your Company has created people practices which enables it to attract and retain potential talents. Employee relations in your Company continues to be cordial and harmonious.

⑯ Directors' Responsibility Statement:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed:

- i) That in preparation of the Annual Accounts, the applicable accounting standards have been followed.
- ii) That accounting policies as listed in the

'Schedule T' to the financial statements have been selected and consistently applied and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2011 and of the loss of the Company for the accounting year ended on that date;

- iii) That proper and sufficient care for maintenance of adequate accounting records has been taken in accordance with the provision of the Act so as to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- iv) That the annual accounts have been prepared on a 'going concern' basis.

On behalf of the Board of Directors,
Chirayu R. Amin
Chairman
 Vadodara, July 1, 2011

ANNEXURE A

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Perspective vis-à-vis Company

Consequent upon demerger and transfer of Pharmaceutical Undertaking to Alembic Pharmaceuticals Limited, the Company will be operating Vadodara Undertaking.

The Vadodara Undertaking of the Company is engaged in the business of manufacture of predominantly fermentation and chemistry based bulk drugs (APIs) and is currently going through many challenges. The Vadodara Undertaking was established many decades ago and hence, some of its plant, machineries and other equipments are very old. Further, being an old facility, it is not designed in line with present regulatory and business requirements.

The Company is operating cogeneration power plant and wind mills.

The Company owns some land area at Vadodara which can be potentially used for real estate development in future. The Company is having a "Business Park" wherein the space is being rented on lease basis to various tenants.

FINANCE:

The Company has registered a total income of Rs. 201.93 Crores for the year under review as compared to Rs. 1024.14 Crores for the previous year ended on 31st March, 2011. The Company incurred a net loss of Rs. 12.90 Crores compared to net profit of Rs.20.68 Crores for the previous year ended on 31st March, 2011.

OUTLOOK:

The business is facing stiff price competition from Chinese manufacturers. The Company together with other manufacturers had applied for levy of anti dumping duty on such imports, which has not been favourably considered by the Government of India. The Company has also filed a writ petition in the Hon'ble Gujarat High Court in this respect. In view of this situation the Vadodara Undertaking needs to be reorganized and right sized to enable it to survive the competitive pressures. The activities of the Vadodara Undertaking will also need greater focus and other restructuring measures to make it cost efficient and competitive.

The Company has plans to commence its real estate business and accordingly a part of the land has been converted as stock in trade for the said business. The Company will launch its maiden residential project in this financial year after obtaining approval from all the authorities concerned. The Company is also exploring various options for development of other real estate projects.

Similarly the Power Business also has good opportunity for growth and consolidation.

INTERNAL CONTROL SYSTEMS AND ADEQUACY:

The Company maintains a system of well-established policies and procedures for internal control of operations and activities. The internal audit function

is further strengthened in consultation with statutory auditors for monitoring statutory and operational issues. The Company has appointed M/s. S.H. Bathia & Associates, Chartered Accountants, as Internal Auditors.

The prime objective of this audit is to test the adequacy and effectiveness of all internal control systems and suggest improvements. Significant issues are brought to the attention of the audit committee for periodical review.

HUMAN RESOURCE INTERVENTION

Reinforcing performance orientation and building human capital have been the focus of the company during the year. Efforts of improving effectiveness and efficiency of the employees without loosing the "human sensitivity" have been the challenge which has been successfully navigated through during the period.

HEALTH, SAFETY, SECURITY AND ENVIRONMENT

Health, Safety, Security and Environment is at the core of our business and all employees are accountable for it. Alembic's operations follow the best industry practices as regards to Health, Safety, Security and Environment.

During the year under review, safety audits were carried out by third party & all observations / suggestions were implemented. Environmental audits (statutory) were carried out & submitted to pollution control boards for their review.

Alembic carried out the following activities as part of its annual plan:

- a. Basic safety training was imparted to all factory employees including temporary workers. Safety and technical competency development programmes were carried out to improve competencies of employees and employees of contractors for safety critical jobs.
- b. Work place inspections were carried out by executives and managers at all levels. Senior management team members demonstrated leadership commitment through work place inspections.
- c. Tree plantation across premises and factories.
- d. Safety Infrastructure enhanced by addition of auto control systems.
- e. Conducted employee motivation and participation programme for EHS.
- f. Efforts continued for reduction / recycle / reuse of waste.
- g. Energy conservation measures taken.

CONTRIBUTION TO SOCIETY :

Alembic is committed to enhancing the quality of life in and around the community it operates in. During the year under review, the Company undertook a number of development projects with a focus on health, education and vocational training. The Alembic Group has a rural development society started in 1980. This is located near Panelav in the foothills of Pawagadh. The Objective is to provide self-employment opportunities through vocational training and education for adults and children in 50 villages in the vicinity.

ANNEXURE B

Particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

(a) Energy Conservation measures during the year under review

- 1) Air system energy saving by process air pressure optimization for fermentation & down stream recoveries.
- 2) Nitrogen system energy saving by
 - Plant performance improvement with reduction in specific power consumption by revamping of plant.
 - Plant consumption optimization.
- 3) Steam consumption optimization in fermentation plant.
- 4) Pumping power optimization in following areas,
 - Chilled water system energy saving in factory supply pump
 - Brine-5 degree system energy saving in factory supply pump.
 - Cooling water system energy saving in
 - Nitrogen & Instrument air compressors.
 - Compressors of fermentation plant.
 - Solvent recovery cooling water system.

(b) Additional Investment Proposals for Reduction of Consumption & Cost of Energy.

- 1) Installation of variable frequency drive in instrument and process air compressors.
- 2) Detailed thermal audit of steam and condensate network of entire plant.

(c) Impact of Measures at (a) & (b) above for reduction of energy consumption & consequent impact on the cost of production of goods.

- 1) Lower Consumption of Power & decrease in power cost
- 2) Equipments will operate at optimum efficiency.

Efforts made in technology absorption:

Form B enclosed.

1. The Export sales were Rs. 21.24 Crores (FOB) during the year under review. The Company has undertaken aggressive marketing strategies to increase share of export business.
2. Total Foreign exchanges used and earned :
(Rs. in Lacs)

Year ended on 31st March,	2011	2010
Income		
- Export (FOB basis)	2,124.06	31,255.37
Expenditure		
- Raw Materials (CIF basis)	1,237.13	10,241.88
- Packing Material, Components and Spare parts (CIF basis)	31.88	252.53
- Capital Goods (CIF basis)	1.94	59.12
- Professional and Consultancy Fees	4.56	251.65
- Interest	-	302.52
- Foreign travelling	8.95	136.80
- Commission on Export	67.27	637.03
- Subscription, Publicity and other matters	8.80	667.19
- Salary	-	518.70
- Rent	-	45.97

FORM A

Form for disclosure of particulars with respect to conservation of energy.

A. Power and Fuel Consumption:

For the year ended 31st March	2010-11	2009-10
1. Electricity :		
(a) Purchased Units (KwH)	13,11,810	1,72,26,017
Total Amount Rs.	2,45,25,426	13,77,39,840
Rate (Rs./Unit)	18.70	7.99
(b) Own Generation :		
(i) Through diesel generator :		
Units (KwH)	12,712	4,98,867
Units per litre of diesel oil	2.32	3.19
Cost (Rs./Unit)	14.52	9.46
(ii) Through Gas steam Turbine/ Generator		
Units (KwH)	6,30,60,680	6,54,59,890
Units per LTR/M3/M.T./LTR of Fuel		
Oil/Gas/Steam/HSD	2.656	2.688
Fuel Cost (Rs./ Unit)	3.065	2.331
2. Bio Mass Briquettes :		
Quantity (Kgs.)	Nil	54,08,337
Total Amount(Rs.)	Nil	2,11,76,733
Average Rate (Rs./Kg)	Nil	3.92
3. Furnace Oil Qty. (K.Ltrs.)	Nil	914.958
Total Amount Rs.	Nil	2,14,70,036
Average Rate (Rs./K. Ltrs)	Nil	23,465
4. Other / Internal generation :		
(a) Natural Gas & RNLG Gas		
Qty. (CubicMeter)	1,54,25,553	1,61,30,218
Amount (Rs.)	13,05,11,839	10,76,75,621
Rate/Unit (Rs. /M3)	8.461	6.675
(b) Steam (Purchase) :		
Qty. (MT)	64,326	56,362
Amount (Rs.)	7,75,91,150	5,22,15,190
Rate/Unit (Rs./M.T)	1206.22	926.43
5. Wind Farm Generation:		
Units (KwH)	88,92,992	90,83,303

B) Consumption per unit of production

In view of the number of products, with different sizes, shapes and other parameters, being manufactured by the Company, it is not feasible to give information on consumption of fuel per unit of production.

Form for disclosure of particulars with respect to technology absorption, etc.

A) Research and Development (R&D)

1. R&D's focus areas

Increasing yields of fermentation products

Exploring possibilities to manufacture value added chemistry based APIs at Vadodara.

2. Benefits derived as a result of R&D

a. Increased activities of Pen-G from 21000 to 24000 BU per batch.

b. Reduced power and eliminated use of Soya Oil in Pen-G thus giving saving in cost.

3. Future plan of action

a. Increasing activities of TIOC from present level of 6 gm / lit.

b. Introduction of new product GCLE from Pen-G.

4. Expenditure on R&D (Rs. In lacs)

a)	Capital	NIL
b)	Recurring	184.84
c)	Total	184.84
d)	Total R&D expenditure as a percentage of total turnover	0.90%

Adaptation and Innovation

1) Efforts made towards technology absorption, adaptation and innovation

The fermentation technology refinement & absorption and technology development of organic synthesis which are developed in our R&D laboratories, are scaled up in our pilot plant and then implemented at the production scale.

2) Benefits derived

Introduction of strains giving higher productivities, use of cheaper raw material and various strategies to reduce utility cost has helped us to remain in the price competitive market for our existing products.

3) Information regarding technology imported during last five years.

Nil.