



ANNUAL REPORT 2011-12

**ALEMBIC PHARMACEUTICALS LIMITED**

## Board of Directors

Mr. Chirayu R. Amin  
*Chairman & Managing Director*

Mr. K.G. Ramanathan  
*Director*

Mr. Paresh Saraiya  
*Director*

Mr. Pranav N. Parikh  
*Director*

Mr. Milin Mehta  
*Director*

Mr. Pranav Amin  
*Director & President-International Business*

Mr. Rajkumar Baheti  
*Director, President - Finance  
& Company Secretary*

## Regd. Office

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

## Manufacturing Facilities

Panelav, Tal. Halol,  
Dist. Panchmahal - 389 350. Gujarat

Plot No. 21, 22, EPIP - Phase I  
Jharmajri, Baddi, Tehsil - Nalagarh  
Dist. Solan, Himachal Pradesh

Village Karakhadi, Taluka Padra  
District Vadodara, 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

AXIS Bank Limited  
Bank of Baroda  
HDFC Bank Limited  
IDBI Bank Limited  
Standard Chartered Bank  
The Royal Bank of Scotland N.V.

## Registrar & Transfer Agents

Link Intime India Pvt. Limited  
B-102 & 103, Shangrila Complex,  
First Floor, Opp. HDFC Bank,  
Near Radhakrishna Char Rasta,  
Akota, Vadodara 390 020.  
Tel:(0265) 2356573, 2356794  
Fax:(0265) 2356791  
Email: [vadodara@linkintime.co.in](mailto:vadodara@linkintime.co.in)

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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.



# Notice

**ALEMBIC PHARMACEUTICALS LIMITED, Alembic Road, Vadodara - 390 003.**

Notice is hereby given that the 2nd Annual General Meeting of the Members of Alembic Pharmaceuticals Limited will be held at "Sanskriti", Alembic Corporate Conference Center, Opp. Pragati Sahakari Bank Limited, Alembic Colony, Vadodara - 390 003, on Thursday, the 9th August, 2012 at 4:00 p.m. to transact the following business:

**ORDINARY BUSINESS**

1. To receive and adopt the audited Balance Sheet and Statement of Profit & Loss of the Company for the year ended on 31st March, 2012 and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. R. K. Baheti, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. K. G. Ramanathan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

**SPECIAL BUSINESS**

To transact the following business as special business:

6. **To consider and, if thought fit, to pass with or without modifications the following resolution as a Special Resolution:**

**"RESOLVED THAT** pursuant to provisions of section 31 and other applicable provisions, if any, of the Companies Act, 1956, Article 181 of the Articles of Association of the Company be and is hereby altered and replaced with following:

'181. The Seal, its custody and use

The Directors shall provide a Common Seal for the purpose of the Company and shall have the power from time to time to destroy the same and substitute a new seal in lieu thereof and shall provide for the safe custody of the seal for the time being and the seal shall never be used except by the authority of Directors or committee of Directors previously given. Every Deed or other instrument to which the seal of the Company is required to be affixed, shall unless the same is executed by duly constituted attorney of the Company, be signed by anyone of the officials authorised by the Board for the purpose, provided nevertheless that the certificates of shares or debentures may be sealed and signed in the manner and in conformity with the provisions of the Companies (Issue of Share Certificates) Rules, 1960 and their statutory modifications for the time being in force.' "

7. **To consider and, if thought fit, to pass with or without modifications the following resolution as a Special Resolution:**

**"RESOLVED THAT** pursuant to the provisions of Section 314 and any other applicable provisions of the Companies Act, 1956 read with Companies Director's Relatives (Office or Place of Profit) Rules, 2003 and subject to such approvals including the approval of Central Government, as may be required, the consent of the Company be and is hereby accorded to revise the remuneration of Mr. Shaunak Amin, and for holding an office or place of profit under the Company as President-Formulations in the Company, with effect from 1st April, 2012 or such other date as may be approved by Central Government, on the remuneration and on such terms and conditions as recommended by the Board of Directors at its meeting held on 25th April, 2012 and set out hereinbelow with liberty and authority to the Board of Directors to alter and vary the terms and conditions of the said appointment and remuneration from time to time.

- Basic Salary: Upto maximum of ₹ 7,25,000/- per month.
- HRA, Kit Allowance, Transport Allowance upto a maximum of ₹ 4,02,710/- per month as per the rules and policy of the Company from time to time.
- Contribution to Provident fund, Superannuation fund and payment of gratuity as per the rules of the Company.
- Reimbursement of Medical Expenses & LTC as per the rules of the Company.
- Over and above, he will also be entitled to variable pay, linked with the performance, not exceeding 12 month's basic salary, as may be decided by the Board.
- Reimbursement of business expenses, including expenses relating to telephone at residence and mobile, incurred by him for the purpose of business of the Company.

The total remuneration payable to Mr. Shaunak Amin on Cost To Company (CTC) basis shall not exceed ₹ 250 lacs per annum.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to consider and sanction increment and / or promotion of Mr. Shaunak Amin as it may deem fit and proper.

# Notice

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to agree to such modification and/or variation as may be suggested by Central Government while granting its approval."

**8. To consider and, if thought fit, to pass with or without modifications the following resolution as a Special Resolution:**

**"RESOLVED THAT** pursuant to the provisions of Section 314 and any other applicable provisions of the Companies Act, 1956 read with Companies Director's Relatives (Office or Place of Profit) Rules, 2003 and subject to such approvals including the approval of Central Government, as may be required, the consent of the Company be and is hereby accorded to revise the remuneration of Mr. Udit Amin, and for holding an office or place of profit under the Company as Chief Business Development Officer in the Company, with effect from 1st April, 2012 or such other date as may be approved by Central Government, on the remuneration and on such terms and conditions as recommended by the Board of Directors at its meeting held on 25th April, 2012 and set out hereinbelow with authority to the Board of Directors to alter and vary the terms and conditions of the said appointment and remuneration from time to time.

- Basic Salary : Upto maximum of ₹ 6,50,000/- per month
- HRA, Kit Allowance, Transport Allowance upto a maximum of ₹ 3,68,235/- per month as per the rules and policy of the Company from time to time.
- Contribution to Provident fund, Superannuation fund and payment of gratuity as per the rules of the Company.
- Reimbursement of Medical Expenses & LTC as per the rules of the Company.
- Over and above, he will also be entitled to variable pay, linked with the performance, not exceeding 12 month's basic salary, as may be decided by the Board.
- Reimbursement of business expenses, including expenses relating to telephone at residence and mobile, incurred by him for the purpose of business of the Company.

The total remuneration payable to Mr. Udit Amin on Cost To Company (CTC) basis shall not exceed ₹ 225 lacs per annum.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to consider and sanction increment and / or promotion of Mr. Udit Amin as it may deem fit and proper.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to agree to such modification and/or variation as may be suggested by Central Government while granting its approval."

**9. To consider and, if thought fit, to pass with or without modifications the following resolution as a Special Resolution:**

**"RESOLVED THAT** in conformity with the provisions of Article 139 of the Articles of Association of the Company and pursuant to the provisions of Section 309(4) of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such statutory approvals as may be necessary, authority be and is hereby accorded to the payment of commission to the Non-Executive Independent Directors of the Company (other than the Managing Director and/or Whole-Time Directors or Executive Director) to be determined by the Board of Directors for each Non-Executive Independent Director for each financial year over a period of 5 (five) years commencing from the financial year ending on 31st March, 2012 up to and including financial year of the Company ending as on 31st March, 2016, to be calculated in accordance with the provisions of Sections 198, 349 and 350 and other provisions, if any, of the Companies Act, 1956 and distributed between such Directors in such a manner as the Board of Directors may from time to time determine within the maximum limit of 0.50% (half percent) of net profits of the Company, in addition to the sitting fees being paid by the Company for attending the Board/Committee Meetings of the Company.

**NOTES :**

1. **ANY MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The Proxy form duly completed must reach the Registered Office of the Company not later than forty-eight hours before the time of holding the meeting.
3. The Register of Members of the Company will remain closed from **Thursday, the 2nd August, 2012 to Thursday, the 9th August, 2012 (both days inclusive)**, for the purpose of payment of dividend.
4. The dividend when sanctioned will be made payable on or after 14th August, 2012, to those members whose names stand on the Register of Members of the Company on 2nd August, 2012 in case of Physical shares and to those members as per the beneficiary position to be given by NSDL and CDSL. Members are requested to notify promptly any change in their registered addresses.
5. All documents referred to in the Notice are open for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day except Saturdays and holidays up to the date of Annual General Meeting.

# Notice

6. Shareholders who have not encashed their dividend warrants for the financial year ended on 31st March, 2011 are requested to approach the Company or the R & T Agents of the Company.
7. All the work related to share registry in terms of both - physical and electronic - are being conducted by Company's R & T Agents - M/s. Link Intime India Pvt. Limited, B-102 & 103, Shangrila Complex, First Floor, Opp. HDFC Bank, Near Radhakrishna Char Rasta, Akota, Vadodara 390 020. Tel: (0265) 2356573, 2356794 Fax: (0265) 2356791 Email: vadodara@linkintime.co.in. The Shareholders are requested to send their communication to the aforesaid address in future.

Registered Office:  
Alembic Road,  
Vadodara - 390 003.  
Date : 25th April, 2012

By Order of the Board,  
**R.K. Baheti**  
Director-Finance &  
Company Secretary

## **Explanatory Statement as required under Section 173 of the Companies Act, 1956**

### **Item No. 6**

The present clause for Common Seal in the Articles of Association of the Company requires that the Common Seal be affixed in the presence of at least one Director and Secretary or any other authorised person who shall sign the same. Considering the growth of the Company's business and number of documents that require Common Seal to be affixed, it becomes very difficult to ensure availability of one of the Directors of the Company, every time the Documents are to be executed. Therefore, it is proposed to amend the said article suitably so that the Common Seal can be affixed in the presence of the person authorised by the Board for the purpose.

Your Directors recommend the resolution for your approval.

None of the Directors of the Company is deemed to be concerned or interested in the said Resolution.

### **Item No. 7**

The Members of the Company at the Annual General Meeting held on 29th August, 2011 approved the revision in remuneration of Mr. Shaunak Amin President-Formulation of the Company with effect from 1st April, 2011 on the following terms and conditions which is the same as presently proposed and mentioned hereunder:

- Basic Salary: Upto maximum of ₹ 7,25,000/- per month.
- HRA, Kit Allowance, Transport Allowance upto a maximum of ₹ 4,02,710/- per month as per the rules and policy of the Company from time to time.
- Contribution to Provident fund, Superannuation fund and payment of gratuity as per the rules of the Company.
- Reimbursement of Medical Expenses & LTC as per the rules of the Company.
- Over and above, he will also be entitled to variable pay, linked with the performance, not exceeding 12 month's basic salary, as may be decided by the Board.
- Reimbursement of business expenses, including expenses relating to telephone at residence and mobile, incurred by him for the purpose of business of the Company.

The total remuneration payable to Mr. Shaunak Amin on Cost To Company (CTC) basis shall not exceed ₹ 250 lacs per annum.

However, the Central Government vide letter No. SRNo. B16445579/2/2011-CL.VII dated 26th December, 2011 approved the total remuneration payable to Mr. Shaunak Amin of only ₹ 92.40 lacs per annum.

Mr. Shaunak Amin studied Economics at University of Massachusetts, USA. He has worked with Merrill Lynch where he has got exposure of managing client portfolios and analyzing equity options & its impact on evaluation of financial securities. He has also worked at Hongkong & Shanghai Banking Corporation in UK in its Credit support function. He has extensive & varied experience in sales & marketing. Mr. Shaunak Amin is working as President-Formulation. The Strategic Business Unit which is headed by Mr. Shaunak Amin employs more than 3000 employees. Mr. Shaunak Amin has given significant contribution for development of Formulation Business of the Company. His current salary is not commensurate with the role and responsibility carried out by him as President-Formulations. Accordingly, the Board of Directors in their meeting held on 25th April, 2012 unanimously approved the revision in the remuneration package of Mr. Shaunak Amin, President-Formulations as mentioned above.

Your Directors recommend the resolution for your approval.

Mr. C.R. Amin and Mr. Pranav Amin are deemed to be concerned or interested in the said Resolution as relatives of Mr. Shaunak Amin.

None of the other Directors of the Company is deemed to be concerned or interested in the said Resolution.

# Notice

## Item No. 8

The Members of the Company at the Annual General Meeting held on 29th August, 2011 approved the revision in remuneration of Mr. Udit Amin, Chief Business Development Officer of the Company with effect from 1st April, 2011 on the following terms and conditions which is the same as presently proposed and as mentioned hereunder:

- Basic Salary : Upto maximum of ₹ 6,50,000/- per month
- HRA, Kit Allowance, Transport Allowance upto a maximum of ₹ 3,68,235/- per month as per the rules and policy of the Company from time to time.
- Contribution to Provident fund, Superannuation fund and payment of gratuity as per the rules of the Company.
- Reimbursement of Medical Expenses & LTC as per the rules of the Company.
- Over and above, he will also be entitled to variable pay, linked with the performance, not exceeding 12 month's basic salary, as may be decided by the Board.
- Reimbursement of business expenses, including expenses relating to telephone at residence and mobile, incurred by him for the purpose of business of the Company.

The total remuneration payable to Mr. Udit Amin on Cost To Company (CTC) basis shall not exceed ₹ 225 lacs per annum.

However, the Central Government vide letter No. SRNo. B16446023/2/2011-CL.VII dated 26th December, 2011 approved the total remuneration payable to Mr. Udit Amin of only ₹ 83.16 lacs per annum.

Mr. Udit Amin studied Economics with a focus on International trade at University of Michigan, USA. He has worked in regulatory department at Ivax, UK. His job role at Ivax included, helping management choose filing strategy for multiple countries within Europe. He worked extensively on turn around project of Pashak Limited. Mr. Udit Amin has been working with this Company as Chief Business Development Officer since 1st September, 2005. The Central Projects Cell is headed by Mr. Udit Amin. Mr. Udit Amin has given significant contribution for development of the Company. His current salary is not commensurate with the role and responsibility carried out by him as Chief Business Development Officer. Accordingly, the Board of Directors in their meeting held on 25th April, 2012 unanimously approved the revision in the remuneration package of Mr. Udit Amin, Chief Business Development Officer as mentioned above.

Your Directors recommend the resolution for your approval.

Mr. C.R. Amin and Mr. Pranav Amin are deemed to be concerned or interested in the said Resolution as relatives of Mr. Udit Amin.

None of the other Directors of the Company is deemed to be concerned or interested in the said Resolution.

## Item No. 9

Section 309 of the Companies Act, 1956 provides that a Director who is neither in the whole-time employment of the Company nor a managing director may be paid remuneration by way of commission, if the Company by special resolution, authorizes such payment. The contribution from the Non-Executive and Independent Directors has been significant on various strategic decisions as well as operational issues. The Board of Directors are of the opinion that, in order to remunerate the Non-Executive and Independent Directors of the Company (other than the Managing Director and/or Whole-time Directors and Executive Directors), for the responsibilities entrusted upon them under the law particularly with the requirements of the Companies Act, 1956 and Corporate Governance norms, the current trends and commensurate with the time devoted and the contribution made by them, subject to such statutory approvals as may be necessary, commission in terms of Section 309 of the Companies Act, 1956, be paid to the Non-Executive and Independent Directors of the Company.

The Board of Directors of the Company have approved payment of commission to Non-Executive and Independent Directors of the Company, within the maximum limit of 0.50% percent of net profits of the Company, to be determined by the Board of Directors for each Non-Executive and Independent Director for each financial year, over a period of five years commencing from the financial year ended 31st March, 2012 up to 31st March, 2016.

In addition to the Commission on the net profits as aforesaid, each Non-Executive Director of the Company is presently entitled to a fee of ₹ 20,000/- per attended meeting of the Board and Committees. Section 309 of the Companies Act, 1956 requires approval of members of the Company by passing a Special Resolution in General Meeting for payment of remuneration by way of commission to Non-Executive Directors of the Company.

Your Directors recommend the Resolution for your approval. All Non-Executive and Independent Directors of the Company namely, Mr. K. G. Ramanathan, Mr. Milin Mehta, Mr. Paresh Saraiya and Mr. Pranav Parikh are concerned or interested in the Resolution to the extent of the remuneration that may be received by them.

Registered Office:  
Alembic Road,  
Vadodara - 390 003.  
Date : 25th April, 2012

By Order of the Board,  
**R.K. Baheti**  
Director-Finance &  
Company Secretary

## DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting their 2nd Annual Report together with the Audited Statement of Accounts for the year ended on 31st March, 2012.

### 1 Financial Results :

(₹ in Lacs)

| Stand Alone Basis |        | Particulars                                               | Consolidated Basis |        |
|-------------------|--------|-----------------------------------------------------------|--------------------|--------|
| 2012              | 2011   | For the year ended 31st March                             | 2012               | 2011   |
| 21,001            | 15,581 | Profit for the year before Interest, Depreciation and Tax | 22,085             | 16,033 |
|                   |        | <b>Adjusting therefrom:</b>                               |                    |        |
| 2,621             | 2,389  | Interest (net)                                            | 2,621              | 2,389  |
| 3,365             | 2,959  | Depreciation                                              | 3,365              | 2,959  |
| (38)              | 282    | Provision for deferred tax liabilities or (assets)        | (38)               | 282    |
| 3,000             | 1,801  | Provision for current tax and wealth tax                  | 3,123              | 1,864  |
| 12,054            | 8,150  | <b>Net Profit</b>                                         | 13,013             | 8,539  |
|                   |        | <b>Adding thereto:</b>                                    |                    |        |
| -                 | -      | Balance brought forward as per Scheme of Arrangement      | -                  | 1,519  |
| 2,168             | -      | Balance brought forward from previous year                | 4,076              | -      |
| 14,222            | 8,150  | Amount available                                          | 17,089             | 10,058 |
|                   |        | <b>Appropriating there from:</b>                          |                    |        |
| 792               | 792    | Debenture Redemption Reserve                              | 792                | 792    |
| 2,639             | 1,885  | Provision for Dividend - Equity Shares                    | 2,639              | 1,885  |
| 428               | 305    | Provision for Corporate Dividend tax                      | 428                | 305    |
| 5,000             | 3,000  | Transfer to General Reserve                               | 5,000              | 3,000  |
| 5,363             | 2,168  | Balance carried forward to Balance Sheet                  | 8,230              | 4,076  |

### 2 Dividend :

Your Directors recommend Dividend on Equity Shares at ₹ 1.40/- per share (i.e. 70 per cent) of face value of ₹ 2/- per share for the year ended on 31st March, 2012 as against ₹ 1 per share (i.e. 50 per cent) for the year ended 31st March, 2011.

### 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 Operations :

The Company's Standalone revenue from operations were ₹ 1,375.28 Crores for the year ended 31st March, 2012 as compared to ₹ 1,164.93 Crores for the previous year.

The standalone Profit before Interest, Depreciation and Taxes was ₹ 210.01 Crores for the year under review as compared to ₹ 155.81 Crores for the previous year.

During the year, the interest and financing cost was ₹ 26.21 Crores as compared to ₹ 23.89 Crores in previous year.

The Company has registered a consolidated revenue from operations of ₹ 1,466.39 Crores for the year under review as compared to ₹ 1,202.05 Crores for the previous year.

The break-up of consolidated sales is as under:  
(₹ in Crores)

| Particulars          | F.Y.<br>2011-12 | F.Y.<br>2010-11 |
|----------------------|-----------------|-----------------|
| Domestic Formulation | 782.61          | 693.44          |
| Export Formulation   | 298.50          | 223.92          |
| Domestic API         | 94.24           | 94.51           |
| Export API           | 279.22          | 179.9           |
| <b>Total</b>         | <b>1,454.57</b> | <b>1,191.77</b> |

The Consolidated Profit, before providing for Interest, Depreciation and Taxes, was ₹ 220.85 Crores for the year under review as compared to ₹ 160.32 Crores for the previous year. The Company has made a consolidated profit for the year of ₹ 130.13 Crores for the year under review as compared to ₹ 85.39 Crores for the previous year.

## ⑤ Listing of shares :

The Equity shares of the Company got listed on The Bombay Stock Exchange Limited (BSE) with scrip code No. 533573 and on National Stock Exchange of India Limited (NSE) with scrip code APL LTD and trading commenced w.e.f. 20th September, 2011. The Company is regular in paying listing fees to both the Stock Exchanges.

## ⑥ Fixed Deposits :

The Fixed Deposits including those from shareholders as on 31st March, 2012 was ₹ 47.03 Crores. Unclaimed Deposits of ₹ 36.05 lacs from 123 deposits holders have been transferred to current liabilities. Out of this, no deposits have since been repaid or renewed at the option of depositors and no instruction have been received so far and if not claimed in future, it shall be deposited in the Investor' Education and Protection Fund in due course, as per the provisions of the Companies Act, 1956.

## ⑦ Directors :

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

The brief resumes of Mr. R. K. Baheti and Mr. K. G. Ramanathan are given in the Corporate Governance Report.

## ⑧ 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.

## ⑨ Particulars of Employees :

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

## ⑩ Corporate Governance :

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

A separate report on Corporate Governance is



## DIRECTORS' REPORT

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 Board members and senior management team of the Company. The said code of conduct has been posted on the website of the Company - [www.alembic-india.com](http://www.alembic-india.com). All Board members and senior management personnel of the company have affirmed the requirements of the said code of conduct.

### **11 Audit Committee :**

The Audit Committee consists of Mr. Paresh Saraiya, Mr. Milin Mehta and Mr. Pranav Parikh. Mr. Paresh Saraiya is Chairman of the Audit Committee. 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.

### **12 Auditors :**

M/s. K. S. Aiyar & Co., Chartered Accountants, Statutory Auditors, (Firm Regn. No. 100186W) 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.

The Company has appointed M/s. Sharp & Tannan, Chartered Accountants as its Internal Auditors to carry out the Internal Audit of various operational areas of the Company.

### **13 Cost Auditors :**

As per the order No. 52/26/CAB/2010 dated 2nd May, 2011 of the Ministry of Corporate Affairs, the Company is required to get audited, the Cost Accounts maintained by the Company relating to Bulk Drugs and Formulations for the year ended on 31st March, 2012 by Auditors with qualification prescribed in Section 233B(1) of the Companies Act, 1956. Accordingly, the Board has appointed Mr. H. R. Kapadia as Cost Auditor for the year ended on 31st March, 2012.

### **14 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.

### **15 Directors' Responsibility Statement :**

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

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2012, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected appropriate accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and on the profit of the Company for the year under review;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) that the Directors have prepared the annual accounts for the financial year ended 31st March, 2012 on a 'going concern' basis.

On behalf of the Board of Directors,  
**Chirayu R. Amin**

Chairman & Managing Director  
 Vadodara, 25th April, 2012

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Industry Perspective vis-à-vis Company

The Indian Pharmaceutical Industry is currently valued at \$20 billion and stands 13th in terms of value. Globally adjudged as the third largest in terms of volume, the sector is remarkably growing at 14% per year. The growth of the sector has been fuelled by exporting life-saving drugs to developing countries and supplying quality drugs to the developed nations at affordable prices. India is also emerging as a world leader in generic pharmaceuticals production, supplying 20% of the global market for generic medicines.

The year 2011-12 saw a lot of action and initiatives for the pharmaceutical industry from the Government. The Department of Pharmaceuticals had devised a draft National Pharmaceutical Pricing Policy, 2011 (NPPP-2011) based on the criteria of essentiality and requirements as stipulated by the Ministry of Health & Family Welfare and had circulated the same among the concerned Ministries/Stakeholders. The draft Policy envisages bringing the National List of Essential Medicines (NLEM) – 2011 and associated medicines under price control. The views/inputs received on the draft NPPP-2011 are being examined by the Ministry.

The recent takeovers of Indian companies by MNCs could increase the possibility of other takeovers of Indian companies which would have impact on the Indian health care scenario as well as on pricing and availability of medicines in India. The Department of Pharmaceuticals had requested the Department of Commerce to conduct a study on the recent takeovers of Indian Companies by the MNCs. Department of Commerce has entrusted the task of this study to M/s Ernst & Young. Thereafter, the recommendation could be placed before the Economic Advisory Council to the Prime Minister and/or the Competent Authority.

The policy of Foreign Direct Investment (FDI) in existing Indian Pharmaceutical Companies

has also come in for public comments especially on the issue of takeover of existing Indian Pharmaceutical companies by multinational companies. With a view to examine the issues involved in a broader perspectives, Planning Commission has with the approval of the Prime Minister constituted a High Level Committee (HLC) under the Chairpersonship of Shri Arun Maira, Member (Industry), Planning Commission to consider all the relevant aspects.

The Planning Commission in their document-“Faster, Sustainable and More Inclusive Growth: An Approach to the 12th Five Year Plan”, aims at raising the total public health expenditure to 2.5% of GDP by the end of the Twelfth Plan. The Government has taken several steps to increase public health expenditure. As per Economic Survey 2011-12, the health expenditure by General Government (Central and State Government combined) as percentage of the GDP is 1.30 in 2011-12.

This year, India also touched a milestone of being polio free for one whole year. There is a need to ensure that there is no case of polio infection for the next three consecutive years for India to celebrate eradication of poliomyelitis.

As per information furnished by Medical Council of India (MCI), the total number of doctors registered (allopathic) in the country till 31st July, 2011, is 8,56,065 out of which approximately six lac are presently active practitioners. The current doctor-population ratio has been worked out to be approximately 1:2000. A large number of steps have been taken to address shortage of doctors, specialists and faculty in the country.

The Government has also launched the National Urban Health Mission to encompass the primary healthcare needs of people in the urban areas.

### Domestic Formulation Business

The Domestic formulations market, valued at ₹ 48,200 crore has grown steadily at CAGR of