



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Bikramjit Ahluwalia
Chairman

Dr. Rohini Ahluwalia
Executive Vice Chairperson, CEO

Ms. Sudarshan Walia, Director

Mr. Arun Kumar Gupta, Director

Prof. G.P. Talwar, Director

Dr. S.S. Arora, Director

Dr. S.C.L. Gupta, Director

Mr. S.K. Sachdeva, Director

REGISTERED OFFICE

4, Community Centre, Saket,
New Delhi - 110017

Tel: +91-11-26852036

Fax: +91-11-26852036

CORPORATE OFFICE

M-1, Saket,
New Delhi - 110017

Tel: +91-011-40504562

COMPANY SECRETARY

Mr. Ranjan Kumar Sahu

BANKERS

Punjab & Sind Bank

Syndicate Bank

State Bank of Bikaner & Jaipur

HDFC Bank Ltd.

AUDITORS

M/s. Arun K. Gupta & Associates

Chartered Accountants,

D-58, East of Kailash,

New Delhi - 110065

MANUFACTURING FACILITIES

SP-917 & 918, Phase III, Industrial Area,
Bhiwadi - 301019

Dist. Alwar, Rajasthan

Tel: +91-01493-305300

Fax: +91-01493-221045

WEBSITE

www.ahlconindia.com

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CONTENTS

Notice.....	01	Directors' Report.....	03	Management Discussion & Analysis Report...	07
Report on Corporate Governance.....	11	Auditors' Report.....	17	Balance Sheet.....	20
Statement of Profit and Loss.....	21	Notes.....	22	Cash Flow Statement.....	44



NOTICE

Notice is hereby given that the 20th Annual General Meeting of Ahlcon Parenterals (India) Limited will be held on Thursday, the 27th day of September 2012 at 03.00 P.M. at the Ahlcon Public School, Mayur Vihar, Phase-I, New Delhi-110091 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2012, Statement of Profit & Loss and Cash Flow Statement for the year ended on that date together with Reports of the Board of Directors and the Auditors thereon.
2. To consider the Interim Dividend of 10% paid only for the year 2011-12 on Equity Shares of the company as Final Dividend.
3. To appoint a Director in place of Mr. Arun Kumar Gupta, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Prof. G. P. Talwar, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Dr. S. S. Arora, who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and authorise the Board of Directors/ Audit Committee to fix their remuneration.

M/s. Arun K. Gupta & Associates, Chartered Accountants, are the retiring Auditors and, being eligible, offer themselves for reappointment.

By order of the Board

Place : New Delhi
Dated : 08.08.2012

Ranjan Kumar Sahu
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN, 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Proxies shall not have any voting rights except on a poll.
3. Only bonafide members of the company whose names appear on the Register of Members/ Proxy holders, in possession of valid attendance slips duly filled and signed will be permitted to attend the meeting. The company reserves its right to take all steps as may be deemed necessary to restrict non members (excluding valid proxy holder) from attending the meeting.

4. The Register of Members and Share Transfer Books of the company shall remain closed from 20th September, 2012 to 27th September, 2012 (both days inclusive) for the purpose of Annual General Meeting.
5. After perusal of the availability of adequate net profit in the half-yearly results of the Financial year 2011-12, the Board in its meeting held on dated 13.02.2012 has considered the declaration of an Interim dividend of 10 % on the fully-paid up Equity Shares having a face value of ₹ 10 and paid ₹ 1 per equity share to those members whose names appeared in the Company's Register of Members as on the opening hours of 25th February, 2012 by way of electronic transfer to the account of the shareholders who have provided their Bank account details to the DP and through cheques for others. While approving the audited financial results for the year ended 31st March, 2012, the Board has not recommended any further dividend and has considered the interim dividend only as Final Dividend, on Equity shares. Further, the Board has approved for payment of final dividend only on the 6% Cumulative, Redeemable Preference Shares amounting to ₹ 1,35,000/- (excluding tax on dividend) for the year 2011-12, in addition to ₹ 4,05,000/- (excluding tax on dividend) already paid as Interim Dividend on the said preference shares.
6. Those members who have so far not encashed their dividend warrants for the below mentioned financial years, may claim or approach the company for the payment thereof as the same will be transferred to the Investor Education and Protection Fund of the Central Government, pursuant to section 205C of the Companies Act, 1956 on the respective dates mentioned there against. Intimation in this regards is being sent to the concerned shareholders periodically. Kindly note that after such dates, members will lose their right to claim such dividend.

FINANCIAL YEAR ENDED	AGM DATE	DUE DATE
31.03.2005	30.09.05	05.11.2012
31.03.2006	30.09.06	05.11.2013
31.03.2007	29.09.07	04.11.2014
31.03.2008	30.09.08	05.11.2015
31.03.2009	30.09.09	05.11.2016
31.03.2010	17.09.10	23.10.2017
31.03.2011	30.09.11	05.11.2018

7. Pursuant to the provisions of Section 205A of the Companies Act, 1956, the unpaid/unclaimed Dividend for the year 2004-05 will be transferred to the Investor Education and Protection Fund of the Central Government on the due date.
8. Members those who may not have received/ encashed the dividend warrants for the year 2004-05, 2005-06, 2006-07, 2007-08 2008-09, 2009-10, 2010-11 and Interim Dividend 2011-12 may claim it/ apply for revalidation either to the RTA or the Secretarial Department of the company.



9. All documents referred in the notice are open for inspection at the Registered Office of the company between 11.00 A.M. to 1.00 P.M. on any working day prior to the date of the Annual General Meeting.
10. Members / Proxies should bring the attendance slips duly filled in for attending the meeting. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
11. It will be appreciated that queries, if any, on accounts and operations of the company are sent to the corporate office of the company ten days in advance of the meeting so that the information may be made readily available.
12. Shareholders are requested to immediately intimate the change in email address, correspondence address and bank details, if any, to the Company's Registrar and Share Transfer Agent M/s. MAS Services Ltd., T-34, 2nd Floor, Okhla Industrial Area, Phase - II, New Delhi - 110 020 for payment of dividend, Annual Report and other documents from time to time. Those who are holding their shares in dematerialized form should notify to their Depository participants, change / correction in their address / bank account particulars etc.
13. Shareholders are requested to bring their copy of Annual Report to the meeting.
14. INFORMATION REQUIRED TO BE FURNISHED IN PURSUANCE OF CLAUSE 49 OF THE LISTING AGREEMENT WITH STOCK EXCHANGES

The particulars of the Directors who are proposed to be appointed /reappointed are as given below:

Mr. Arun Kumar Gupta, Independent Director

DOB: 27-12-1949, Age: 62 years

Mr. Arun Kumar Gupta is a Fellow member of the Institute of Chartered Accountants of India, as well as an Associate member of The Institute of Cost Accountants of India. He is also qualified as a Management Accountant from The Institute of Chartered Accountants of India. He is a Commerce Graduate from the prestigious Shri Ram College of Commerce, Delhi.

Mr. Gupta was nominated by Govt. of India between 1992 - 1995 to the Central Council of The Institute of Chartered Accountants of India, the highest governing body of the accountants in the country.

Mr. Gupta has vast experience in almost entire financial accounting spectrum including systems formulations, MIS, internal control, audit, taxation, and corporate laws. He has also been involved in few merger and acquisitions for small and medium enterprises. He has also been responsible for revival of many sick industrial units. Mr. Gupta has also successfully handled arrangement of loan

fund to over fifty companies. He has been a part of several teams for negotiating formation of joint ventures in India with Foreign Companies. He has also appeared as an Accounting Expert before International Chamber of Commerce, Paris.

He is Director and Chairman of Audit Committee of the following companies:

Indosolar Limited
Ahlwalia Contracts (India) Limited
Ahlcon Parenterals (India) Limited
Satia Synthetics Limited

He is also associated with number of NGO's both as a member and as an advisor.

He is holding 1279 shares of the company as on 31.03.12.

Prof. G. P. Talwar, Independent Director

DOB : 02.10.1926 Age: 85 years

Prof. Talwar is having the qualifications of B.Sc. (Hons.) M.Sc. (Tech.) and Docteur es Sciences (Sorbonne). He is the founder Director of the Talwar Research Foundation for Immunology. To name a few of his previous experience, he was the head of Research and Training Centre in Immunology of WHO for India and South East Asia, Professor and HOD of Biochemistry, AIIMS, New Delhi, Professor of Eminence and Senior Consultant, International Centre for Genetic Engineering and Biotechnology, New Delhi.

He has been bestowed with several prestigious Honours and awards by many premier organizations at national and international level.

He is holding 500 shares of the company as on 31.03.12 and not holding directorship in any other company.

Dr. S. S. Arora, Independent Director

DOB: 16-01-1959, Age: 53 years

Dr. Arora is an MBBS, MD and having the Fellowship of American Association of Respiratory Care, USA. Presently, he is a Senior Consultant, Batra Hospital, New Delhi a large group of Hospital.

He possesses in-depth knowledge on analysis of pharmaceutical market data, and has expertise in establishing strategies for marketing of pharmaceutical products. Further, he is having an extensive 30 years of experience in pharmaceutical world specifically with respect to meeting challenges for unmet medical needs, healthcare and related medical activities.

He is not holding any shares and directorship in any other company.

By order of the Board

Place : New Delhi
Dated : 08.08.2012

Ranjan Kumar Sahu
Company Secretary



DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 20th Annual Report on the business and operations of the Company for the financial year ended 31st March, 2012.

FINANCIAL RESULTS

(₹ in lacs)

FOR THE YEAR ENDED	31.03.2012 (CURRENT YEAR)	31.03.2011 (PREVIOUS YEAR)
Sales (including excise) and other Income	8754.85	6827.84
Gross operating Profit	1489.86	1200.07
Financial Charges	369.91	247.09
Cash Profit	1119.95	952.98
Depreciation	339.60	289.32
Provision for doubtful debts/ obsolete Stock	85.03	30.23
Provision for doubtful debts written back	45.94	16.12
Prior period Adjustments	17.82	1.28
Profit before Tax	723.44	648.28
Provision for Deferred Tax	5.34	159.70
Provision for Current	216.58	132.40
MAT Credit Entitlement	(5.85)	(73.03)
Income Tax Paid for earlier years	7.43	-
Profit after Tax	499.93	429.21
Balance brought forward from previous year	2082.44	2045.47
Profit available for appropriation	2782.37	2474.68
Interim Dividend on Preference Shares	4.05	-
Proposed Final Dividend on Preference Shares	1.35	5.40
Tax on Interim Dividend on Preference Shares	0.66	-
Tax on Proposed Dividend on Preference Shares	0.22	0.90
Interim Dividend on Equity Shares	72.00	-
Proposed Final Dividend on Equity Shares	-	108.00
Tax on Interim Dividend on Equity Shares	11.68	-
Tax on Final Dividend on Equity Shares	-	17.94
Profits transferred to General Reserve	60.00	60.00
Profit carried forward	2632.41	2282.44

OPERATIONAL PERFORMANCE

Your Directors have the reasons to be satisfied about the financial & operational performance of the company as it has continued to surpass all its previous records and has achieved a sales turnover of ₹ 7970 lacs as compared to the previous year sales turnover of ₹ 6277 lacs and thereby achieved a growth of 27%. The Company Net Profit has recorded a growth of 16.47% by scaling up from the previous year figure of ₹ 429.21 lacs to ₹ 499.93 lacs.

Constant thrust on productivity enhancement, cost optimization is being put by your directors to maintain a continuous growth track in the operational results of the company.

DIVIDEND

After perusal of the availability of adequate net profit in the half-yearly results of the Financial year 2011-12, the Board in its meeting held on 13.02.2012 has considered the declaration of an Interim dividend of 10 % on the fully-paid up Equity Shares having a face value of ₹ 10 and paid ₹ 1 per equity share to those members whose names appeared in the Company's Register of Members as on the opening hours of 25th February, 2012 by way of electronic transfer to the account of the shareholders who have provided their Bank account details to the DP and through cheques for others. While approving the audited financial results for the year ended 31st March, 2012, the Board has not recommended any further dividend and has considered the interim dividend only as Final Dividend, on Equity shares.

Further, the Board has approved for payment of final dividend only on the 6% Cumulative, Redeemable Preference Shares amounting to ₹ 1,35,000/- (excluding tax on dividend) for the year 2011-12, in addition to ₹ 4,05,000/- (excluding tax on dividend) already paid as Interim Dividend on the said preference shares.

The dividend payout for the year under review has been formulated keeping in view the company's need for capital, its growth plans and the intent to finance such plans through internal accruals to the maximum. Your directors believe that this would increase shareholder value and eventually lead to a higher return threshold.

TRANSFER TO RESERVES

Out of the profit available for appropriation, your directors propose to transfer ₹ 60 lacs to the General Reserve of the company which they consider for building a strong reserve position for future utilization.

EARNING PER SHARE

EPS (Earning Per Share) is ₹ 6.94, as compared to the previous year's figure of ₹ 5.87 by a growth of 18.22 % as compare to the previous year.



MATERIAL CHANGES WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE BALANCE-SHEET RELATES AND THE DATE OF REPORT

OPEN OFFER MADE BY B. BRAUN SINGAPORE PTE. LTD. ("Purchaser") IN ACCORDANCE WITH THE SEBI TAKEOVER REGULATIONS, 2011

The promoters of the Company have entered into a Share Purchase Agreement with B. Braun Singapore Pte. Ltd. (Purchaser) on dated 21st March, 2012 for ceding controlling stake in the Company to it and in accordance with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("SEBI Takeover Regulations"), an open offer had been given by the purchaser to purchase the equity shares from the public shareholders of the Company at a price determined in accordance with the SEBI Takeover Regulations.

The Purchaser has made a Detailed Public Statement in accordance with the SEBI Takeover Regulations on dated 29.03.2012 and has, in light of the provisions of Regulation 26(6) of the SEBI Takeover Regulations, requested the Board of Directors of the Company to constitute a Committee of Independent Directors to provide reasoned recommendations with respect to the Open Offer made by the Purchaser in accordance with the SEBI Takeover Regulations and to publish such recommendations in accordance with the SEBI Takeover Regulations.

After adequate legal consultation, the Committee of Independent Directors has approved its recommendation on dated 19.05.2012, about the fairness of the offer price of ₹ 460/- by the purchaser, which were also published on various National newspapers for the information of the shareholders.

After the successful completion of the open offer process, there will be a change in the Management of the company.

UPGRADATION / PRODUCT DEVELOPMENT

The GMP standards has been revised for International as well as domestic markets. Revised Schedule M of the Drugs and Cosmetics Rules, WHO-GMP and other International norms relating to good manufacturing practices, require facilities and equipments, which causes additional financial burden upon the Company.

To meet with the current GMP norms and as well as revised Schedule M to the Drugs and Cosmetics Rules, WHO-GMP and other international norms relating to good manufacturing practices, the Company has engaged a renowned Pharma Consultant for upgrading the present facilities. Your company is updating the existing formulations, manufacturing process, packing materials and develop new formulations for AHLCON through its own In house R&D Division. The production facilities of

the Company have to be upgraded as it plans to stretch its value added products in both the domestic as well as in international markets.

RESEARCH & DEVELOPMENT

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

The Company has established an In house R&D Division at Bhiwadi with a dedicated team of highly qualified, skilled scientists engaged in developing the formulations and products for its strategic portfolio management. R&D is also well on its way to realize the potential of the company by innovating with various drug delivery technologies. The company is in the process of research and development of new formulations and registration of products.

The Company has R&D Division at Bhiwadi, duly recognized by the Government of India, Ministry of Science and Technology, Department of Scientific & Industrial Research (DSIR).

With qualified and experienced research scientists manning the research and development activities, the Company has focused its thrust on new and innovative process and product development.

In respect of weighted tax benefit under the R&D expenditure, the company has filed application before the prescribed authority under Section 35 (2AB) of the Income Tax Act, 1961 which is under pipeline.

EXPORTS

In this report your company has planned for major attention of its operation on export market due to opportunity and demand of your products in the international market. Your directors are putting constant efforts for increasing the export sales component on the total turnover to mitigate the risk posed by various domestic markets and factors, which are resulting into price discrimination, cut throat competition, entry of new entities in the market, government price regulatory mechanism. Taking advantage of the increased demand of Indian pharmaceutical products, in the international market, the company has carried on registration and arrangement with several international agencies for increasing the base of export markets. Further plans are underway to increase the direct and indirect exports to various countries. As a result of this, during the year under review, the direct export sales were ₹ 1519 lacs as compared to the previous year's figure of ₹ 670 lacs, achieving a growth of 127% approx.

As informed in our previous report, to further expand the company's export activities, your company is in the process of registration of its product dossiers, in both the regulated as well as unregulated markets and



the registration formalities with number of countries are well in progress. We have obtained orders from some parties and as some countries registration process is in under the pipe line and hence soon after these registration certificates are obtained, company shall be able to grab the export earnings by exporting to those countries.

BANKERS

We are banking with the Punjab & Sind Bank which has been providing financial assistance to our company for various purposes and for which we express our hearty commends.

DIRECTORS

The Present directors having a vast experience in this Industry & their timely directions ultimately had provided long term benefits to the Company. Their constant efforts and seasoned decisions paved the way to success in each path.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the company, Mr. Arun Kumar Gupta, Prof. G. P. Talwar and Dr. S. S. Arora, Directors of the company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Necessary resolutions seeking the approval of the shareholders for the aforesaid appointment & reappointment of directors, form part of the notice, convening the Annual General Meeting. The details of the directors, seeking appointment/ reappointment is provided under the "Report on Corporate Governance" forming part of this Annual Report.

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 the applicable accounting standards have been followed alongwith proper explanation relating to material departures in the preparation of annual accounts;
- (ii) That the Directors have selected such 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 of the profit or loss 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;
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2012 on a 'going concern' basis.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section titled "Report on Corporate Governance" has been annexed to this Annual Report.

AUDITOR'S REPORT

The remarks referred to in the Auditors Report are self explanatory except on the observation of disputed tax / other demand mentioned at point no. 9 (ii) of the Annexure to their report, the company has already preferred appeals before the appellate authorities against the said demand of the respective departments. Company has strong grounds to believe that the appellate authorities shall pass orders in favour of the company.

STATUTORY AUDITORS: M/s. Arun. K. Gupta & Associates, Chartered Accountants, Statutory Auditors of the company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. We recommend for their reappointment.

COST AUDITORS: M/s. Kabra and Associates, Cost Accountants, New Delhi have been reappointed as Cost Auditors of the company for the financial year 2012-13, by the Board of Directors, on a remuneration to be settled mutually. The Cost Audit report for the financial year 2011-12 shall be filed with the MCA within the prescribed time.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS / OUTGO: The information pursuant to section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is furnished in the Annexure forming part of this report.

PARTICULARS OF EMPLOYEES: During the year under review, no employee was in receipt of remuneration exceeding the specified limits. Hence, no disclosure under section 217(2-A) of the Companies Act, 1956, is required to be made.

INDUSTRIAL RELATION: The Company continued to maintain very healthy, cordial and harmonious industrial relations at all levels and your Directors wish to place on record their appreciation for the contributions made by the employees at all levels and take this opportunity to thank all employees for their hard work, dedication and commitment.

ACKNOWLEDGEMENTS: Your Directors take this opportunity to offer their sincere thanks to various departments of the Central and State Governments, Banks and Investors for their unstinted support, assistance and valuable guidance. Last but not the least, the directors wish to place on record their deep sense of appreciation for the devoted service of the Executives, Staff and workers of the company at all levels.

For and on behalf of the Board of Directors

Place: New Delhi
Date: 08.08.2012

Bikramjit Ahluwalia
Chairman



ANNEXURE TO THE DIRECTORS' REPORT

I - CONSERVATION OF ENERGY

Steps towards energy conservation are being continuously undertaken to reduce wastage and improve efficiency resulting in reduced energy cost. The company has appointed a specialized agency to conduct an energy audit regularly and implement new and improved powers saving techniques to optimize the energy consumption and reduce cost on such account.

FORM - A

(A) 1. Electricity, power and fuel consumption:

	(CURRENT YEAR)	(PREVIOUS YEAR)
(a) Purchased:		
Units	7057700	6459740
Total amount (₹)	38079177	30792562
Average Rate per Unit	5.40	4.77
(b) Own Generation:		
Units Generated	891266	625860
Units generated per liter of Diesel oil	3.42	3.30
Average Cost per Unit (₹)	11.22	10.25
2. Fuel (Furnace Oil/LDO):		
Units (Ltrs.)	1335971	1058501
Total amount (₹)	51938678	30306256
Average Rate/Unit (₹)	38.88	28.63
B. AVERAGE CONSUMPTION (VALUE) PER UNIT OF PRODUCTION:		
Electricity	0.345	0.277
Fuel (Furnace Oil/ LDO)	0.373	0.226

II - TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION:

The company manufactures I V Fluids and ophthalmic products using the FFS (Form-Fill-Seal) latest imported technology which is considered as the best technique world over. Further, At Ahlcon, our investment in Research and Development has been initiated to meet the challenge of unmet medical needs. A strong new product pipeline, one that is continually replenished, will be our aim for the coming years as a means to achieve success as a Branded Pharmaceutical Company.

FORM - B

1. Specific area in which R&D carried out by the Company.
 - a. To develop new products in different dosage form for Domestic and International market.
 - b. To develop new analytical methods and their validation

- c. Improvement of existing products with the objective to reduce cost, improve process and quality.
- d. To develop new innovative products in novel drug delivery system
- e. To develop new innovative products for different segments where currently products are not available
- f. To develop 'ready to use' injectable dosage form

2. Benefits derived as results of the R&D process.

Six products are developed by R&D division and commercialized. Ten products are under different stages of development and a few more have been taken of for cost upitimation.

3. Future plan of action

Your Company has ambitious plans to invest further for enhancing its R&D capabilities.

4. Expenditure on Research and Development:

	₹	₹
Capital		4,225,716.00
Recurring		
Material	1,326,711.00	
Personnel	3,886,617.00	
Printing & Stationery	1,021,87.00	
	5,315,515.00	
Depreciation (R&D Division)	211,910.00	5,527,425.00
Total R&D Expenditure		9,753,141.00
As a percentage of total turnover		1.12%

III - FOREIGN EXCHANGE EARNINGS AND OUTGO:

(₹ in lacs)

	(CURRENT YEAR)	(PREVIOUS YEAR)
Foreign Exchange earnings	1519.09	670.00
Foreign Exchange Outgo:		
(a) Imports - Machinery spares	15.62	100.85
(b) Capital Goods	0.00	921.72
(c) Imports - Raw Materials	1459.11	854.54
(d) Bank charges	3.18	1.12
(e) Registration Charges	2.06	11.95
(f) Professional Charges	-	25.64
(g) Business Promotion	35.78	-
	1515.75	1915.82

For and on behalf of the Board of Directors

Place: New Delhi
Date: 08.08.2012

Bikramjit Ahluwalia
Chairman



MANAGEMENT DISCUSSION & ANALYSIS REPORT

To the Shareholders,

This report aims to be helpful to the Shareholders of the pharmaceutical and healthcare market and provide them with an in-depth analysis of the business prospects.

CAVEAT

This section of the 20th Annual Report has been included in adherence to the spirit enunciated in the Code of Corporate Governance approved by the Securities and Exchange Board of India. Shareholders are cautioned that certain data and information external to the Company is included in this section. Though these data and information are based on sources believed to be reliable, no representation is made on their accuracy or comprehensiveness. Further, though utmost care has been taken to ensure that the opinions expressed by the management herein contain their perceptions on most of the important trends having a material impact on the Company's operations, no representation is made that the following presents an exhaustive coverage on and of all issues related to the same. The opinions expressed by the management may contain certain forward-looking statements in the current scenario, which is extremely dynamic and increasingly fraught with risks and uncertainties. Actual results, performances, achievements or sequence of events may be materially different from the views expressed herein. Shareholders are hence cautioned not to place undue reliance on these statements, and are advised to conduct their own investigation and analysis of the information contained or referred to in this section before taking any action with regard to their own specific objectives. Further, the discussion following herein reflects the perceptions on major issues as on date and the opinions expressed here are subject to change without notice.

The Company undertakes no obligation to publicly update or revise any of the opinions or forward-looking statements expressed in this section, consequent to new information, future events, or otherwise.

ECONOMIC BACKGROUND

According to the Economic Survey 2011-12, Indian economy is estimated to grow at 6.9% in 2011-12 and is expected to be around 7.6% in 2012-13. The growth has been broad based with a rebound in the agriculture sector which is expected to grow around 2.5%. Manufacturing and services sector also have registered impressive gains. The Survey reports that the industrial output growth rate was 3.9% while the services sector registered a growth rate of 9.4% in 2011-12.

In order to review the performance of Ahlcon in the financial year 2011-12, it will be relevant to comprehend the prevailing backdrop:

- Cumulative exports recorded during 2011-12 (April-January) stood at USD 242.8 billion, registering a growth of 23.5%;
- Imports in 2011-12 (April-January) at USD 391.5 billion registered a growth of 29.4%;
- Forex reserves stood at USD 292.6 billion at end of January 2012;

- Services sector grew by 9.4%, its share in gross domestic product (GDP) goes upto 59%
- Industrial growth is estimated to be 3.9%, expected to improve as economic recovery resumes;
- Foreign trade performance to remain a key driver of growth;
- Net capital flows stood at USD 41.1 billion in the first half of 2011-12, remained higher as compared to USD 38.9 billion in the first half of 2010-11;
- India's external debt stock stood at USD 326.6 billion at end September 2011;
- India remains among the fastest growing economies of the world. The country's sovereign credit rating rose by a substantial 2.98% during the period 2007-12.

The year was also adversely affected by severe inflationary pressures, rising interest costs, volatile rupee-dollar ratio with a tendency to get weaker and currency concerns in almost all trading partner-countries.

Despite the macro strains and likely headwind of double-dip recessions in Europe and the US, India's economic growth is expected to remain robust in 2012 and 2013, according to a United Nations' annual economic report - World Economic Situation and Prospects 2012. They believe Indian economy is expected to grow between 7.7% and 7.9% this year, as per the report.

India is the second most preferred destination for foreign investors, according to the report 'Doing Business in India' by Ernst & Young. The report explores India's key sectors, investment climate, funding scenario, laws and regulations, to aid companies that are doing, or plan to do business in India.

INDUSTRY PERSPECTIVE

After a brief period of sluggishness, the growth momentum in the domestic formulations market appears to be back on track. Structural demand drivers include:

- rising household income levels; increasing prevalence of lifestyle related diseases;
- improving healthcare infrastructure/delivery systems; and
- rising penetration in smaller towns and rural areas continue to support long term growth

However, competitive pressures in the domestic market are likely to sustain as MNCs become aggressive and domestic companies leverage on their expanded field force. Potential regulatory interventions could put pressure or hurt pricing.

A large number of patent expirations continue to offer strong growth prospects for generic players in the developed markets. In the recent quarters, a peer set of seven leading generic players have reported a fairly strong revenue growth in the US driven by steadily expanding product



portfolio and exclusivities. While patent expiries are expected to peak out in 2012, the growth momentum would sustain as most Indian companies have a fairly spread product pipeline till 2014. While some companies have a healthy pipeline of First-to-File opportunities, a few others are likely to benefit from the launch of niche, limited competition products.

Significantly, the quality of filings by major Indian companies has also significantly improved over the years with complex molecules, non-orals (i.e. inhalers, injectables, oral contraceptive, ophthalmic etc) and Para IV/FTFs forming increased share of the pipeline.

Globally, generics players however, continue to face competitive environment with increasingly crowded space for filing ANDAs (Abbreviated New Drug Application) and Para IV challenges and aggressive product life cycle management strategies of large innovator companies. Price erosion, especially through regulatory interventions, remains a foremost challenge in the European markets, while presence in limited competition product segments and over-the-counter (OTCs) segment offers some protection for margins.

Most developed markets continue to move away from branded generics to commoditised un-branded generics and lower margin tender based business. Amongst new frontiers, Japanese generic market offers large potential, though there are significant challenges.

In the U.S., companies with a robust and selective product pipeline, presence in niche/complex segments and diversified therapies would continue to exhibit a relatively strong earnings profile. There would also be significant one-time upsides for companies, stemming largely from Para IV/FTF opportunities in US.

In the European markets, while companies may face pressure on profitability, volume growth would continue as healthcare reforms initiated by governments would push growth in generics. Emerging markets, with growing spend on healthcare and strong branded generic markets offer profitable growth opportunities for formulations business. Besides emerging markets, the gradually evolving generics opportunity in Japan, the second-largest market in the world (after United States) also offers the generic players an opportunity to pursue long-term investments.

On the CRAMS (Contract Research and Manufacturing Services) front, Indian players are focusing on providing services across the value chain spanning from development stage to commercial scale production. Relatively lower exposure to small biotech companies has been a risk mitigant during the downturn for these entities. With several drugs going off-patent and big pharma increasing their exposure to cost efficient sourcing locations, opportunities remain favourable for CRAMS players to provide developmental services and subsequently graduate to commercial scale production.

Key challenges facing the industry are potential implementation of the new pricing policy in India, increasing competitive pressure in the chronic

segments, aggressive approach such as authorized generics by innovators in the US and healthcare reforms in European markets are some of the factors that could impede profitability for pharma companies.

Patent expirations, weak pipeline quality and increasing focus by governments to reduce healthcare costs continue to exert pressure on innovator companies which supports outsourcing to low-cost nations. Despite challenges, leading Indian players continue to exhibit strong profitability indicators (excluding one-time instances like exclusivity-related aberrations or impact of foreign exchange fluctuations) and credit metrics. These strengths are also reflected in their strong credit profile.

Overall, outlook on the Indian pharmaceutical companies remains favourable as earnings growth will continue with companies benefitting from an expanding domestic market, strong growth potential in developed markets on the back of patent expiries and potential outsourcing opportunities. Investments including capital expenditure are likely to remain buoyant over the medium term. Balance sheets of major pharmaceutical companies continue to remain strong providing adequate room for fund raising. (Source: ICRA's Indian Pharmaceutical Sector Industry update, March 2012).

OVERVIEW AHLCON

Ahlcon Parenterals (India) Limited is one of the leading manufacturing Company in the Indian Pharmaceutical Industry. The Company's revenues are mainly from Contract Manufacturing and ethical sale of branded-generic and unbranded-generic manufactured pharmaceutical products. A further break down of pharmaceutical sales can be done as, Domestic formulations (comprising branded pharmaceuticals formulations sold in the domestic market), Contract manufacturing (comprising sourcing, manufacturing and supplying pharmaceutical formulations to giant pharma company under their brand name) and direct export to International market comprising exports of branded and generic manufactured pharmaceutical formulations. The operating costs primarily comprise raw and packing materials, purchase of finished goods, staff cost, selling and marketing expenses, manufacturing, Research & Development expenses and general overheads.

OPERATIONAL PERFORMANCE

AHLCON growth continued in 2011-12 in terms of value as well as volumes and performance is given below:

	(₹ in lacs)		
	2011-12	2010-11	GROWTH
Total Income	8201.44	6550.59	25.20%
EBIDTA	1415.35	1162.71	21.73%
Profit before Tax (PBT)	723.44	648.28	11.59%
Net Profit after Tax (PAT)	499.93	429.21	16.47%
Earning per Share (EPS)	6.94	5.87	18.23%