

ALEMBIC LIMITED



ANNUAL REPORT 2011-12

ALCHEMY
REAL ESTATE
ALEMBIC GROUP

Samsāra

LUXURY
APARTMENTS

Everything you seek is within..

NIZAMPURA CHHANI ROAD

532 RESIDENCES | 2/3/4 BHK APARTMENTS | 2 ACRES OF GARDENS

Bookings Open

Site Office: B/h Space Studio, Nr. Keya Motors, Besides Chhani Canal, Chhani, Vadodara

Sales Office: FB Colony, Near Bhailal Amin Hospital, Alembic Road, Vadodara | M.: +91 96876 39701/702/703

Alembic Limited | Alembic Corp. Office, Alembic Road, Vadodara - 390 003, Gujarat, India • Tel.: +91 265 300 7900
info@alchemyindia.com • www.alchemyindia.com

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

Mr. Ashok Tulankar
(w.e.f. 30th August, 2011)

Company Secretary

Mr. Chirag K. Shukla
(w.e.f. 29th July, 2011)

Regd. Office

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

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
YES 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 390 020.
Tel: (0265) 2356573, 2356794
Fax: (0265) 2356791
Email: vadodara@linkintime.co.in

Manufacturing Facility

Alembic Road, Vadodara 390 003. Gujarat

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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 LIMITED, Alembic Road, Vadodara - 390 003.

Notice is hereby given that the 105th Annual General Meeting of the Members of Alembic Limited will be held at "Sanskriti", Alembic Corporate Conference Center, Opp. Pragati Sahakari Bank Limited, Alembic Colony, Vadodara - 390 003, on Monday, the 13th August, 2012 at 12.30 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 appoint a Director in place of Mr. Milin Mehta, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. R. M. Kapadia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

To transact the following business as special business:

5. To consider and, if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Ashok Tulankar, who was appointed as an Additional Director of the Company on 30th August, 2011 and who vacates his office at this Annual General Meeting be and is hereby appointed as a Director of the Company liable to retire by rotation."
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 Sections 198, 269, 309 read with Schedule XIII, Ministry of Corporate Affairs' notification GSR 534 (E) dated 14th July, 2011, other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the approval of the shareholders be and is hereby accorded to the appointment of Mr. Ashok Tulankar as Whole-time Director of the Company for a period from 30th August, 2011 upto 30th September, 2011 at a remuneration and on such terms and conditions as set out in the Explanatory Statement annexed to this notice."
7. To consider and, if thought fit, to pass with or without modifications the following resolution as a Special Resolution:
"RESOLVED THAT in accordance with the provisions of Sections 198, 309 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, including any statutory modification or re-enactment thereof, for the time being in force, the approval of the Company, be and is hereby accorded, subject to approval of the Central Government to waive the excess payment of the Managerial Remuneration to Mrs. Malika Amin, Whole-time Director and that the Remuneration paid to Mrs. Malika Amin, Whole-time Director for the year 2011-12 as mentioned herein below be and is hereby approved :

(₹ in Lacs)

Name and designation of Director	Salary & Perquisites
Mrs. Malika Amin, Whole-time Director	171.24
Total	171.24

RESOLVED FURTHER THAT subject to approval of the Central Government, the amount of excess payment of the managerial remuneration of ₹123.24 Lacs paid to Mrs. Malika Amin, Whole-time Director during the year 2011-12 be and is hereby approved.

RESOLVED FURTHER THAT the company do apply to Central Government for its approval to the waiver of recovery of excess remuneration paid by the company and that Board of Directors of the Company and Company Secretary, be and are hereby authorized to do all the necessary acts, deeds, matters and things to effectuate the above resolution."

Notice

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 Monday, the 6th August, 2012 to Monday, the 13th August, 2012 (both days inclusive), for the purpose of Annual General Meeting.
4. 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.
5. Shareholders who have not encashed the dividend warrants from the financial year ended on 31st March, 2005 onwards are requested to immediately approach the Company. According to Section 205A of the Companies Act, 1956, all the unclaimed dividends, if any, are required to be transferred to the 'Investor Education and Protection Fund'.
6. 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 390020 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 : 2nd May, 2012

By Order of the Board,

Chirag K. Shukla
Company Secretary

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

Item No. 5

The Board of Directors at its meeting held on 30th August, 2011 had appointed Mr. Ashok Tulankar as an Additional Director of the Company. Mr. Tulankar is B.Tech in Chemical Engineering with 33 years experience in Manufacturing, Projects, Process Development, EHS, cGMP, HR and Administration. He has worked with various well known private sector companies in the pharmaceutical space.

The Company has received a notice under Section 257 of the Companies Act, 1956, from a member proposing his appointment as a Director of the Company.

Your Directors recommend the resolution for your approval.

None of the Directors of the Company are in any way concerned or interested in the resolution except Mr. Ashok Tulankar.

Item No. 6

Mr. Ashok Tulankar was appointed as Additional Director of the Company by the Board of Directors at its meeting held on 30th August, 2011. Mr. Ashok Tulankar was also Vice President – Manufacturing of the Company and as per the provisions of the Companies Act, 1956 and read with notification of the Ministry of Corporate Affairs dated 14-07-2011, Mr. Ashok Tulankar was deemed to be Whole-Time Director in professional category. Mr. Ashok Tulankar ceased to be in employment of the Company w.e.f. 1st October, 2011 and hence he also ceased to be Whole-Time Director of the Company w.e.f. 1st October, 2011.

As per the provisions of the Companies Act, 1956 approval of members is sought for appointment and remuneration of Mr. Ashok Tulankar as Whole-Time Director from 30th August, 2011 to 30th September, 2011.

The Remuneration proposed by the Board of Directors for payment to Mr. Ashok Tulankar as a Whole-Time Director is as under:

Basic Salary : Maximum upto of ₹ 2,40,630/- per month.

HRA and other allowances: Maximum upto ₹ 1,73,529/- per month.

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.

Your Directors recommend the resolution for your approval.

None of the Directors of the Company are in any way concerned or interested in the resolution except Mr. Ashok Tulankar.

Notice

Item No. 7

As per Section 198 and 309 of the Companies Act, 1956 read with Schedule XIII, the Company can pay remuneration to one managerial personnel upto 5% of the net profit calculated as per Sections 349 & 350 of the Companies Act, 1956.

During the financial year 2011-12, the profit is inadequate and therefore, the managerial remuneration paid during 2011-12 exceeds the limits prescribed under the Act.

The Pen-G business was facing difficulties due to uneconomical prices of Pen-G and lack of support from the Government. Hence the Company has stopped manufacturing of Pen G. The Company's operations therefore have been downsized.

The Company is now focusing on manufacture of other API Products. The turnover has remained low due to above reasons and therefore the company incurred losses during the F.Y. 2011-12.

In accordance with the provisions of Schedule XIII and other applicable provisions of the Act, the Remuneration Committee and the Board of Directors at their respective meetings held on 2nd May, 2012 have recommended the waiver of excess remuneration paid during the year 2011-12 as set forth in the resolution in view of the inadequate profit for the year 2011-12 subject to approval of the Central Government.

Your Directors recommend the resolution for your approval.

A copy of the resolution passed by the Remuneration Committee of Directors and Board of Directors at its meeting held on 2nd May, 2012 is available for inspection by the Members at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working days except Saturdays and holidays up to the date of Annual General Meeting.

None of the Directors of the Company are in any way concerned or interested in the resolution except Mrs. Malika Amin and Mr. Chirayu Amin.

Registered Office:
Alembic Road,
Vadodara - 390 003.
Date : 2nd May, 2012

By Order of the Board,

Chirag K. Shukla
Company Secretary

DIRECTORS' REPORT

To the Members,

Your Directors hereby present their 105th Annual Report together with the Audited Statement of Accounts for the year ended on 31st March, 2012.

1 Financial Results :

(₹ in Lacs)

For the year ended 31st March	2012	2011
Profit for the year before Interest, Depreciation, Non-recurring Income or Expenses and Tax	500	563
Adjusting therefrom:		
Interest (net)	520	240
Depreciation	1093	1007
Non-recurring Income or expenses i.e. Expenses on Voluntary Retirement Scheme	248	422
Provision for deferred tax liabilities or (assets)	(142)	105
Provision for current tax / wealth tax	-	(13)
Excess provision of Income Tax written Back (Net)	-	(276)
Net Profit / (Loss)	(1220)	(1290)
Adding thereto:		
Balance brought forward from last year	6100	7532
Less: Appropriated as per Scheme of Arrangement	-	(145)
The amount available is	4880	6097
Appropriating there from:		
Reversal of Corporate Dividend tax	-	3
Balance carried forward to next year's accounts	4880	6100

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 Operations :

The Company's Gross Sales including export incentives were ₹ 123.96 Crores for the year ended 31st March, 2012 as compared to ₹ 216.91 Crores for the previous year.

The profit before Interest, Depreciation, Non-recurring Income and Expenses and Taxes was ₹ 5.00 Crores for the year under review as compared to ₹ 5.63 Crores for the previous year.

During the year, the interest and financing cost was ₹ 5.20 Crores as compared to ₹ 2.40 Crores in previous year.

⑤ Listing of shares :

The equity shares of the Company continue to be listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). The Company is regular in paying listing fees to both the Stock Exchanges.

⑥ Fixed Deposits :

During the year under review, the Company has not invited/accepted any deposits from public.

⑦ Directors :

The Board at its meeting held on 30th August, 2011 had appointed Mr. Ashok Tulankar as Additional Director in the category of Professional Executive Director. Mr. Ashok Tulankar ceased to be in employment of the Company w.e.f. 1st October, 2011 and hence he also ceased to be Whole-Time Director of the Company w.e.f. 1st October, 2011. He holds office of Additional Director upto the ensuing Annual General Meeting of the Company. The Company has received a notice u/s 257 of the Companies Act, 1956 from a shareholder of the Company proposing the candidature of Mr. Ashok Tulankar as Director liable to retire by rotation.

In accordance with the provisions of the Companies Act, 1956 and Company's Articles of Association, Mr. Milin Mehta and Mr. R. M. Kapadia, 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. Milin Mehta, Mr. R. M. Kapadia and Mr. Ashok Tulankar 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 (particular 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 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.

⑪ Audit Committee:

The Audit Committee comprises of 3 Directors viz. Mr. Milin Mehta, Dr. B.R. Patel and Mr. R. M. Kapadia. Mr. Milin Mehta is Chairman of the Audit Committee. During the financial year, Mr. R. M. Kapadia was appointed w.e.f. 25th April, 2011 and Mr. Sanjay Bhatt resigned w.e.f. 28th July, 2011. All the Directors in Audit Committee are Non Executive-Independent Directors. The terms of reference of the Committee are wide enough to cover the matters specified for Audit Committee under the Listing Agreements.

DIRECTORS' REPORT

12 Auditors:

M/s. K.S. Aiyar & Co., Chartered Accountants, Mumbai, (Firm Regn. 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.

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 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 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; 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

Vadodara, 2nd May, 2012

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Perspective vis-à-vis Company

The Company operates primarily in three lines of business, manufacture of Bulk Drugs, Real Estate and Power Generation through Windmills and Co-gen Power Plant which is presently used for captive consumption for the operation of the Bulk Drugs Manufacturing plant at Vadodara.

FINANCE :

The Company has registered a total income of ₹ 116.87 Crores for the year under review as compared to ₹ 201.93 Crores for the previous year ended on 31st March, 2011. The Company incurred a net loss of ₹ 12.20 Crores compared to net loss of ₹ 12.90 for the previous year ended on 31st March, 2011.

OUTLOOK :

The Pen-G business was facing difficulties due to uneconomical prices of Pen-G and lack of support from the Government. Hence the Company has stopped manufacturing of Pen G and now focusing on other API products. The Company's operations therefore have been downsized.

The Company is developing its maiden residential project in Vadodara. The project is spread on 6 Acres of Land consisting of 532 residential units and the total project cost is around ₹ 132 crores (excluding the value of land). As per the policy of the Company, the cost/revenue from the project shall be recognized when 40% of the cost of the project is incurred. The Company also has few Commercial properties in Vadodara and Mumbai and the same have been leased out to various corporate clients.

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. Bathiya & 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 losing 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. Waste generation was reduced by improving chemical processes at various stages. ISO 14000 certificate were renewed for all API plants which deals with EHS. Enzymatic processes are being tried for waste water treatment at our Baroda plant to reduce energy consumption & also recycling of water.

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

- 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.
- Work place inspections were carried out by executives and managers at all levels. Senior management team members demonstrated leadership commitment through work place inspections.
- Reduced waste generation and improved waste management by collecting and disposing of all waste in an environmentally friendly manner.
- Tree plantation across factory premises.
- Reduced level of sound pollution by providing acoustic enclosures on certain set of machinery and compressor sets.

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.