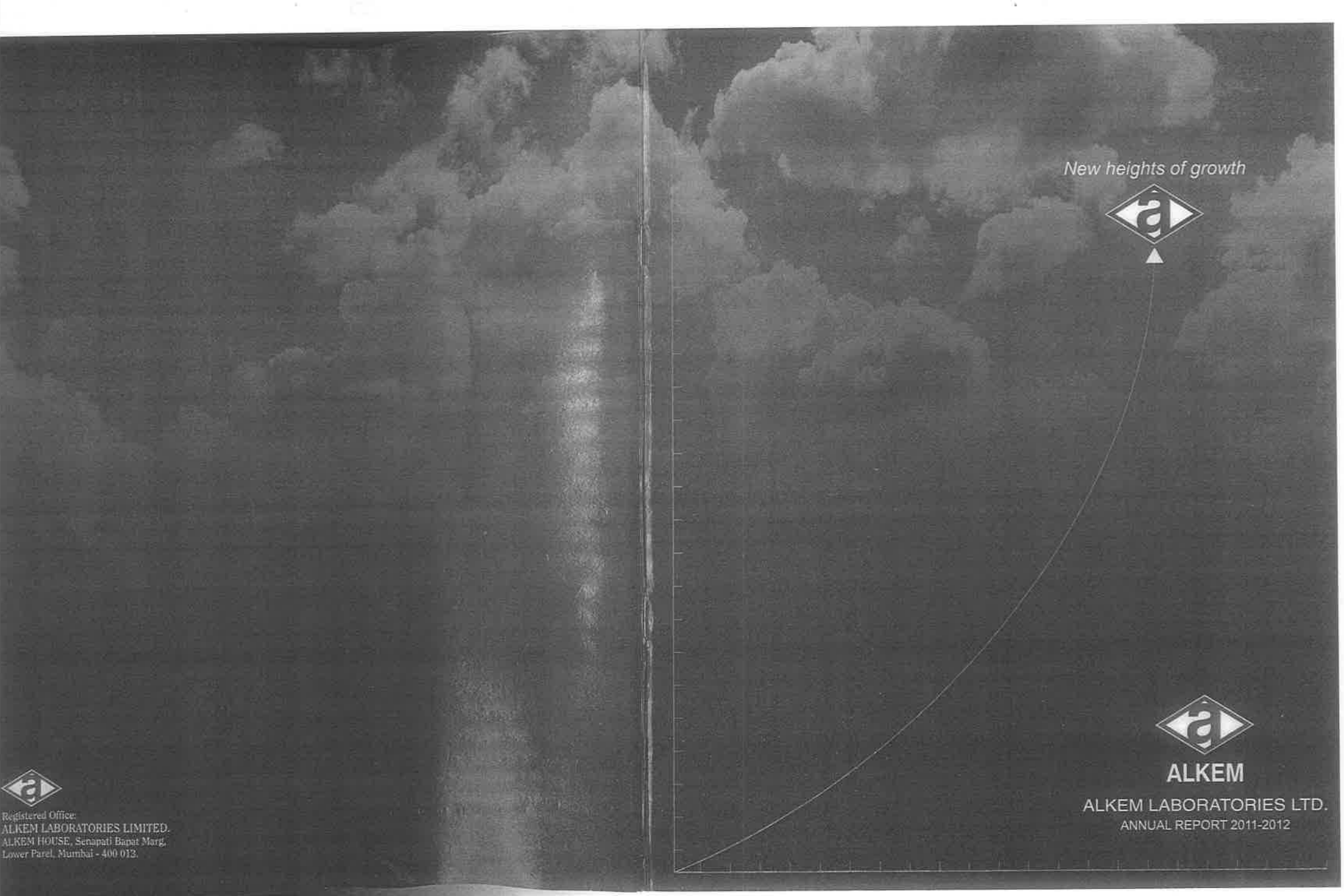


ALKEM

ALKEM LABORATORIES LTD.

ANNUAL REPORT 2011-2012

Registered Office:
ALKEM LABORATORIES LIMITED.
ALKEM HOUSE, Senapati Bapat Marg,
Lower Parel, Mumbai - 400 013.

ALKEM

ALKEM LABORATORIES LIMITED



SHRI. SAMPRADA SINGH

SHRI. BASUDEO NARAIN SINGH

VISION

To achieve value driven leadership in
Indian Health Care Industry and beyond...
Through
Quality that is infinite
Service that cares
Hardwork that endures

Board of Directors
Samprada Singh (Chairman)
B N Singh (Managing Director)
P N Singh
N K Singh
B P Singh
D K Singh
M K Singh

Bankers
State Bank of India
Dena Bank
The Saraswat Co-operative Bank Ltd.
Kotak Mahindra Bank Ltd.
HDFC Bank Ltd.
Nova Scotia.

Auditors
R'S Sanghai & Associates

Registered Office
Alkem House, Devashish, Senapati Bapat Marg,
Lower Parel, Mumbai - 400 013

Factories
1. N. H. No. 8, Mandva, Dist-Bharuch, Gujarat
2. 333/1, Kachigam, Daman
3. 167/2, Amaliya, Dabhel, Daman
4. 289/290, GIDC, Ankleshwar, Dist-Bharuch, Gujarat
5. 167/1, GIDC, Amaliya, Dabhel, Daman
6. Purana Barrier, Village-Thana, Baddi, Dist - Solan, H.P.
7. Kumrek, Ragpokhola, East Sikkim

R & D Centres
1. C 17/7, MIDC Industrial Estate, Taloja, Dist-Raigad, Maharashtra
2. 473 - D2, 13th Cross, IV Phase, Peenya Industrial Area, Bangalore, Karnataka.

ALKEM LABORATORIES LTD. MUMBAI

DIRECTORS' REPORT

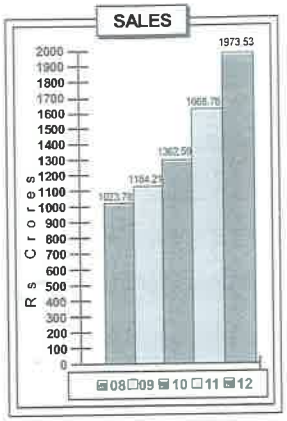
TO THE MEMBERS

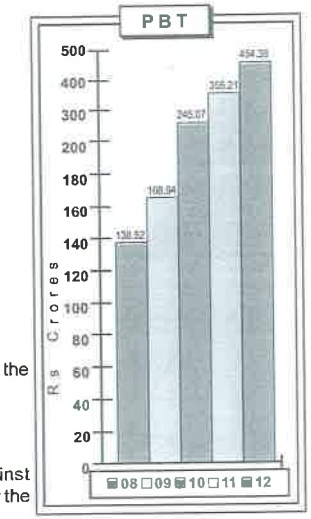
Your Directors have pleasure in presenting their 38th Annual Report along with the audited accounts for the year ended 31st March, 2012.

FINANCIAL RESULTS:

(Rs. in Lakhs)

	2011-12	2010-11
Sales (Gross)	1,97,352.60	1,66,877.87
Profit before tax	45,438.23	35,520.96
(Less): Provision for Income Tax	(9,200.00)	(7,100.00)
Add /(Less):Provision for Deferred Taxation	(551.69)	(69.24)
Add : MAT Credit Entitlement	7,693.86	4,657.67
Add / (Less): Income Tax of earlier years	(832.28)	(666.89)
Profit after tax	42,548.12	32,342.50
Add: Balance of profit from previous years	24,535.90	9,284.75
Profit available for appropriation	67,084.02	41,627.25
Appropriations :		
Proposed Dividend	2,391.30	1,793.48
Interim Dividend	-	-
Corporate Tax on Dividend	387.93	297.89
General Reserve	20,000.00	15,000.00
Balance Carried Forward	44,304.79	24,535.88
	67,084.02	41,627.25





DIVIDEND :
The Board of Directors of your Company are pleased to recommend for approval of the menbers final dividend of 200% for the year ended 31st March, 2012.

OPERATIONS :
The Company's sales (Gross) has increased to Rs. 1,97,352.60 lakhs as against Rs. 166,877.87 lakhs for the previous year resuting in an increase of 18.26% over the previous year.

ALKEM

DIRECTORS' REPORT

SUBSIDARIES:

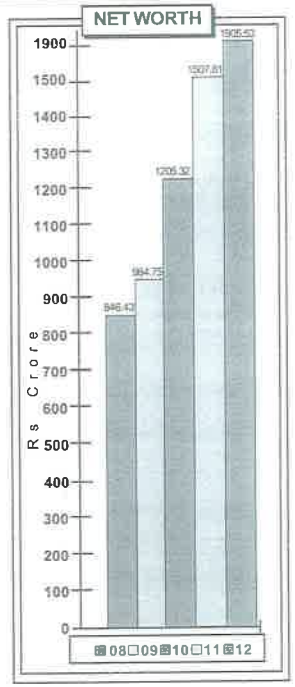
During the year the Company has acquired 100% stake in Ascend Laboratories SDN BHD, Malaysia amounting to RM 2 divided into 2 shares of RM 1 each on 1st July, 2011.

During the year the Company has incorporated a wholly owned subsidiary in the name of Ascend Laboratories Spa, Chile on 19th July, 2011.

During the year the Company has acquired majority stake in Enzene Biosciences Private Limited, India on 4th November, 2011. Upon conversion to Public Limited Company the name of 'Enzene Biosciences Private Limited' was changed to 'Enzene Biosciences Limited' w.e.f. 22nd March, 2012.

During the year the Company has incorporated a wholly owned subsidiary in the name of Pharmacor Limited, Kenya having share capital of Shillings 1,00,000 divided into 1000 shares of Shillings 100 each on 15th May, 2012.

A statement pursuant to Section 212 of the Companies Act, 1956 relating to the above subsidiaries have been given as an annexure to the Annual Report.



DIRECTORS:

Mr. N K Singh and Mr. P N Singh retire by rotation and are eligible for reappointment.

PERSONNEL:

As required by the provision of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, the particulars of the employees are set out in the Annexure to the Directors Report. However, as per the provision of the Companies Act, 1956, the Report and Accounts are being sent to all the shareholders of your Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Registered Office of the Company.

DIRECTORS RESPONSIBILITY STATEMENT:

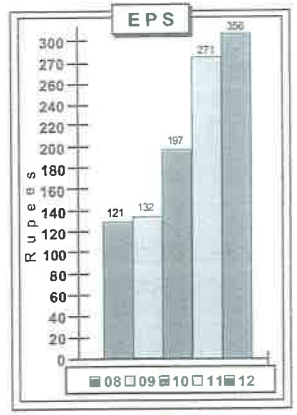
Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, the Board of Directors of the Company confirms:

i. That in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;

ii. That the selected accounting policies were applied consistently and the directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of the profit of the Company for the year ended on that date;

iii. That proper and sufficient care has been taken 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 annual accounts have been prepared on a going concern basis.



DIRECTORS' REPORT

ENERGY, TECHNOLOGY & FOREIGN EXCHANGE:

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure forming part of this report.

AUDITORS:

M/s R.S.Sanghai & Associates, Chartered Accountants, the Company's Auditors will retire at the conclusion of the ensuing Annual General Meeting. They have given their consent to act as Auditors of the Company, if re-appointed. Members are requested to appoint the auditors and fix their remuneration.

AUDITORS REMARKS:

The auditors have not given any adverse remark in their report which requires any further clarification. The report is self explanatory.

ACKNOWLEDGEMENT:

Your Directors would like to express their grateful appreciation to the Bankers and trade associates for their valuable assistance, continued support and co-operation and also wish to extend their thanks and appreciation to the Management team, Staff and Workers of the Company for their commitment, dedication and respective contributions to the Company's operations during the year under review.

For and on behalf of the Board

SAMPRADA SINGH
Chairman

Mumbai, 25th May, 2012

ANNEXURE TO DIRECTORS' REPORT

Information under 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, and forming part of the Directors' Report.

A. CONSERVATION OF ENERGY:

a) Energy Conservation Measures taken:

Energy conservation continues to receive top priority in the company, energy consumption are monitored, maintenance systems improved and distribution losses are reduced. Specific Energy Conservation measures taken include installation of energy efficient system in the existing equipment configuration.

b) Additional proposals or activities, if any:

Improving the insulation of low and high temperature services.

c) Impact of measures taken:

Energy conservation measures of the type mentioned above have resulted in gradual savings.

d) Total energy consumption and energy conservation per unit of production :

As per Form A of the Annexure hereunder.

FORM A :

	31.03.2012	31.03.2011
CONSERVATION OF ENERGY		
1. Power & Fuel Consumption		
a) Electricity Purchased		
Unit (Nos. Lakhs)	401.65	344.21
Total Amount (Rs. Lakhs)	1,972.89	1,376.13
Unit Rate (Rs.)	4.91	4.00
b) Own Generation		
i) Through Diesel Generator		
(No. of units in Lakhs)	22.39	30.36
Cost of HSD (Rs. Lakhs)	269.39	318.58
Cost / Unit (Rs.)	12.03	10.49
ii) Through Steam Turbine/		
Generator	NIL	NIL
Units per litre of Oil / Gas	NIL	NIL
Cost per Unit	NIL	NIL
2. Coal		
Quantity (M.T.)	9,224.52	8,530.90
Cost (Rs. Lakhs)	371.56	316.04
Average Rate / M.T. (Rs.)	4,027.97	3,704.65
3. Furnace Oil		
Quantity (Ltrs in Lakhs)	39.70	38.61
Total Cost (Rs. Lakhs)	1,466.26	1,055.45
Average Rate / Litre (Rs.)	36.94	27.33

4. Others

Quantity (M.T.)	48.53	36.73
Total Cost (Rs. Lakhs)	376.99	291.53
Average Rate / M.T. (Rs.)	7.77	7.94

CONSUMPTION PER UNIT OF PRODUCTION

Electricity Coal Furnace Oil Others	} } } }	Since the Company manufactures different types of formulations (Capsules, Tablets, Ointments, Liquids & Injectables) there is no specific standard as the consumption per unit depends on the product mix of formulations.

B. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION:

RESEARCH & DEVELOPMENT (R&D)

1. Specific areas in which R & D work is carried out :
The focus of the Company's R & D efforts was on the following areas:

   i. Development of new drug formulations for existing and newer active drug substances.

   ii. Development of agro technology, genetics and biotechnology for cultivation of medicinal plants and isolation of active ingredients from plant materials.

   iii. Development of new drug delivery systems for existing and newer active drug substances as also newer medical devices.

   iv. Patenting of newer processes/newer products/newer drug delivery systems/newer medical devices/ newer usage of drugs for both local and international markets.

   v. Development of new innovative technology for the manufacture of existing APIs and their intermediates.

   vi. Development of new products, both in the area of APIs as well as formulations, specifically for export.

   vii. Development of methods to improve safety procedures, effluent control, pollution control, etc.

   viii. Projects to develop APIs and formulations jointly with overseas companies.

   ix. Development of products related to the indigenous system of medicines.

2. Some of the major benefits derived as a result of R&D include:

   i. Successful commercial scale up of several new APIs and formulations.

   ii. Development of new drug delivery systems and devices.

   iii. Improved processes and enhanced productivity in both APIs and formulations.

3. Future plan of action:

   i. Optimisation of process parameters with emphasis on cost reduction and simplification.

   ii. Development of new drug delivery systems, pharmaceutical and nutritive supplements.

   iii. Studying feasibility of using new manufacturing techno-logy in existing solid dosage forms.

   iv. Development of formulations based on certain herbal preparation, a set of diagnostic kits based on Elisa techniques, etc.

   v. Development of new molecules for formulations & processes for manufacture of bulk drugs.

4. Expenditure on R & D : (Rs lakhs)

   (i) Capital : 1,507.98

   (ii) Recurring : 6,676.84 (excluding depreciation of Rs. 286.78 lakhs)

   (iii) Total : 8,184.82

   (iv) Total R & D expenditure as percentage to total turnover : 4.15%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

   i. Development and patenting of new molecular forms and methods of synthesis.

   ii. Development of new drug delivery systems.

2. Benefits derived as a result of the above efforts:

   i. Improvement in operational efficiency through reduction in batch hours, increase in batch sizes, better solvent recovery and simplification of processes.

   ii. Meeting norms of external regulatory agencies to facilitate more exports.

   iii. Improvements in effluent treatment, pollution control and all-round safety standards.

   iv. Maximum utilization of indigenous raw materials.

   v. Development of products for import substitution.

3. In case of imported technology(imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished : N.A.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(a) Activities relating to exports : Initiatives taken to increase export development of new export markets for products and services. The Company is continuously exploring possibilities of exporting more of its products to different markets. The exports have been mainly to Europe, Mauritius, New Zealand, South American, African countries etc.

(b) Earnings in foreign exchange was equivalent to Rs. 17,556.57 lakhs and expenditure was Rs. 3,729.59 lakhs.

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STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANIES

Name of the Subsidiary Companies	Alkem Laboratories (Nigeria) Ltd Nigeria	Alkem Laboratories Pty Ltd South Africa	Alkem Laboratorios SDN BHD Malaysia	Alkem Laboratories Corporation Philippines	Alkem Pharma GmbH Germany
1. Extent of interest in the subsidiary companies	100%	100%	100%	100%	100%
2. Financial year of the subsidiary Companies	31.03.2012	31.03.2012	31.03.2012	31.03.2012	31.03.2012
3. The amount of profit/ (losses) of the subsidiary companies for the financial year so far as they concern the members of holding company:					
a) Dealt within the accounts of holding company					
I) for the financial year of the subsidiary company	NIL	NIL	NIL	NIL	NIL
II) for the previous financial year of the subsidiary co. since it became subsidiary	NIL	NIL	NIL	NIL	NIL
b) Not dealt within accounts of Holding company:					
I) for the financial year of the subsidiary company	Naira (48506031)	S A Rand (65647)	Ringgit NIL	Pesos (8059064)	Euro (9068)
II) for the previous financial year of the subsidiary co. since it became subsidiary	(35441159)	(1874)	NIL	112578	(3664)
4. Changes in the interest of the company or the subsidiary company between the end of the financial year of the subsidiary company or sub-subsidiary company and 31.03.2012 Number of shares acquired	Does not arise	Does not arise	Does not arise	Does not arise	Does not arise
5. Material changes between the end ofthe financial year of the subsidiary or sub-subsidiary company as the case may be and 31.03.2012					
a) Fixed Assets					
b) Investments					
c) Money lent by the subsidiary company.					
d) Moneys borrowed by the subsidiary company other than for meeting current	Does not arise	Does not arise	Does not arise	Does not arise	Does not arise

Note: The Balance Sheets & Profit & Loss Accounts along with Directors Report and Auditors' Report of Subsidiary Companies are attached herewith.

Place: Mumbai
Dated: 25th May, 2012

ALKEM

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANIES

Name of the Subsidiary Companies	Enzene Biosciences Limited INDIA	Ascends Laboratories SpA Chile	S & B Holdings BV Netherland	Pharmacor Ltd. Australia	The Pharmanet-work LLC USA	Angelic Holdings SA Switzerland
1. Extent of interest in the subsidiary companies	80%	100%	100%	80%	100%	100%
2. Financial year of the subsidiary Companies	31.03.2012	31.03.2012	31.03.2012	31.03.2012	31.03.2012	31.03.2012
3. The amount of profit/ (losses) of the subsidiary companies for the financial year so far as they concern the members of holding company:						
a) Dealt within the accounts of holding company						
I) for the financial year of the subsidiary company	NIL	NIL	NIL	NIL	NIL	NIL
II) for the previous financial year of the subsidiary co. since it became subsidiary	NIL	NIL	NIL	NIL	NIL	NIL
b) Not dealt within accounts of Holding company:						
I) for the financial year of the subsidiary company	INR (19125445)	PESSOS NIL	Euro (1098372)	AUD (587727)	USD (4702855)	CHF (4006)
II) for the previous financial year of the subsidiary co. since it became subsidiary	NIL	NIL	(301716)	90972	(2762303)	(30770)
4. Changes in the interest of the company or the subsidiary company between the end of the financial year of the subsidiary company or sub-subsidiary company and 31.03.2012 Number of shares acquired	80% 896200	Does not arise	Does not arise	28.94% 19767442	Does not arise	Does not arise
5. Material changes between the end ofthe financial year of the subsidiary or sub-subsidiary company as the case may be and 31.03.2012						
a) Fixed Assets						
b) Investments						
c) Money lent by the subsidiary company.						
d) Moneys borrowed by the subsidiary company other than for meeting current	Does not arise	Does not arise	Does not arise	Does not arise	Does not arise	Does not arise

Note: The Balance Sheets & Profit & Loss Accounts along with Directors Report and Auditors' Report of Subsidiary Companies are attached herewith.

Place: Mumbai
Dated: 25th May, 2012

AUDITOR'S REPORT

To the Members of,
ALKEM LABORATORIES LIMITED

1. We have audited the attached Balance Sheet of ALKEM LABORATORIES LIMITED ('the Company') as at 31st March, 2012, the Statement of Profit and Loss Account and the Cash Flow Statement (together known as 'financial statements') of the Company for the year ended on that date all annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditors' Report) Order, 2003 ('the CARO Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us during the course of our audit, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent applicable.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;

   c. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d. In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 read with Companies (Accounting Standard) Rules, 2006, to the extent applicable;

   e. On the basis of written representations received from the directors, as on 31st March, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and

   f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Significant Accounting Policies, and Notes there on give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

ALKEM

AUDITOR'S REPORT

   (i) in the case of the Balance Sheet, of the state of affairs of the Company as at **31st March, 2012**;
   (ii) in the case of the Statement of Profit and Loss of the Profit of the Company for the year ended on that date; and
   (iii) in the case of the Cash Flow Statement, of the Cash Flows of the Company for the year ended on that date

For R.S. SANGHAI & ASSOCIATES
Chartered Accountants
Registration No. 109094W

R.S. SANGHAI
Proprietor
Membership No.: 036931
Mumbai, 25th May , 2012