



Anu's Laboratories Limited

16th ANNUAL REPORT
2011-12

Corporate goals

CUSTOMER FIRST We understand and focus on the needs of our customers. We work for their success.	DELIVER EXCELLENCE We are passionate about our products and services and are dedicated to deliver excellence.
EMBRACE RESPONSIBILITIES We strive to ensure that all people can work safely and live healthy, now and in the future. We care for our environment and manage our business ethically.	ADD VALUE We will grow faster than industry average in both revenue and earnings. We will earn a higher return on capital every successive year.

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Corporate Information

(As on August 14, 2012)

BOARD OF DIRECTORS

Dr. K. Rajeswara Rao, Non-Executive Director

Mr. A.P. Rao, Non-Executive Director

Mr. M.S.S.V. Satyanarayana, Wholetime Director

Mr. K. Hari Babu, Managing Director

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. V.S. Soma

STATUTORY AUDITORS

M/s. Karumanchi & Associates
Chartered Accountants
Flat No. 301, 7-1-619/A,
Swarganivas Enclave, Ameerpet,
Hyderabad - 500 038

BANKERS

Andhra Pradesh State Financial Corporation
Development Credit Bank
IDBI Bank
IFCI Venture Capital Funds Limited
ING Vysya Bank Limited
Karur Vysya Bank Limited
State Bank of India

REGISTRAR & SHARE TRANSFER AGENT

Karvy Computershare Private Limited
Plot No.17-24, Vittal Rao Nagar, Madhapur,
Hyderabad - 500081
Phone : +91 40 2342 0818 to 2342 0828
Fax : +91 40 2342 0814
E-mail : mailmanager@karvy.com,
ksreddy@karvy.com

REGISTERED OFFICE

A-49, Madhura Nagar,
Vengalrao Nagar,
Hyderabad - 500038
Ph : + 91 40 2374 1677
Fax : + 91 40 2374 1678

FACTORIES

Unit 1

Chilakammarri Village,
Shadnagar,
Mahaboob Nagar District,
Andhra Pradesh

Unit 2

Plot No. 272, 273, 280, 281,
I.D.A, Pashamylaram,
Isnapur,
Medak District,
Andhra Pradesh

Unit 3

Plot No.12,
Jawaharlal Nehru Pharma City (J.N.P.C),
Paravada Mandal,
Visakhapatnam - 530021

Unit 4

IDA, Pydibhimavaram Village,
Srikakulam Taluk & District,
Andhra Pradesh

NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of the Members of ANU'S LABORATORIES LIMITED will be held on September 28, 2012, at Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, E Block, Hyderabad - 500 038, at 11 a.m. to transact the following business:

ORDINARY BUSINESS

- To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2012, the Statement of Profit and Loss for the year ended on that date together with the Report of the Board of Directors and Auditors thereon.
- To re-appoint Mr. Kosaraju Rajeswara Rao, Director of the Company, who retires and being eligible, offers himself for re-appointment.
- To re-appoint M/s. Karumanchi & Associates (Firm Registration No.001753S), Chartered Accountants, Hyderabad, as Statutory Auditors of the Company to hold office from the conclusion of this Annual General meeting until the conclusion of next Annual General Meeting of the Company and authorize the Board to fix their remuneration.

SPECIAL BUSINESS

- To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded to appoint Mr. A.P. Rao as a Director of the Company liable to retire by rotation."
- To Consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a **Special Resolution**:

"RESOLVED THAT Mr. K. Hari Babu, who fulfils the conditions specified in Schedule XIII and pursuant to the provisions of Section 269 of the Companies Act, 1956 be and is hereby re-appointed as the Managing Director of the Company without any remuneration for a period of 5 years effect from April 1, 2012."

- To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a **Special Resolution**:

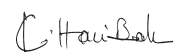
"RESOLVED THAT, pursuant to Section 61 and all other applicable provisions of the Companies Act, 1956 approval may be given for the variation in the utilization of IPO proceeds as under:

The change in fund utilization for new plant of ₹608.72 million and for the pilot plant of ₹32.62 million as against the envisaged utilization as per prospectus dated May16, 2008 of ₹550.90 million and ₹83.44 million respectively, be and is hereby approved as per the table given below:

Name of the project	₹ Million	
	As per prospectus	Actuals
Setting up a new plant at Vizag for manufacturing of drug intermediates	550.90	608.72
Setting up a pilot plant for carrying out CRAM at Vizag	83.44	32.62
Long-term working capital requirements	166.70	166.70
General corporate purpose	41.49	41.49
Issue expenses	79.66	79.66

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things, submit information or statement to statutory authorities if necessary and sign forms, deeds, documents, agreements, contracts, undertakings, declarations, confirmations, letters and such other papers as may be necessary, desirable and expedite for giving effect to the variation in the use of the IPO proceeds."

By Order of the Board
For ANU'S LABORATORIES LIMITED



K. HARI BABU
Managing Director

Hyderabad
August 14, 2012

NOTES

- 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. THE INSTRUMENT APPOINTING A PROXY TO BE EFFECTIVE MUST BE DEPOSITED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- The Register of Members and Share Transfer books of the Company will remain closed on September 27, 2012 and September 28, 2012 (both days inclusive) for the purpose of Annual General Meeting.
- Members are requested to notify change, if any, in their address as well as all communications regarding shares to the Registrar and Share Transfer Agent, M/s. Karvy Computershare Private Limited, Plot No. 17 - 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081.
- Information pursuant to Clause 49 of the Listing Agreement with stock exchange in respect of Directors seeking appointment/re-appointment at the Annual General Meeting is provided in the Report on Corporate Governance forming part of this Annual Report.
- Members/Proxies are requested to handover the enclosed Attendance Slip duly filled in, at the entrance for attending the meeting.
- Members who hold shares in dematerialised form are requested to write their Client ID and DP ID and those who hold shares in physical form are

requested to write their Folio Number in the attendance slip for attending the Meeting.

- In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- A Member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company addressed to the Registered Office at A-49, Madhuranagar, Vengal Rao Nagar, Hyderabad - 500038, for attention of Mr. Vidya Sagar Soma, Company Secretary at least 7 (seven) days prior to the date of the meeting.
- Pursuant to provisions of sub-section (5) of Section 205A the Companies Act, 1956 the dividend, which remain unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Information in respect of such unclaimed dividend and the last date for claiming the same are given below:

Financial year	Date of declaration of dividend	Last date for claiming unpaid dividend
2007-08	September 25, 2008	September 24, 2015
2008-09	September 30, 2009	September 29, 2016
2009-10	September 30, 2010	September 29, 2017

Shareholders, who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the Company's Registrar and Transfer Agent, M/s. Karvy Computershare Private Limited immediately. Shareholders are requested to note that no claims lie against the Company or the said fund in respect of any amounts which were unclaimed and unpaid beyond seven years from the date that they first became due for payment and no payment shall be made in respect of any such claims.

10. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.

11. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of share held by them in physical form. Shareholders desirous of making nominations are requested to send their request in Form No. 2B in duplicate to the Company.

12. The Register of Directors' shareholdings shall be open for inspection to any Member of the Company during the period beginning 14 days before the date of Company's Annual General Meeting and ending 3 days after the date of its conclusion. The said register shall also remain open and accessible during the Annual General Meeting to any person having right to attend the Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM 4

Mr. A.P. Rao was appointed as an Additional Director of the Company with effect from August 14, 2012 pursuant to provisions of Section 260 of the Companies Act, 1956. As required by Section 257 of the Companies Act, 1956, a notice in writing has been received from a Member signifying his intention to propose Mr. A.P. Rao, as a Director of the Company along with a deposit of ₹500.

Except Mr. A.P. Rao, none of the other Directors of the Company is in any way concerned or interested in the Resolution.

Your Directors commend the Resolution for your approval.

ITEM 5

Re-appointment of Mr. K. Hari Babu as the Managing Director of the Company without remuneration.

It is proposed to re-appoint Mr. K. Hari Babu as Managing Director of the Company as per the provisions of the Companies Act, 1956 and the consent of the Members is required.

Except Mr. K Hari Babu, none of the other Directors of the Company are in any way concerned or interested in the Resolution.

Your Directors commend the Resolution for your approval.

ITEM 6

The Members of the Company at the extra-ordinary general meeting held on January 27, 2007 have approved the initial public offer (IPO) of the equity shares of the Company. Accordingly, the Company had made an IPO through 100% book building route vide Prospectus dated May 16, 2008.

The IPO was planned with certain objects, as more particularly stated and described under the section titled 'Objects of the Issue' of the Prospectus dated May 16, 2008, considered appropriate and necessary by the management at that point of time. However, considering the change in the financial/business plans over the period of time, it is felt that the part of the IPO proceeds may not be required immediately to be invested in pilot plant. Accordingly, the balance amount was invested in a new plant.

In terms of the provisions of Section 61 of the Companies Act, 1956, a Company cannot vary of the proceeds referred to in the prospectus except subject to approval of or except on authority by the Company in a general meeting. Accordingly, the approval of the Members for utilization of the part of the IPO proceeds for purpose other than those stated in the prospectus as more particularly stated in the Resolution as set out in the Notice.

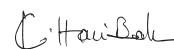
None of the Directors of the Company are in any way concerned or interested in the said Resolution.

The Board recommends the Resolution for your approval.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING

Particulars	Dr. Kosaraju Rajeswara Rao	Mr. A.P. Rao	Mr. K. Hari Babu
Date of birth	21-07-1947	16-08-1943	25-07-1956
Date of appointment	28-09-2011	14-08-2012	01-04-2012
Qualification	M.B.B.S.	MBA, AICWA	C.A.
Expertise	Research Medicine	Costing & Finance Management	Business & Finance Management
List of companies in which outside directorship held on August 14, 2012	Nil	3	Nil
Chairman/member of the committee of other companies on which he is a director as on August 14, 2012	Nil	2	Nil
No. of shares held by them in the Company as on August 14, 2012	Nil	Nil	39,610,419

By Order of the Board
For ANU'S LABORATORIES LIMITED



K. HARI BABU
Managing Director

Hyderabad
August 14, 2012

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 16th Annual Report together with the Audited Accounts of the Company for the financial year ended March 31, 2012 and the Auditors Report thereon.

Financial results

	₹ Million	
	2011-12	2010-11
Income from operations	2799.28	2908.24
Excise duty	(118.86)	(181.59)
Other income	5.76	0.59
Total Income	2686.18	2727.24
Expenditure (before finance costs and depreciation)	2302.88	2282.43
Profit before finance costs and depreciation and tax	383.30	444.81
Finance costs	255.43	165.62
Profit before depreciation and tax	127.87	279.19
Depreciation	58.79	27.64
Profit before tax	69.08	251.55
Provision for taxation	29.07	78.58
Profit after tax	40.01	172.97
Income tax - Prior period	(5.62)	(41.07)
Add: Balance brought forward from previous year	414.39	317.08
Appropriations	448.78	448.98
Transfer to general reserve	–	34.59
Balance carried to Balance Sheet	448.78	414.39

Review of operations

The year under review was critical for your Company in view of the severe liquidity constraints faced resulting from aggressive expansion in the last two years; PCB cap on the production capacities; delay in stabilising the operations at Unit 3; non-commencement of operations at Unit 4 and unrest due to agitations in the State. All these factors have contributed to mismatch of cash flows, which in turn resulted in defaults to various stakeholders.

During the year, the material consumption as a percentage of income at ₹1767.48 million constituted 66.40% of income, while it was lower at 64.23% in 2010-11. With marginal increases in manufacturing and employee costs, the operating margin was lower at 14.40% as against 17.17% reported in the previous year. Hence, the operating profit was lower at ₹383.30 million as against ₹444.81 million in the previous year.

Further, the year witnessed inflationary pressures which impacted raw material prices, all of which could not be passed on to the customers. The tight money policy followed by the central bank, tended to firm up the interest rates affecting finance costs. Your Company incurred finance costs of ₹255.43 million, approximately 54% higher than the previous year. The impact of the prevailing external challenging conditions did impact your Company's business, and despite being productivity oriented and raising the level of cost consciousness, the profit after tax was ₹34.39 million for the year, lower than ₹131.90 million reported in 2010-11.

Sale of Unit 2

Your Company has taken systemic initiative to set right the tight cash flow situation by deciding to dispose of Unit 2 situated at Pashamylaram, Medak

Dist, Andhra Pradesh. A postal ballot process has already been initiated in this regard for the approval of the Members and the result will be announced on August 31, 2012. With the funds realised from sale of Unit 2, your Company expects to ease the tight cash flow situation and meet the various commitments to stakeholders and scale up the production in the remaining two units. Your Company has drawn a multipronged action plan to tackle the PCB issue and is confident of resolving the same at the earliest.

The proceeds of sale shall be utilised to reduce debt burden; bring idle assets to operation; and improve liquidity. These measures are expected to make up for the loss of revenue by sale of Unit 2 through higher capacity utilisation.

Dividend

In order to conserve resources, your Board has decided not to recommend dividend for the financial year 2011-12.

Exports

In 2011-12, your Company has achieved an export turnover of ₹132.41 million. Your Company is trying to consolidate its presence in global markets, while efforts to widen the depth and penetration of the existing markets are being taken up and new markets are being explored.

Directors

In terms of the provisions of Sections 255 and 256 of the Companies Act, 1956, Dr. K. Rajeswara Rao will retire at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. His re-appointment is proposed in the Notice convening the Annual General Meeting of the Company.

Mr. Sundarashyam Chakravarthi and Mr. K. Ravindran Parthasarathi have resigned from the directorship effective from August 14, 2012. The Board placed on record its appreciation of the valuable services rendered by them during their tenure as directors of the Company.

Cost audit

The Company has appointed Nageswera Rao & Co, Cost Accountants, Hyderabad as the Cost Auditor of the Company for conducting cost audit for the financial year 2011-12.

The Cost Audit Report for the financial year 2011-12 will be submitted to the Central Government within the stipulated time.

Research & Development

The Company has incurred an expenditure of ₹5.34 millions on R&D.

IPO update

Your Company had successfully concluded an initial public offer (IPO) during the financial year 2008-09 to fund the project at Jawaharlal Nehru Pharma City, Visakhapatnam to venture into the production of active pharmaceutical ingredients (APIs) and intermediates. Your Company has commissioned the plant and commenced production on March 25, 2010, with minor variation in respect of implementation of CRAM project. A brief summary of the utilization of the IPO funds as on March 31, 2012 is given below:

	₹ Million	
Name of the project	As per prospectus	Actuals
Setting up a new plant at Vizag for manufacturing of drug intermediates	550.90	608.72
Setting up pilot plant for carrying out CRAM at Vizag	83.44	32.62
Long-term working capital requirements	166.70	166.70
General corporate purpose	41.49	41.49
Issue expenses	79.66	79.66

A separate resolution is being proposed in the ensuing Annual General Meeting under Section 61 of the Companies Act, 1956 for the approval of the Members for the variation in the project implementation.

Corporate governance

Your Company is committed to maintaining the highest standards of corporate governance. As required under Clause 49 of the Listing Agreement with the stock exchange, the Report on Corporate Governance as well as Auditors' Certificate on the Compliance of Corporate Governance are annexed.

In order to strengthen the corporate governance framework, the Ministry of Corporate Affairs had issued a set of Voluntary Guidelines in December 2009 for adoption by companies. Your Company is already complying with various requirements of the guidelines and has initiated appropriate action for implementing the residual items.

Management Discussion and Analysis

A separate section titled 'Management's Discussion and Analysis Report' forms part of the annual report.

Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, your Directors confirm that:

- in the preparation of the accounts for the financial year ended March 31, 2012, the applicable accounting standards have been followed and there were no material departures;
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates which are 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 of the Company for the year under review;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the Directors have prepared the accounts for the financial year ended March 31, 2012 on a 'going concern' basis.

Auditors

The Statutory Auditors of the Company, M/s. Karumanchi & Associates, Chartered Accountants, Hyderabad retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The Company has received a letter from them to the effect that their appointment if made would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956.

Fixed deposits

The Company has not invited/accepted deposits from the public within the meaning of Section 58A of the Companies Act, 1956.

Particulars of employees

During the year under review, the Company maintained the cordial relations with the employees. Information pursuant to Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1998 and forming part of report for the year ended March 31, 2012 is furnished as an Annexure to this report.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

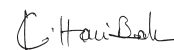
Particulars required under Section 217(1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules are furnished in the Annexure.

Acknowledgement

Your Directors wish to place on record their appreciation for the valuable support and co-operation extended by IDBI Bank, SBI, Karur Vysya Bank Limited, ING Vysya Bank, IFCI Venture Capital Funds, Andhra Pradesh State Financial Corporation, state and central government agencies.

Your Directors also wish to place on record their sincere appreciation of the contribution made by the employees of the Company and are thankful to the shareholders for their continued patronage and support.

For and on behalf of the Board



K. Hari Babu
Managing Director

Hyderabad
August 14, 2012

Annexure to the Directors' Report

Details as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, read with clause (e) of sub-section (1) of Section 217 of the Companies Act, 1956.

A. Conservation of energy: The Company is making necessary efforts for conservation of energy.

FORM - A

Form for disclosure of particulars with respect to conservation of energy

Particulars	2011-12	2010-11	Particulars	2011-12	2010-11
A. Power and fuel consumption					
1. Electricity			3. Other/Internal generators		
a. Purchased units (Nos./Million)	8.55	8.34	(Husk, biofuel briquettes, fire wood)		
Total amount (₹ Million)	39.93	36.50	Quantity (MT)	7369	5370
Rate/unit (₹)	4.67	4.37	Total cost (₹Million)	15.90	12.70
b. Own generation			Average rate (₹)	2157	2366
Through diesel generator					
Unit (Nos./Million)	0.32	0.94	B. Consumption per unit of production (Kg.)		
Unit per litre of oil	4.94	3.83	Consumption per unit of production		
Cost/unit (₹)	8.97	10.28	Production		
2. Coal (C grade used for boiler)			Electricity (No. of units)		
Quantity (MT)	7413	10844	Furnace oil		
Total cost (₹ Million)	35.31	33.76	Coal (Kg.)		
Average rate (₹)	4723	3113	Husk		

As the Company uses the same manufacturing facilities for various products, it is not practicable to give consumption per unit.

FORM - B

Form for disclosure of particulars with respect to technology absorption, Research and Development (R&D)

A. Research & Development	
1. Specific areas in which R&D is carried out by the Company	Development of API, intermediates and fine chemicals
2. Benefits derived as a result of the above R&D	Cost reduction and process optimization
3. Future plan of action	Development of new molecules and invention of new compounds
4. Expenditure on R&D	₹5.34 million
5. Total R&D expenditure as percentage of sales	0.19%
B. Technology absorption, adaptation and innovation	
1. Efforts, in brief, made towards technology absorption, adaptation and innovation	Process development for manufacture of intermediates and APIs, whereby achieved cost competitiveness and process efficiencies on existing products. Developed processes for newer APIs and intermediates. No technology absorption is involved. The Company has its own DSIR recognised R&D Centre which has been developing and improving processes for manufacture of intermediates.
2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, substitution etc.	Processes for several new chemical entities have been developed. Process optimization has been achieved in production, which resulted in lower cost of production and scaling up of volumes.
3. In case of imported technology, (imported during the 5 years reckoned from the beginning of the financial year), following information may be furnished	There is no import of technology
a. Technology imported	Nil
b. Year of import	N.A.
c. Has technology been fully absorbed	N.A.
d. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action	N.A.
C. Foreign exchange earnings and outgo	
Activities relating to export initiatives taken to increase exports, development of new export markets for production and service, and export plans	Mentioned in the Notes to Accounts
Ongoing initiatives are regularly made to explore and widen the reach of the products, by regular interaction with customer and participation in exhibitions and trade fairs.	

Annexure to the Directors' Report

Information pursuant to Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1998

Name	Designation	Salary ₹ Million	Nature of duties	Qualification and experience	Date of commencement of employment	Age (Yrs)	Last Employment
Mr. K. Hari Babu	Managing Director	6.00	Management of the Company	Chartered Accountant and 29 years of experience	Re-appointed as Managing Director effective from April 1, 2012	56	Suven Pharmaceuticals Limited

By Order of the Board
For ANU'S LABORATORIES LIMITED



K. HARI BABU
Managing Director

Hyderabad
August 14, 2012