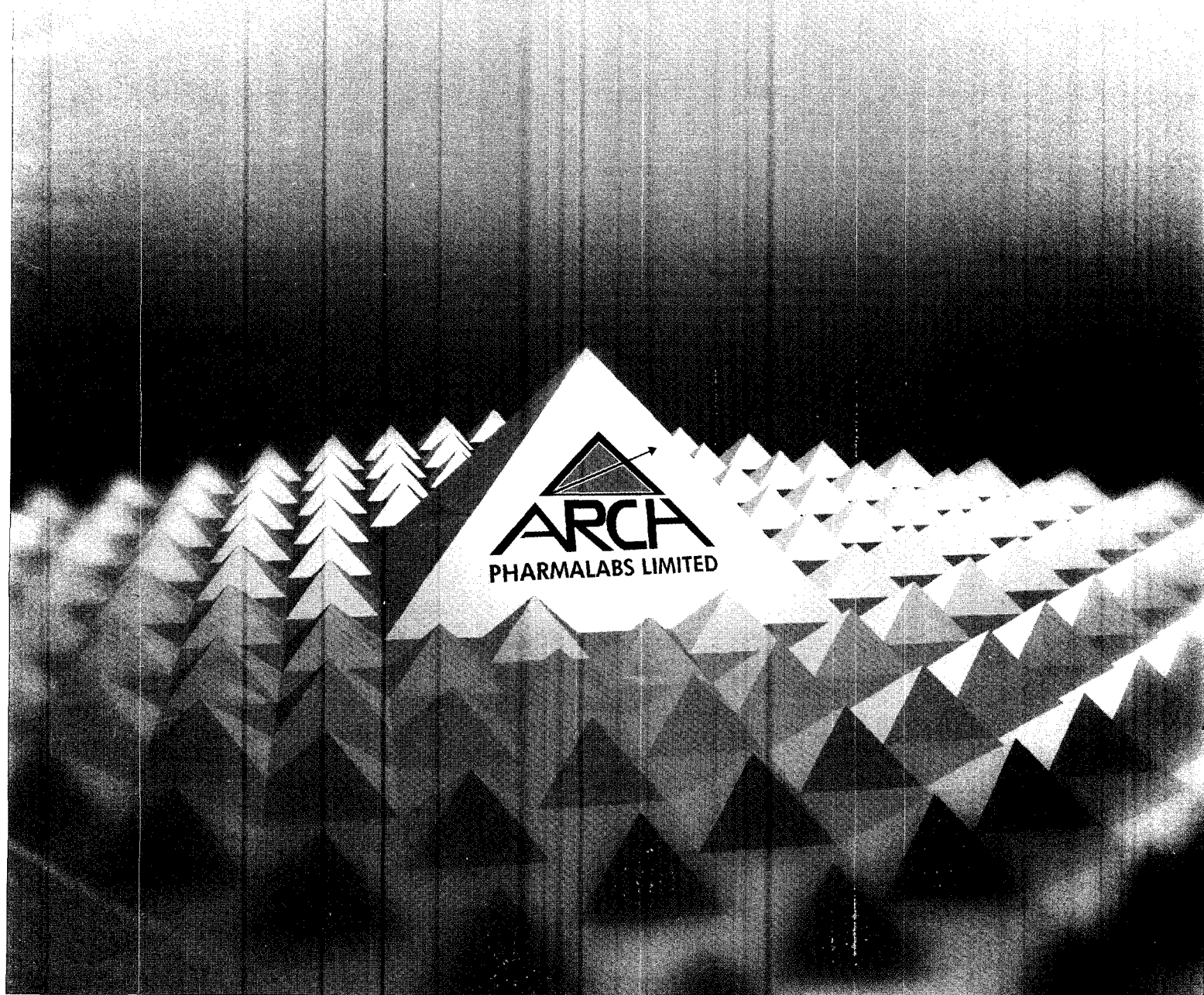


Transforming Chemistry Producing Success



17th Annual Report
2009-10

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CORPORATE INFORMATION

Board of Directors

Mr. Ajit A. Kamath	Chairman & Managing Director
Mr. T. Mallikarjuna Reddy	Vice Chairman
Mr. Manoj T. Jain	Deputy Managing Director
Mr. Rajendra P. Kaimal	Executive Director
Ms. Vandana Rajadhyaksha	Nominee Director
Mr. Sunil V. Diwakar	Nominee Director
Mr. K. Srinivas	Nominee Director
Mr. Vikas Kedia	Company Secretary

Banks & Financial Institutions

Axis Bank Limited	Allahabad Bank
Bank of Baroda	Bank of India
Bank of Rajasthan	Barclays Bank PLC
Canara Bank	DBS Bank Limited
DEG, Germany	Export Import Bank of India
HDFC Bank Limited	IDBI Bank
IL&FS Financial Services Limited	Indian Overseas Bank
Indusind Bank	Karur Vysya Bank
Kotak Mahindra Bank	Lakshmi Vilas Bank
LIC of India	Punjab & Sind Bank
Standard Chartered Bank	State Bank of Hyderabad
State Bank of India	State Bank of Indore
State Bank of Mysore	State Bank of Patiala
State Bank of Travancore	Union Bank of India
Yes Bank Limited	

Statutory Auditors

M/s. Chaturvedi & Shah, Chartered Accountants, Mumbai
M/s. Nayak & Rane, Chartered Accountants, Mumbai

Internal Auditors

M/s. Pricewaterhouse Coopers, Chartered Accountants
M/s. V. Sankar Aiyar & Co., Chartered Accountants

Registrar & Share Transfer Agent

M/s. Sathguru Management Consultants (P) Ltd.
Plot No. 15, Hindi Nagar, Punjagutta,
Hyderabad – 500 034, Andhra Pradesh
Tel: 040-23356507, 23356975
Fax: 040-40040554; Email: sta@sathguru.com

Registered & Corporate Office

4th Floor, 'H' Wing, Tex Centre,
Off Saki Vihar Road, Chandivali,
Andheri (East), Mumbai – 400 072

Plant Locations

1. Survey No. 323, Gundlamachnur Village,
Hathnoora Mandal, District Medak – 502 296,
Andhra Pradesh (Merven Site)
2. Plot Nos. T-84, 85 & 86, MIDC, Tarapur,
Boisar – 401 506, Maharashtra (Tarapur Site 2)
3. Plot Nos. G-3, G-4 & G-5, Kharvai MIDC,
Badlapur, Dist. Thane – 421 503,
Maharashtra (Badlapur Site)
4. Vitalife Laboratories
Village Pathreri, Bilaspur - Tauru Road,
District Gurgaon – 122 001,
Haryana (Vitalife Site)
5. Corporate R&D Centre – I
Plot No. 21, MIDC, Chemical Zone,
Taloja Industrial Area,
Village Navade, Taluka Panvel,
District Raigad – 410 208, Maharashtra
6. Corporate R&D Centre – II
Plot No. C-424, TTC Turbhe,
MIDC Industrial Area,
Navi Mumbai, Maharashtra
7. Plot No. G-6, MIDC Taloja,
Taloja Industrial Area,
Village Navade, Taluka Panvel,
District Raigad, Maharashtra (Taloja Site)
8. Mittapally Village, Siddipet,
District Medak – 502 375,
Andhra Pradesh (Watsol Site)
9. Plot Nos. E-64/E-80/E-81/E-82,
Tarapur Industrial Area, M.I.D.C. Salvad,
Thane District, Maharashtra (Tarapur Site 1/Oncology)
10. Survey No. 10, Gadda Potharam,
Jinnaram Mandal, Kazipalli Industrial Area,
Medak District – 500 043 (Sibra Site)
11. Plot Nos. C-21, C-22, F-40, Phase II,
Sagaon, Dombivli (E), Thane – 421 204
Maharashtra (Dombivli Site)

Website: www.archpharmalabs.com Email: info@archpharmalabs.com

PERFORMANCE HIGHLIGHTS

(Amount in Rs. Crores)

Particulars for the year ended	31.03.2006	31.03.2007	31.03.2008	31.03.2009	31.03.2010
Net Sales*	246.83	362.55	514.20	713.33	1023.37
Profit before Depreciation, Interest & Tax (PBDIT)	46.59	70.32	98.39	138.22	248.58
Depreciation	8.26	11.93	16.06	24.01	45.87
Profit before Interest & Tax (PBIT)	38.33	58.39	82.33	114.21	202.71
Interest & Finance Charges	15.15	24.96	35.71	59.64	131.24
Profit before Tax (PBT)	23.17	33.43	46.62	54.57	71.47
Profit after Tax (Before Extraordinary Item)	15.91	23.77	33.45	38.06	50.88
Extraordinary Item	-	6.40	-	(1.29)	-
Profit after Tax (After Extraordinary Item) (PAT)	15.91	30.17	33.45	36.77	50.88
Cash Profit	24.54	42.47	49.88	63.40	96.75

FINANCIAL HIGHLIGHTS

(Amount in Rs. Crores)

Particulars as on	31.03.2006	31.03.2007	31.03.2008	31.03.2009	31.03.2010
Equity Share Capital	13.69	16.09	21.23	21.23	21.23
Reserves & Surplus	69.12	155.05	328.17	364.93	415.81
Less : Miscellaneous Expenditure not w/off	1.53	1.16	1.18	-	-
Tangible Network	81.28	169.98	348.22	386.17	437.05
Share Application Money	-	-	-	-	30.00
Quasi Network	81.28	169.98	348.22	386.17	467.05
Deferred Tax	6.92	13.94	20.56	29.18	42.51
Net Fixed Assets	148.42	191.33	282.73	578.11	644.50
Current Assets	178.04	335.52	551.19	831.26	1190.54
Investment	0.52	13.12	79.08	71.79	49.24
Total Capital	326.97	539.97	913.00	1,481.16	1,884.29
Long term Secured Loans	96.48	128.46	134.45	386.92	470.16
Redeemable Preference Shares	10.00	10.00	-	-	-
Unsecured Loans	0.53	40.60	101.12	181.87	225.95
Total Borrowings	107.01	179.06	235.57	568.79	696.11
Current Liabilities & Provisions	51.84	59.14	144.96	216.46	251.85
Working Capital Borrowings	79.92	117.86	163.63	281.06	426.83
Total Current Liabilities	131.76	177.00	308.60	497.52	678.68
Net Working Capital	46.27	158.52	242.59	333.74	511.86

KEY RATIOS

Particulars	31.03.2006	31.03.2007	31.03.2008	31.03.2009	31.03.2010
Profitability Ratios					
PBDIT / Net Sales (%)	18.87%	19.40%	19.13%	19.38%	24.29%
Profit before Tax / Net Sales (%)	9.39%	9.22%	9.07%	7.65%	6.98%
Profit after Tax (PAT) / Net Sales (%)	6.45%	6.56%	6.51%	5.34%	4.97%
Return on Total Capital	11.72%	10.81%	9.02%	7.71%	10.76%
Leverage Ratios					
Current Ratio	1.35	1.90	1.79	1.67	1.75
Debt Equity Ratio	1.32	1.05	0.68	1.47	1.49
Coverage Ratio					
Interest Coverage Ratio	2.60	2.43	2.39	2.04	1.74
Fixed Assets Coverage Ratio*	1.54	1.49	2.10	1.49	1.37
Debt / PBIDT	3.80	4.08	4.06	6.15	4.52
Earnings Per Share (EPS) (in Rs.)	11.63	14.77	15.75	17.92	23.96
Book Value (in Rs.)**	59.39	105.67	163.99	181.86	205.82

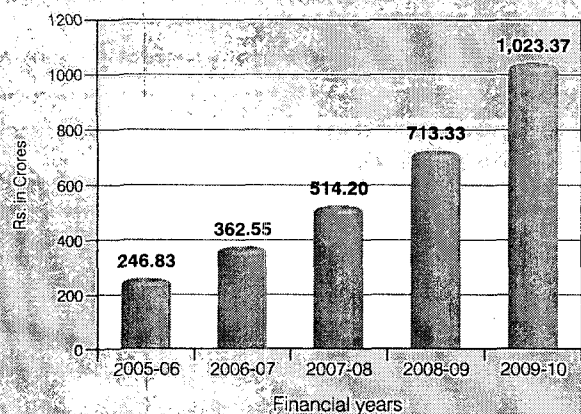
Net Sales includes income from Services

* after considering loans under subervient charge

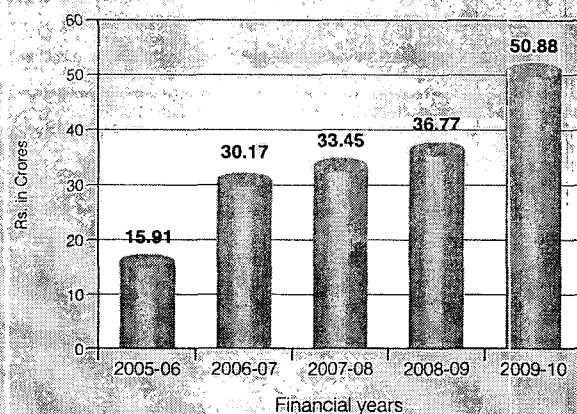
** after excluding share application money

Note: Above financials are on Standalone basis

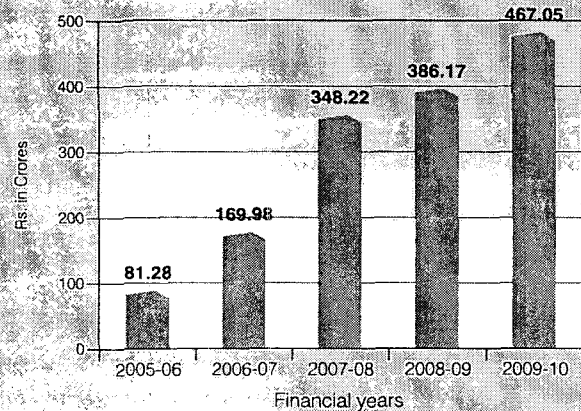
Net Sales



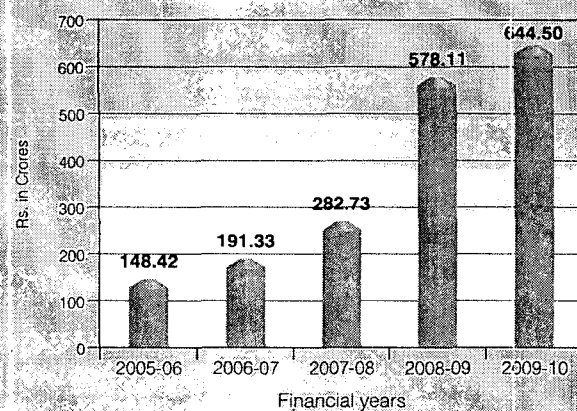
Profit after Tax



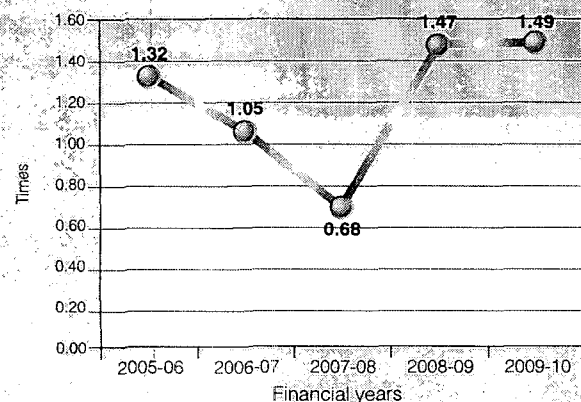
Networth



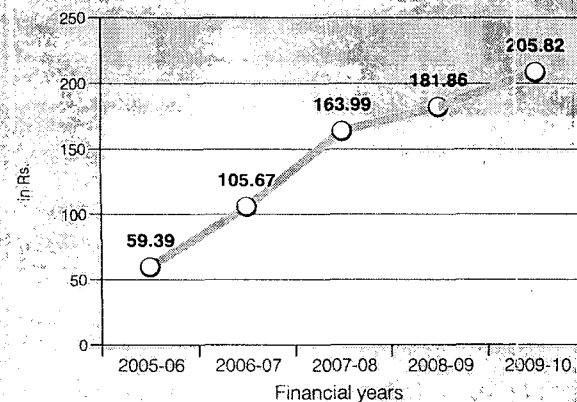
Net Fixed Assets



Debt Equity Ratio



Book Value



NOTICE

Notice is hereby given that the 17th Annual General Meeting of the Members of ARCH PHARMALABS LIMITED will be held at "Residency Hotel", Suren Road, Near Cinemagic Theatre, Andheri (East), Mumbai - 400 093, on Wednesday, 29th September, 2010 at 9-30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Statement of Accounts together with the Reports of the Directors and Auditors for the year ended March 31, 2010.
2. To appoint a Director in place of Mr. Ajit Kamath, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Manoj Jain, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors until the conclusion of the next Annual General Meeting and to fix their remuneration:

"RESOLVED THAT in pursuance to the provisions of Section 224 of the Companies Act, 1956, M/s. Chaturvedi & Shah, Chartered Accounts and M/s. Nayak & Rane, Chartered Accountants, be and are hereby appointed as Joint Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting on remuneration to be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS

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

"RESOLVED THAT in accordance with the provisions of Section 31, and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s), or redeemed-enactment thereof, for the time being in force), and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from appropriate authorities or bodies, the following Articles of the Association be and are hereby amended in the following manner:

- (i) Definition of India Advantage Fund Shares shall be modified to read as follows:

"India Advantage Fund Shares" shall mean the total of India Advantage Fund – II Shares, India Advantage Fund – V Shares and India Advantage Fund – I Shares".

- (ii) Article 43 (5) be and is hereby replaced and it shall be read as follows:

"(5) Sale to a new investor: Notwithstanding the aforesaid, in the event that the Listing as aforesaid does not take place, the Promoters shall use their best endeavours to find a new investor to purchase the Investor Shares on or before 31st October, 2010 at a price that provides the Series D Investor a MoC (Multiple on Capital) of at least 2.5 times or an IRR of at least 35% (thirty-five percent) per annum on the price paid by the Series D Investor for subscription to the India Advantage Fund-V Shares, whichever is higher. If the Investors do not exercise their option to sell their respective Investor Shares to such new investor, the obligation of the Promoters and the Company to each of Investors with respect to the drag along rights under Article 44 shall cease; or"

- (iii) Article 43 (6) be and is hereby replaced and it shall be read as follows:

"(6) Put Option: Failing the aforesaid, the Promoters shall, at the option of the Investors, purchase the respective Investor Shares at such a negotiated price that will provide an IRR of 25% (twenty-five percent) per annum on the price paid by each of the Investors for subscription to their respective Investor Shares, calculated from the date of each of the Investor's respective investment in the Company. The Promoters shall make payment to the Investors within 1 month (one month) following the date upon which notice is served by the Investors for exercising their Put Option right in accordance with the provisions of this Sub-Article. If the Investors do not exercise their put option as aforesaid on or before 31st October 2010, the obligation of the Promoters to each of the Investors with respect to the purchase by the Promoters of the Investor Shares, as provided in this Sub-Article, shall cease. The rights of the Investors with respect to drag-along, as provided in Article 44 hereinbelow, shall be available to and exercised by the Investors only after all the exit options detailed hereinabove, including sale to a new investor under Article 43(5) and put option under Article 43(6), have ceased."

(iv) Article 44 (1) be and is hereby replaced and it shall be read as follows:

"(1) In the event that a Public Offering or QIPO as aforesaid does not take place on or before 31st March 2009, and Investors are unable to exit through any of the mechanisms specified above on or before 31st October, 2010 or one month from the date upon which notice is served by the Investors for exercising their Put Option right in accordance with the provisions of Sub-Article 43(6), whichever is later, then any two among the IIML Investors, Swiss Tec VCF and India Advantage Funds (the "Majority Investors") shall have the right to implement a strategic sale or a merger of the Company by selling all the Shares held by them or their Transferees as specified in Article 39(3) to a bona fide purchaser, (the "Bona Fide Purchaser") at such minimum price per Equity Share of the Company as required to fetch the Series D Investor a MoC (Multiple on Capital) of at least 2.5 times or an IRR of at least 35% per annum on the price paid by the Series D Investor for subscription to the India Advantage Fund-V Shares, whichever is higher. In the event that the Majority Investors agree to implement such a strategic sale or a merger of the Company, the Majority Investors may require and the remaining Investor (the "Minority Investor") and the Promoter(s) shall be obliged to sell their Shares to such Bona Fide Purchaser within 30 (thirty) days, on the same terms and conditions as shall be applicable to the sale of Shares by the Majority Investors."

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

"RESOLVED THAT in accordance with the provisions of Section 31, and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s), or redeemed-enactment thereof, for the time being in force), and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from appropriate authorities or bodies, the following Article be and is hereby inserted in the Articles as Article no. 166:

"Notwithstanding anything contained in these Articles, in the event, the Company proposes to issue / offer its securities to the public through an Initial Public Offering, all

the rights given to the Investors as set out under these Articles and / or under the Common Shareholders' Agreement (other than those rights which are in accordance with the Listing Agreement of the Stock Exchanges) shall automatically stand terminated with effect from the date of listing, except the right to the Investors to appoint one nominee director on the board of directors of the Company as long as Investors hold at least 5% of the equity shares of the Company post listing, without any Shareholders being required to take any further action or furnish any notice, and without prejudice to any existing or accrued rights or liabilities of either party under the Common Shareholders' Agreement."

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

"RESOLVED THAT in accordance with the provisions of Sections 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s), or redeemed-enactment thereof, for the time being in force), the Authorised Share Capital of the Company, Rs. 40,00,00,000/- divided into 3,00,00,000 Equity Shares of Rs. 10/- each and 1,00,00,000 Preference Shares of Rs. 10/- each be and is hereby reclassified into 4,00,00,000 Equity Shares of Rs. 10/- each and consequently the existing Clause V of the Memorandum of Association of the Company, relating to Share Capital, be and is hereby altered by deleting the same and substituting in its place the following clause as the new Clause V:

"V. The Authorised Share Capital of the Company is Rs. 40,00,00,000/- (Rupees Forty Crores Only) divided into 4,00,00,000 Equity Shares of Rs. 10/- each with power to increase or reduce the capital of the Company, divide the shares in the capital for the time being, into several classes to attach thereto respectively such preferential, deferred, qualified or special rights, privileges and conditions, as may be determined by or in accordance with Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may be, for the time being, stated in the Articles of Association of the Company."

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

RESOLVED THAT in accordance with the provisions of Section 31, and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s), or redeemed-enactment thereof, for the time being in force), and the provisions of other statutes as applicable to such approvals, consents, permissions and sanctions as may be necessary from appropriate authorities or bodies, the Articles of Association of the Company be and is hereby altered as follows:

The existing Article No. 3 of the Articles of Association of the Company be and is hereby deleted and be substituted in its place by following Articles:

Article No. 3a:

"3a. The Authorised Share Capital of the Company will be as mentioned in Clause V of the Memorandum of Association of the Company. The Board of Directors are also authorized to issue such convertible warrants and / or bonds with such qualified or special rights or conditions, as they may deem fit, subject to compliance of the applicable laws in that regard at the time of such issue.

Article No. 3b:

"3b. The paid up capital of the Company shall be a minimum of Rs. 5,00,000/-."

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

"RESOLVED THAT pursuant to the provisions of Sections 81, 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 and (including any statutory modification(s), amendment(s) or re-enactment(s) thereof for the time being in force) and in accordance with the existing guidelines, rules and regulations of the Reserve Bank of India, Government of India (including any statutory amendment(s), modification(s) and or re-enactment(s) thereof, for the time being in force) and enabling provisions in the Memorandum of Association and Articles of Association of the Company and subject to such terms, conditions and modifications as may be considered appropriate and determined by the Board of Directors of the Company (hereinafter referred to as "the Board" which expression shall include any Committee thereof for the time being to which all or any of the powers hereby conferred on the Board by this Resolution, may have been

delegated) and subject also to such approvals, consents, permissions or sanctions (including any conditions thereof, or modifications to the terms contained therein), if any, of the appropriate authorities, including those of the Ministry of Commerce, Ministry of Finance, Ministry of Industry, Secretariat for Industrial Assistance and / or Foreign Investment Promotion Board, as may be required and / or such terms and conditions, as may be prescribed while granting such consents and approvals and which may be agreed to by the Board, consent of the Members is hereby accorded to authorize the Board of Directors to offer, issue and allot for cash on a preferential basis the following securities on such terms as may be deemed appropriate by the Board upto:

- a) 8,75,000 Equity Shares of the Company, of the face value of Rs.10/- each and at a premium of Rs. 390/- per share, aggregating to Rs. 35,00,00,000/- (Rupees Thirty-five Crores only) to AMR Investments Private Limited.
- b) 1,25,000 Equity Shares of the Company, of the face value of Rs.10/- each and at a premium of Rs. 390/- per share, aggregating to Rs. 5,00,00,000/- (Rupees Five Crores only) to Arch Pharmachem Limited.
- c) 2,50,000 Equity Shares of the Company, of the face value of Rs. 10/- each and at a premium of Rs. 390/- per share, aggregating to Rs. 10,00,00,000/- (Rupees Ten Crores only) to Arch Impex Private Limited.
- d) 10,00,000 Equity Shares of the Company, of the face value of Rs. 10/- each and at a premium of Rs. 440/- per share, to Dataline Investments Limited aggregating to Rs. 45,00,00,000/- (Rupees Forty-five Crores only).
- e) 13,00,000 Equity Shares of the Company, of the face value of Rs. 10/- each and at a premium of Rs. 480/- per share, to Mitsui & Co. Ltd., aggregating to Rs. 63,70,00,000/- (Rupees Sixty-three Crores and Seventy Lakhs only).

RESOLVED FURTHER THAT all the fresh Equity Shares as aforesaid to be issued and allotted in the manner aforesaid shall, subject to the Memorandum of Association and Articles of Association of the Company, rank pari passu in all respects with the then existing Equity Shares of the Company except as otherwise provided pursuant to the terms of the preferential issue in any of the issue documents.

RESOLVED FURTHER THAT to the extent permitted as per the existing provisions of law in this regard all the fresh equity shares as aforesaid to be issued and allotted as an

outcome of the above mentioned preferential allotments, shall qualify for the bonus issue of the Company, if made fully paid up.

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer, issue, allotment and utilization of the proceeds of the issue of the Equity Shares issued and allotted on preferential basis and further to do all such acts, deeds, matters and things to finalize and execute all documents and writings as may be necessary, desirable or expedient, as it may deem fit.

RESOLVED FURTHER THAT the Board is hereby authorised to accept such amendments, modifications, variations and alterations as the Government of India, Reserve Bank of India, Financial Institutions and all other applicable laws may stipulate in that behalf."

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

RESOLVED THAT

- (a) In accordance with the applicable provisions of the Companies Act, 1956 (the Act) and including any amendment of the Act and / or Regulations or re-enactment of the Act, and the enabling provisions of the Articles of Association of the Company and subject to such approval(s) as may be necessary from any authority, consent of the Members be and is hereby accorded to the Board of Directors of the Company (the Board, which term shall be deemed to include any committee thereof) for bonus issue of fully paid-up ordinary equity shares of the Company of the face value Rs. 10/- each on a ratio of 1:5, i.e. in proportion of 1 (one) Bonus Share of Rs. 10/- each for every 5 (five) fully paid up ordinary equity shares of Rs. 10/- each held by the existing shareholders as on a day the books of the Company shall be closed for the purposes of Bonus Issue (Record Date), to be determined by the Board for this purpose ("Bonus Issue") and that the Bonus Shares so distributed shall, for all purposes, be treated as an increase in the nominal amount in the Share Capital of the Company held by each such member, and not as income;

- (b) The Bonus Shares so allotted shall rank pari passu in all respects with fully paid-up Ordinary Shares of the Company as existing on the Record Date, save and except that they shall not be entitled to any dividend in respect of any financial year up to and including 31st March, 2010;
- c) The Bonus Shares so allotted shall be subject to the terms and conditions contained in the Memorandum of Association and Articles of Association of the Company;
- d) No letter of allotment shall be issued in respect of the Bonus Shares but in case of members who hold Ordinary Shares (or opt to receive the Bonus Shares) in dematerialized form, the Bonus Shares shall be credited to the respective beneficiary accounts of the Members with their respective Depository Participants and in the case of Members who hold Ordinary Shares in certificate form, the share certificates in respect of the Bonus Shares shall be despatched, within the prescribed time limit;
- e) For the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things and give such directions as may be necessary or expedient, and to settle any question, difficulty or doubt that may arise in this regard as the Board in its absolute discretion may deem fit or desirable and its decision shall be final and binding."

11. 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 Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof, for the time being in force) and the provisions of the Memorandum of Association and Articles of Association of the Company, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, including any amendments thereof (the "SEBI ICDR Regulations"), other applicable Securities and Exchange Board of India ("SEBI") guidelines and regulations, the Securities Contracts (Regulation) Act, 1956 and the Securities Contracts (Regulation) Rules, 1956, and the Listing Agreements to be entered into between the Company and the stock exchanges, where the Equity Shares of the Company are proposed to be listed, and subject to the approval of the Government of India ("GoI"),