



# BAL PHARMA LIMITED

*Your Preferred Partner In Quality Health Care*

**Board of Directors**

Mr. Shailesh Siroya	- Managing Director
Dr. S. Prasanna	- Whole-time Director
Mr. Shrenik Siroya	- Non-executive Director
Dr. G.S.R. Subba Rao	- Independent Director
Mr. Arun Bhan	- Independent Director
Mr. David Rasquinha	- Nominee Director - up to 29.04.2011
Mr. Ajit Kumar	- Nominee Director - w.e.f. 29.04.2011

**Company Secretary**

Mr. S. Ramji

**Registered Office**

# 21 & 22, Bommasandra Industrial Area,  
Hosur Road, Bangalore - 560 099.

**Plant Locations****Unit I : Formulations**

# 21 & 22, Bommasandra Industrial Area,  
Hosur Road, Bangalore - 560 099.

**Unit II : R & D Centre & Bulk Drugs**

# 61/B, Bommasandra Industrial Area,  
Hosur Road, Bangalore - 560 099.

**Unit III : Parenterals**

# 732/735, Off. National Highway, No. 4,  
Village Kenjal, Dist. Bhor, Maharashtra - 412 217.

**Unit IV : Formulations plant at Uttarakhand**

Plot # 1,2,3 & 69, Sector 4, IIE-Pantnagar,  
Rudrapur, Udham Singh Nagar, Uttarakhand - 263 153.

**Bankers**

Canara Bank  
Punjab National Bank  
Exim Bank

**Statutory Auditors**

Messrs. TD Jain & DI Sakria (erstwhile, Messrs Ostawal & Jain)

**Internal Auditors**

Messrs Ishwar & Gopal

**Cost Auditor**

Mr. M. R. Krishnamurthy

**Registrar & Share Transfer Agent**

TSR Darashaw Limited,  
# 6-10, Haji Moosa Patrawala Industrial Estate,  
20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011.

**CONTENTS**

	Page Nos.
Notice	1
Directors' Report	3
Report on Corporate Governance	11
Auditor's Report of Bal Pharma Limited	19
Auditor's Report on the Consolidated Financial Statements	21
Financial Statements of Bal Pharma Limited	22
Consolidated Financial Statements	44
Auditor's Report of Basav Chem Limited	64
Financial Statements of Basav Chem Limited (100 % subsidiary)	66
Attendance Slip & Proxy Form	Attached
ECS Mandate Form	Attached



## NOTICE

**NOTICE IS HEREBY GIVEN THAT** the 24th Annual General Meeting of the members of Bal Pharma Limited, will be held on Wednesday, the 21st September 2011 at 11.30 AM at Bharatiya Vidya Bhavan, Race Course Road, Bangalore - 560001 to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2011 and the Profit and Loss Account for the financial year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Arun Bhan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. S. Prasanna, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

**RESOLVED THAT** Messrs TD Jain & DI Sakaria (erstwhile, Messrs Ostawal & Jain), Chartered Accountants, (Registration No. 0024918) be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as shall be fixed by the Board of Directors'.

By order of the Board

Bangalore

**S. Ramji**

10th August, 2011

Asso. Vice President (Finance) & Company Secretary

### NOTES:

**A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING MAY APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIS/HER BEHALF; A PROXY NEED NOT BE A MEMBER.**

1. Proxy instrument duly filled in, must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting, in order to be effective. Proxy Form is forwarded as detachable part of Annual Report.
2. Corporate Members intending to send their authorised representative to attend the meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
3. For convenience of the Members and for proper conduct of the meeting, entry to the place of meeting will be regulated by an Attendance slip, which is forwarded as detachable part of Annual

Report. Members are requested to affix their signature at the place provided in the Attendance Slip and hand it over at the entrance.

4. The Register of Members and Share Transfer Books of the Company will remain closed on 21-09-2011.
5. 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.
6. Members, who hold shares in dematerialized form, are requested to bring in their Client ID and DP ID nos. for easier identification of attendance at the meeting and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.
7. 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 at least 7 days prior to the meeting, so that, the required information can be made available at the meeting.
8. Members holding shares in physical form are requested to notify immediately any change in their address to the Company's Registrar and Transfer Agent; TSR Darashaw Limited. Members holding shares in electronic form may intimate any such changes to their respective Depository Participants (DPs).
9. Members holding more than one share certificate in different folios are requested to kindly apply for consolidation of the folios and send the relative share certificates to the Company's Registrar and Share Transfer Agent, TSR Darashaw Limited, # 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr.E.Moses Road, Mahalaxmi, Mumbai - 400011.
10. Members are kindly requested to bring Annual Report 2010-11 along with them to the 24th Annual General Meeting, since extra copies will not be supplied at the meeting.
11. In order to protect the investors from fraudulent encashment of their dividend warrants or Demand Drafts, the Company hereby offers Electronic Clearing Services (ECS) facility to the shareholders having Bank Accounts at Centers notified for ECS by RBI. RBI is continuously adding more centers for ECS and Members are kindly requested to check with their banker whether their place has been notified by RBI for the purposes of ECS. ECS mandate form is forwarded as detachable part of Annual Report. The Members from the ECS notified centers desirous of payment of dividend through ECS are requested to forward the ECS mandate form duly signed with the required annexure to Company's present Registrar & Share Transfer Agent, TSR Darashaw Limited, # 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400011 on or before 01.09.2011.
12. Pursuant to Section 205A (5) of the Companies Act, 1956, any money transferred to Unpaid Dividend Account and remaining unclaimed for a period of 7 (seven) years from the date of such transfer to the Unpaid Dividend Account shall be transferred



by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government, and thereafter, the shareholders shall not be able to claim any Unpaid Dividend from the said Fund or from the Company. The Company has since transferred the amount lying in the credit of Unpaid Dividend Account for the financial year 2002-03 to Investor Education and Protection Fund established by the Central Government as stipulated under Section 205C of the Companies Act, 1956 read with Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001. The members who have not encashed the Dividend Warrants for the financial years 2004-2005 onwards are requested to write to, TSR Darashaw Limited, the Registrar and Share Transfer Agents of the Company.

13. The Members may now avail of the facility of nomination by nominating, in the prescribed form, a person to whom your

shares in the Company shall vest in the event of death of member. Interested members may write to the Company's Registrar & Share Transfer Agent for the prescribed form.

14. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company / Registrar and Transfer Agents, TSR Darashaw Limited.

By order of the Board

Bangalore

10th August, 2011

**S. Ramji**

Asso.Vice President (Finance) & Company Secretary

### Important Communication to Members

The Ministry of Corporate Affairs vide General Circular No:17/2011, dated 21.04.2011 has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants.

### ADDITIONAL INFORMATION ON DIRECTORS SEEKING APPOINTMENT AT THE ANNUAL GENERAL MEETING:

Name of the Director	Mr. Arun Bhan	Dr. S. Prasanna
Date of Birth	07/09/1949	20/07/1948
Date of Appointment	31/05/2005	06/08/1994
Qualification	PGDBM (Ireland )	MSc, PhD ( Indian Institute of Science )
Experience / Expertise	Mr. Arun Bhan has been working as a Management-Consultant for the last several years and is associated with the Company w-e-f 31/05/2005	Dr.S.Prasanna has been associated with the Company from the inception. He has PhD in organic Chemistry from Indian Institute of Science, Bangalore and extensive exposure as a Research Scientist. He has been heading the R&D centre of the Company.
Other Directorships	1). e-Xseed Technologies & Devices (P) Limited – Managing Director 2). M/s ATF Infrastructure Private Limited – Director	Micro Labs Limited - Director
Other Committee Memberships in the Company	Bal Pharma Limited : a). Remuneration Committee :Member	Bal Pharma Limited : a) Banking Transaction Committee: Chairman
Number of shares held directly or indirectly	4,000 (0.4%)	4,200 (0.4%)



## DIRECTORS' REPORT

To  
The Members

Your Directors have pleasure in presenting the 24th Annual Report together with the Audited Accounts of the Company for the financial year ended on 31st March, 2011.

### 1. FINANCIAL RESULTS:

(₹. in Lakhs)

Particulars	2010-11	2009-10
1) Total Income	11650.05	108,15.16
2) Profits before Depreciation and provision for Taxation	393.87	195.47
Less : Depreciation	290.06	285.90
Profits before Taxation and prior year adjustments	103.81	(90.43)
Less :		
3) Provision for Taxation	5.68	7.33
4) Deferred Tax	57.34	44.94
5) Extraordinary/ Non Recurring items	-	-
6) Prior year adjustment	- 63.02	0.18 52.45
Add:		
7) Profit & Loss Account balance at the beginning of the year	- 40.79	(142.88)
8) Profit made available for appropriation	- 763.74	906.62
	804.53	763.74
Less:		
9) Proposed Dividend on Equity Shares	-	-
10) Tax on dividends	-	-
11) Balance Carried to Balance Sheet	804.52	763.74

### 2. DIVIDEND:

In view of the results, your Directors have decided not to recommend payment of dividend during the year, 2010-11.

### 3. MANAGEMENT DISCUSSION AND ANALYSIS:

#### Global Pharmaceutical Industry

The global pharmaceutical industry is expected to grow by 5% to 7% in 2011 to reach USD 880 billion compared to 4 to 5% in 2010. In this growth the emerging markets pharmaceutical growth is at a higher pace of 17% in 2011 to reach USD 180 billion. The major emerging markets are China, Brazil, Russia, India, Mexico, Turkey, Argentina, Indonesia, Thailand, South Africa and Egypt.

Greater Government spending on Health Care and broader public and private Health Care funding are likely to be the key drivers of growth for many of the Pharmaceutical Emerging Markets. China, the world's 3rd largest pharmaceutical market is predicted to grow by 25% to 27% to more than USD 50 billion in 2011 while the US is likely to grow at 3% to 5%.

#### Indian Pharmaceutical Industry:

India has emerged as one of the leading economies when it comes to opportunities in the pharmaceutical sector. The Indian Pharmaceutical market is projected to grow to about USD 20 billion by 2015, as against USD 6.3 billion in 2005. Currently, the Indian pharmaceutical industry is ranked fourth in terms of volume and fourteen in terms of value in the global pharmaceutical market. The industry has attained self-reliance in the production of formulations, and produces almost 70% of the bulk drug requirements of the country. India is also one of the major producers of generic drugs in the world.

Indian Pharmaceutical Industry has not been affected much by the global slow down, largely because of the cost advantages in medicine production and due to their long term contracts, especially the generic manufactures, with their preferred suppliers. During the year 2010-11, the performance of the export front has been good to reach USD 6 billion.

The rising middle and upper class who can afford high quality health care and the widespread adoption of Health Insurance Products, which will enable a large proportion of the population to access medical treatments, are expected to drive the Indian Pharmaceutical Market in the foreseeable future. In addition, significant economic growth rates, favourable demographics, and new intellectual property protection laws would provide future impetus to the industry.



#### **4. BUSINESS OPERATIONS:**

During the year, 2010-11, your Company has achieved an over all turnover of ₹ 116.50 Crores as against ₹ 108.15 Crores of the previous year thus registering a growth of 8 % on sales.

On account of this increase in sales, the net results after tax of the Company became positive at ₹ 40.79 lakhs during the year 2010-11 as against the net loss of ₹ 142.88 lakhs in the previous year 2009-10. The main reason for the low net profit is decrease in branded formulations sales, under utilization of Uttarakhand plant, and cut-throat competition from large pharma players in the Indian and international markets.

The exports formulations division registered a growth of 15.91% by increasing its turnover from ₹ 31.87 crores in the previous year to ₹ 36.94 crores in the current year. Your Company expanded its presence in many new global markets such as Latin America, many African countries and South East Asia.

The bulk drug business continues to dominate as their sales increased from ₹ 42.25 crores in 2009-10 to ₹ 46.2 crores during the year 2010-11. The product mix for the year 2010-11 improved with higher sales of high value items in addition to our regular API. But for the short supply of intermediates from China during the year, the API sales would have gone-up by another 20%. During the current year the supplies from China have regularized and with full capacity utilization of Basav Chem Limited (100% subsidiary) Board expected to achieve higher turnover in 2011-12. The new DMFs have been filed across the Globe and the supplies are made to new markets such as Egypt, Taiwan, Netherlands and France. In view of the increased demand for the bulk drugs your Management has taken appropriate measures to increase the API plant capacity in 2011-12.

The overall exports of your Company increased to ₹ 68.57 crores as against ₹ 57.35 crores during the year 2009-10. Thus showing an overall growth of 19.56% The government Institutional business made a turnover of ₹ 6.44 crores during the year, as against ₹ 4.44 crores during the previous year and the Ayurvedic Division has made a turn over of ₹ 1.94 crores during the year 2010-11.

Your Company's branded formulations Divisions mainly consisting of Diabetic and Cardiac Products made a net sale of ₹ 19.58 crores as against ₹ 23.36 crores during the last year, 2009-10. This reduction in branded formulation sales on account of mass attrition, has affected the profit margins of the Company. Appropriate measures are being taken by your Management to overcome the reduction in branded formulation sales and to retain the existing market.

#### **5. RESEARCH & DEVELOPMENT:**

The R&D division is constantly engaged in developing and improving chemical processes for active pharmaceutical ingredients. All the ingredients commercially offered by the bulk drug division have been developed and standardized in-house. These are being manufactured at the bulk drug facility according to the current good manufacturing practice as established by international norms and regulations.

The bulk drugs have gained ready acceptance in national and international markets solely on the basis of the excellent quality and timely delivery to the users. The R&D division backs up these products with dossiers containing extensive compilation of information on aspects like the properties of the drugs, physical and chemical methods of analysis, stability of the drug during its shelf life etc.

These dossiers have been submitted to the ministries of health in Canada, Japan and many countries in Europe and have gained ready acceptance and appreciation.

The analytical equipments in the R&D division are state of the art and offer valuable support to the research personnel in investigative chemistry. Chemical structure determination, establishment of ideal conditions for a particular chemical reaction etc are made facile with the data provided by these analytical equipments.

Of late, drug products possessing chiral properties are gaining importance in pharmaceutical science. Bal Pharma is now concentrating on research activities of such products and has already started offering chiral entities developed in the R&D in commercial markets. The Company has already filed few process and products patents based on the developmental work.

The R&D division has been recognized for its contributions by the Department of Science and Technology of the Government of India.

#### **6. AUDIT COMMITTEE:**

The Audit Committee, a sub-committee of Board consisted of Mr. Ajit Kumar, nominee Director of Exim Bank, Dr. G.S.R Subba Rao, Independent Director and Mr. Shrenik Siroya, Non-Executive Director.

This Committee headed by Dr.G.S.R Subba Rao, has been discharging its duties under SEBI Guidelines read with the listing agreement. The said Committee is also functioning as Audit Committee under Section 292A of the Companies Act, 1956.



**7. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:**

Your Company has an adequate system of internal controls with clearly defined authority limits. Which ensures that the Company's assets are protected against loss from unauthorised use or disposition and all transactions are authorised, recorded and reported in conformity with generally accepted accounting principles. These systems are designed to ensure accuracy and reliability of accounting data, promotion of operational efficiency and adherence to the prescribed management policies. These policies are periodically reviewed to meet current business requirements.

Internal Audit is carried out by Messrs. Ishwar & Gopal an independent firm of Chartered Accountants. They interact with the Audit Committee and have reported to the Directors that there is adequate internal control systems in respect of areas carried out by them.

**8. DIRECTORS' RESPONSIBILITY STATEMENT:**

In compliance to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to confirm with reference to statement of Accounts for the financial year ended on 31.03.2011:

- (i) that in preparing the Annual Accounts, all applicable Accounting Standards have been followed;
- (ii) that the accounting policies adopted are consistently followed and the judgements or estimates made 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 and Loss Account of the Company for the financial year;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities;
- (iv) That the Directors have prepared the annual accounts on 'going concern' basis.

**9. SUBSIDIARY COMPANIES:**

The Company had one wholly owned Subsidiary Company during the financial year 2010-11. The Amalgamation proceedings of Basav Chem Limited, with Bal Pharma Limited is before the Honourable High Court of Karnataka.

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Company's interest in subsidiary company, Basav Chem Limited is as forwarded in Annexure I forming part of the Directors' Report.

**10. PARTICULARS OF EMPLOYEES:**

A statement of particulars of employees as required under Section 217(2A) of the Companies Act, 1956, is given as Annexure II and forms part of this report.

**11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND FOREIGN EXCHANGE OUTGO:**

As per provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, details relating to the Conservation of Energy and Technology Absorption and Foreign Exchange Earnings and Outgoings are given in Annexure forming part of the Directors Report.

**12. PUBLIC DEPOSITS:**

As on date of the Report, the Company has not accepted any public deposits.

**13. DIRECTORS:**

As on date, your Board consists of 6 Directors, 3 of whom are Non-Executive Directors and of whom 2 are Independent Directors. One Director is Nominee Director of Exim Bank. Two are Executive Directors. Dr. S. Prasanna, Executive Director and Mr. Arun Bhan, Independent Director of the Company who retire by rotation at the 24th Annual General Meeting of the Company and being eligible, offer themselves for re-appointment. Your Directors have pleasure in recommending their re-appointments.

The Board places on record its appreciation for the services rendered by Mr. David Rasquinha, outgoing Nominee Director of Exim Bank.

**14. AUDITORS:**

Messrs TD Jain & DI Sakaria (erstwhile Messrs Ostawal & Jain), Chartered Accountants, Auditors of the Company retire at the Annual General Meeting and are eligible for re-appointment.

**15. COST AUDIT:**

Pursuant to Section 233B of the Companies Act, 1956, the Central Government has prescribed Cost Audit of the Company's Formulations Division as well as Bulk Drug Division.

Subject to the approval of the Central Government, the Board has appointed Mr. M.R Krishna Murthy as Cost Auditor of the Company for the financial year, 2010-11 for cost audit of both Formulation and Bulk Drug divisions of the Company separately. The Cost Audit is under process and the Company will submit the Cost Auditors' report to the Central Government in time.



**16. EMPLOYEE STOCK OPTION SCHEME:**

Pursuant to the provisions of Guideline 12 of the Securities and Exchange Board of India, SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999, as amended, the details of stock options as on 31st March, 2011 under the “Bal Pharma Limited Employees Stock Option Scheme, 2006” is set out in the Annexure - III to the Directors Report.

**17. CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION TO SHARE HOLDERS:**

A detailed report on the Corporate Governance System and practices of the Company are given in a separate section in this Annual Report. Detailed information for the shareholders is given in Additional Shareholders information section.

**18. INSURANCE COVERAGE:**

The Board reports that your Company has adequately insured all the assets of the Company.

**19. APPRECIATION:**

Your Directors place on record their sincere appreciation for significant contribution made by the employees through their dedication, hard work and commitment and the trust reposed on the Company by the medical fraternity and the patients. The Directors also acknowledge the support and wise counsel extended to us by Canara Bank, Punjab National Bank, Exim Bank, State Bank of India and other Banks and financial institutions, government agencies, shareholders and investors at large. Your directors look forward to having the same support in our endeavor to help people lead healthier lives.

**For and on behalf of the Board of Directors**

**Bangalore**  
**10<sup>th</sup> August, 2011**

**Dr. S. Prasanna**  
Executive Director

**Shailesh Siroya**  
Managing Director



**ANNEXURE TO THE DIRECTORS' REPORT****ANNEXURE I**

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 Directors' Report for the financial year ended on 31st March, 2011:

**I. Conservation of Energy:**

<b>A. POWER AND FUEL CONSUMPTION</b>		<b>2010-11</b>	<b>2009-10</b>
<b>I. Electricity</b>			
(a) Purchased Unit	(kwhr)	<b>3,296,623</b>	2,786,290
Total Amount	(₹.)	<b>16,399,568</b>	12,852,495
Rate/Unit	(₹.)	<b>4.97</b>	4.61
(b) Own Generation			
(i) Through Diesel Generator Units	(kwhr)	<b>501,503</b>	380,107
Units per ltr of Diesel	(kwhr)	<b>3.03</b>	3.17
Cost/unit	(₹.)	<b>13.72</b>	16.31
Total units purchased/Generated		<b>37,98,126</b>	-
(ii) Through Steam Turbine / Generator		<b>Nil</b>	Nil

**B. CONSUMPTION PER UNIT OF PRODUCTION**

	Standards * (if any)	<b>2010-11**</b>	<b>2009-10**</b>
i.	Electricity		
ii.	Furnace Unit		
iii.	Coal		
iv.	Others		

\* Owing to the range of products manufactured and the ever changing product mix, it has not been possible to establish standards relating to consumption of energy per unit of production;

\*\* For the same reasons and as per the Records and Books, maintained by the Company, under the Companies Act, 1956, the Company is not in a position to furnish the required information in the prescribed format for the current year and the previous year.

**2. Disclosure of Particulars with respect to Technology absorption:**

<b>I. Research and Development (R &amp; D)</b>	
(a) Specific areas in which R&D is carried out by the company	R&D was carried out in the development of synthetic methodologies for drugs having medicinal properties for the treatment of 1. Allergic diseases 2. Bipolar disorder 3. Skin afflictions, and 4. Eye inflammations
(a) Benefits derived as a result of the above R&D	The synthetic methodologies which met success in the development phase were applied in scale-up operations to study the economics, viability and efficiency of the process of production. This resulted in the compilation of important data pertaining to the extension of the process to commercial production.

(c) Future plan of action	Efficient pilot plant processes which have been devised for the drugs were put into practice in manufacturing operations and the commercial viability was explored. Since the drugs that are being studied gave good international market, the export of the drugs to meet international demand has been considered in the future plan of action.
<b>d) Expenditure on R&amp;D during the financial year ended 31-03-2011</b>	
i) Capital	NIL
ii) Recurring	₹ 12.81 Crores
iii) Total	₹ 12.81 Crores
iv) Total R&D expenditure as a percentage of total turnover	1.10%

**3. Technology Absorption, Adaptation and Innovation:**

(i) Efforts in brief made towards technology absorption, adaptation and innovation	The technology being developed for the process development is an in-house effort. Personnel in the R&D department are constantly involved in the development of viable technologies for commercial production of drugs of importance. The absorption of in-house developed technologies, therefore, is facile and the pace of adaptation fast. Most of the processes developed in the R&D laboratory are efficient, simple and adaptable processes and innovative in many ways.
(ii) Benefits derived as a result of the above efforts e.g., product improvement, cost reduction, product development, import substitution, etc.	The benefits as a result of technology development in-house are many. As importance and emphasis is given to quality characteristics of the drug under each stage of development, the product coming out elicits good response in the market. Added to this, the purity levels of the drug and the consistency with which the purity is maintained in every batch of drug that is produced enhances the market potential of the drugs.  When a drug is manufactured on a regular basis, knowledge is gained on ways and means of reducing the manufacturing cost of the drug. Constant improvement in utility utilization, equipment utilization, energy savings etc. contribute to the overall cost reduction exercise.



	Most of the Active Pharmaceutical Ingredients produced by Bal Pharma are of niche nature and are not common products from others in the industry. Thus, the drugs are of demand not only in the national market but also in the international market. For internal consumers, the drugs offered by Bal Pharma reduce their dependence on import of the drugs from external sources. Besides, Bal Pharma's formulation departments are using the APIs produced in-house. All these factors contribute to substantial import substitution.
(iii) In case of imported technology (imported during the last 5 years from the financial year) following information may be furnished:	
(a) Technology imported	Nil
(b) Year of import	Nil
(c) Has the technology been fully absorbed	NA

(d) If not fully absorbed, areas where this has not taken place,	NA
(e) Reason therefore and future plan of action:	NA

**4. Total Foreign Exchange Earnings and Outgo: (₹. in Crore)**

	2010-11 (in ₹)	2009-10 (in ₹)
Total Foreign Exchange Earnings	666,597,749	57,35,28.36
Total Foreign Exchange Outgo	246,604,167	32,93,80.48
(a) Raw Materials	235,269,107	32,21,03.58
(b) Other Foreign currency payments		
(i) Travelling Expenses	2,769,836	16,12.47
(ii) Export Promotion Expenses	5,752,793	56,12.83
(iii) Others - Capital import	2,812,431	51.60

**5. Statement pursuant to Section 212 of the Companies Act, 1956 :**

(1) Name of the Company	:	<b>Basav Chem Limited</b>
(2) The financial year of the Subsidiary Company ended on	:	31 <sup>st</sup> March, 2011
(3) Date from which it became subsidiary	:	16-12-2007
(4) Number of shares held by Bal Pharma with its nominees in the subsidiary company at the end of the financial year of the Subsidiary Company	:	1,00,000 shares of ₹ 10/- each
(5) Extent of interest of holding company at the end of the financial year of the Subsidiary company	:	100%
(6) Net aggregate amount of the subsidiary Company's profits (loss) so far it concerns The members of Holding Company	:	₹ (6,44,176)
a. Not dealt within the holding Company's Accounts:		
(i) For the financial year ended on 31-3-2011	:	Nil
(ii) For the previous financial years	:	Nil
b. Dealt within the holding Company's Accounts:		
(i) for the financial year ended on 31-3-2011	:	₹ (6,44,176)
(ii) for the previous financial years	:	Nil