



BAL PHARMA LIMITED

Your Preferred Partner in Quality Health Care

26th ANNUAL REPORT
2012-13



**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. Pramod Kumar. S	- Independent Director
Mr. Ajit Kumar	- Nominee Director

G.M Finance & Company Secretary

Mr. V. Murali

Registered Office

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

Corporate Office

5th Floor, Lakshmi Narayan Complex,
10/1, Palace Road, Bangalore - 560 052.

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

M/s. TD Jain & DI Sakria
Bangalore

Internal Auditors

M/s. Manjunath S & Co.
Bangalore

Cost Auditor

Mr. M. R. Krishnamurthy
Bangalore

Registrar & Share Transfer Agent

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

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NOTICE

NOTICE IS HEREBY GIVEN THAT the 26th (Twenty Sixth) Annual General Meeting of the members of Bal Pharma Limited will be held on Wednesday, the 18th September 2013 at 4.00 P.M. at Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2013, and the Profit and Loss Account for the financial year ended as on that date and the Reports of the Directors and the Auditors thereon.
2. To declare Dividend.
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 a Director in place of Mr. Pramod Kumar. S, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit to pass with or without modification(s), the following resolution as a special resolution:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and Schedule XIII, other applicable provisions, if any, of the Companies Act, 1956 or any amendment(s) or modification(s) thereof and subject to applicable clauses of Articles of Association of the Company, Dr. S. Prasanna be and is hereby reappointed as Whole time Director of the Company for a period of 3 years from 01.10.2013 to 30.09.2016.

FURTHER RESOLVED THAT the Board of Directors be and are hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this resolution.

RESOLVED FURTHER THAT subject to all applicable provisions and Schedules of the Companies Act, 1956, and the rules made thereunder and subject to applicable clauses of Articles of Association of the Company, the managerial remuneration payable in terms of Schedule XIII of the Companies Act, 1956 to Dr. S. Prasanna, Whole-time Director, as recommended by the Remuneration Committee and the Board is Rs. 2,50,000/- (Rupees Two Lakhs Fifty Thousand only) per month for a period of 3 (three) years with effect from 01.10.2013 inclusive of salary and perquisites but exclusive of the followings:

Contribution to provident fund, superannuation fund or annuity fund to the extent they, either singly or put together are not taxable under the Income Tax Act, 1961;

Gratuity payable at a rate not exceeding half a months salary for each completed year of service ; and

Encashment of leave at the end of the tenure.

MINIMUM REMUNERATION

In the event of absence or inadequacy of profits in any Financial Year during the currency of tenure of his appointment, the entire applicable remuneration by way of Salary and perquisites mentioned above shall be revised to match with the provisions prescribed under Schedule XIII of the Companies Act, 1956.

FURTHER RESOLVED THAT the Board of Directors be and are hereby authorized to vary the terms and conditions of appointment of Dr. S Prasanna as Whole time Director subject to the limits prescribed under the Schedule XIII of the Companies Act, 1956.”

By Order of the Board

Place : Bangalore
Date : 12.08.2013

V. Murali
Company Secretary

NOTES:

1. 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 himself/ herself. A proxy need not be a member of the Company. Proxy, in order to be effective must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting. Proxy Form is forwarded as detachable part of Annual Report.
2. Dividend, if any, that may be declared at the Meeting will be paid on or before 18.10.2013 to those Members entitled there to, whose names appear in the Register of Members of the Company at the close of business hours on 16.09.2013 and for those holding the Shares in demat mode, the dividend will be paid to the Members whose names are furnished by National Securities Depository Limited (NSDL) and Central Depository Services(India) Limited (CDSL) as beneficial owners on that date and the bank particulars registered with the respective Depository Accounts will be used for this purpose.
3. 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.



4. 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.
5. The Register of Members and Share Transfer Books of the Company will remain closed from 16.09.2013 to 18.09.2013 (both days inclusive).
6. 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.
7. 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.
8. 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.
9. 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).
10. Members holding more than one share certificate in different folios are requested to 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.
11. Members are requested to bring Annual Report 2012-13 along with them to the Annual General Meeting, since no extra copies will be supplied at the meeting.
12. Pursuant to Section 205A (5) of the Companies Act, 1956, as amended, 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 amount from the Company. The Company has since transferred the amount lying in the credit of Unpaid Dividend Account for the financial year 2004-05 to Investor Education and Protection Fund 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 2005-06 onwards are requested to write to the Company directly or 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 the 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

Place : Bangalore
Date : 12.08.2013

V. Murali
Company Secretary



Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956

Item no 06

Dr. S. Prasanna was reappointed as Whole-time Director in the 21st Annual General Meeting held on 23.09.2008 for a period of 5 years; w.e.f. 01.10.2008.

He has been heading the Research & Development centre of the Company. As the Company benefits immensely from his vast and extensive experience, your Directors recommended the proposal for renewal of his appointment for a further period of 3 years from 01.10.2013 to 30.09.2016.

Keeping in mind the industry norms and remuneration paid to similar appointees in other companies and the active role played by Dr. S. Prasanna as Whole-time Director, the Remuneration Committee of the Company and the Board in its meeting held on 12.08.2013 have considered and recommended the proposal for revising the remuneration payable to ₹ 2.50 Lakhs/month, with effect from

01.10.2013 for a period of 3 years, which is within the permissible limits of Schedule XIII of the Companies Act, 1956.

The remuneration recommended may be revised to the minimum remuneration payable in the event of loss or inadequacy of Profits, as per Schedule XIII of the Companies Act, 1956.

The above may be treated as abstract of terms of appointment in terms of Section 302 of the Companies Act, 1956.

The Board recommends the resolution for approval of the members.

None of the Directors other than Dr. S. Prasanna is concerned / interested in the said resolution.

By Order of the Board

Place : Bangalore

Date : 12.08.2013

V. Murali

Company Secretary

ADDITIONAL INFORMATION RELEVANT TO DR. S. PRASANNA, WHOLE TIME DIRECTOR (AS PER SECTION II PART II OF SCHEDULE XIII OF THE COMPANIES ACT 1956)

GENERAL INFORMATION

1.	Nature of Industry	Pharmaceutical Industry
2.	Date or expected date of commencement of Commercial Production	The Company was incorporated on 19-05-1987 as a Private Limited Company and its Commercial Production started from 1992
3.	Financial performance based on given Indicators	For the FY ended on 31-03-2013 (₹ in Crores) Turn over and other Income : 150.24 Profit before tax : 5.08 Net profit : 4.28
4.	Export Performance and net foreign exchange collaborations	The Company's export income was ₹ 86.04 Crores in 2012-13 and net foreign exchange earnings during the year is ₹ 50.66 Crores. There was no foreign exchange collaboration.
5.	Foreign investments or collaborations, if any	Nil

INFORMATION ABOUT THE WHOLE TIME DIRECTOR WHOSE REMUNERATION IS UNDER REVIEW

1.	Name of the Director	Dr. S. Prasanna
2.	Back ground details	Dr. S. Prasanna has been associated with the Company from its inception. He has done Phd in organic Chemistry and extensive exposure as a research scientist. He has been heading the R& D Centre of the Company .
3.	Immediate past remuneration	₹ 2,00,000/- was paid as salary and perquisites during F.Y 2012-13 which is in line with the provisions of schedule XIII of the Companies Act ,1956
4.	Job profile and his suitability	Dr. S. Prasanna is heading the R&D centre of the Company. With his extensive experience of more than 20 years and knowledge, he is the most appropriate person to guide the original research efforts of the Company.
5.	Remuneration Proposed	Details of remuneration proposed have been given in the notice. Taking into consideration the size of the Company, profile of the appointee, responsibilities shouldered by him, the remuneration proposed is commensurate with the remuneration packages paid or is comparable to other companies in the industry. Further more, the Company has been steadily achieving enhanced profitability, which is attributed to a great extent to the above Whole-time Director who is responsible for the day to day affairs of the R&D of the Company.
6.	Pecuniary relationship with the managerial person	Dr. S. Prasanna, besides drawing the remuneration prescribed and holding 0.19% of the paid up equity share capital of the Company, does not have any pecuniary relationship with the Company, and its managerial personnel.



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 RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING, AS PER CLAUSE 49 (IV)(G) OF THE CORPORATE GOVERNANCE GUIDELINES

Name of the Director	Dr. S Prasanna	Mr. Pramod Kumar. S
Date of Birth	20/07/1948	15/07/1968
Date of Appointment	06/08/1994	10/05/2012
Qualification	Phd	Msc
Experience / Expertise	He has done Phd in organic Chemistry from Indian Institute of Science. Bangalore and has extensive exposure as a Research Scientist. He is heading the R&D centre of the Company.	He has an experience of more that 20 years in the field of agro sciences and is instrumental in execution of various projects.
Other Directorships	Novosynth Research Labs Pvt Ltd	M/s Sunil Agro Foods Limited M/s Brindavan Soft land Private Ltd Pushkar Investments Pvt Ltd
Other Committee Memberships in the Company	Banking Transaction Committee.	1. Audit Committee. 2. Remuneration Committee.
Number of shares held directly or indirectly	20,200	6,890



Your Directors have pleasure in presenting the **26th Annual Report** together with the Audited Accounts of the Company for the financial year ended on 31st March, 2013.

I. FINANCIAL RESULTS

(₹ in Crores)

Particulars	2012-13	2011-12
1) Total Income from operations	150.25	142.25
2) Earnings before Interest, Tax, Depreciation & Amortisation	17.88	15.89
Less :		
Depreciation & Amortisation	4.81	4.13
Finance cost	7.98	7.39
Profit/(Loss) before taxation and prior period adjustment	5.09	4.37
Less :		
3) Current Tax	-	-
4) Deferred Tax	0.82	0.61
5) Extra Ordinary / Non Recurring items	-	-
6) Prior year Adjustments	(0.01)	--
7) Profit after tax for the year	4.28	3.76
Add :		
8) Profit & loss account balance at the beginning of the year	11.80	8.04
9) Profit/(Loss) made available for appropriation	16.08	11.80
Less :		
10) Proposed Dividend on Equity Shares	0.79	0.00
11) Tax on Dividend	0.13	0.00
12) Balance Carried to Balance sheet	15.16	11.80

Note : Previous year's expenses have been regrouped to confirm this year's classification.

2. DIVIDEND & APPROPRIATIONS

Your directors are pleased to recommend payment of dividend of Re. 0.75/- (i.e 7.5%) on each equity share of ₹ 10 each, thereby absorbing an amount of ₹ 0.92 crores including dividend distribution tax of ₹ 0.13 crores. The balance amount of profit is retained as surplus in the statement of profit and loss, forming part of reserves and surplus.

3. MANAGEMENT DISCUSSION AND ANALYSIS

Global Pharmaceutical Industry scenario

The global pharmaceutical market is expected to grow at CAGR of 3-6% over 2012-16 to US\$ 1.1-1.2 trillion in sales by 2016. More than 60% of this increase in the pharmaceutical market is expected

to be contributed by the emerging markets which are anticipated to grow at 13 to 15%, while the rest of the growth is from the developed markets which are expected to grow at a much slower pace of 2% to 6%.

United States of America is expected to continue its dominance in the worlds' pharmaceutical markets, by clocking a sales in the range of US\$ 350-380 Billion by 2016 with an expected growth rate of 2-4%, closely followed by Japan with expected sales of US\$ 100-140 billion by 2016 with the rate of growth to continue to be at 2-4%. The sales from the emerging markets with their higher growth rate of 13 to 15% is expected to match with those in the US Pharma market by 2016.

The global Pharma industry for generic patented products continues to remain highly fragmented and competitive. The generic industry on the other hand has the opportunity to capitalise on the products going off patent in the near future. The industry will resort to consolidation in the coming years, in order to cope with these challenges.

The developed markets share of current 65% in the world markets is expected to slide to 56% by 2016 and this slide is expected to be set off by the emerging markets' contribution.

The African continent which comprises 54 countries is the world's second largest and second most populous. The continent is recognised as the second fastest growing after Asia.

The African continent offers good business to the foreign pharmaceutical players as the continent carries 25% of the world's diseases and is importing 70% of the drugs from overseas markets.

Ten major African cities are expected to represent between 20 and 30 percent of the total pharmaceutical markets by 2016.

Indian Pharmaceutical Industry scenario and opportunities

India's GDP growth rate of 5% for the fiscal 2012-13 is the lowest in the decade which is due to sluggish exports, diminishing rupee value, lack of political consensus to strengthen the economy and reduction in house hold consumption due to uncertain future. The declining growth has warranted the government to take immediate steps to curtail inflation and restore fiscal health. The Indian economy is expected to grow only around 5% in 2013-14.

The sale of pharma products grew by just 11.90 % in 2012-13 slower than the 15.80 % growth achieved in 2011-12.

Pharma exports grew by 10.55 % in the year 2012-13 to US \$ 14.60 billion as compared to exports of US \$ 13.20 billion in the year 2011-12. While the export grew by 23 % during 2011-12, the growth was limited to 9.90% during 2012-13. Given the current trend industry experts are of the opinion that India is likely to miss achieving its ambitious export target of US \$ 25 Million by 2014-15.



After a span of 18 years, India notified a new Drug (Price Control) Order 2013 (DPCO) on 15th May 2013. The new DPCO supersedes earlier DPCO 1995. The Price Control has been extended to all 348 drugs in the National List of Essential Medicines. The new regime will have a much wider coverage of 652 drugs as against 73 bulk drugs and their formulations earlier, thereby covering most of the commonly used drugs across therapies.

The new regime is expected to significantly alter the way it regulates the prices of drugs in the ₹ 72000 crore domestic market to keep them affordable for patients. An average downward revision of 20% in the price of Essential Medicines could erode the market value by upto ₹ 3000 crores.

For the first time the policy has done away with price control on Active Pharmaceutical Ingredients (API's), more commonly known as Bulk Drugs. This is a step in the right direction and has been a demand of the industry for some time.

Thus, the industry faces the twin challenges of improving domestic drug market and the export earnings.

The Government also deferred the Bar Code Technology on Primary Level Packaging for export by one year i.e upto 1st July 2014, which is a welcome measure especially from the point of view of Small and Medium Industries.

Despite the fragile economic environment, the Indian pharmaceutical market is expected to clock a long term CAGR of 14 to 16% in the next five years.

Due to the shifting of the prices of 348 medicines in the National list of essential medicines (NLEM) under price control, Industry needs to shift its focus from the cost based methodology of pricing to market based methodology, which will largely benefit the consumers. The prices of the generic drugs in India are the lowest in the world. Government has constituted a committee to regulate the patented drugs. Indian consumer can therefore look forward to have access to affordable patented and monopoly products. Indian pharmaceutical industry is facing stiff resistance on the drug regulatory approval process which needs to be simplified so as to enable the industry to continue its growth story.

India is neither the biggest producer nor the biggest export of API's in the world and that credit goes to China. But in terms of a reputation for quality and reliability, India's API producers clearly score over those from China.

A recent publication brought out by Italian Generic Pharmaceutical Association in Milan succinctly highlighted the success achieved by Indian Producers of API's in penetrating the formidable markets in developed countries like US, Western Europe and Japan.

Union Commerce Ministry is planning to help the pharmaceutical exporters by setting up common warehouse facilities in some key markets especially in African countries through PHARMEXCIL. Accordingly, PHARMEXCIL is gearing up to establish first overseas drug warehouse in Nigeria where branded, non-branded drugs and medicines produced by Indian drug firms would be stocked and supplied. This would save about 75% of rent expenditures to Indian SMEs.

The demand for pharmaceutical products in India is significant and is driven by many factors like low drug penetration, rising middle-class & disposable income, increased government & private spending on healthcare infrastructure, increasing medical insurance penetration, changing demographic pattern and rise in chronic lifestyle-related diseases; adoption of product patents, and aggressive market penetration driven by the relatively smaller companies.

Thus inspite of the challenges faced both at the domestic and export fronts, the opportunities also exist for achieving higher growth if one is innovative and adopt technology up-gradation bench-marked to best global standards.

4. BUSINESS OPERATIONS

(i) Turnover and Net profit

During the financial year 2012-13, your Company has achieved an gross turnover of ₹ 150.25 cores as against ₹ 142.25 cores achieved during the previous financial year, thus registering a moderate growth of 5.62%.

The net profit after tax of the Company during the financial year 2012-13 stands at ₹ 4.28 Crores as against the net profit of ₹ 3.75 crores achieved in the previous financial year, 2011-12. The profit of the financial year 2011-12 include a one time gain of ₹ 0.88 crores on sale of fixed assets (building). If the same is excluded for comparison purpose, the net profit growth during the current financial year stands at 49% over the previous year.

(ii) Formulations

The turnover from export formulations during the year under review stands at ₹ 48.47 crores as against ₹ 39.42 crores achieved during the previous financial year thus registering a good growth of 22.96%. The growth in export was due to penetration in new virgin markets like Latin America, African and South East Asian Countries with both the plants at Bangalore and Uttaranchal contributing with higher volume of production to meet the demand.

In the domestic market, Branded formulations of the company, consisting of mainly Diabetic and Cardiac drugs have contributed to a revenue of ₹ 24.63 crores during the year under review as against ₹ 24.09 crores achieved during the previous year, Considering the overall sluggishness in the domestic market, the performance may be considered satisfactory.

(iii) Bulk Drugs

Bulk drug business continues to be the major contributor of revenue, with a revenue of ₹ 54.86 crores during the year under review as compared to ₹ 53.01 crores achieved during the previous financial year, thereby registering the moderate growth of 3.48%. Exports of bulk drug during the year under review stands at ₹ 37.57 crores as against ₹ 36.44 crores during the previous financial year.



(iv) Overall export performance

The over all exports of your Company during the year under review increased to ₹ 86.04 crores from ₹ 75.85 crores achieved during the previous financial year, thus registering a growth of 13.43%

Your company continues to be a consistent net foreign exchange earner to the country's economy.

(v) Others

Revenue from sales to Govt. Institutional business registered a turnover of ₹ 5.11 crores during the year under review as against ₹ 8.14 crores achieved during the financial year 2011-12. This negative growth in turnover is mainly due to company's focus shift towards export markets. The Ayurvedic products Division has contributed to a turnover of ₹ 1.92 crores, during the year under review as against ₹ 1.73 crores registered during the previous year. Your company is planning to give more focus to this division to improve its share in the overall revenue contribution in the years to come.

5. RESEARCH & DEVELOPMENT

The Research and Development division of our Company has continued its activity in the field of development and standardization of pathways for the manufacture of novel and high value active pharmaceutical ingredients. The efficient pathways thus devised have resulted in reaching commercial production levels of these drugs to meet the needs of the international market.

The products developed by the R&D division, when they enter the manufacturing stream, are backed by extensive documentation of data pertaining to the control of the quality of the drug. The quality and purity of these products are established by recourse to extensive and sophisticated analytical methodology. The R&D division works in tandem with the Quality Control Department in the development of stringent analytical procedures and protocols.

The quality of the drugs that are offered to our customers being of such high order that there is ready acceptance of our products in the international markets. There is continuing and growing demand for products of your Company. Very new products in the therapeutic segments of anti allergic, psychiatrics and for the treatment of inflammatory disorders are being introduced in the near future in the commercial market. These products are of direct result of R&D efforts in this direction.

6. AUDIT COMMITTEE

The Audit Committee, a sub-committee of Board consists of Dr. G.S.R Subba Rao, Independent Director, Mr. Shrenik Siroya, Non-executive Director, Mr. Pramod Kumar S Independent Director and Mr. Ajit Kumar, Director who is nominee of EXIM Bank, the lender to the company.

This Committee is Chaired by Dr.G.S.R Subba Rao. Audit Committee 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. AUDITORS' REPORT

There are no adverse qualifications or remarks by the Auditors' in the Auditors' Report.

8. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Your Company has an adequate system of internal controls with clearly defined authority limits. They ensure 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., Manjunath & Co. a firm of independent Chartered Accountants. They interact with the Audit Committee and have reported to the Directors that there is adequate internal control systems in place in respect of areas of audit carried out by them.

9. 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 31.03.2013:

- (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.

10. SUBSIDIARY COMPANIES

As on 31.03.2013, your company has no subsidiaries, either wholly owned or otherwise, Indian or overseas.

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 Outflow are given in Annexure I which forms part of the Directors' Report.

12. 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.

13. PUBLIC DEPOSITS

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

14. DIRECTORS

Dr. S Prasanna and Mr. Pramod Kumar. S, Independent Directors of the Company are retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. Your Directors recommend their reappointment.

15. AUDITORS

Messrs TD.Jain & DI Sakaria (eststwhile) M/s Ostawal & Jain, Chartered Accountants, Statutory Auditors of the Company retire at the Annual General Meeting and being eligible offer them selves for re-appointment.

16. COST AUDIT

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

The Board has appointed Mr. M.R Krishna Murthy as Cost Auditor of the Company for the financial year 2012-13 for cost audit of both Formulation and Bulk Drug units of the Company and the Company has also obtained the central government approval for the same. The Cost Audit is under progress and the Company will submit the Cost Auditor's report for F.Y 2012-13, to the Central Government soon.

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.

Outstanding Un-paid dividend amount for the year 2004-05 that is due for transfer to the Investor Education and Protection Fund has been duly transferred, during the year.

18. HUMAN RESOURCES

The human resources of the Company continue to contribute its share in the growth of the Company. Human Resource agenda of the company for the year continued to focus on building a robust talent pipeline, enhancing individual and organizational capabilities for future readiness, driving greater employee engagement, and strengthening employee relations though progressive people management.

19. CEO & CFO CERTIFICATION

The Board has acknowledged the Managing Director as the CEO of the Company and G.M Finance as the CFO for the purpose of compliance under the Listing Agreement. The CEO & CFO have certified to the Board, in terms of Clause 49 of the Listing Agreement that the financial statements present a true and fair view of the company's affairs and are in compliance with accounting standards.

20. INSURANCE COVERAGE

The Board of Directors reports that your Company has adequate and comprehensive insurance cover on all the movable and immovable assets of the Company.

21. APPRECIATION

Your Directors place on record their sincere appreciation of significant contributions made by the employees through their dedication, hard work and commitment. Your directors also places on record its thanks on the trust reposed on the Company by the medical fraternity and the patients. We also acknowledge the support extended to us by Canara Bank, Punjab National Bank, EXIM Bank, and other Banks & financial institutions, government agencies, shareholders and investors at large. We 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
27th May, 2013

Dr. S Prasanna **Shailesh Siroya**
Non-Executive Director 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, 2013:

I. Conservation of Energy

Electricity	2012-13	2011-12
(a) Purchased Units		
Units (Kwhr)	37,23,613	38,51,754
Amount - (Rs.)	2,18,22,978	1,93,30,008
Rate/Unit - (Rs. P)	5.86	5.02
(b) Own Generation through Diesel generator		
Units (Through Diesel Generator) – Kw/hr	1,74,093	3,42,735
Units per litre of Diesel	2.95	3.47
Cost/unit - (Rs. P)	15.73	13.09
Total Units purchased/generated (Kw/hr)	38,97,706	41,94,489
(C) Steam Turbine/Generator	Nil	Nil