

Shifting Gears...

Clarís

Clarís Lifesciences Limited

On the Cover

SHIFTING GEARS...

"Shifting gears" denotes change in the course of action. It is a strategy to respond to changing market dynamics capitalizing on the organizational strength. Claris has always remained alert & agile in shaping organizational strength to best fit with the changing market needs.

Yes, Claris is shifting gears... bringing back the focus on hospital centric products, emerging markets and innovations in IV delivery systems.

This strategy of change is a conscious decision and is based on evaluation of market dynamics vis-a-vis base competency & technological advantage that Claris has...

Instead of putting all eggs in one basket, we have opted to diversify our strength of innovation, people & technology for the benefits of various markets & customers at large to sustainably deliver growth and value.

Content

Corporate Information

Managing Director & CEO's Message	01
Notice to Shareholders	03
Directors' Report	05
Corporate Governance	10
Management Discussion & Analysis	17

Financial Statements

Auditors' Report	23
Annexure to Auditors' Report	24
Balance Sheet	26
Profit & Loss Account Statement	27
Cash Flow Statement	28
Schedules forming part of Balance Sheet	30
Schedules forming part of Profit & Loss Account	34
Significant Accounting Policies	36
Notes to the Financial Statements	38
Balance Sheet Abstract & Company's General Business Profile	52

Consolidated Financial Statements

Auditors' Report	53
Consolidated Balance Sheet	54
Consolidated Profit & Loss Account Statement	55
Consolidated Cash Flow Statement	56
Schedules to the Consolidated Financial Statements	58
Significant Accounting Policies to the Consolidated Financial Statements	63
Notes to the Consolidated Financial Statements	65
Information on the Financials of the Subsidiary Companies	73

Attendance Slip & Proxy Form

Corporate Information

BOARD OF DIRECTORS

Dr. Pravin P. Shah

Chairman & Independent Director

Mr. Arjun S. Handa

Managing Director & CEO

Mr. Aditya S. Handa

Director

Mr. Chetan S. Majmudar

Whole Time Director

Mr. Chandrasingh Purohit

Whole Time Director

Mr. Amish Vyas

Whole Time Director

Mr. T.V. Ananthanarayanan

Independent Director

Mr. Surrinder Lal Kapur

Independent Director

Mr. Nikhil Mohta

Additional Director

COMPANY SECRETARY

Pradyotsen Shukla

AUDITORS

Deloitte Haskins & Sells,
Ahmedabad

CORPORATE OFFICE & GLOBAL HEADQUARTERS

Claris Corporate Headquarters, Nr. Parimal
Rly. Crossing, Ellisbridge, Ahmedabad -
380006, India
Tel: +91-79-26563331, 66309330
Website: www.clarislifesciences.com

MANUFACTURING FACILITY

Village: Chacharwadi, Vasna
Taluka: Sanand
Ahmedabad - 382213, India

BANKERS

1. Canara Bank
2. Indian Overseas Bank
3. Punjab National Bank
4. Andhra Bank
5. Allahabad Bank
6. Central Bank of India
7. United Bank of India
8. Lakshmi Vilas Bank
9. Barclays Bank PLC

Managing Director & CEO's Message

Dear Stakeholders,

I am happy to share with you the first annual report after Claris' going public.

The year 2010 will always be remembered as the year of milestones & point of strategic shift in the history of Claris. The year provided us the opportunity to go public for the first time, it placed us on a height of recognition & pride on various aspects, and despite several challenges it showed us adequate business growth.

Looking back upon past half decade, the company focused mainly on specialty injectables business, concentrating on penetrating in regulated markets. The strategy paid us significantly until a regulatory issue befell for the USA market in 2010. However, we are confident of resolving the issue with the USA regulatory authority. In fact, the issue did not significantly hamper our sales as we timely shifted our gears to our base business i.e. hospital centric products to be marketed in India and other emerging markets. 'Shifting gears' has helped us sail through the business growth expectations by the year end. Thanks to our vision of having diversified portfolio of products across geographies, it has helped us build a relatively de-risked business model. Claris has always remained a niche & innovative player in injectables space and we are sure that it will take us to newer heights.

During the year, the company further enhanced its presence in international markets by commercializing 75 registrations. We are looking forward to another 331 registrations which are in the



Arjun S. Handa | MD & CEO

pipeline. This year, in Russia, we started with one product registration while 10 more registrations are in the pipeline. On the domestic front, we introduced 5 new products.

Throughout the year, the company continued to uphold its people oriented approach and its intrinsic worth – the rich culture, the practices & camaraderie. Our

people practices were recognized by industry experts & made us the 'Best Place to Work For' in India. We follow a culture of continuously upgrading best practices in corporate governance and management quality.

I am confident that our strategy, capabilities and commitment will lead us to next trajectory of growth, and in becoming the most admirable Indian generic injectables company, globally. As we are continuing in our journey, the belief in ourselves is growing stronger. We are committed to help patients get access to affordable and modern products, the world over, at the same time creating value for the stakeholders.

We are encouraged by your trust in us.

Arjun S. Handa
Managing Director & CEO

Notice To Shareholders

Notice is hereby given that the 16th Annual General Meeting of the Members of **CLARIS LIFESCIENCES LIMITED** will be held on Thursday, The 12th May, 2011 at 4.00 p.m. at H T Parekh Convention Centre, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad 380 015, Gujarat, INDIA to transact the following businesses:

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Balance Sheet as at 31st December, 2010, the Profit & Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
- 2) To declare a dividend on the equity shares for the financial year ended 31st December, 2010.
- 3) To appoint a Director in place of Dr. Pravin P. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Mr. T.V. Ananthanarayanan, who retires by rotation and being eligible, offers himself for re-appointment.
- 5) To appoint Statutory Auditors to hold office from conclusion of this meeting until the conclusion of next Annual General Meeting 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 an ordinary resolution:**
"RESOLVED THAT Mr. Nikhil Mohta who was appointed as an Additional Director by the Board of Directors of the Company pursuant to Section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

By order of the Board
For Claris Lifesciences Limited

Place : Mumbai
Date : 24th February, 2011

Pradyotsen Shukla
Company Secretary

Registered Office :
Claris Corporate Headquarters,
Nr. Parimal Rly. Crossing, Ellisbridge, Ahmedabad - 380006, India.

Notes:

- 1) An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
- 2) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A PROXY NEED NOT BE A MEMBER.**
- 3) Members are requested to kindly bring their copy of the Annual Report with them at the Annual General Meeting, as no extra copy of Annual Report would be made available at the Annual General Meeting.
- 4) The Board of Directors in their meeting held on 24th February, 2011 has recommended a dividend of Rs.2 per Equity Share of Rs. 10 each for the financial year ended 31st December, 2010. Dividend, if declared, at the Annual General Meeting, will be paid on or Before 30th May, 2011
- 5) The Register of Members and Share Transfer Books will remain closed from 7th May, 2011 to 12th May 2011 (both days inclusive).
- 6) The shareholders are requested to intimate immediately, any change in their address or bank mandates to their depository participants with whom they are maintaining their demat accounts or to the Company's Share Transfer Agent, M/s. Link Intime India Private Limited, if the shares are held by them in physical certificate form.
- 7) The shares of the Company are at present listed at Bombay Stock Exchange Limited (BSE). The listing fee for the year 2010-2011 has been paid to BSE.
- 8) Pursuant to the Initial Public offering of Equity shares, the Company had in respect of certain shares allotted therein, in view of mismatch in particulars of those allottees, parked the same in a demat suspense account. The aggregate number of shares so lying initially was 1,249 Equity Shares of 16 Investors. Since then 7 investors for 761 Equity Shares have already approached for transfer during the year which has been done. The aggregate number of the shareholders as at the year end whose shares were lying in demat suspense account was 9 for 488 Equity shares. The voting rights of the aforesaid shares have been frozen till the rightful owner of such shares claims the shares.

Notice To Shareholders

- 9) Pursuant to Section 109A of the Companies Act, 1956, shareholders are entitled to make a nomination in respect of shares held by them in physical form. Shareholders desirous of making a nomination are requested to send their requests in Form No. 2B in duplicate (which will be made available on request) to the Registrar and Share Transfer Agent of the Company.
- 10) Members desiring any information relating to the accounts are requested to write to the Company at least 10 days before the meeting so as to enable the management to keep the information available at the meeting.
- 11) The brief profile of the Directors proposed to be appointed / re-appointed is given in the section on Corporate Governance.
-

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956 IN RESPECT OF SPECIAL BUSINESS

ITEM NO. 6

The Board of Directors of the Company at their meeting held on February 24, 2011 had appointed Mr. Nikhil Mohta as an Additional Director of the Company upto the forthcoming Annual General Meeting pursuant to Section 260 of the Companies Act, 1956. The Company has received notice in writing under Section 257 of the Companies Act, 1956 from a member proposing the candidature of Mr. Nikhil for the office of Director.

Mr. Nikhil Mohta earlier was the Nominee Director on the Board of the Company representing First Carlyle Ventures III. He is presently also in the Board of Newgen Knowledge Works Private Limited, Global Publishing Solutions Limited (U.K.), Newgen North America, Inc. (U.S.A.) and Carlyle Ventures.

The Board recommends the resolution set forth in item no. 6 for approval of the members.

None of the Directors of the Company other than Mr. Nikhil Mohta are deemed to be concerned or interested in the above resolution.

By order of the Board
For Claris Lifesciences Limited

Place : Mumbai
Date : 24th February, 2011

Pradyotsen Shukla
Company Secretary

Registered Office :
Claris Corporate Headquarters,
Nr. Parimal Rly. Crossing, Ellisbridge, Ahmedabad - 380006, India.

Directors' Report

Dear Members,

Your Directors are pleased to present the 16th Annual Report of the Company and Audited Accounts for the financial year ended 31st December, 2010.

Financial Results

The financial highlights of the Company for the fiscal year 2010 as compared to the previous fiscal year on Consolidated and Standalone basis are as below:

Particulars	(Rupees in Mn)			
	Consolidated		Standalone	
	2010	2009	2010	2009
Income	7,677.66	7,594.01	6,405.39	6,458.04
Profit before Interest, depreciation and tax	2,433.82	2,294.71	1,803.00	1,874.56
Interest	361.96	409.58	361.94	407.29
Depreciation	467.16	448.07	463.78	444.60
Provision for tax	190.28	133.41	187.04	132.04
Profit after tax	1,414.42	1,303.65	790.24	890.63
Balance brought forward from previous year	3,370.82	2,189.23	3,073.15	2,304.58
Balance available for Appropriation				
Transferred to General Reserve	62.50	90.00	62.50	90.00
Proposed Dividend	127.64	102.37	127.64	102.37
Corporate tax on dividend	21.20	17.40	21.20	17.40
Reversal of Dividend no longer payable	–	(75.09)	--	(75.09)
Reversal of Tax on Dividend no longer payable	–	(12.62)	--	(12.62)
Balance carried to Balance Sheet	4,573.90	3,370.82	3,652.05	3,073.15

Results of Operations

During the current financial year, your company took various strategic initiatives to improve its volumes and profitability, which helped the Company to post an impressive performance for the year inspite of product recall from the US and the import alert. The income from net sales stood at Rs. 7,523.35 Mn (Rs 7,435.25 Mn in the previous year) which increased marginally by 1.18% compared to previous year. Our income from net sales in the international markets stood at Rs. 4,372.53 Mn compared to Rs. 4,068.19 Mn in previous fiscal year which is increased by 7.48 % equivalent to Rs. 304.34 Mn. During the year, our exports revenue, which as a percentage of net sales, stood at 58.12% compared to 54.71% of previous fiscal year.

EBITDA, PBT and PAT reached to Rs. 2,433.82 Mn, Rs. 1,604.70 Mn and Rs. 1,414.42 Mn respectively (Rs. 2,294.71 Mn, Rs. 1,437.06 Mn and Rs. 1,303.65 Mn respectively, in the previous year) registering 6.06% , 11.67% and 8.50% growth over the previous fiscal year.

As a percentage of net sales, our EBITDA margin increased to 32.35% in fiscal year 2010 compared to 30.86% of previous fiscal year. As a percentage of net sales, our PBT margin increased to 21.33% in fiscal year 2010 compared to 19.33% of previous fiscal year. As a percentage of net sales, our PAT increased to 18.80% in the fiscal year 2010 compared to 17.53% in previous fiscal year.

Out of the issue proceeds of Rs. 3,000 Mn, your company utilized the issue proceeds for repayment of an identified term loan of Rs. 459.14 Mn and Rs. 174.77 Mn towards the issue expenses. The remaining proceeds will be utilized for growth capex.

Dividend

Your company has a consistent dividend policy of balancing the dual objective of appropriately regarding shareholders through dividends and retaining capital to maintain a healthy capital adequacy ratio to support future growth. It has a consistent track record of moderate but steady increases and expansions in dividend declarations over its history.

Considering the achievement of targets for the year and growth of the business, Directors are pleased to recommend dividend of Rs. 2 per equity share for the financial year ending 31st December, 2010.

Transfer to Reserves

Your company proposed to transfer Rs. 62.50 Mn to the General Reserves. An amount of Rs. 4,573.90 Mn is proposed to be retained in the profit and loss account.

Share Capital

The paid up equity share capital of your company increased to Rs. 638,177,650 due to allotment of 12,632,477 Equity Shares of Rs. 10 each at a premium of Rs. 283 per share to Anchor Investors and Rs. 218 per share to investors other than Anchor Investors in the Initial Public Offer of the Company.

Subsidiaries

With a view to market the products of the Company across the globe, your company has 13 International subsidiaries. Apart from International subsidiaries, there are 4 Indian subsidiaries. During the year under review, one additional International subsidiary Claris Pharmservices was incorporated. The subsidiaries are well positioned in the global market and facilitating in the growth of the Company.

Accounts of Subsidiaries

The Company has obtained approval from the Ministry of Corporate Affairs, New Delhi under Section 212(8) of the Companies Act, 1956 and accordingly the individual Annual Accounts of all the Indian and International subsidiaries for the year ended 31st December, 2010 have not been attached to the Annual Report. Copies of these annual accounts and related information will be made available on request. The annual accounts of the subsidiary companies will be available at the registered office of the Company and also at the venue during the Annual General Meeting.

Listing at Bombay Stock Exchange Limited

During the year under review, your company has successfully launched its Initial Public Offer of 12,632,477 equity shares of Rs. 10 each for cash at a price of Rs. 228 per equity share to all investors other than Anchor investors amounting to Rs. 2,460 Mn and at a Price of Rs. 293 per Equity share to Anchor investors amounting to Rs. 540 Mn, aggregating upto Rs. 3,000 Mn. The issue constituted 19.79 % of the post issue paid-up share capital of the Company. The equity shares of the company were listed in Bombay Stock Exchange Ltd (BSE) and the trading in the shares of the Company commenced on 20th December, 2010 on BSE.

Product Recall

During the year your company received complaints in relation to certain of the products, namely, Ciprofloxacin, Metronidazole and Ondansetron that were contaminated or suspected to be contaminated; pursuant to which the Company and the partners/distributors recalled some or all of products from the United States, Denmark, Finland, Canada, Australia and New Zealand. The recalls were initiated by the Company and the partners in Australia and the United States pursuant to receipt of complaints of contamination in some of the products. Further, the USFDA has imposed an import alert on the Company and the products,

Directors' Report

which is subsisting. Further, USFDA issued a warning letter dated 1st November, 2010. The Company vide its letter dated 19th November, 2010, responded to the Warning Letter issued by the USFDA. The Company is working on addressing the USFDA issue and post a productive meeting with the USFDA, the Company is optimistic on resolving the issue.

Fixed Deposits

Your company has not accepted any fixed deposit under Section 58A of the Companies Act, 1956 and hence no amount of principal or interest were outstanding as at the Balance Sheet date.

Insurance

The assets of the Company are adequately insured against the loss of fire, riots, earthquake, terrorism, loss of profits, etc, and other risks that are considered necessary by the management. Apart from the above, your company has also Statutory Public Liability Insurance Policy and Director's and Officer's Liabilities Policy.

Directors

Dr. Pravin P. Shah and Mr. T.V. Ananthanarayanan retire by rotation at the conclusion of this Annual General Meeting and being eligible offer themselves for reappointment. Mr. Nikhil Mohta has resigned as Nominee Director w.e.f 12th January, 2011 and was appointed as an Additional Director w.e.f 24th February 2011.

During the year, Mr. Arvind Bansal has tendered his resignation as Independent Director. The Board appreciated the valuable contribution made by Mr. Arvind Bansal during his tenure as Independent Director of the Company.

Directors' Responsibility Statement

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed:

1. That in the preparation of the Accounts for the Financial Year ended 31st December, 2010, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 of the Company for the year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the accounts for the financial year ended 31st December, 2010 on 'going concern' basis.

Auditors

The Statutory Auditors of the Company M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Statutory Auditors, if reappointed. The Audit Committee and the Board of Directors recommended reappointment of M/s. Deloitte Haskins & Sells, Chartered Accountants, as Statutory Auditors of the Company for the financial year 2011 for shareholder's approval.

Cost Auditor

Pursuant to Section 233B of the Companies Act, 1956, M/s. Kiran J. Mehta & Co., Cost Accountants, Ahmedabad was appointed as Cost Auditors of the Company in respect of cost audit of the Company's Bulk Drug division and Formulation division for the year ended 31st December, 2010. Report of the Cost Auditor in respect of Cost Audit for the year under review would be filed with the Central Government as per timeline.

Energy, Technology and Foreign Exchange

The information required under the Companies Act (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is given in the Annexure – I.

Particulars of Employees

Particulars of employees covered under section 217(2A) of the Companies Act, 1956 are attached read with Companies (Particulars of Employees) Rules, 1975 forms part of this report. However, as per Section 219(1)(b)(iv) of the Companies Act, 1956, the annual report is being sent to all shareholders excluding the said Annexure. Any shareholder interested in obtaining the particulars may obtain the same in writing to the Company Secretary or the same is available for inspection at the registered office during working hours.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, a report on Corporate Governance is given in Annexure – II.

Management Discussion & Analysis

Management Discussion & Analysis is given separately and forms part of this annual report.

Acknowledgment

The Board greatly appreciates the commitment and dedication of employees at all levels who have contributed to the growth and success of the Company. We would also thank all our clients, vendors, investors, bankers and other business associates for their continued support and encouragement during the year.

We also thank the Government of India, Government of Gujarat, Ministry of Commerce and Industry, Ministry of Finance, Customs and Excise Departments, Income Tax Department, and all other Government Agencies for their support during the year and look forward to their continued support in the future.

For and on Behalf of Board

Arjun S. Handa
Managing Director & CEO

Chandrasingh Purohit
Whole Time Director

Place : Mumbai
Date : 24th February, 2011