

2010-11

38th ANNUAL REPORT



TORRENT PHARMACEUTICALS LIMITED

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DIRECTORS

- (1) Sudhir Mehta
Chairman
- (2) Markand Bhatt
- (3) S. H. Bhojani
- (4) Dr. Prasanna Chandra
- (5) Shailesh Haribhakti
- (6) Renu Sud Karnad
- (7) Sanjay Lalbhai
- (8) Dr. C. Dutt
Director (Research & Development)
- (9) Samir Mehta
Executive Vice Chairman

AUDIT COMMITTEE

- (1) S. H. Bhojani
Chairman
- (2) Dr. Prasanna Chandra
- (3) Shailesh Haribhakti

SECURITIES TRANSFER & INVESTORS' GRIEVANCE COMMITTEE

- (1) Sudhir Mehta
Chairman
- (2) Markand Bhatt
- (3) Samir Mehta

NOMINATION & REMUNERATION COMMITTEE

- (1) S. H. Bhojani
Chairman
- (2) Markand Bhatt
- (3) Shailesh Haribhakti

VP (LEGAL) & COMPANY SECRETARY

Mahesh Agrawal

AUDITORS

Deloitte Haskins & Sells, Ahmedabad
Chartered Accountants
(Firm Registration No. 117365W)

REGISTERED OFFICE

Torrent House,
Off Ashram Road,
Ahmedabad - 380 009
Telephone: 079 - 26585090
Fax: 079 - 26582100

MANUFACTURING FACILITIES

- (1) Village Indrad, Taluka Kadi,
Dist. Mehsana (Gujarat)
- (2) Village Bhud,
Baddi, Teh. Nalagarh,
Dist. Solan (Himachal Pradesh)
- (3) 32 No. Middle Camp, NH-31A,
East District, Gangtok (Sikkim)

DAHEJ PROJECT SITE

Plot No. Z104-106, Dahej SEZ Phase II,
Taluka Vagra, Dist. Bharuch (Gujarat)

RESEARCH & DEVELOPMENT FACILITY

Village Bhat, Dist. Gandhinagar (Gujarat)

WEBSITE

www.torrentpharma.com

REGISTRARS & TRANSFER AGENTS

Karvy Computershare Private Limited
Unit: Torrent Pharmaceuticals Limited
Plot No. 17 to 24,
Vittalrao Nagar, Madhapur,
Hyderabad - 500 081
Telephone: 040 - 44655000
Fax: 040 - 23420814
Email: einward.ris@karvy.com

INVESTOR SERVICES E - MAIL ID

investorservices@torrentpharma.com

NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY EIGHTH ANNUAL GENERAL MEETING OF THE MEMBERS OF TORRENT PHARMACEUTICALS LIMITED will be held on Saturday, 30th July, 2011 at 09:30 AM at J. B. Auditorium, Torrent AMA Centre, Ground Floor, Ahmedabad Management Association, Vastrapur, Ahmedabad – 380 015, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011, the Profit & Loss Account for the year ended on that date and reports of the Directors' and Auditors' thereon.

2. To declare dividend

The Board of Directors at its meeting dated 28th May, 2011 recommended a normal annual dividend of ₹ 6.00 per equity share and a special dividend of ₹ 2.00 per equity share of fully paid up face value of ₹ 5 each for the financial year 2010-11.

3. To appoint a Director in place of Markand Bhatt, director, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sanjay Lalbhai, director, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint Deloitte Haskins & Sells, Ahmedabad (Firm Registration No. 117365W), as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Audit Committee to fix their remuneration.

SPECIAL BUSINESS

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

REMUNERATION TO NON-EXECUTIVE DIRECTORS (NEDs)

"RESOLVED THAT in supercession of all the earlier resolutions passed in the matter, if any, and pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof), the approval of the Company be and is hereby accorded, subject to such other permissions and approvals, if any, as may be required, to pay commission to the Director(s) of the Company who is/are neither in the whole time employment nor managing director(s) (hereinafter referred as 'eligible Directors'), in accordance with and up to the limit laid down under the provisions of Section 309(4) of the Companies Act, 1956 (including any statutory modification or re-enactment thereof), computed in the manner specified in the Companies Act, 1956 or such other limit as may be approved by the Central Government or the relevant authority for a period of 5 years from the financial year commencing 1st April, 2010, in such manner and up to such extent as the Board of Directors or the Committee of Board specifically authorised for this purpose may, from time to time, determine such commission being divisible amongst the eligible Directors in such proportion and in such manner as may be decided by the Board or the Committee of Board specifically authorised for this purpose."

"FURTHER RESOLVED THAT subject to provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof) and such other approvals and premissions, if any, as may be required from the Central Government or from any other authorities, in case of inadequacy of profits of the Company for any financial year, commission of ₹ 5 lacs per annum be payable as minimum remuneration to each of eligible Directors if he/she is also member of any Committee of Directors and ₹ 3 lacs per annum to each of eligible Directors if he/she is not a member of any such Committee of Directors."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do and perform and/or to authorise any Committee of Directors or any other person to do or perform all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for giving effect to this resolution, including submitting application and making representation to the Central Government, if required."

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

TO APPOINT SAMIR MEHTA AS EXECUTIVE VICE CHAIRMAN

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof) and further subject to any other approval as may be required, the approval of the Company be and is hereby accorded, for the appointment of Samir Mehta as Executive Vice Chairman of the Company for period of 5 years effective from 1st August, 2010 on the following terms and conditions:

1. COMMISSION: At a rate such that the total remuneration does not exceed percentage limit of net profits of the Company as specified in the Companies Act, 1956, calculated in accordance with Section 349 and 350 read with Section 198, subject to the overall ceiling prescribed under Section 309 read with Section I of Part II of Schedule XIII of the Companies Act, 1956 (including any statutory modification or re-enactment thereof).
2. PERQUISITES: Shall be allowed in addition as under:
 - A.
 - (i) The Company shall reimburse annual fees for two clubs.
 - (ii) The Company shall pay the premium on personal accident insurance policy as per the Company rules.
 - (iii) The Company shall pay the premium on medical insurance for self and family as per the Company rules.
 - B.
 - (i) The Company shall provide a car with driver for official and personal use.
 - (ii) The Company shall provide telephones at his residence, the cost of which will be borne by the Company.
3. OTHER TERMS:
 - (i) His entitlement for leave, its accumulation and encashment shall be as per the prevailing rules of the Company.
 - (ii) Such appointment shall not be considered as a break in his service as managerial personnel of the Company.
 - (iii) The total remuneration for any year shall not exceed percentage limit of net profits of the Company as specified in the Companies Act, 1956, calculated in accordance with Section 349 and 350 read with Section 198, subject to the overall ceiling prescribed under Section 309 read with Section I of Part II of Schedule XIII of the Companies Act, 1956 as existing or modified or re-enacted.
 - (iv) He shall not be entitled to receive sitting fees for attending meetings of the Board of Directors or a Committee thereof.”

“RESOLVED FURTHER THAT Samir Mehta shall exercise substantial powers of management subject to superintendence, control and direction of the Chairman and Board of Directors of the Company.”

“RESOLVED FURTHER THAT in the event of loss or inadequacy of profit in any financial year, the Company shall pay Samir Mehta, in respect of such financial year, remuneration by way of salary, allowances, perquisites and other benefits as the Board of Directors may deem fit, subject to the limits prescribed in Section II of Part II of Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment thereof).”

“RESOLVED FURTHER THAT the actual amount of commission to be paid to Samir Mehta each year and periodicity of payment shall be decided by the Board of Directors or any Committee thereof specifically authorized for this purpose from time to time.”

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

APPOINTMENT OF SHAILESH HARIBHAKTI AS DIRECTOR

“**RESOLVED THAT** Shailesh Haribhakti, who was appointed as Additional Director under Section 260 of the Companies Act, 1956, by the Board of Directors on 23rd October, 2010 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of director, be and is hereby appointed with effect from the commencement of this meeting as director of the Company liable to retire by rotation.”

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

APPOINTMENT OF RENU SUD KARNAD AS DIRECTOR

“**RESOLVED THAT** Renu Sud Karnad, who was appointed as Additional Director under Section 260 of the Companies Act, 1956, vide Circular Resolution of the Board of Directors on 18th April, 2011 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing her candidature for the office of director, be and is hereby appointed with effect from the commencement of this meeting as director of the Company liable to retire by rotation.”

Registered Office:
Torrent House,
Off Ashram Road,
Ahmedabad - 380 009

Ahmedabad
28th May, 2011

By Order of the Board of Directors
For TORRENT PHARMACEUTICALS LIMITED

MAHESH AGRAWAL
VP (Legal) & Company Secretary



NOTES

1. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business i.e. Item Nos. 6, 7, 8 & 9 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 AND A PROXY NEED NOT BE A MEMBER.
3. Proxies, in order to be effective, must be received by the Company not later than 48 hours before the commencement of the meeting.
4. The members are requested to bring their copy of Annual Report to the Meeting.
5. Corporate Members intending to send their authorised representatives are requested to send a duly certified copy of the board resolution authorizing their representatives to attend and vote at the Annual General Meeting.
6. The members are requested to intimate to the Company, queries, if any, at least 10 days before the date of the meeting to enable the management to keep the required information available at the meeting.
7. The members, holding shares in physical form, are requested to intimate any change in their address or bank details to the Company or its Registrars & Transfer Agent, Karvy Computershare Private Limited. Those holding shares in dematerialized form may intimate any change in their address or bank details/mandate to their Depository Participants immediately. Members holding shares in dematerialized form may note that bank details registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars & Transfer Agent can not act on any request directly received from any member holding shares in dematerialized form for any change in such details. Such changes are to be advised only to the Depository Participant of the members.
8. The Company has already notified closure of the Register of Members and the Share Transfer Register for a period of 3 days from 8th June, 2011 to 10th June, 2011 (both days inclusive) for determining the name of members eligible for dividend on equity share, if declared at this Meeting.
9. **Trading in the shares of the Company is compulsory in dematerialized form for all investors. There are number of advantages in keeping shares in dematerialized mode like no stamp duty, no/ lesser risks of delays/ loss in transit/ theft/ mutilation/ bad deliveries, no courier/ postal charges and immediate transfer. Hence, we request all those shareholders who have still not dematerialized their shares to get their shares dematerialized at the earliest.**
10. In compliance with Section 205A & 205C of the Companies Act, 1956 unclaimed dividend for the financial year 2002-03 has been transferred to the "Investor Education Protection Fund" established by the Central Government.
11. As required in terms of Clause 49 of the Listing Agreement with the Stock Exchanges, the information pertaining to the Directors seeking re-appointment in the Annual General Meeting is given below (Refer Item Nos. 3 & 4 of the Notice):
 - a) Markand Bhatt was last re-appointed as Director on 29th July, 2008 and his term of office ends at the ensuing Annual General Meeting under Section 256 of the Companies Act, 1956. He shall retire by rotation in normal course and being eligible, is proposed for re-appointment under Section 256 of the Companies Act, 1956.

Markand Bhatt, 64, a Post Graduate of IIM, Ahmedabad, is the Group Chief Executive Officer of Torrent Group. He has more than 42 years of professional managerial experience in multi disciplinary areas dominated by more than two decades of principal involvement in power sector projects. He has been a member of Board of the Company since 2000. Over the past several years he has been providing valuable guidance in formulation of strategy and implementation thereof.

As part of Torrent Power, Markand Bhatt has played a pivotal role in the entire journey of the SUGEN Mega Power Project – from concept to commissioning of that project, which is unique in many respects. The project was completed within the budgeted cost resulting in the lowest per MW cost due to his sustained efforts. Markand Bhatt is also responsible for implementation of 382.5 MW UNOSUGEN Project and 1200 MW DGEN Project which have made considerable progress on site. He also oversees other generation project initiatives which are in the pipeline such as Torrent Pipavav etc.

He was also the Managing Director of erstwhile Gujarat Torrent Energy Corporation Limited (GTEC) which set up 655 MW Gas based fuel Combined Cycle Power Project within budgeted cost and timelines. He spearheaded divestment of

GTEC by Torrent Group, which was the biggest ever deal in the country at that point of time. Earlier, he practiced as a Management Consultant and was associated with various premier government organizations and private groups such as Torrent, Nirma, Cama, Raymonds etc.

His other directorship includes that of Torrent Power Limited, Torrent Pipavav Generation Limited & Torrent Energy Limited. He is a member of Securities Transfer and Investor Grievance Committee of the Company and member of Shareholder / Investor Grievance Committee of Torrent Power Limited. He does not hold any shares of the Company.

- b) Sanjay Lalbhai was last re-appointed as Director on 29th July, 2008 and his term of office ends at the ensuing Annual General Meeting under Section 256 of the Companies Act, 1956. He shall retire by rotation in normal course and being eligible, is proposed for re-appointment under Section 256 of the Companies Act, 1956.

Sanjay Lalbhai, 57, obtained a Bachelor's Degree in Science from Gujarat University and Master's Degree in Management Studies from Jammalal Bajaj Institute of Management Studies, Mumbai. He is associated with the Company since 2003. He is one of those renowned entrepreneurs who have managed to put Ahmedabad on the global map in the context of its successful textile industry, as Chairman & Managing Director of Arvind Limited, presiding over the business of textiles & clothing.

In addition to the above, he holds directorships, inter alia, in Arvind Retail Limited, Arvind Lifestyle Brands Limited, Amol Dicalite Limited, Arvind Brands and Retail Limited, Arvind Worldwide Inc., USA, Arvind Worldwide (Mauritius) Inc., Arvind Overseas Mauritius Limited, Arvind Textile Mills Limited – Bangladesh, Arvind Spinning Limited, Mauritius. He is a member of Investor Grievance Committee of Arvind Limited. He holds 800 shares of the Company jointly with his father. He is on the Board of Governors of the Indian Institute of Management, Ahmedabad, President of Ahmedabad Education Society, Chairman of Ahmedabad Textile Industry's Research Association (ATIRA) Council of Administration, President of Ahmedabad University and Member on the Governing Council of Adani Institute of Infrastructure Management, Ahmedabad. His sagacious counsel, laudable knowledge and valuable experience will enrich the Board.

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

Item No. 6

Present arrangement of remuneration does not permit payment of the commission to certain category of Non Executive Directors. Also the ceiling for such payment is 0.5% of the net profits of the Company calculated in accordance with the provisions of Section 349 read with Section 198 of the Companies Act, 1956 (Net Profit). Further the Chairman is authorised to decide the amount, subject to said limit, of commission to be paid to the eligible Directors and distribution of the same amongst such eligible Directors. It is proposed, through this special resolution to remove all such restriction, to increase the limit of remuneration to such maximum percentage of Net Profit of the Company as specified in the Companies Act, 1956 (currently 1%) and to authorize the Board to decide the amount of the commission and the manner in which it is to be paid to the Non Executive Directors and distribution of the same amongst such directors.

Such arrangement is proposed for a period of 5 years from the financial year commencing 1st April, 2010. Further, existing provisions with respect to minimum remuneration in case of inadequacy of profits i.e. remuneration of ₹ 5 lacs per annum to each such Directors in case the director is also a member of any Committee of Director and ₹ 3 lacs per annum to each such Directors in case the director is not a member of any such Committee of Directors, have been continued.

The Board commends this resolution for your approval.

All Non Executive Directors are to be considered interested in the resolution to the extent of commission receivable by them.

Item No. 7

The appointment and remuneration of Samir Mehta as Managing Director was fixed by the Board and approved by the shareholders at the Annual General Meeting of the Company held on 21st July, 2006 for a period of 5 years with effect from 1st April, 2006. The Board of Directors of the Company at its meeting held on 30th July, 2010, pre-closed the existing term of appointment of Samir Mehta as Managing Director and appointed him afresh as Executive Vice Chairman of the Company for a period of five years effective from 1st August, 2010, subject to member's approval at the ensuing Annual General Meeting on such terms and condition as stated in the resolutions.

This ordinary resolution seeks member's approval for appointment of Samir Mehta as Executive Vice Chairman of the Company

for a period of five years effective from 1st August, 2010 on such remuneration and other terms and conditions as mentioned in the resolution.

Samir Mehta, 47, holds a Masters Degree in Business Management from the B. K. School of Business Management, Ahmedabad. He has been associated with the Company as a Director since 1986 and as the Managing Director since 1989. Under his leadership, the Company has grown into becoming one of the most respected pharmaceutical companies in India.

Under his able guidance, the Company consolidated its position in the domestic market, built leadership positions in several brands and has established a strong & growing profitable operation. The Company has also successfully established itself in the international markets such as Brazil, Germany and of late U.S.A. and today, the international business accounts for 51% of the total revenue of the Company. He has been instrumental in identifying emerging opportunities - be it forays into new therapies or geographies or striking alliances with global leaders in the industry or creating resources to match the exacting demands of the markets. Apart from setting up an orderly and a system oriented organisation, development of prudent financial management policies has been a hallmark of his leadership.

Samir Mehta is currently also the Executive Vice Chairman of Torrent Power Limited and is on the Board of Directors of Torrent Pipavav Generation Limited and Torrent Energy Limited.

The Board commends this resolution for your approval.

Samir Mehta is deemed to be concerned or interested in this resolution. Sudhir Mehta, being relative of Samir Mehta, is also to be considered interested in the resolution. None of the other Directors of the Company is in anyway concerned or interested in the resolution.

Item No. 8

Shailesh Haribhakti was appointed as Additional Director by the Board on 23rd October, 2010 pursuant to the provisions of Section 260 of the Companies Act, 1956. He holds office up to the date of this Annual General Meeting. The Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956 proposing Shailesh Haribhakti for the office of Director.

Shailesh Haribhakti, 55, Fellow Chartered Accountant is the Managing Partner of Haribhakti & Co., Chartered Accountants and Chairman of BDO Consulting Private Limited. He served a three year term on the Standards Advisory Council of the International Accounting Standards Board. He is a Committee Member of Futures & Options segment of National Stock Exchange of India and a Member of the SEBI Committee on Disclosures and Accounting Standards. He serves as Member of Managing Committees of ASSOCHAM and IMC and Corporate Governance Committees of ASSOCHAM and CII and is Chairman of the Global Warming Committee of IMC. He is on the Board of Directors of Pantaloon Retail (India) Limited, Future Capital Holdings Limited, Hexaware Technologies Limited, ACC Limited, Ambuja Cements Limited, Mahindra Lifespace Developers Limited, Blue Star Limited, The Dhanalakshmi Bank Limited, J K Paper Limited, Everest Kanto Cylinder Limited, Raymond Limited, Future Value Retail Limited and L&T Finance Holdings Limited.

Mr. Haribhakti is the Chairman of Audit Committee of L & T Finance Holdings Limited, Hexaware Technologies Limited, Ambuja Cement Limited, ACC Limited, Raymond Limited and member of Audit Committee of Blue Star Limited, The Dhanalakshmi Bank Limited, Mahindra Lifespace Developers Limited and Pantaloon Retail (India) Limited.

The Board commends this resolution for your approval.

Shailesh Haribhakti is deemed to be concerned or interested in the resolution. None of the other Directors of the Company is in anyway concerned or interested in the resolution.

Item No. 9

Renu Sud Karnad was appointed as Additional Director with effect from 18th April, 2011 vide Circular Resolution of the Board of directors pursuant to the provisions of Section 260 of the Companies Act, 1956. She holds office up to the date of this Annual General Meeting. The Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956 proposing Renu Sud Karnad for the office of Director.

Renu Sud Karnad, 58, Managing Director of HDFC Limited (HDFC), is a graduate in law from the University of Mumbai and holds a Masters Degree in Economics from the University of Delhi. She is a Parvin Fellow – Woodrow Wilson School of International Affairs, Princeton University, U.S.A. Ms. Renu Sud Karnad has been employed with the HDFC since 1978 and was appointed as

its Executive Director in 2000 and was re-designated as the Joint Managing Director in October 2007. She has been appointed as the Managing Director of the HDFC for a period of 5 years, with effect from 1st January, 2010.

Ms. Karnad is the Chairperson of HDFC Property Ventures Limited and HDFC Venture Capital Limited and the Director of Akzo Nobel India Limited, Bosch Limited, Credit Information Bureau (India) Limited, GRUH Finance Limited, HDFC Asset Management Company Limited, HDFC Bank Limited, HDFC ERGO General Insurance Company Limited, HDFC Standard Life Insurance Company Limited, Indraprastha Medical Corporation Limited and Sparsh BPO Services Limited.

Ms. Karnad is the Chairperson of Audit Committee of Akzo Nobel India Limited, Bosch Limited and Credit Information Bureau (India) Limited, a member of Audit Committee of HDFC ERGO General Insurance Company Limited and a member of Investors' Grievance Committee of Bosch Limited.

The Board commends this resolution for your approval.

Renu Sud Karnad is deemed to be concerned or interested in the resolution. None of the other Directors of the Company is in anyway concerned or interested in the resolution.

Registered Office:
Torrent House,
Off Ashram Road,
Ahmedabad - 380 009

Ahmedabad
28th May, 2011

By Order of the Board of Directors
For TORRENT PHARMACEUTICALS LIMITED

MAHESH AGRAWAL
VP (Legal) & Company Secretary