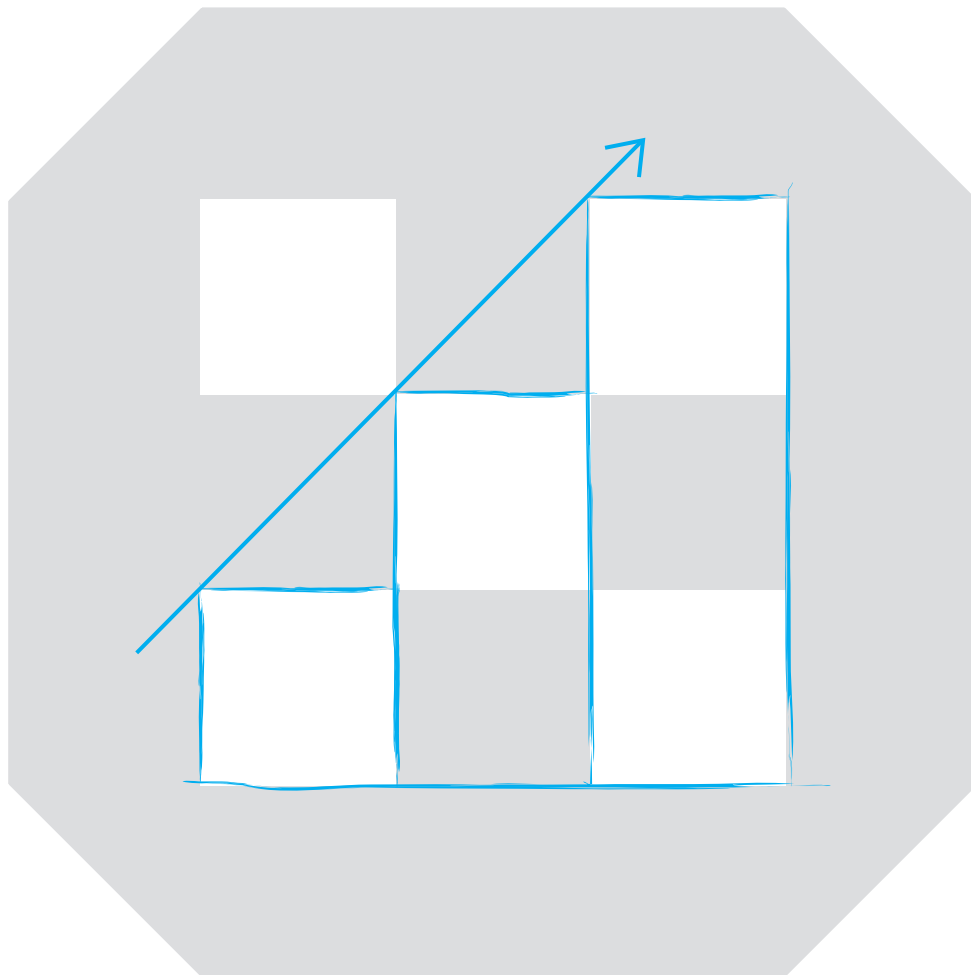


Creating **value**, driving **growth**

37th ANNUAL REPORT 2009-2010



Torrent Pharmaceuticals Limited



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CORPORATE INFORMATION

DIRECTORS

Sudhir Mehta

Chairman

Markand Bhatt

S. H. Bhojani

Dr. Prasanna Chandra

Kiran Karnik

Sanjay Lalbhai

Dr. C. Dutt

Director (Research & Development)

Samir Mehta

Managing Director

AUDIT COMMITTEE

Dr. Prasanna Chandra

Chairman

S. H. Bhojani

Kiran Karnik

SECURITIES TRANSFER & INVESTORS' GRIEVANCE COMMITTEE

Sudhir Mehta

Chairman

Markand Bhatt

Samir Mehta

VP (LEGAL) & COMPANY SECRETARY

Mahesh Agrawal

AUDITORS

C.C. Chokshi & Co.

Chartered Accountants

(Registration No. 101876W)

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)

SIKKIM PROJECT SITE

32 No. Middle Camp, NH - 31A,

East District, Gangtok (Sikkim)

RESEARCH & DEVELOPMENT FACILITY

Village Bhat, Dist. Gandhinagar (Gujarat)

WEBSITE

www.torrentpharma.com

REGISTRARS & TRANSFER AGENTS

Karvy Computershare Private Ltd.,

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 SEVENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF TORRENT PHARMACEUTICALS LIMITED will be held on Friday, 30th July, 2010 at 09:30 AM at J. B. Auditorium, Torrent AMA Center, 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, 2010, 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 6th May, 2010 recommended a dividend at Rs. 6.00 per equity share of face value of Rs. 5 for the financial year 2009-10.
- 3 To appoint a Director in place of S. H. Bhojani, director, who retires by rotation, and being eligible, offers himself for re-appointment.
- 4 To appoint a Director in place of Dr. Prasanna Chandra, 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:

ALTERATION OF ARTICLES OF ASSOCIATION OF THE COMPANY

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and subject to other permission and approvals, if any, as may be required, the Articles of Association of the Company be altered in the following manner:-

Article 174(e) of the Articles of Associations be substituted by the following:

"Contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Section 349 and 350 of the Act during three financial years immediately preceding, whichever is greater."

"FURTHER RESOLVED THAT the Board be and is hereby authorised to do and perform and/ or to authorize the officers of the Company 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, Registrar of Companies or any such similar authorities if required."

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

Ahmedabad
6th May, 2010

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 No. 6 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.
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.
5. 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.
6. The members, holding shares in physical form, are requested to intimate any change in their address to the Company or its Registrars & Transfer Agent. Those holding Shares in dematerialized form may intimate any change in their address to their Depository Participants immediately.
7. Members (Beneficiaries) holding shares in dematerialized mode are requested to note that the bank details furnished by them to their respective Depository Participants (DPs) will be printed on their Dividend Warrants, if not opted for Electronic Clearing Service (ECS).
8. **The Share Transfer Register of the Company shall remain closed for a period of 3 days from 8th June, 2010 to 10th June, 2010 (both days inclusive).**
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 2001-02 has been transferred to the "Investor Education Protection Fund" established by the Central Government. Members shall not be able to register their claim in respect of their outstanding dividend with regard to the said dividend. Unclaimed dividend for all the subsequent years will be transferred to the "Investor Education and Protection Fund" according to the statutory stipulations. Members are requested to contact the Company's Registrar and Transfer Agents, in respect of their outstanding dividends for the succeeding years.
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) S. H. Bhojani was last re-appointed as director on 31st July, 2007 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.
Mr. Bhojani, 66, has obtained his Bachelors' Degree in Science (B.Sc) and Masters' Degree in Law (LL.M.) with specialization in International Law, Company Law, Labour Law and Banking Law. He has been associated with the Company since 2001. He started his career in 1969 with Bharat Bijli Ltd. as an Assistant Company Secretary. Over the period of 3 decades he has worked with renowned companies like Bombay Suburban Electric Supply Ltd., Crompton Greaves Ltd. & finally with ICICI Ltd. His tenure with ICICI spanned 28 years starting as a legal officer and eventually rising to the rank of Deputy Managing Director. He has the distinction of being the first ever legal professional to become a director on Board of any bank or financial institution. He retired from ICICI in April 2001 and is, presently, practicing as partner in the renowned legal firm Amarchand & Mangaldas & Suresh A Shroff & Co. He is also a member of Audit Committee of the Company.

His other Directorships include that of Ascent Capital Advisors India Pvt. Ltd. and National Collateral Management Services Ltd. He is also a member of Board Governance and Remuneration Committee of National Collateral Management Services Ltd. He does not hold any shares of the Company. His sagacious counsel, laudable knowledge and valuable experience will enrich the Board.

- b) Dr. Prasanna Chandra was last re-appointed as director on 31st July, 2007 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.

Dr. Chandra, 63, an MBA and a Doctorate in Finance, has four decades of teaching and training experience at various institutions in India and abroad. He has been associated with the Company since 2001 as Director. Dr. Chandra has authored several books, served on the boards of reputed organisations, and has been a consultant to many companies. He has received several honours, including the Best Teacher Award from the Association of Indian Management Schools. He is also the Chairman of Audit Committee of the Company.

He does not hold any Directorship in any other company. He does not hold any shares of the Company. 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

The existing Article 174(e) of the Articles of Association of the Company provides for contribution to charitable and other funds. This Article prohibits any contribution by the Company to any political party or for any political purpose. The Companies Act, 1956 was amended in 1985 to permit such contribution every year up to 5% of the average net profit determined as per the provisions of Sections 349 & 350 during the three immediate preceding financial years. The Company proposes to delete through this Special Resolution, such prohibition in its Articles to empower its Board to make such contribution subject to the provisions of the Companies Act, 1956, as and when required.

None of the directors of the Company is in any way concerned or interested in the resolution.

The Board commends this resolution for your approval.

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

By Order of the Board of Directors
For TORRENT PHARMACEUTICALS LIMITED

Ahmedabad
6th May, 2010

MAHESH AGRAWAL
VP (Legal) & Company Secretary

DIRECTORS' REPORT

To

The Shareholders

The Directors have the pleasure of presenting the Thirty Seventh Annual Report of your Company together with the audited accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS

The summary of consolidated (Company and its subsidiaries) and standalone (Company) operating results for the year and appropriation of divisible profits is given below:

(Rs. in Crores except per share data)

	Consolidated		Standalone	
	2009-10	2008-09	2009-10	2008-09
Sales & Operating Income	1916	1631	1449	1185
Profit Before Depreciation Interest and Tax (PBDIT)	430	262	422	257
Less Depreciation	66	42	54	37
Less Net Interest Expense	17	19	17	20
Profit Before Exceptional Items & Tax	347	201	351	200
Less Exceptional Items	0	9	37	9
Less Tax Expense	116	7	107	4
Net Profit for the Year	231	185	207	187
Balance brought forward	3	3	86	84
Distributable Profits	234	188	293	271
Appropriated as under:				
Transfer to General Reserve	56	145	56	145
Proposed Equity Dividend	51	34	51	34
Tax on Distributed Profits	8	6	8	6
Balance Carried Forward	119	3	178	86
Earnings Per Share (Rs. per share)	27.32	21.79	24.51	22.07

Consolidated Operating Results

The consolidated sales and operating income increased to Rs. 1916.04 crores from Rs.1630.66 crores in the previous year yielding a growth of 17.50%. The consolidated operating profit for the year increased to Rs. 429.81 crores as against Rs. 262.24 crores in the previous year registering a growth of 63.90%. The consolidated net profit increased to Rs. 231.20 crores from Rs. 184.37 crores in the previous year registering a growth of 25.40%. The Company has reviewed realisability of MAT credit entitlement, recognized in earlier years. Based on the review, such MAT credit entitlement, amounting to Rs. 52.86 crores, has been written off during the year. Adjusted for this, the growth in consolidated net profit is 54.00%.

Standalone Operating Results

The sales and operating income increased to Rs. 1448.96 crores from Rs. 1184.89 crores in the previous year yielding a growth of 22.29%. The operating profit for the year under review increased to Rs. 422.03 crores as against Rs.256.75 crores in the previous year registering a growth of 64.37%. The profits after tax for the year under review increased to Rs. 207.37 crores as against Rs. 186.73 crores in the previous year registering a growth of 11.05 %. Growth in net profit adjusted for MAT credit write off as stated above, is 39.00%.

Management Discussion and Analysis (MDA)

The detailed analysis of the operating performance of the Company for the year, the state of affairs and the key changes in the operating environment has been included in the Management Discussion and Analysis Section which forms a part of the Annual Report.

APPROPRIATIONS

Dividend

The Board has recommended a dividend of Rs. 6.00 per equity share (previous year dividend Rs. 4.00 per equity share) of fully paid up face value of Rs. 5, amounting to Rs. 50.77 crores (previous year dividend Rs. 33.84 crores). The tax on distributed profits payable on this dividend is Rs. 8.43 crores (previous year Rs. 5.75 crores) making the aggregate distribution to Rs. 59.20 crores (previous year Rs. 39.60 crores). The distributed profits are 29.00% (previous year 21.00%) of the net profits for the year.

The proposed dividend would be tax free in the hands of the shareholders.

Transfer to Reserves

The Board has recommended a transfer of Rs. 56.00 crores to the general reserve and an amount of Rs. 178.19 crores is retained in the profit and loss account of Standalone financials.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies Act, 1956, in relation to financial statements of the Company for the year 2009-10, the Board of Directors state that:

- i the applicable Accounting Standards have been followed in preparation of the financial statements and there are no material departures from the said standards;
- ii reasonable and prudent accounting policies have been used in preparation of the financial statements and that they have been consistently applied and that reasonable and prudent judgments and estimates have been made in respect of items not concluded by the year end, so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010 and of the profit for the year ended 31st March, 2010;
- iii proper and sufficient care has been taken for 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; and
- iv the financial statements have been prepared on a going concern basis.

SUBSIDIARIES

During the year under review, the Company incorporated two wholly owned subsidiaries, one each at Canada and Thailand under the names of Torrent Pharma Canada Inc. and Torrent Pharma (Thailand) Co., Ltd. respectively. Further, the wholly owned subsidiary of the Company, Torrent Pharma GmbH (TPG) at Germany, incorporated two subsidiaries namely Heunet Pharma GmbH and Norispharm GmbH at Germany.

Brief review of the important subsidiaries is given below:

Heumann Pharma GmbH & Co Generica KG (Heumann), Heunet Pharma GmbH and Norispharm GmbH at Germany

Heumann along with Heunet Pharma GmbH and Norispharm GmbH at Germany posted revenues of Euro 41.01 million (Rs. 273.88 crores) for the financial year 2009-10 as compared with Euro 40.24 million (Rs. 261.68 crores) for the previous year, registering a growth of 4.66 % in terms of rupees. Net profit for the year was Euro 0.48 million (Rs. 4.63 crores) as against a net profit of Euro 2.22 million (Rs. 18.84 crores) for the previous year. Charge on account of impairment of product licenses and increase in employee costs due to revision in actuarial value of pension liability were the primary reasons for lower profitability. During the year Heumann along with its subsidiaries was successful in several tenders and the sales toward these will flow in the coming years.

Torrent do Brasil Ltda. (TdBL), Brazil

During the year, TdBL achieved revenues of Reai 118.04 million (Rs. 300.97 crores), as compared with Reai 108.60 million (Rs. 256.79 crores) in the previous year, registering a growth of 9.00% in Reai and 17.00% in rupees.

TdBL earned a net profit after tax of Reai 4.84 million (Rs. 18.38 crores), as compared to a net profit after tax of Reai 2.48 million (Rs. 6.25 crores) in the previous year. The increase in the profit is primarily due to reduction in overall spend level.

Zao Torrent Pharma (ZAO TP), Russia

During the year, ZAO TP achieved revenue of RRU 195.27 million (Rs. 30.06 crores) as compared with RRU 312.83 million (Rs. 52.69 crores) in the previous year, registering a decrease of 42.95% in terms of rupees. Net loss after tax for the year was at RRU 56.88 million (Rs. 9.09 crores) as against a net loss after tax of RRU 113.79 million (Rs. 19.52 crores) for the previous year. Operations in Russia were affected by adverse economic conditions and dampened demand resulting in the de-growth in revenues.

Torrent Pharma Inc. (TPI), USA

During the year, TPI earned revenues of USD 19.66 million (Rs. 93.10 crores), as compared with USD 7.13 million (Rs. 33.59 crores) in previous year registering a growth of 177.17% in terms of rupees. Net profit for the year was at USD 0.21 million (Rs. 0.14 crores) as against a net profit of USD 0.22 million (Rs. 2.20 crores) for the previous year. The Company has 13 ANDA's approvals, 29 pending approvals and 28 filings under development. Steady flow of product approvals from this pipeline is expected to sustain growth momentum.

Torrent Pharma GmbH (TPG), Germany

During the year, TPG earned revenues of Euro 2.51 million (Rs. 16.86 crores) as compared with Euro 2.94 million (Rs. 19.09 crores) for the previous year. Net loss for the year was at Euro 1.69 million (Rs. 11.10 crores) as against a profit of Euro 0.63 million (Rs. 4.09 crores) for the previous year. Significant expenditure was incurred in obtaining product registrations during 2009-10. Revenue against these will flow once the regulatory approvals come through.

Torrent Pharma Philippines Inc. (TPPI), Philippines

During the year, TPPI earned revenues of Pesos 230.94 million (Rs. 23.18 crores) as compared with Pesos 172.23 million (Rs. 17.18 crores) for the previous year. Net profit for the year was at Pesos 0.86 million (Rs. 0.02 crores) as against a profit of Pesos 5.81 million (Rs. 0.88 crores) for the previous year.

Laboratorios Torrent S.A. de C.V is still to start its field promotion. Torrent Australasia Pty. Ltd, Torrent Pharma Japan Co. Ltd and Torrent Pharma Canada Inc. are at their formative stages and have not commenced any revenue generating activities.

CORPORATE SOCIAL RESPONSIBILITY

The Company is conscious about its social obligations and has been taking various social and community initiative with special focus on health and education. The Company is actively supporting the Torrent Group's initiatives to expand the U N Mehta Institute of Cardiology and Research Centre and to take patient care effectively.

In education field, your Company has adopted a primary school at village Bhud, Baddi, Himachal Pradesh. It has constructed additional class rooms and enhancing number of teachers to ensure the quality of the education. Similar initiatives are taken at village Indrad, Gujarat.

INSURANCE

The Company's plant, property, equipments and stocks are adequately insured against major risks. After taking into account all the relevant factors, including the risk benefit trade-off, the Company has consciously decided not to take insurance cover for loss of profit under the Consequential Loss (Fire) Policy. The Company also has appropriate liability insurance covers particularly for product liability and clinical trials.