

Aiming higher

Annual report
2010-11

Orchid Chemicals &
Pharmaceuticals Limited



Cautionary statement

In our report, we have disclosed forward-looking information so that investors can comprehend the Company's prospects and make informed investment decisions. This annual report and other written and oral statements that we make periodically contain such forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to qualify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words and terms of similar substance in connection with any discussion of future operating or financial performance.

We do not guarantee that any forward-looking statement will be realised, although we believe we have been diligent and prudent in our plans and assumptions. The achievement of future results is subject to risks, uncertainties and validity of inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, our actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise

Document milestones

- | | |
|--|---|
| 05 Corporate identity | 26 Directors' report |
| 06 Highlights, 2010-11 | 41 Corporate governance report |
| 08 Business performance, 2010-11 | 48 General shareholder information |
| 10 Orchid – Strategic shifts | 56 Corporate information |
| 12 Orchid – A preferred source | 57 Financial section |
| 13 Orchid – Road ahead | 104 Key financial parameters and ratios |
| 14 Orchid – A sustainable business model | |
| 16 Management discussion and analysis | |






After we divested our injectables business in 2009-10, most industry observers became wary of our growth agenda.

We worked hard to commence a new growth journey. Walk a new path that strengthened the organisation, invested in sustainable growth and resolved to enhance shareholder wealth.

In 2010-11, we grew our business and profits in a significant way.

The big message which we wish to send out is:

**Orchid is
'aiming higher'.**



We improved our 2010-11 performance in a significant way.

Rs 1,663 crore

Topline increased in 2010-11 from Rs 1,250 crore in 2009-10

Rs 418 crore

EBIDTA in 2010-11 against Rs 852 crore* in 2009-10

Rs 159 crore

Profit after tax in 2010-11 from Rs 331 crore* in 2009-10

Rs 22.64

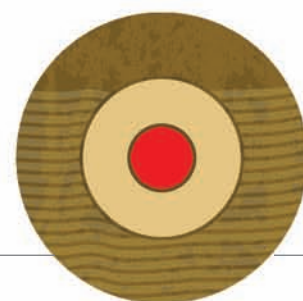
Earnings per share in 2010-11 compared with Rs 47.04* in 2009-10

Rs 160.99

Book value per share in 2010-11 as against Rs 139.07 in 2009-10

*Includes profit from the sale of our injectable business

We tightened
our operations.



105 days

Receivables cycle (March 31, 2011)

126 days

Inventory cycle (March 31, 2011)

1.44

Net debt equity ratio
(March 31, 2011)

3.61

Interest cover
(March 31, 2011)

Rs 1,064 crore

Free reserves (March 31, 2011)

Vision and values



Orchid Chemicals & Pharmaceuticals Ltd:

Dream. Dare. Do.

- A US\$ 400 million pharmaceutical company that caters to business opportunities across the value chain from discovery to delivery, with established credentials in research, manufacturing and marketing.
- A globally recognised player with a footprint across more than 70 nations through front-end marketing, alliances and partnerships with reputed global players.
- A product basket encompassing multiple therapeutic segments namely anti-infectives (oral and sterile), anti-inflammatory, central nervous system (CNS), cardio vascular system (CVS) and nutraceutical products.
- Corporate headquarters in Chennai with two active pharmaceutical ingredients (API) manufacturing sites (Chennai and Aurangabad), three formulation sites (Chennai), two R&D campuses (Chennai) and one API unit in China (joint venture).
- State-of-the-art manufacturing facilities in compliance with cGMP, cGLP, ISO and OHSAS guidelines; approved by global regulatory authorities such as US FDA, UK MHRA, EDQM, PMDA, DMA, MCC and TGA, reflecting a compliance with stringent international standards; R&D units are in compliance with the National GLP guidelines.

Promoters' holding

30.5%

March 31, 2011

Foreign institutional holding

13.45%

March 31, 2011

Team size

4,500

March 31, 2011

Capital employed

Rs **3,174** crore

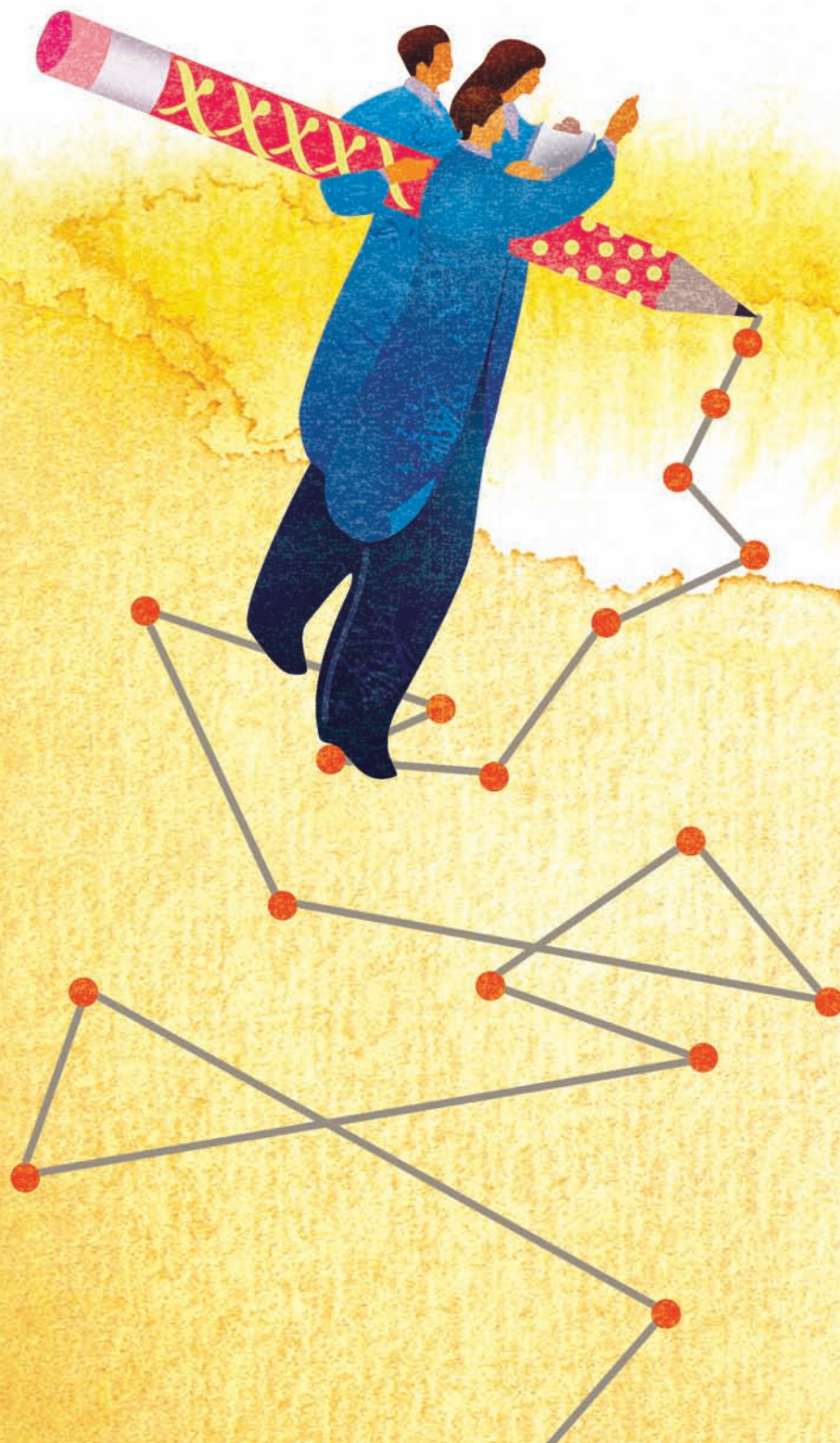
March 31, 2011

Market capitalisation

Rs **2,118** crore

March 31, 2011

A synopsis of 2010-11



Filings/approvals

- Received approval for Meropenem from the US FDA and European regulatory authorities; received approval for Imipenem from the European regulatory authorities
- Settled two Para IV-FTF (First-to-File) filings with innovator companies, enabling us to launch the products in the coming years
- Filed eight ANDAs (Abbreviated New Drug Applications) with the US regulatory authorities and two Marketing Authorisations in the European market
- Received US FDA approvals for five formulations (four tentative and one final) and European approvals for six formulations

Business volumes

- Commenced supplies of Carbapenem APIs to Hospira
- Increased supply of API to Europe based on new supply arrangements
- Entered into a long-term contract with a large Japanese pharmaceutical company for the supply of a cephalosporin API

Growth initiatives

- Acquired Karalex Pharma LLC. to establish our front-end US presence in generic sales and marketing

- Entered into a long-term supply contract with Alvogen to market a range of high-potential products in the US market

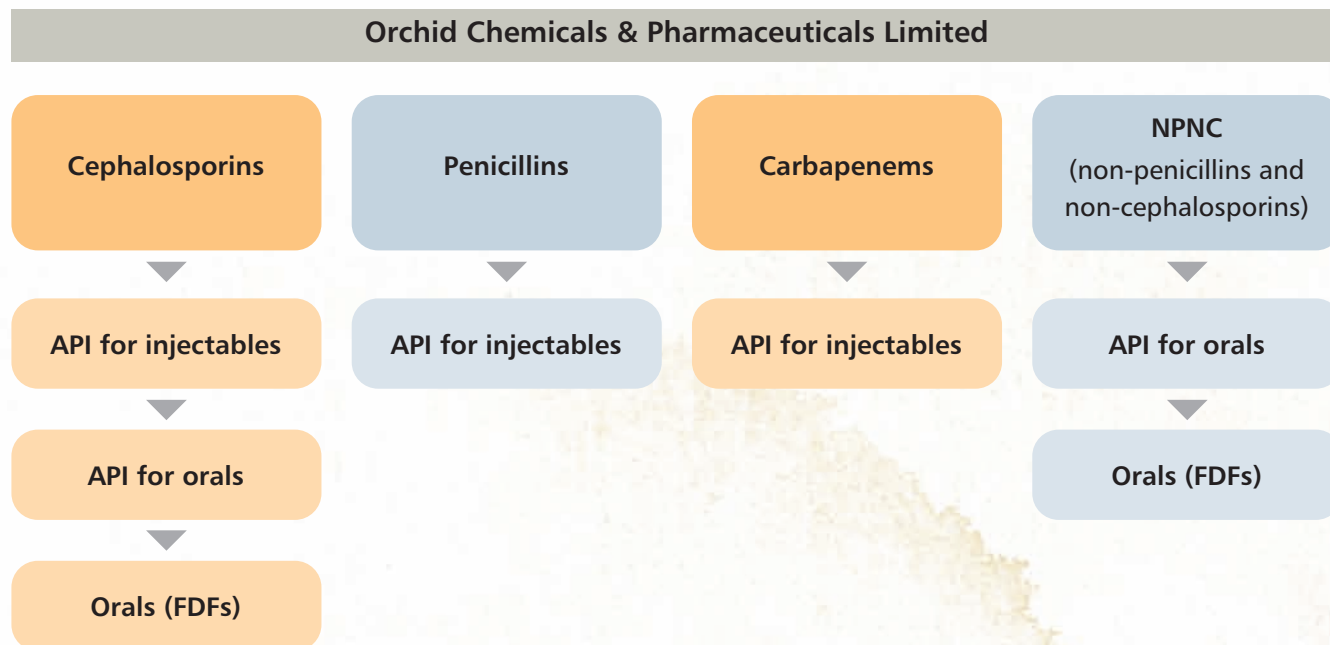
Awards and accolades

- Awarded the 'Certificate of Merit' for 2010 by the Confederation of Indian Industry (CII) for Excellence in Environment, Health and Safety
- Conferred the Greentech Gold Award presented by the Ministry of Health & Family Welfare, Government of India, and Greentech Foundation
- Awarded the Good Green Governance (G3) Award by the Ministry of Water Resources & Minority Affairs, Government of India
- Recognised for Outstanding Achievement in Environment Management in the Chemical sector, by Greentech Foundation
- Awarded the Siemens Ecovatives-IBN Live Award 2010 in recognition of commitment to the Environment (Low Energy and Natural Resource Conservation)
- Received the Bureau of Energy Efficiency (BEE) Certificate of Merit for Energy Efficiency from the Ministry of Power
- Conferred the Excellent Energy Efficient Unit Award in the 9th Energy Efficiency Summit 2010, organised by CII

Chapter 1

As on April 1, 2010

The business



This was an important year – the first year after the transfer of our generic injectable formulations business to Hospira. We strategised and implemented our growth plan to create a sustainably profitable business model.

How did Orchid outperform its guidance?

Supplies to Hospira: Given the favourable competitive landscape in products such as Tazobactam-Piperacillin, Meropenem and Imipenem, among others, our API supplies to Hospira contributed to robust revenues.

Contractual agreements with other key players: In addition to supplies to Hospira, we retained our right to supply APIs to one more generic player in each regulated market, widening our revenue potential.

Deal with a Japanese major: We entered into a long-term agreement with a Japanese pharmaceutical company for supply of a Cephalosporin API, enhancing revenues.

Front-end marketing capability: We strengthened our presence in the US market by acquiring a US-based marketing company Karalex Pharma LLC. – our first transnational acquisition, allowing us to provide generic products directly to US customers.

Existing businesses: The conventional API business registered good growth on the back of expansion in markets and products. On the dosage form front, we strengthened our marketing focus, obtained product registrations and expanded our reach. Our domestic formulations business, also registered robust growth owing to new product launches.

What we forecasted for 2010-11

Revenue

**US\$ 350
million**

Earning per share

Rs 20.0

What we achieved in 2010-11

Revenue

**US\$ 400
million**

Earning per share

Rs 22.2

Numbers are on consolidated basis



Chapter 2

Orchid - Strategic shifts

FOLLOWING THE TRANSFER OF OUR GENERIC INJECTABLE FORMULATIONS BUSINESS, WE REVISITED OUR BUSINESS MODEL, IDENTIFIED OUR STRENGTHS AND SOUGHT TO LEVERAGE THEM AS GROWTH ACCELERATORS OVER THE MEDIUM-TERM.

Strategy 1

'Supply push' to 'demand pull'

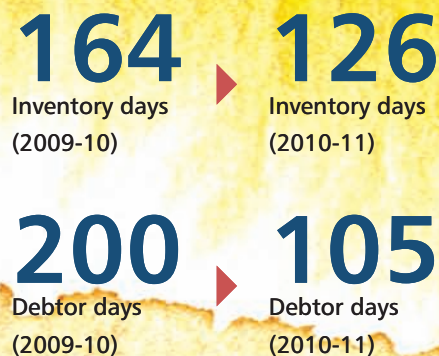
Earlier, Orchid operated on a 'make and sell' model. We manufactured products and marketed them to our Indian and global customers. While this model aided our growth in the earlier years, it does not hold the potential to sustain our momentum.

Therefore, we adopted the 'demand pull' approach which took into account product requirements and supply constraints of large multi-national players. Understanding the manufacturing and product

requirements of large generic companies and entering into long-term contracts helped us predict growth, demand and revenue potential effectively.

This model helped us in many ways.

We put in place an operating canvas that incorporated long-term supply arrangements around niche products which assured sustainable growth with strong margins. The shift helped us rationalise key working capital parameters like inventory and receivables.



Strategy 2

Strengthening the Orchid brand

We strengthened our API and formulations businesses in 2010-11 by putting in place a product market strategy that encompasses niche launches, First-To-File (FTF) opportunities and front-end marketing capabilities, driven by robust supply arrangements. With the acquisition of Karalex Pharma LLC., we completed our coverage of the entire generic pharmaceutical business cycle – from manufacturing capability to product delivery. This strategy enhances

our value proposition and positions us favourably in the US generic market.

In 2010-11, we strengthened our product basket by developing a range of products which will deliver strong revenues. These products cover antibiotic and non-antibiotic domains. We made 67 (cumulative) filings across the US and Europe and received 38 (cumulative) approvals. Our focus is to commercialise more than 100 products in four years.

Our filings/(approvals) scorecard

Regulated markets	Product segment		
	NPNC	Cephalosporin	Total
US	29 (10)	13 (11)	42 (21)
EU	12 (8)	13(9)	25(17)
Total	41(18)	26(20)	67(38)

As on March 31, 2001

Chapter 3

Orchid - A preferred source

REVENUES FROM THE CONTRACTUAL ARRANGEMENTS THAT WE PUT IN PLACE ARE EXPECTED TO INCREASE. THE FOLLOWING ARE THE KEY COMPETENCIES THAT HELPED ATTRACT LARGE GLOBAL PHARMACEUTICAL COMPANIES TO ENTER INTO LONG-TERM SUPPLY ARRANGEMENTS WITH US.

Product portfolio

Our product portfolio comprises niche molecules involving complex chemistry, multi-step manufacturing, dedicated infrastructure and a challenging patent environment – entry barriers for other pharmaceutical players.

Infrastructure

We invested significantly in the last five years, creating state-of-the-art, dedicated manufacturing facilities and product development infrastructure certified by leading global regulatory authorities.

Chapter 4

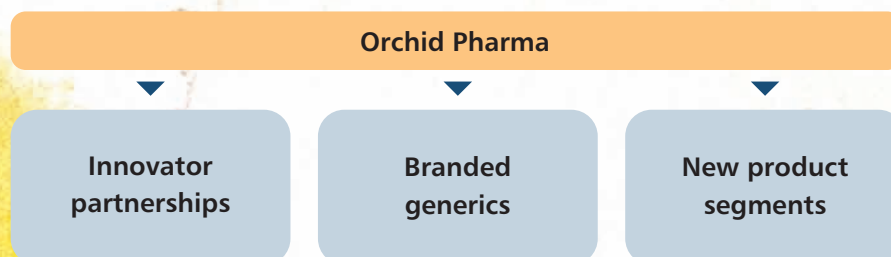
Where we go from here

WE ARE EXCITED ABOUT OUR PROSPECTS FOR 2011-12. WE ESTIMATE DOUBLE-DIGIT REVENUE GROWTH, HARVESTING THE INVESTMENTS WE MADE DURING THE EARLIER YEARS. A FEW INITIATIVES, THE IMPACT OF WHICH WAS ONLY PARTIALLY REFLECTED IN THE NUMBERS OF 2010-11, WILL DELIVER THEIR FULL IMPACT IN 2011-12.

The key growth drivers for 2011-12 comprise:

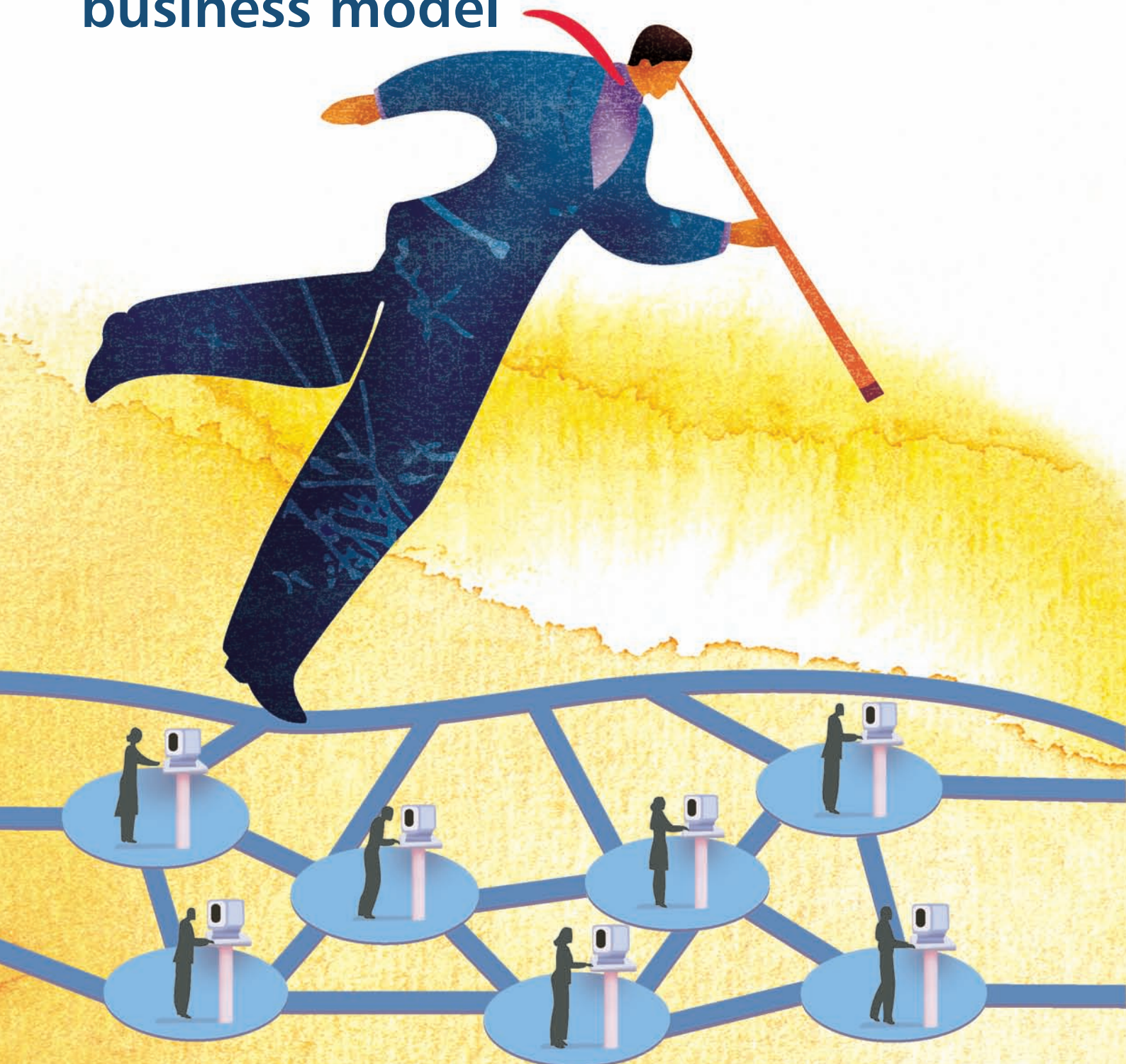
- Benefits from existing API supply contracts
- Additional new supply arrangements in the API and formulation segments
- Increased presence in the CRAMS segment
- New product launches in the regulated markets
- Deeper penetration in the domestic and emerging markets

Sowing the seeds for long term growth...



Chapter 5

A sustainable business model



ORCHID'S BUSINESS MODEL AIMS TO CAPITALISE ON ITS EXISTING INFRASTRUCTURE, WHILE DIVERSIFYING INTO NEW NICHE THERAPEUTIC SEGMENTS. THIS WILL SUSTAIN BUSINESS AND PROFITABILITY GROWTH OVER THE COMING YEARS.

Revenue visibility

Increasing focus on contractual relationships with global companies will enable us to make a fairly accurate estimate of our annual revenues.

Consistent margins

Emerge as a preferred vendor in our segments of presence for global pharmaceutical companies, resulting in high margins.

Customer spread

With a large number of contracts already in place, we are de-risked from an excessive dependence on a single customer.

Geographic spread

Our contracts are geographically diversified – across customers in the US, Europe, Japan and other nations, mitigating a geographic concentration risk.

Prudent contractual mix

Our contracts are prudently balanced between supplies for APIs, formulations, generic and patented products, de-risking our growth from competition in any one business space.

Product spread

Our growth is not dependent on a few products. Interestingly, the contracts are based on diverse products in multiple therapeutic segments, broad-basing our business growth.

Quality

Our state-of-the-art research and marketing infrastructure is approved by globally recognised regulatory authorities, creating a platform for continuous supply of products to key global markets.



Management discussion and analysis

The pharmaceutical sector

Global pharmaceutical market

The global pharmaceutical market was estimated at US\$ 875 billion, of which the US market, the largest, accounted for roughly 38%.

According to IMS Health, the global pharmaceutical market is expected to grow 5-7% in 2011, compared to 4-5% in 2010. Growth will be driven by low-cost factors, increasing prevalence of diseases and rising per capita income.

Global generics market: The global generics market was worth about US\$ 89 billion in 2009-10 and is expected to reach US\$ 135 billion by 2015, growing at a 10% CAGR.

The US generics market: The US is the world's largest generics market, estimated at US\$ 30 billion. Drugs worth US\$ 68 billion

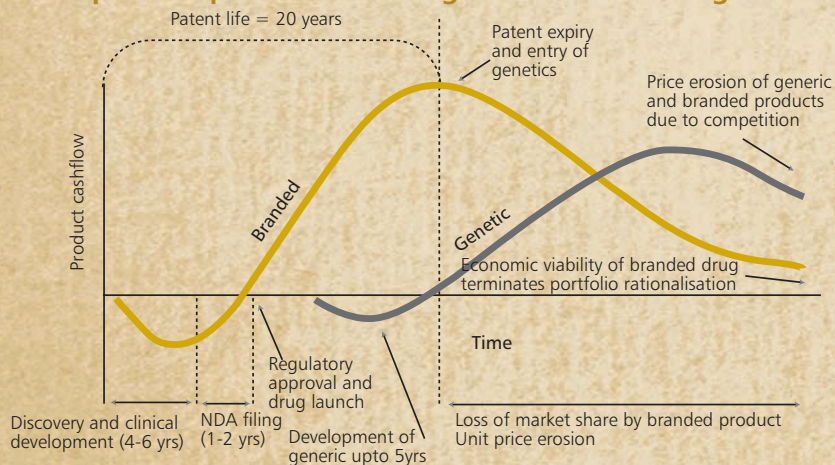
should witness generic competition in the US over the next two years; this increase is higher than the average annual patent expiry of US\$ 16 billion over CY06-10.

The US administration's healthcare bill provides affordable healthcare to about 32 million people of hitherto uninsured Americans, which means increased use of generic drugs due to the cost and viability factor, accelerating generic growth in the coming years.

Currently, Indian companies account for 15.4% (November 2010 IMS data) of the US generics market. Indian companies continue to gain market share, and the incremental prescription market share for Indian companies is 33.7%.

According to a study by GPhA, for every 2% increase in generics utilisation, the nation's Medicaid programme can save an additional US\$1 billion annually (Source: GPhA).

A pharma product – moving from branded to generics

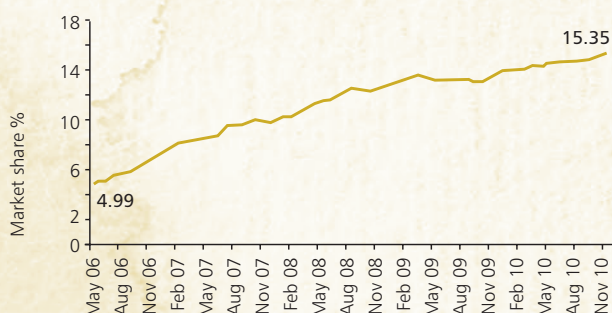


European generics market: Europe is the second-largest global generics market, accounting for about 29% of the global generics space.

European generics represent around 50% in volume and 18% in value terms of the total European pharmaceutical market. It is noteworthy that generic drug makers spend over 7% of their turnover on development in the fields of bio-similar medicines and difficult-to-make molecules (Source: European Generics Association).

In 2010, Central Europe's generic drug market increased 12%, whereas that of original medicines grew only about 10%. It is expected that in the near future, there will not be any significant increase in the share of innovative medicines, as governments in

Market share gain by Indian companies in the US generics market



Central Europe (Poland, Romania, Bulgaria, Hungary, Slovakia and the Czech Republic), have been promoting generic consumption, resulting in limited spending on expensive innovative medicines.

Moreover, with an ageing population and member states' healthcare budgets under pressure, generic medicines are now a key element of sustainable healthcare. They save over 30 billion euros for chemical entities and 1.4 billion euros for bio-similar medicines annually. This not only strengthens the European healthcare system, but also increases patient access to generic medicines.

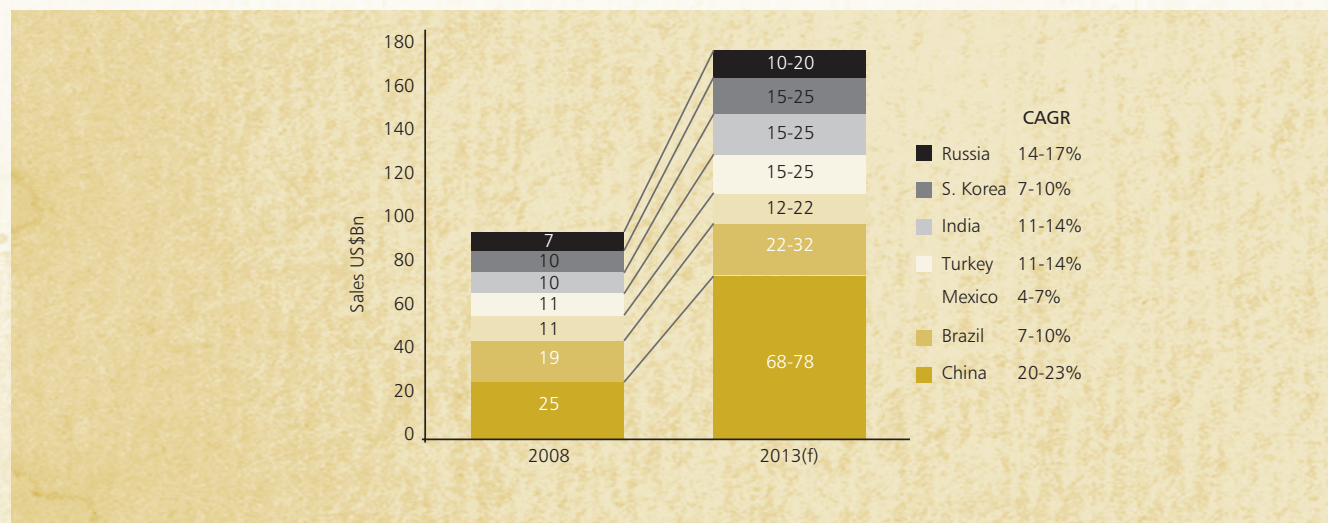
Japanese generic market: This market was valued at more than US\$ 7.3 billion in 2009. With low penetration at about 6% in value terms, it is the world's third-largest generic market. Going forward, strong promotional activities and Japan's ageing population are expected to drive growth. Further, the bilateral free trade agreement signed in February 2011 (the FTA will abolish 90% of trade duties for 10 years) will provide a stimulus for exports to Japan. According to RNCOS, Japan is likely to clock a 8% CAGR to reach US\$ 10 billion by 2013.

Global CRAMs opportunity: The global pharmaceutical outsourcing market was estimated at US\$ 67 billion in 2010 and is expected to grow at a 14% CAGR (2007–2012) to reach US\$ 85 billion by 2012.

Key growth drivers

Patent expiries	<ul style="list-style-type: none"> Drugs worth US\$ 97 billion expected to go off-patent from 2011-15 in the US compared with US\$ 73 billion during the 2006-10 period New launches not enough to justify the loss of existing blockbuster drugs going off-patent
Falling R&D productivity	<ul style="list-style-type: none"> Sales generated by new approvals witnessed declining trends over the last few years despite an increase in R&D budgets Average R&D cost increased to US\$ 1.3 billion per NME; rising intolerance to side effects of new drugs reduces research productivity
Focus on generics/branded generics	<ul style="list-style-type: none"> Increasing role of generics being played out in developed countries by insurance and healthcare providers Foray into branded generic segments of emerging markets to boost dwindling global revenues and profitability
Cost pressures	<ul style="list-style-type: none"> Falling R&D productivity coupled with pricing pressure, led to margin contraction Increase in raw material and wage inflation impacted bottomlines

Emerging markets will emerge as a US\$160-190bn opportunity



India's pharmaceutical market

Overview

- The Indian pharmaceutical industry ranks third by drug volume (10% of global share) and fourteenth by value - about US\$ 24.8 billion (3% of global sales).
- The industry is growing at around 1.5-1.6 times the country's GDP growth (*Source: The Financial Express*).
- Industry growth is propelled primarily by exports, expanding 18.7% CAGR to US\$ 9 billion in 2009-10 (2005-2010). During the same period, the domestic market grew at 13.5% CAGR to US\$ 13.8 billion.
- Indian drug makers exported their products to 220 countries, with the majority of shipped products being formulations (56%), while bulk drugs accounted for just over 40%.
- The Indian drug retail market surpassed US\$ 10.42 billion (Rs 46,500 crore) till November 2010, compared with the last corresponding period (*Source: IMS Health Information and Consulting Services*).
- The Indian pharmaceutical market growth continues to be driven by formulations for chronic therapies; acute therapies are expected to be largely driven by Tier-III cities and rural penetration.

Income level and pharma products expense

	Household income level (Rs.)	Pharma spending of income as %age	Pharma spending per household (Rs.)
Deprived * (all-India average)	95,000	0.75	713
Rural	180,000	0.35	630
Aspirers** (all-India average)	240,000	1.05	2,520

* Annual income < 100,000 per household at 2011 price level

** Annual income > 100,000 per household at 2011 price level

Source: Mint

Per capita expenditure on health (US\$)

India	Brazil	The US	China	The UK	South Africa	Japan	Germany
43	722	7,536	142	3,942	464	3,102	4,628

Source: WHO (in 2008)

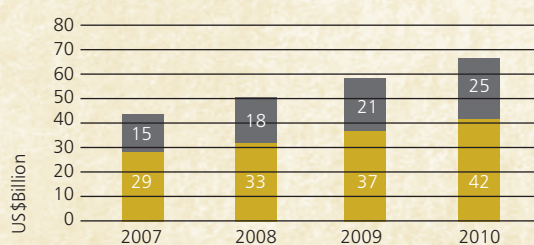
Demand drivers

- India's low per capita expenditure on health is expected to correct to the global average, owing to steady economic growth, increasing disposable incomes and growing health awareness
- Per capita income in rural areas is expected to increase from Rs 19,000 at present to Rs 24,000 by 2015, resulting in increased pharma spending
- Semi-urban and rural markets are expected to be the key growth drivers. According to McKinsey, these markets will add 46 million households with high and medium affordability levels
- Indian drug prices increased by only 1-2% annually over the last decade according to the IMS; per capita income of the average Indian accelerated 16.7% between 2006-07 and 2010-11, making healthcare more affordable
- Indian government spending on healthcare increased 20% CAGR over the last four years (US\$ 6.7 billion in 2005-06 to US\$ 11.7 billion in 2008-09). The Government of India plans to cover 45% of India's population by 2020
- The government plans to establish a Rs 20 billion venture capital fund to promote drug discovery and strengthen infrastructure in the pharma sector to boost local innovation.

Estimates

- Socio-economic factors such as rising income levels, increasing affordability, gradual penetration of health insurance and rise in chronic diseases will see the Indian formulation market touch US\$ 13.7 billion by 2013 based on a 12.2% CAGR. (Source: *The Financial Express*)
- There are immense opportunities for Indian generic firms in the US, Europe, Japan and Australia, owing to 50% lower production costs than in western nations – Indian R&D costs 1/8th and clinical trials cost 1/10th of western counterparts. Moreover, branded drugs going off-patent in the near future are likely to create a huge market for generic drugs in the US. Similarly, a number of regions are looking towards India as a supplier of quality generics
- India emerged as a prominent global supplier of high quality generic drugs, with the potential to cater to 10% of the total market by 2015.

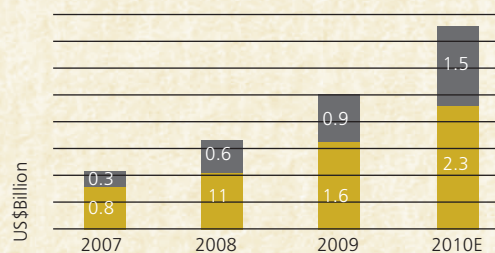
Global CRAMS market



Source: ICRA report (June 2011)

Contract manufacturing

Indian CRAMS market



Drug discovery and research

- India is expected to rank among the top 10 global pharmaceutical markets by 2015 (Source: *The Financial Express*).

Indian CRAMS sector

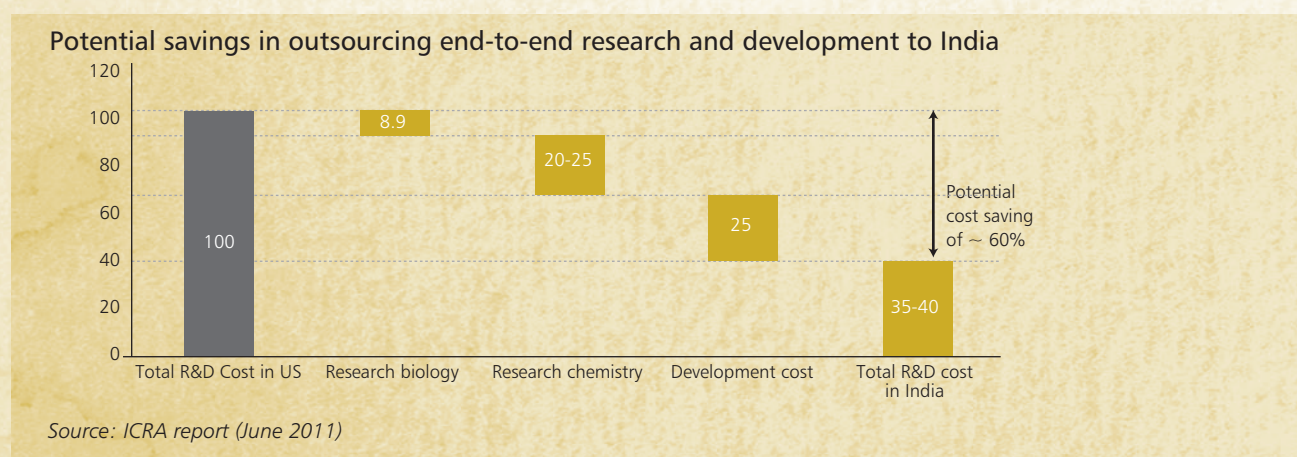
The opportunity for CRAMS in India is large. US companies have reduced their R&D spending in the recent past. These companies are outsourcing their R&D to reduce their operating expenses and hence, shift base to low-cost destinations, possessing high chemistry skills, making India and China preferred outsourcing destinations.

The Indian pharmaceutical outsourcing providers possess capabilities to provide late stage discovery (research chemistry) and drug development services. However, they are in the process of building research biology skills to facilitate early stage discovery.

The Indian contract research industry grew at a 65% CAGR (2007-10) to reach around US\$ 1.5 billion in 2010, outpacing the 15% growth in the global contract research market over the same period (the global market stood at US\$ 25 billion in 2010).

Contract manufacturing operations are the largest contributors (more than 60%) to the total CRAMS earnings. India has emerged as a master in value engineering products, which are similar to patented products in a non-infringing manner, strengthening its expertise to challenge patents in the US FDA, which was perceived as a threat to global companies. However, the Indian Patent Protection Amendment Act, 2005 addressed these threats and opened larger opportunities for contract research operations from regulated markets. Credible estimates suggest that the Indian CRAMS space is expected to grow at 15% over the medium term.

India, an enabler for contract research outsourcing



Pillars of business sustainability

Integrated operations

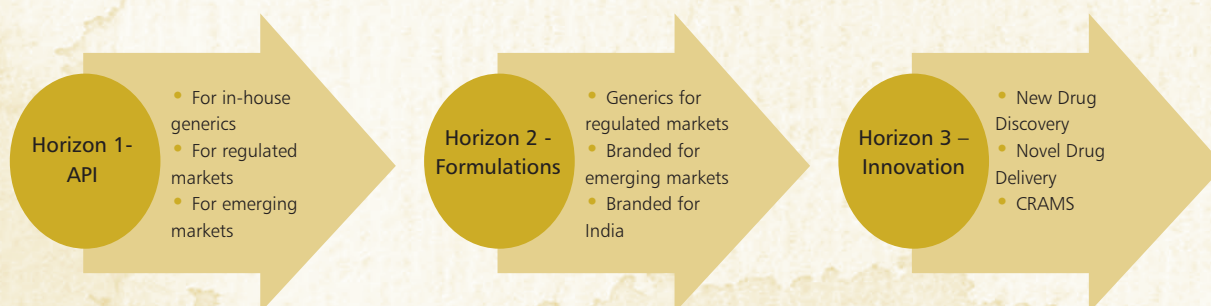
Orchid commenced its operations in 1994, and is one of the few, fully-integrated, globally-present Indian pharmaceutical companies.

Orchid's state-of-the-art R&D and manufacturing infrastructure received approvals from global regulatory authorities and enjoys marketing alliances with large globe generic majors, distributors and agencies.

Orchid's multi-tier integration captures every dimension of the pharmaceutical value chain.

- **Segments:** Active Pharmaceutical Ingredients (APIs) to Finished Dosage Forms (FDFs)
- **Products:** Multi-therapeutic
- **Markets:** Regulated and Emerging
- **Value chain:** Drug discovery to delivery

Multi-horizon strategy



Pillars of business sustainability

Manufacturing operations

API operations: Orchid has three API manufacturing sites – two in India (Chennai and Aurangabad) and one in China (joint venture).

The API manufacturing complex located at Alathur, Chennai, is among the largest integrated antibiotic manufacturing facilities in India. It specialises in the manufacture of cephalosporin APIs (sterile and non-sterile) and is approved by leading global regulatory agencies like the US FDA, UK MHRA, PMDA, EDQM, TGA and DMA, in addition to several quality, environmental and safety management recognitions. The plant's operations are

backed by a full spectrum of utilities, including a captive power generation plant, solvent recovery facilities and a 'zero discharge' environment-friendly effluent treatment plant.

The API manufacturing complex located in Aurangabad, Maharashtra, provides multi-therapeutic product offerings, comprising high-end Bectalactams, Carbapenems and non-antibiotic APIs. The facility is also approved by leading global regulatory agencies.

These facilities provide an ability to produce quality products in

a world-class environment, adhering to safe manufacturing processes and consequently establish a brand in high-growth countries.

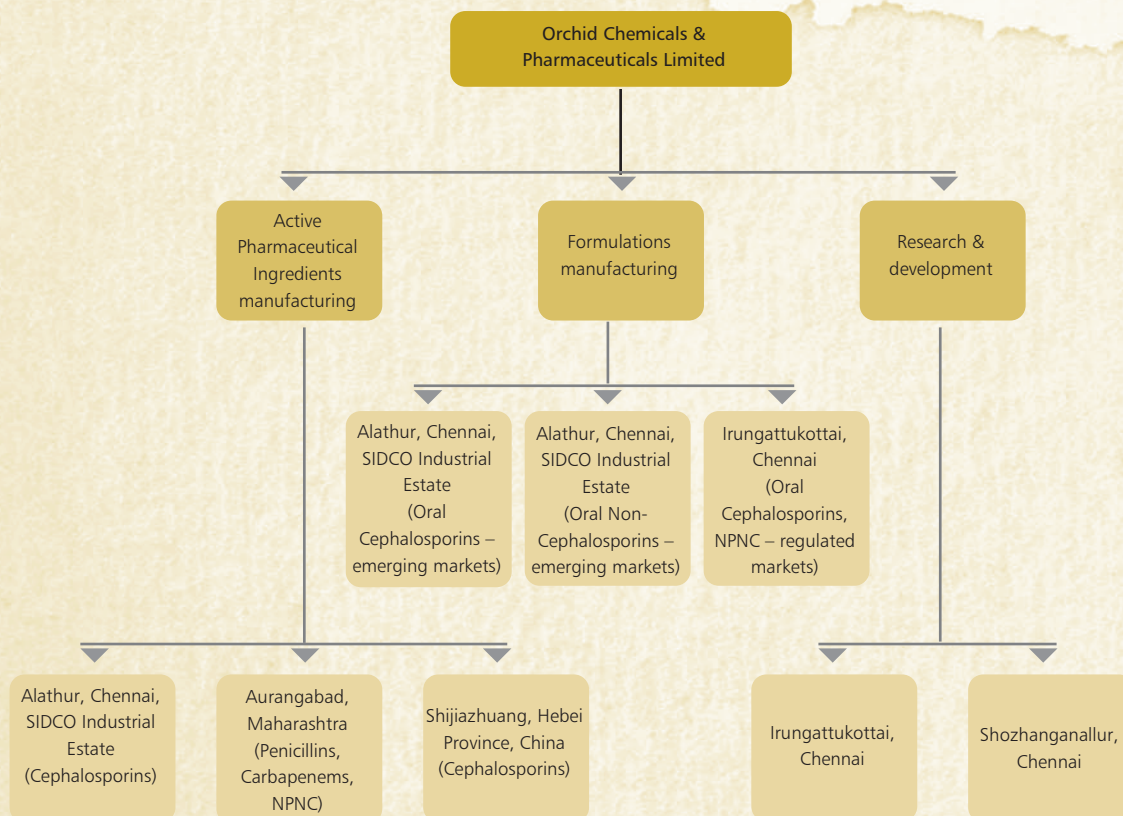
Formulation operations: Orchid has three facilities in India to manufacture formulations, each facility being dedicated to a niche product segment, catering to the global market.

The oral formulations manufacturing complex at Irungattukottai, Chennai, has modern infrastructure coupled with R&D laboratories geared to offer high throughput. This facility manufactures various dosage forms such as oral tablets and capsules in diverse dosage strengths and product categories. The facility is approved by leading regulatory agencies including the US FDA, UK MHRA, MCC and DMA, based on specific product filings.

The oral non-cephalosporin formulations facility at Alathur, Chennai, specialises in manufacturing nutraceutical products. High-value products like anti-diabetics, cardio vasculars (CVS), anti-depressants and anti-epileptics are manufactured in this facility, catering to emerging markets. Built to GMP (Good Manufacturing Practices) standards (under WHO guidelines), this facility constitutes packaging machinery, full-spectrum quality control and microbiological services.

The oral cephalosporin formulations facility located at Alathur, Chennai, manufactures oral cephalosporin products, catering to domestic and emerging markets. The facility has the capability to manufacture different dosage forms like tablets, capsules, dry syrups and liquid orals. The facility conforms with GMP standards as per WHO guidelines.

Infrastructure



Highlights, 2010-11

API manufacturing

- Increased API production in line with supply arrangements entered into with leading global pharmaceutical majors
- Increased supply of niche APIs to Hospira, based on new product approvals
- Optimised process chemistry, leading to better yield management

Formulations manufacturing

- Introduced new products in the antibiotic and non-antibiotic segments, based on specific product approvals
- Achieved higher production volumes in formulations, gaining a strong presence in existing markets and forging an entry into new emerging markets
- Increased throughput of formulations based on a higher penetration in emerging markets

Pillars of business sustainability

Research and Development

- We invested Rs 29.6 crore in research – 2.36% of our total revenue in 2010-11
- We progressed several NCEs (New Chemical Entities) into further trials

Overview

Our research and development activities are divided into core areas of process research, pharmaceutical research, novel drug delivery systems, new drug discovery and biotechnology. Our process research is focused on non-infringing processes for patenting and regulated market entry. We engage in pharmaceutical research, covering antibiotics and non-antibiotics, with specific departments for domestic markets, emerging generic markets and regulated generic markets, as

well as a specialised veterinary product development programmes. Our novel drug delivery systems research focuses on the development of novel methods for drug delivery, whereas our new drug discovery research focuses on development of new molecular entities and conducts pre-clinical and analytical testing of these molecules. Our biotechnology research focuses on molecular biology and bio-chemical engineering. Our long-term strategy for drug discovery is to validate compounds through pre-clinical testing and Phase I human clinical and proof-of-concept studies.

Our new drug discovery research is focused on the therapeutic areas of anti-diabetes, anti-inflammatory, anti-infectives, oncology and clotting disorders.

Analysis of the financial statements

We recorded a robust performance in 2010-11, achieving a 33% increase in revenue with a profit of Rs 159.48 crore. This performance was largely due to our Company's strategic shift towards contractual arrangements with large global players.

A. Profit and Loss Account

The Company transferred its generic injectable formulations business to Hospira in March 2010, hence the revenue/expenses for 2010-11 are not comparable with the previous year's figures.

Revenue

Revenue increased from Rs 1,249.83 crore in 2009-10 to Rs 1,663.34 crore in 2010-11. This robust performance was largely driven by:

- Supply of Penicillin and Carbapenem APIs to Hospira
- Contractual supply arrangements with other large global pharmaceutical majors in Europe and Japan
- Contribution from Karalex Pharma, a front-end marketing organisation in the US

Cost management

Total operational cost declined 13.54% from Rs 1,422.55 crore in 2009-10 to Rs 1,252.92 crore in 2010-11.

Power and fuel expenses increased to Rs 72.53 crore in 2010-11 compared to Rs 66.43 crore in 2009-10, owing to an increase in production volumes and fuel costs.

Material costs increased from Rs 775.26 crore in 2009-10 to Rs 787.95 crore in 2010-11, owing to higher production volumes in niche product segments like Penicillin and Carbapenem.

Employee costs declined from Rs 159.29 crore in 2009-10 to Rs 141.38 crore in 2010-11, mainly due to the transfer of 450 team members to Hospira, following the business transfer agreement.

Other expenditure including R&D expenses declined from Rs 421.56 crore in 2009-10 to Rs 251.05 crore in 2010-11, mainly on account of a reduction in consulting and professional fees, R&D expenses and a favourable exchange rate for most

part of the year and a gain on the restatement of FCCBs (Foreign Currency Convertible Bonds).

EBIDTA stood at Rs 418 crore, owing to an increase in business volumes and cost reduction.

Interest and finance charges declined from Rs 241.23 crore in 2009-10 to Rs 115.76 crore in 2010-11, due to the repayment/prepayment of loans, following the transfer of our generic injectable formulations business.

Depreciation and amortisation expenses declined from Rs 151.1 crore in 2009-10 to Rs 128.45 crore in 2010-11, owing to the reduction in asset base, due to the transfer of our generic injectable formulations business to Hospira.

After providing tax of Rs 14.32 crore, PAT stood at Rs 159.48 crore in 2010-11.

B. Balance Sheet

The capital employed in the business increased about 11% from Rs 2,812.94 crore as on March 31, 2010 to Rs 3,173.76 crore as on March 31, 2011, largely due to line balancing in the current and future product lines owing to increased demand.

Net worth

Shareholders' funds (net worth) increased from Rs 979.63 crore as on March 31, 2010 to Rs 1,134.02 crore as on March 31, 2011.

Reserves: Balance in the reserves and surplus account stood at Rs 1,063.58 crore as on March 31, 2011 against Rs 909.19 crore as on March 31, 2010. The Company ploughed 95% of its net profit to its reserves in 2010-11. Free reserves accounted for more than 94% of the reserves as on March 31, 2011.

Shareholder funds increased from Rs 979.63 crore as on March 31, 2010 to Rs 1,134.02 crore as on March 31, 2011, resulting in an increase in book value per share to Rs 160.99.

External funds

The total borrowings of the Company stood at Rs 1,845.17 crore as on March 31, 2011. External funds comprised secured loans of 72% and unsecured loans of 28% including FCCBs. The debt-equity ratio stood at 1.6.

Information Technology (IT)

The information technology initiative at Orchid focuses on supporting and enabling the business to emerge more effective and competitive. IT strategies were aligned with the vision and the long-term business strategies. In 2010-11, multiple IT projects were launched in the following key areas:

Application upgrades: In line with emerging technology trends in business productivity applications, Orchid's email client was upgraded to the Microsoft Exchange 2010 platform, ushering in technical and ease-of-use benefits. On the data security front, the Company's firewall and related applications were upgraded to their latest versions.

Enhancing collaboration: R&D teams were provided with virtual team rooms to collaborate with customers and research partners abroad. Advancing further on the unified communications front, usage of Microsoft Office Communicator and LiveMeeting became widespread. This brought in the culture of conducting virtual meetings, presentations and training for the target group of users from multiple locations, without the need for travel. New portals were created to support various business and learning initiatives.

Strengthening IT infrastructure: Commensurate with business growth, a well-equipped Data Center was created with enough provisioning for future growth. This new Data Center, besides presently hosting our SAP Business Continuity servers and storage, will accommodate all of Orchid's Disaster Recovery modules in the future.

While carrying out these projects efficiently, more emphasis was given on strengthening governance through IT. Customer satisfaction surveys conducted during the year reflected improvements in service ratings. We will continue to exploit information technology to strengthen our competitive edge.

Human Resources

Orchid's HR function is aligned with the Company's overall growth vision and continuously works on areas such as recruitment and selection policies, disciplinary procedures, reward/recognition policies, learning and development programmes as well as all-round employee development.

Several new initiatives were introduced during 2010-11, leading to better inter-personal relationship between employees and helping bring a cohesive focus to individual career development.

During the year, Orchid launched a unique initiative focused on employees' total personality development.

Named 'Gurukul - The path of learning', this initiative aims to enhance the employees' knowledge and skill sets through a continuous emphasis on training, education and development.

Risk management

The global and Indian pharmaceutical industry continues to be regulated by various regulatory agencies. Stringent regulatory norms, delay in obtaining regulatory approvals for key products, patent litigations, currency fluctuations and pricing guidelines in the domestic market are risks that can affect the Company's business.

Orchid's integrated risk management approach comprises prudential norms and structured reporting and controls. This approach conforms with the Company's strategic direction and is consistent with stakeholders' desired total returns, credit rating and risk appetite.

Review of compliance monitoring systems, account risk management systems in the business units, periodic assessment of regulatory compliance, risk assessments in multiple areas such as talent management, information security and intellectual property are done regularly. The risk management activities also include assessment and review of financial risks such as currency risks, credit risks and liquidity.

Higher focus on API supply may impact the Company's momentum and operating margins. However, multiple supply arrangements with reputed global players, and the Company's strategy to operate in niche products will position it as a preferred vendor for global pharmaceutical companies, diversifying the risk profile.

Internal audit and control

Orchid's internal control systems and procedures are designed to enable the reliable reporting of financial statements, reporting timely feedback on the achievement of operational or strategic goals and ensure compliance with laws and regulations. In addition to the statutory audit, the financial and operating controls at the various locations of the Company are reviewed by internal auditors who report significant findings to the Audit Committee of the Board. Compliance with various laws and regulations are also monitored.

Directors' report

Dear members

Your Directors have pleasure in presenting the 19th Annual Report of your Company along with the audited statement of accounts for the financial year ended March 31, 2011. The Report also includes the consolidated financial statements and the Management's Discussion and Analysis Report in accordance with the guidelines on Corporate Governance. The highlights of the financial results for 2010-2011 are given below:

(Rs crore)		
Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Sales & operating income	1663.34	1249.83
Other income	7.60	1016.58
Total expenditure	1252.92	1422.55
Gross profit	418.02	843.87
Interest & finance charges	115.76	241.23
Gross profit after interest but before depreciation and taxation	302.26	602.64
Depreciation	128.45	151.10
Profit / (Loss) from ordinary activities before exceptional items	173.81	451.53
Exceptional item	-	8.52
Profit / (Loss) before tax	173.81	460.05
Provision for taxation		
- Current & deferred tax	14.32	128.71
Profit / (Loss) after tax	159.48	331.34
Add: Surplus brought forward	58.59	28.32
Surplus available	218.08	359.66
Appropriations:		
- Transfer to general reserve	150.00	200.00
- Excess provision of dividend for earlier year written back	(21.74)	(2.47)
- Dividend	25.57	88.79
- Tax on distributed profits	4.15	14.75
Balance carried to balance sheet	60.09	58.59

Performance

During 2010-11, your Company achieved a turnover and operating income of Rs 1663.34 crore compared to Rs 1249.83 crore in 2009-10. The gross earnings before interest, depreciation and taxes stood at Rs 418.02 crore for the current financial year. The gross earnings for the previous year included the profit on sale of undertaking and thus not comparable. After providing for interest expense of Rs 115.76 crore (Rs 241.23 crore previous fiscal) and depreciation of Rs 128.45 crore (Rs 151.10 crore previous fiscal), the profit before tax of the Company was Rs 173.81 crore. The net profit after tax stood at Rs 159.48 crore, compared to the net profit after tax of Rs 331.34 crore in the previous fiscal. However, figures for the previous year ended March 31, 2010 are not comparable as they include the sale consideration received by the Company on account of sale and transfer of its Injectable formulation business to Hospira in March 2010.

Pharmaceuticals business

The key highlight of our performance was the change in our business strategy where we moved away from a supply push approach to a demand pull business model. This is reflected in growing number of long-term contracts with large global pharmaceutical companies. These long term business agreements provide clear revenue visibility and allowed for improved business planning and management which strengthened business profitability and liquidity.

Our API-supply arrangement performed significantly well, registering higher than expected business volumes. Our newly acquired front-end marketing Company, Karalex Pharma, LLC, in the US delivered heartening results.

We expanded our contractual business with Hospira to supply API for their Add Vantage vials (patented technology) which will generate superior returns for your Company over the medium term. We settled five Para IV products, out of which four are FTF applications, which will allow us to market products in the US. These represent attractive opportunities over the coming years.

Dividend

Your Directors recommend a 30% dividend (Rs 3/- per equity

share of Rs 10/- each) for the year ended 31st March 2011, subject to the approval of shareholders at the ensuing Annual General Meeting. Under the Income Tax Act, 1961, the receipt of dividend is tax-free in the hands of the shareholders.

Regulatory filings and approvals

In the generic formulations domain, Orchid's cumulative ANDA filings for the US market stood at 42. This includes 8 Para IV FTF (First-To-File) filings. The break-up of the total ANDA filings is 13 in Cephalosporins segment and 29 in NPNC space. Few more ANDAs which are in the later stages of development are expected to be filed in ensuing quarters.

In the EU region the cumulative count of Marketing Authorisations (MA) filings stood at 17. The break-up of the total MA filings is 9 in the Cephalosporin segment and 8 in the NPNC segment. A few more dossiers have been lined up for filing during 2011, based on the De-centralised Procedure (DCP) slots allotted by the respective Reference Member States (RMS) countries in the EU. This is likely to increase the cumulative filing count in the coming quarters.

In the API domain, Orchid increased its cumulative filings of its US DMF count to 81. The break-up of the total filings is 27 in the Cephalosporin segment, 41 in NPNC segment, 2 in the Betalactam segment and 11 in the Carbapenems segment. In the European market space the cumulative filings of COS (Certificate of Suitability) count stood at 21 which includes 14 in Cephalosporin segment, 6 in NPNC segment and 1 in the Betalactam segment.

Awards

During the year, your Company was conferred with the following awards.

- Greentech Gold award 2011 in Pharmaceutical sector for outstanding achievement in safety management given by the Ministry of Health & Family Welfare, Government of India and Greentech Foundation for Orchid's Alathur facility.
- Good Green Governance (G3) award by the Ministry of Water Resources & Minority Affairs, Government of India.
- Outstanding Achievement in Environment Management in

the Chemical Sector was conferred by Greentech Foundation with a Silver Award 2010.

- Siemens Ecovatives – IBN Live Award 2010 conferred in recognition of the Company's commitment to the environment.
- Bureau of Energy Efficiency (BEE) Certificate of Merit on Energy Efficiency was received by the Company's Alathur API facility from the Ministry of Power, Government of India, New Delhi.
- Excellent Energy Efficient Unit was conferred on the Company at the 9th Energy Efficiency Summit 2010 by the Confederation of Indian Industries.
- Southern Region excellence award from Confederation of Indian Industries for meritorious achievement in Environment, Health & Safety (EHS) for the year 2010.
- Dr R J Rathi award for Environmental Pollution Control for the year 2010 in Industries in Maharashtra for Orchid's Aurangabad facility given by Mahratta Chamber of Commerce, Industries & Agriculture and Dr Ramvilas Rathi Charity Trust, Pune.

Intellectual property

During the year, Orchid continued to accelerate the IPR work on a number of products. The total number of patent applications filed by Orchid in various national and international patent offices so far is 820 (including Process, Formulation, NCE, NDDS, Biotech and Generics). As of March 31, 2011, 621 patent applications have been published while 153 patents have been granted.

Foreign Currency Convertible Bonds

Your Company had issued FCCBs during November 2005, which were listed on the Luxembourg and London Stock Exchanges and during February 2007, which are listed on the Singapore Stock Exchange. The FCCBs due in 2010 are termed 2010 Bonds and those due in 2012 are termed 2012 Bonds.

During the year under review, your Company redeemed the outstanding FCCBs (2010 Bonds), including yield-to-maturity, aggregating to US\$ 25.69 million (Rs 114.10 crore), on the due date i.e. November 03, 2010.

The status of outstanding FCCBs (2012 Bonds) is as follows:

Description	2012 Bonds
FCCB Issue value	US\$ 175 million
Conversion into equity so far	Nil
Redemption value (%) of the book value	142.77%
FCCBs bought back	57.578 million
FCCBs outstanding	117.422 million

Your company intends to raise long-term resources aggregating to an amount not exceeding Rs 1,000 crore through a combination of appropriate instruments to take care of the outstanding FCCBs coming up for redemption in February 2012. The fund raising proposal was approved by the board at its meeting held on May 18, 2011 and a resolution seeking the members approval by way of postal ballot is being sent.

Employees stock option plan

The details of options granted to employees under the ORCHID - ESOP 1999, ORCHID - ESOP 2005 and ORCHID - ESOP 2010 schemes and the status of such options as on March 31, 2011 are given in Annexure IV to this Report.

Your Company formulated a stock option plan viz., Orchid - ESOP 2010 Scheme for grant of 10,00,000 options to the employees of the Company including whole-time Director(s) of the Company but excluding the Promoter Directors. The said scheme was approved by the shareholders at the Annual General Meeting held on July 21, 2010. Your Company granted 9,01,000 options during the year and as at March 31, 2011, the outstanding options under the said scheme is 8,98,000.

Your Company has also formulated the following schemes which have been approved by the Board of Directors at their meeting held on May 18, 2011 and the resolutions are placed before the members for approval in the ensuing Annual General Meeting.

- **Orchid-ESOP Senior Management 2011 Scheme** - grant of 10,00,000 options to the employees in the grade of Senior Manager and above, out of which 7,50,000 options will be granted to the employees of Orchid and 2,50,000 options to the employees of various Subsidiary Companies of Orchid, either in India or abroad.
- **Orchid-ESOP Directors 2011 Scheme** – grant of 5,00,000

options to the directors of the Company including whole time directors but excluding Promoter Director.

Listing of equity shares

Your Company's equity shares are presently listed on the National Stock Exchange of India Limited (NSE), Bombay Stock Exchange Limited (BSE) and the Madras Stock Exchange Limited (MSE). The GDRs issued during 2005-06 are listed on the Luxembourg Stock Exchange and the London Stock Exchange. The convertible bonds issued by the Company during 2006-07 are listed on the Singapore Exchange Limited.

Alliances / Acquisitions

Your Company acquired Karalex Pharma, LLC, a US based generic marketing and sales services Company headquartered in New Jersey through your Company's step down subsidiary Orchid Pharma Inc. Karalex Pharma has been a leading provider of generic pharmaceuticals focused exclusively on the US healthcare market. Through this acquisition, your Company has created its presence in the front end US market and will be able to reach its generic products to the US customers directly.

Overseas joint ventures

NCPC Orchid Pharmaceuticals Company Limited, China

Your Company's 50:50 joint venture in China, NCPC Orchid Pharmaceuticals established for manufacture of sterile Cephalosporin APIs continued to perform well. The joint venture is profitable with a significant sales turnover of US\$ 55.42 million during the year under review.

Subsidiaries

Orchid Research Laboratories Limited, India (ORLL)

Your Company's Indian subsidiary, ORLL is engaged in proprietary, novel drug discovery research in the following therapeutic areas namely, anti-infectives, anti-inflammatory, anti-cancer, metabolic disorders and Central Nervous System (CNS). New drug discovery and development activities are conducted in state-of-the art laboratories spanning expertise in analytical research, bio-informatics, medicinal chemistry, molecular biology, pharmacology, drug metabolism and Pharmacokinetics, intellectual property management and quality assurance.

The subsidiary company has a robust pipeline of drug

development projects to address unmet medical needs. During the year under review, regulatory documents were filed for four clinical candidates in India and EU for initiation of clinical trials. ORLL has also designed and synthesised a good number of New Chemical Entities (NCEs) in various therapeutic areas and significant molecules are under various biological profiling to strengthen the existing pipeline.

ORLL has built a successful partnership with Merck and Co., USA for collaborative drug discovery in the anti-infectives area. Certain NCEs were synthesised and tested in various in vitro and in vivo biological assays and several promising compounds have been identified. A significant number of patents have been filed in various therapeutic areas to provide for protection of intellectual property generated by ORLL.

Bexel Pharmaceuticals Inc., USA (Bexel)

During the year, Bexel conducted advanced basic studies on the lead molecule BLX-1002 internally and has filed documents seeking consent to conduct expanded phase 2 clinical trials with the regulatory authorities. Though, the molecule has exhibited potential for multiple indications, the envisaged clinical trial will test efficacy for a select indication. Further, basic mechanistic studies in animal models conducted at a leading research institute have presented insights to understand the mechanism of this molecule. Additional advanced studies in animals and later in select patients is being planned to generate scientific data backed mechanistic rationale for the molecule. The referred studies are being planned in the subsequent quarters, while approval to conduct clinical trial is awaited.

Orchid Pharmaceuticals, Inc., USA

Orchid Pharmaceuticals, Inc., is a wholly owned Delaware based subsidiary of your Company and also the holding company in the United States, under which all the operational business subsidiaries have been structured. The Company currently has two operating subsidiaries, Orgenus Pharma, Inc., and Orchid Pharma, Inc., (formed during the year) both located in Princeton, New Jersey, in the US.

Orgenus Pharma, Inc., is the entity that provides all business development and operational services for the parent Company including the initiation of marketing alliances with partner companies, filing of your Company's Drug Master Files (DMFs) and Abbreviated New Drug Applications (ANDAs) as the

Importer of record for your Company with the FDA. It continues to represent your Company for all matters relating to the review and approval of such filings by the FDA, and handling of logistics and product importation into the US as the Importer of Record for the US Customs.

During the year under review, the Company formed a new subsidiary namely Orchid Pharma, Inc., in the USA. Orchid Pharma, Inc., is the commercial entity that started directly marketing and selling your Company's products in the US generics market place through the acquisition of Karalex Pharma, LLC during the fiscal year 2010-11. Orchid Pharma, Inc., has established a strong corporate image for your Company in the US and will be launching all future (unpartnered) generics products under the Orchid label. Equipped with a strong and experienced US commercial team, this Subsidiary would be a key growth driver for your Company, starting this year.

Diakron Pharmaceuticals Inc., USA

During the year, your Company increased its stake in Diakron Pharmaceuticals Inc. and holds 64.55% in the Company. Orchid's stake in Diakron has been a part of the original transaction which includes direct investment and Master Services Agreement (MSA). Your Company has completed most of its MSA obligations to develop and supply clinical quantities of API and extended release formulation. At present, phase 1 clinical studies in patients have commenced in Europe with the new extended release formulation and the study is likely to be completed during the year 2011. Subsequently, based on the phase 1 study results, additional formulation studies will be needed and phase 2 clinical studies in human subjects will be planned later.

Orchid Europe Limited, United Kingdom

Your Company's subsidiary in Europe namely Orchid Europe Limited (OEL) provides liaising support to the parent Company and its customers in Regulatory, Pharmacovigilance, Testing & Release, Retention of samples, Service Providers and Business Development in Europe. The Company has chalked out a business plan for capturing a significant market share for the products. With a rich product pipeline and the expanding product portfolio, the Company's business development is already in discussions with major generic houses in EU for expanding the co-operation and are simultaneously discussing

with regional majors to increase market share.

Orchid Pharmaceuticals (South Africa) Pty Ltd., South Africa

Your Company's wholly owned subsidiary, Orchid Pharmaceuticals (South Africa) Pty Ltd., was incorporated mainly to register and market your Company's products in South Africa. The Company is in the process of submitting dossiers for obtaining marketing approval from the regulatory authority, MCC for various oral products and the applications are at various stages of the registration process.

Orchid Pharma Japan K K

The subsidiary Company in Japan has continued to make noteworthy progress during the year. At the end of the fiscal year 2010-11, there are 9 DMFs filed with Pharmaceutical and Medical Devices Agency (PMDA) of Japan and additional DMFs will be filed in the current financial year to meet the market needs.

A major achievement was to commence the supplies to one of the top 5 Japanese innovator Companies for their global business partners. Business discussions are on with various Japanese Companies for supply of new products and the Company is expected to make good progresses on both business and Regulatory fronts during the current year.

Central Government Approval

Your Company has been making applications for an approval under Section 212(8) of the Companies Act, 1956 from the Ministry of Corporate Affairs, seeking exemption from attaching the Annual Report of subsidiary Companies with the Annual Report of Orchid. The Ministry of Corporate Affairs, Government of India vide its circular dated February 8, 2011 has provided general exemption to companies from attaching the balance sheets of their subsidiary Companies as required under Section 212(8) of the Companies Act 1956.

The exemption is available provided the Companies publish the audited consolidated financial statements in the Annual Report. The consolidated financial statements duly audited are presented along with the accounts of your Company. The statement as required under Section 212 is given as part of the consolidated accounts in this report. The annual accounts of subsidiary Companies are kept at the Company's registered office and also

at the respective registered office of the subsidiaries for inspection and shall be made available to the members seeking such information.

Fixed deposit

The Company has not accepted any fixed deposits and as such, no amount of principal or interest was outstanding as of the balance sheet date.

Directors' Responsibility Statement

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm:

- That in the preparation of the annual accounts for 2010-11 the applicable accounting standards were followed along with proper explanation relating to material departures, if any.
- That the Directors 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 (31st March 2011) and of the profit or loss of the Company for that period (2010-11).
- That the Directors took 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.
- That the Directors prepared the annual accounts for 2010-11 on a going concern basis.

Corporate Social Responsibility

Your Company's constant focus has been on the community development as part of its corporate social responsibility. Various activities are continuously being carried out and focused on Community Health Development, Children Education, Women Empowerment, Youth Development, Community Asset Creation and a Greener Environment.

Specialised children education programs through activities like summer camp, special english coaching, leadership and motivation programs during the year have reached a good number of 950 children. These programs aim to achieve the development rights of the children as stated by United Nations.

Various health programs benefitted 9713 people which included personal surgical support and community based education programmes on health. The women development programs reached around 1900 women directly through 161 women self-help groups organised at the hamlet level. The youth development programs helped around 2700 young boys and girls to enhance their skills to be employed elsewhere and also to take up self-employment program. An integrated development program aimed at better living for tribal people benefitted about 200 tribes and their families.

Environment

Environment management has been a prime focus area of your Company. Your Company has employed a state of the art technology, zero liquid trade effluent treatment plant and world class treatment facilities for its liquid and gaseous pollutants generated from the production processes. The zero discharge of liquid trade effluent treatment plant comprising Membrane Bio Reactor, Nano Filtration, Reverse Osmosis, Solvent Stripping Column, Thermal Evaporation & Crystallisation plant treat the entire trade effluent and recycles it back into the utility process.

Your Company was the first bulk drug manufacturing Company in the country to get ISO – 14001 certification in the year 1999 by Dutch Council and has retained the certification continuously for its environment management system.

The Environment programs have also been carried out in the form of planting saplings, dissemination of bio technologies to the communities and installation of bio gas plants for a few houses as pilot projects. Your Company also has plans laid out for sustainable development of communities in the form of low cost sanitation, recycling of wastes into articles etc.

Safety Excellence Journey

The year 2010 – 2011 saw an all-round improvement in various elements of Safety in the Company. By focusing on repeat incidents and carrying out necessary corrective and preventive actions, your Company was able to achieve considerable reduction in incidents. The Central Safety Committee continued to monitor safety, health and environment performance and provide necessary direction for improvement through regular monthly reviews.

In recognition of the various safety initiatives, your Company

was awarded OHSAS 18001 certification in February 2011 for its API facility at Alathur, near Chennai.

The manufacturing sites at Alathur, Aurangabad and the Research & Development unit at Shozhanganallur received International Safety Award - Merit from British Safety Council, UK for the year 2010.

Conservation of energy

Your Company has always been striving hard in the field of energy conservation. Several measures to conserve energy and to reduce associated costs were taken during the fiscal under review as well. The particulars in respect to conservation of energy as required under Section 217 (1) (e) of the Companies Act, 1956, are given in Annexure I to this report.

Technology absorption

The particulars in respect of R&D/Technology absorption as required under Section 217 (1)(e) of the Companies Act, 1956, are given in Annexure II to this report.

Foreign exchange earnings and outgo

The particulars in respect of Foreign Exchange Earnings and Outgo as required under Section 217 (1)(e) of the Companies Act, 1956, are given in Annexure III to this report.

Particulars of employees

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all members of the Company excluding the aforesaid information. Any member interested in obtaining a copy of the particulars may write to the Secretary at the registered office of the Company.

Corporate Governance

The spirit of good Corporate Governance remains integral to the Company's corporate philosophy. The Company follows the code of Corporate Governance issued by the stock exchanges for listed companies. For 2010-11 all information relating to Corporate Governance is given in Annexure V to this Report. A compliance certificate from the statutory auditors is appended to this report. General Shareholders Information is given in Annexure VI.

Green Initiative

To augment the green initiative of the Ministry of Corporate Affairs and to reduce carbon foot print, your Company proposes to send various communication including the Annual Reports in electronic form, to the members who have opted for the same. This would help in reducing the number of physical copies to be printed, thereby contributing to a greener environment. The full text of the current year's (2010-11) annual report will also be available in an easily navigable format on our website, www.orchidpharma.com. As a member of the Company, you will always be entitled to receive all such communication in physical form, upon request.

Directors

Appointment of Chairman

Consequent to the resignation of Shri R Narayanan from the Board of Orchid, the Board decided that Shri K Raghavendra Rao will be the Chairman and Managing Director with effect from October 28, 2010. We are pleased to inform that Shri K Raghavendra Rao was conferred the prestigious 'Padma Shri' award for the year 2011 by the Government of India in the Trade and Industry category. The award was presented to Shri K Raghavendra Rao by the Honourable President of India on April 1, 2011.

Appointment of Additional Directors

Shri R Sankaran was appointed as Additional Director on the Board on January 19, 2011. Pursuant to the appointment, Shri Sankaran holds office up to the date of the forthcoming Annual General Meeting. A notice has been received from a member as per Section 257 of the Companies Act, 1956 along with the prescribed fee. Shri R Sankaran has also filed with the Company his consent to act as Director, if appointed, as required under Section 264(1) of the Companies Act, 1956. A resolution seeking his appointment as Director is being placed before the members for approval.

Shri Bharat Dhirajlal Shah was appointed as Additional Director on the Board on January 19, 2011. Pursuant to the appointment, Shri Bharat Shah holds office up to the date of the forthcoming Annual General Meeting. A notice has been received from a member as per Section 257 of the Companies Act, 1956 along with the prescribed fee. Shri Bharat Shah has also filed with the Company his consent to act as Director, if

appointed, as required under Section 264(1) of the Companies Act, 1956. A resolution seeking his appointment as Director is being placed before the members for approval.

Professor Bala V Balachandran was appointed as Additional Director on the Board on May 18, 2011. Pursuant to the appointment, Shri Bala Balachandran holds office up to the date of the forthcoming Annual General Meeting. A notice has been received from a member as per Section 257 of the Companies Act, 1956 along with the prescribed fee. Shri Bala Balachandran has also filed with the Company his consent to act as Director, if appointed, as required under Section 264(1) of the Companies Act, 1956. A resolution seeking his appointment as Director is being placed before the members for approval.

Resignation of Directors

Shri R Narayanan, who has been the Chairman and Director of Orchid since inception, resigned from the Board with effect from October 28, 2010. The Board places on record its appreciation for the outstanding contribution made by Shri R Narayanan during his long tenure as a Director and Chairman on the Board of Orchid.

Shri Anil Thadani, who has been a Director of Orchid, resigned from the Board with effect from September 28, 2010. Consequent to his resignation, Shri Raj Rajkumar, Alternate Director to Shri Anil Thadani also ceased to be director from the said date. The Board places on record its appreciation for the contributions made by Shri Anil Thadani and Shri Raj Rajkumar as Directors.

Retirement of Directors by rotation

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Dr M R Girinath and Dr I Seetharam Naidu retire by rotation and are eligible for re-appointment. However, Dr M R Girinath and Dr I Seetharam Naidu have opted not to get re-elected at the ensuing AGM. A resolution pursuant to Section 256 of the Companies Act, 1956

for not filling the vacancy, at present, caused by Dr M R Girinath and Dr I Seetharam Naidu's retirement has been included in the Agenda of the Annual General Meeting (AGM).

Auditors

The existing Statutory Auditors, M/s SNB Associates, Chartered Accountants retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment.

Cost Audit

The Central Government has prescribed that an audit of the cost accounts maintained by the Company in respect of bulk drugs and formulations be conducted under Section 233B of the Companies Act, 1956. Consequently, your Company has appointed Shri V Kalyanaraman, B.Sc., FICWA, as Cost Auditor for 2010-11 and 2011-12, with the consent of the Central Government, for the audit of cost accounts maintained by the Company in respect of both bulk drugs and formulations.

Acknowledgements

Your Directors are thankful to various public sector and private sector banks and institutions for meeting the long term and working capital needs of the Company's expanding operations and also the holders of FCCBs and GDRs for their support.

The Directors are grateful to the Central and State Governments and the Central DCGI and State FDAs for their continued support to the Company's expansion plans. Your Board places on record its appreciation of the support provided by the customers, suppliers and equipment vendors to the Company. Your Directors are also thankful to the vendors, distributors and agents for their continued support.

Your Directors are thankful to the esteemed shareholders for their support and encouragement. The Directors acknowledge the commitment and contribution of all employees to the growth of the Company.

For and on behalf of the Board

Place: Chennai
Date: May 18, 2011

K Raghavendra Rao
Chairman & Managing Director

Annexure to the directors' report

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2011.

Annexure I – Conservation of energy

a) Energy conservation measures taken

The following energy conservation measures were taken by your Company during the year under review at its manufacturing facilities:

- Usage of +7°C for air circulation instead of -10°C in Air Handling Units for powder process area provided.
- Utilisation of grid power and wheeling instead of using generated power from captive power plant resulted in reduction of cost/unit.
- Operating the MDC distillation column at pressurised condition by using cooling tower water instead of chilled water as a cooling medium.
- Optimisation of solvents and water usage in API processes were achieved, resulting in reduction of mother liquor generation and energy saving.
- Air handling system and fresh air systems blower rotations per minute were optimised with standard air changes.
- Water for Injection utility changed from -25°C to +7°C by replacing the suitable heat exchanger and there by the specific power consumption reduced.
- Optimisation of revolution per minute (RPM) for blowers according to the air flow requirement resulted in reduced power consumption.
- Diverting the Air Handling unit (AHU) condensate drain lines

from Low Pollutant Stream (LPS) to cooling tower water, resulted in LPS quantity reduction.

- Usage of waterless urinals implemented in the factory premises lead to reduction of water consumption and LPS generation.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

Some of the proposals that are considered / being implemented for saving energy are:

- Implementation of feasible energy conservation suggestions selected from employee suggestion scheme with a saving potential.
- Routine energy audits to avoid the avoidable losses like air, N₂, steam and water.
- Conversion of all tube lights to 16W LED lamps in the factory premises.
- Switching of one capacitor bank when the plant load is less than 8.5 MW.
- Electro static precipitator operation based on the stipulated suspended particulate matters to reduce power consumption in coal fired boiler.
- Reduction of the flash steam loss by segregating the high pressure and low pressure steam trap condensate lines.
- Wet air coolers for 200m³ and 350m³/hr nitrogen plants are

to be installed in order to reduce the nitrogen plant inlet air temperature.

- Hydro jet cleaning for process equipment being used, in order to reduce water consumption.
- Optimisation of the excess air consumption using oxygen trimming technology in coal fired boiler.
- Reduction of the fan speed in order to optimise the power consumption for primary air fan in coal boiler.
- Additional cooling coil for AHU-203 being introduced to change the utility from -10°C to +7°C so as to reduce specific power consumption.

c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

- Due to the various energy conservation measures implemented, mentioned in (a) above, there was a reduction in power consumption by around 10254 units per day and 65.76 tons of steam per day, leading to a saving of around Rs 286 lakhs annually.
- Further, the energy conservation measures proposed to be taken up by the Company as mentioned in (b) above are expected to bring in savings of around Rs 470 lakhs annually.

d) Total Energy Consumption and energy consumption per unit of production:

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
A Power and fuel consumption		
1 Electricity		
a) Purchased		
Unit	90885162	81871276
Total Amount (Rs Lakhs)	4358.81	3319.98
Rate per Unit (Rupees)	4.80	4.06
b) Own generation		
i) Through Diesel Generator		
Units	2534932	9864957
Units per litre of diesel oil	3.31	3.57
Cost per unit (Rupees)	10.61	8.16
ii) Through Furnace Oil Generator		
Units	8532400	13246078
Units per litre of fuel oil	4.15	4.22
Cost per unit (Rupees)	6.03	4.67
2 Coal		
Quantity (tonnes)	21600.35	20492.39
Total Cost (Rs Lakhs)	974.92	847.43
Average Rate per tonne (Rupees)	4513.43	4135.32

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
3 Furnace Oil		
Quantity (K litres)	6,154.69	7,641.79
Total Cost (Rs Lakhs)	1,575.33	1,631.75
Average rate (Rs per KL)	25,595.51	21,352.95
4 Others / Internal Generation		
I) Windmills *		
Quantity (in units)	11,23,265	16,80,763
Cost per unit (Rupees)	2.75	2.75
II) Gas based *		
Quantity (in units)	4,63,62,258	3,16,68,605
Cost per unit (Rupees)	4.37	3.57
B CONSUMPTION PER UNIT OF PRODUCTION		
Products with details:		
(i) Bulk Drugs - Oral & Sterile (in MT)	1,025	648
Electricity (Rs lakhs per MT)	5.02	5.38
Furnace Oil (Rs lakhs per MT)	1.54	2.09
Coal (Rs lakhs per MT)	0.95	1.31
Others	Nil	Nil

ii) Formulations

It is not practical to classify energy consumption data on the basis of product, since the company manufactures finished dosages in various forms and pack sizes with different energy requirements.

* Units generated are wheeled to our manufacturing facilities

Annexure II - Technology absorption

I. Research and development

1. Specific areas in which research and development activities have been carried out by the Company during the year.

- Process development of certain molecules in the non-penicillin non cephalosporin segment has been carried out by your Company's R&D which includes a few new chemical entities. These molecules belongs to different therapeutic categories like antihypertensive, anti-cancer, anti-ulcerative, cholesterol lowering agents, anti-asthmatic, treatment of narcolepsy, anti-migraine, anti-osteoporosis, anti-psychotic,

treatment of insomnia, anticoagulant, schizophrenia etc., Most of the projects except a few were successfully scaled up and technology has been transferred to the Company's GMP compliant manufacturing facility at Aurangabad.

2. Benefits derived as a result of the above R&D activities.

- Development and scale up of new API molecules will not only cater to the requirements of formulation research but also help in strengthening our overall product pipeline. Several complex scale-up challenges like hygroscopic and sensitive polymorph were handled and resolved and the technology is transferred smoothly for scale up. Such development and scale-up are highly safer, cost effective and robust.

- Development and scale up of NCE molecules will help the Company carry out toxicological and clinical development studies and support of in-house drug discovery research.

3. Future plan of action

The focus of your Company's research and development will continue to be on quality, reduction of process time and cost of

manufacturing. Your Company through its wholly owned research subsidiary has been keenly working on proprietary, novel drug discovery research in the following therapeutic areas namely, anti-infectives, anti-inflammatory, anti-cancer, metabolic disorders and Central Nervous System (CNS). In addition, the focus will also be on New Chemical Entities (NCEs) in various therapeutic areas.

4. Expenditure on R&D

The R&D outlay was as follows

(Rs Lakhs)

	Year ended March 31, 2011	Year ended March 31, 2010
a) Capital	642.78	57.75
b) Recurring	3,326.62	5,388.49
c) Total	3,969.40	5,446.24
d) Total R&D expenditure as a percentage of the total turnover	2.36%	4.33%

II Technology absorption, adaptation and innovation

I. Research and Development

1. Efforts in brief, made towards technology absorption, adaptation and innovation.

- Developments of a few cost reduction projects of existing API pipeline have been carried out in the laboratory and are in the process of scale-up.
- Excellent process chemistry and successful scale-up had helped in removal of very tedious and time consuming operations such as separation through column chromatography for a particular molecule. Time cycle reduction on this has been at least 40%.
- In alignment with environmentally friendly practices, your Company successfully promoted carbon foot print campaign supported by green chemistry practices for laboratory processes.

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.

- Certain projects which were undertaken for cost reduction in

existing API molecules will improve the margins and reduce the effluent load, become environmentally benign thereby improving the overall efficiency of the products.

- 12 Patents have been filed for the innovations carried out during the development.
- Chemical use and solvent consumption is monitored routinely and conservation approached instituted to reduce cost to the company and the environment.

3. Imported technology (imported during the last 5 years reckoned from the beginning of the financial year):

a) Technology	No new technology has been imported by Orchid during the year
b) Year of import	Not applicable
c) Has this technology been fully absorbed	Not applicable
d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action	Not applicable

Annexure III - Foreign exchange earnings & outgo

a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans.

The company is focusing to increase the sale and distribution of its Cephalosporin and the Non-Penicillin Non-Cephalosporin, APIs and generics in regulated markets including United States, Canada, Europe, Japan and Australia, as applicable.

b) Total foreign exchange earnings and outgo

(Rs lakhs)

	Year ended March 31, 2011	Year ended March 31, 2010
1. Earnings in foreign exchange during the year		
F.O.B value of exports	72,585.33	97,620.36
Export of services (net of TDS)	6,092.06	2,898.43
2. C.I.F. value of imports (on cash basis)		
Raw materials	47,157.56	30,997.50
Capital goods	7,841.27	6,139.16
Spare parts, components and consumables	2,732.76	732.89
3. Expenditure in foreign currency during the year (on cash basis)		
Travelling expenses	202.20	162.73
Interest and bank charges	1,688.64	2,249.71
Professional / Consultancy fees	3,425.17	8,463.00
Royalty / technical knowhow	-	35.91
Others	3,211.77	3,856.43
4. Dividend remittances in foreign currency during the year		
Net dividend	317.67	35.15
5. Total foreign exchange used (2+3+4)	66,577.04	52,672.48

Annexure IV - Details of Options granted to employees under ORCHID – ESOP 1999, ESOP 2005 and ESOP 2010 Scheme

Options granted	<p>ORCHID – ESOP 1999 Scheme</p> <ul style="list-style-type: none"> In the year 2006-2007, 300,000 options were granted In the year 2005-2006, 292,075 options were granted In the year 2003-2004, 307,925 options were granted In the year 1999-2000, 600,000 options were granted <p>ORCHID – ESOP 2005 Scheme</p> <ul style="list-style-type: none"> In the year 2006-2007, 610,000 options were granted <p>ORCHID – ESOP 2010 Scheme</p> <ul style="list-style-type: none"> In the year 2010-2011, 901,000 options were granted <p>The above Options are convertible into equity shares of Rs 10/- each.</p>
-----------------	---

<ul style="list-style-type: none"> • The pricing formula 	<p>For ORCHID – ESOP 1999 & 2005 Scheme</p> <p>The closing price of shares of Orchid on the date on which the options were granted by the Compensation Committee of the Board of Directors.</p> <p>Under ORCHID – ESOP 1999 Scheme</p> <ul style="list-style-type: none"> • 2006-2007 - Rs 339.25 * • 2005-2006 - Rs 300.65 • 2003-2004 - Rs 252.00 • 1999-2000 - Rs 243.35 <p>Under ORCHID – ESOP 2005 Scheme</p> <ul style="list-style-type: none"> • 2006-2007 – Rs 193.25 <p>Subsequent to the Bonus Issue, the number of options outstanding and their price under Orchid-ESOP 1999 Scheme were adjusted by the Board. Accordingly, the revised price applicable for the options allotted during various years prior to bonus issue have been revised as follows:</p> <ul style="list-style-type: none"> • 2005-2006 – Rs 200.44 • 2003-2004 – Rs 168.00 • 1999-2000 – Rs 162.24 <p>* For the options granted during April 2006 at a price of Rs 339.25, the Compensation Committee revised the price of the options from Rs 339.25 to Rs 193.25 (as per the closing price of Orchid's scrip on August 11, 2006, being the date of Compensation Committee Meeting in which repricing was considered), and the same was approved by the shareholders at the Annual General Meeting held on July 19, 2007.</p> <p>For ORCHID – ESOP 2010 Scheme</p> <p>The closing price of the shares of Orchid on the date prior to the day on which the options were granted by the Compensation Committee of the Board of Directors.</p> <ul style="list-style-type: none"> • 2010-2011 – Rs 329.55
<ul style="list-style-type: none"> • Options Vested during the year 	Nil
<ul style="list-style-type: none"> • Options exercised during the year 	Nil
<ul style="list-style-type: none"> • Total no. of shares arising out of Exercise of options 	Nil
<ul style="list-style-type: none"> • Options lapsed 	<p>2,402,393 options (1,175,499 options have lapsed out of the original 1,500,000 options granted and 232,494 options have lapsed out of the options arising out of the adjustment due to bonus issue, under Orchid-ESOP 1999 Scheme and 994,400 options have lapsed under Orchid-ESOP 2005 Scheme).</p> <p>3,000 options have lapsed out of 901,000 options granted under Orchid-ESOP 2010 Scheme.</p>
<ul style="list-style-type: none"> • Variations of terms of Options 	<p>ORCHID – ESOP 1999 Scheme</p> <p>An adjustment in share price/the number of options outstanding was made by the Company in respect of the Employee Stock Options granted but not exercised by the Employees due to the issue of bonus shares during October 2005. Accordingly, the total numbers of options outstanding (so as to be multiplied by 3/2) as well as the price at which each option may be exercised (so as to be multiplied by 2/3) were adjusted.</p> <p>For the 300,000 options granted during April 2006 at a price of Rs 339.25, the Compensation Committee of the Board of Directors revised the price of the options in the interest of the employees, due to the fall in the price of the shares of the Company and accordingly approved a repricing of the options from Rs 339.25 to Rs 193.25 as per the closing price of Orchid at National Stock Exchange of India Limited on August 11, 2006 and the same was approved by the shareholders at the Annual General Meeting held on July 19, 2007.</p>
<ul style="list-style-type: none"> • Total no. of options in force 	898,000 options are in force.

<ul style="list-style-type: none"> Employee wise details of options granted to 	
i) Senior Managerial Personnel	901,000 options were granted to Senior Managerial Personnel during the year under Orchid-ESOP 2010 Scheme.
ii) Employees holding 5% or more of the total number of options granted during the year	Nil
iii) Employees who were issued shares equal to or exceeding 1% of the issued capital	Nil
<ul style="list-style-type: none"> Consideration received against the no. of shares issued during the year 	Nil
<ul style="list-style-type: none"> Earnings per share (Diluted) 	Rs 18.71
<ul style="list-style-type: none"> Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed. 	The Company granted the options to the employees at market price under the Orchid-ESOP 1999, 2005 and 2010 schemes. Also, none of the options that were outstanding under the Orchid-ESOP 1999, 2005 schemes were exercised during the year 2010-11. No options were exercisable under the Orchid-ESOP 2010 scheme during the year 2010-11. Hence, the difference between the employee compensation cost using the intrinsic value and the employee compensation cost that shall have been recognised if it had used the fair value of the options may not be applicable.
<ul style="list-style-type: none"> Weighted – average exercise price 	The weighted average exercise price (26 weeks preceding the date of grant) Rs 195.22 for the options granted on October 27, 2010 under ORCHID-ESOP 2010 Scheme.

During May 2011, the Company had formulated two schemes, the details of which are provided herein

- Orchid-ESOP – Senior Management 2011 Scheme - grant of 1,000,000 options to the employees in the grade of Senior Manager and above out of which 750,000 options will be granted to the employees of your Company and 250,000 options to the employees of various subsidiary companies of Orchid, either in India or abroad.
- Orchid-ESOP – Directors 2011 Scheme – grant of 500,000 options to the directors of the Company including whole time directors but excluding promoter director.

Resolutions seeking approval for the above schemes in the ensuing Annual General Meeting are placed before the members as detailed in the notice attached to this Report.

Annexure V to the directors' report

Corporate governance report

1. Company's Philosophy on Code of Corporate Governance

At Orchid, we are committed to practicing good Corporate Governance norms. Orchid firmly believes in adhering to Corporate Governance code to ensure protection of its investor's interest as well as healthy growth of the Company. The Company has been complying with Corporate Governance norms right from its inception. We endeavor to enhance the long term stake holding value of our investors. The Company complies with the Corporate Governance Code as enshrined in Clause 49 of the Listing Agreement.

Your Company has also familiarised itself with the requirements of the Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs and is in the process of implementing many of the suggestions.

2. Board of Directors

The Chairman of the Board of Directors is a Executive Director. The Board as at March 31, 2010 had a composition of two Executive Directors and six Non-Executive Directors. Six out of eight Directors are also Independent Directors.

Composition and category of Directors as of March 31, 2011 is as follows:

Sl. No.	Name(s) of Director(s)	Category	Number of Directorships held in other Indian companies [@]	Number of Board Committee memberships held in other companies*
1	Shri K Raghavendra Rao	Promoter & Executive Director	1	None
2	Shri S Krishnan	Executive Director	1	None
3	Dr M R Girinath	Non-Executive – Independent	None	None
4	Dr I Seetharam Naidu	Non-Executive – Independent	None	None
5	Shri Deepak Vaidya	Non-Executive – Independent	5	6
6	Shri T A Ganesh	Non-Executive – Independent	None	None
7	Shri R Sankaran	Non-Executive – Independent	4	2
8	Shri Bharat D Shah	Non-Executive – Independent	5	3

[@] Excludes foreign companies, private limited companies and alternate directorships.

* Includes only membership in Audit and Investor Grievance Committee.

None of the directors are related to each other.

Board Meetings

Attendance Record of the Directors

Five Board meetings were held during the year from April 01, 2010 to March 31, 2011. The dates on which the meetings were held are April 28, May 27, July 21 and October 28 in 2010 and on January 19 in 2011. The attendance records of all the Directors are as under:

Name(s) of Director(s)	Number of Board meetings		Last AGM attendance
	Held	Attended	
Shri R Narayanan ¹	4	4	Present
Shri K Raghavendra Rao	5	5	Present
Shri S Krishnan ²	5	5	Present
Dr M R Girinath	5	4	Present
Dr I Seetharam Naidu	5	5	Present
Shri Deepak Vaidya	5	4	Not Present
Shri S Jeyakumar ³	1	1	–
Shri T A Ganesh ³	4	4	Present
Shri Anil Thadani ⁴ / Shri Raj Rajkumar ⁵	3	3	Present
Shri R Sankaran ⁶	1	1	– *
Shri Bharat D Shah ⁶	1	1	– *

1 Resigned from the Board with effect from October 28, 2010.

2 Appointed as Executive Director with effect from April 28, 2010.

3 Industrial Development Bank of India Limited (IDBI) withdrew the nomination of Shri S Jeyakumar and appointed Shri T A Ganesh, as its nominee on the Board with effect from May 10, 2010.

4 Resigned with effect from September 28, 2010.

5 Ceased to be Director with effect from September 28, 2010, as he was an alternate director to Shri Anil Thadani.

6 Appointed as Additional Director with effect from January 19, 2011.

* Were not on the Board at the time of the last Annual General Meeting.

3. Audit Committee

The Company constituted an Audit Committee consisting of Non-Executive Directors during 1998. The terms of reference of the Audit Committee include:

a. Review of:

- financial statements before submission to the Board.
- draft financial statements and Auditors' Report (before submission to the Board).
- accounting policies and practices.
- risk management policies and practices.
- compliance with stock exchange and legal requirements concerning financial statements.

- related party transactions.
- the internal control systems and internal audit reports and their compliance thereof
- compliance with accounting standards, and

b. Recommending the appointment of Auditors and fixing their fee.

Four meetings were held during the year from April 01, 2010 to March 31, 2011 i.e. on May 27, July 21 and October 28 in 2010 and on January 19 in 2011.

The constitution of the Committee and the attendance of each member of the Audit Committee as on March 31, 2011 are given below:

Name	Category	Number of meetings	
		Held	Attended
Shri R Narayanan, Chairman ¹	Non-Executive – Independent	3	3
Dr M R Girinath	Non-Executive – Independent	4	3
Dr I Seetharam Naidu	Non-Executive – Independent	4	4
Shri Deepak Vaidya	Non-Executive – Independent	4	3
Shri T A Ganesh	Non-Executive – Independent	4	4

1 Resigned from the Board with effect from October 28, 2010

The Chairman of the Audit Committee, Shri R Narayanan was present at the Annual General Meeting of the Company held on July 21, 2010. Shri R Narayanan resigned from the Board with effect from October 28, 2010 and in the subsequent meeting Shri Deepak Vaidya was elected as the Chairman of the Audit Committee.

The Company Secretary is the Secretary of the Audit Committee.

4. Remuneration Committee

The Remuneration Committee determines and recommends the remuneration payable to the Executive Directors on the basis of their performance as well as Company's performance, subject to consents as may be required. The remuneration to the Executive Directors consists of a fixed salary and other perquisites. Wherever applicable the perquisites are considered a part of remuneration and taxed as per Income Tax laws.

The Non-Executive Directors are not paid any remuneration except for the sitting fees for attending the Board Meetings/ Committee Meetings. The Committee deals with all elements of remuneration package, stock options, service contracts, etc., of all whole-time directors.

Two meetings of Remuneration Committee were held during the year 2010-11 on May 14, 2010 and May 27, 2010. The constitution of the Committee and the attendance of each member of the Remuneration Committee as on March 31, 2011 are given below:

Name	Category	Number of meetings	
		Held	Attended
Shri R Narayanan , Chairman ¹	Non-Executive – Independent	2	2
Dr M R Girinath	Non-Executive – Independent	2	1
Dr I Seetharam Naidu	Non-Executive – Independent	2	2
Shri Deepak Vaidya	Non-Executive – Independent	2	1
Shri T A Ganesh ²	Non-Executive – Independent	2	1

1 Resigned from the Board with effect from October 28, 2010.

2 Appointed as Nominee Director of IDBI with effect from May 10, 2010.

Details of remuneration paid to Directors for the year 2010-11 are given below:

(Rs lakhs)

Name(s) of Director(s)	Remuneration paid during the year 2010-11			
	Salary	Commission / bonus	Sitting fees	Total
Shri R Narayanan ¹ , Chairman	-	-	3.60	3.60
Shri K Raghavendra Rao	320.20	500.10	-	820.30
Shri S Krishnan ²	83.12	0.10	-	83.22
Dr M R Girinath	-	-	1.60	1.60
Dr I Seetharam Naidu	-	-	2.20	2.20
Shri Deepak Vaidya	-	-	1.60	1.60
Shri S Jeyakumar, Nominee – IDBI ³	-	-	0.40	0.40*
Shri T A Ganesh, Nominee – IDBI ³	-	-	2.20	2.20*
Shri Anil Thadani / Shri Raj Rajkumar	-	-	0.60	0.60
Shri R Sankaran ⁴	-	-	0.80	0.80
Shri Bharat D Shah ⁴	-	-	0.20	0.20

* Sitting fees of Rs 2.60 lakh paid directly to IDBI Limited.

1 Resigned from the Board with effect from October 28, 2010.

2 Appointed as Executive Director with effect from April 28, 2010.

3 Industrial Development Bank of India Limited (IDBI) withdrew the nomination of Shri S Jeyakumar and appointed Shri T A Ganesh, as its nominee on Board with effect from May 10, 2010.

4 Appointed as Director with effect from January 19, 2011.

The shares held by directors as on March 31, 2011 are given below:

Name(s) of Director(s)	Number of Shares
Shri K Raghavendra Rao	69,25,173
Shri S Krishnan	9,200
Dr M R Girinath	2,30,934
Dr I Seetharam Naidu	2,57,430
Shri Deepak Vaidya	Nil
Shri T A Ganesh	Nil
Shri R Sankaran	Nil
Shri Bharat D Shah	Nil

5. Compensation Committee

Pursuant to the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, a Compensation Committee was constituted in 1999 to consider the following:

1. Quantum of options to be granted to each employee and in aggregate.
2. The conditions under which options vested in employees may lapse in case of termination of employment due to misconduct.
3. The exercise period within which the employee should exercise the option.
4. The specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee.
5. The right of an employee to exercise all the options vested in him at once or at various points of time within the exercise period.
6. The procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of rights issue, bonus issues and other corporate actions.
7. The grant, vest and exercise of option in case of employees who are on long leave.
8. The procedure for cashless exercise of options, if any.

Three meetings of Compensation Committee were held during the year April 01, 2010 to March 31, 2011 i.e. on April 28, October 28 in 2010 and on January 19 in 2011. The constitution of the Committee and the attendance of each member of the Committee as on March 31, 2011 are given below:

Name	Category	Number of meetings	
		Held	Attended
Shri R Narayanan , Chairman ¹	Non-Executive – Independent	2	2
Shri K Raghavendra Rao	Promoter & Executive Director	3	3
Shri S Krishnan ²	Executive Director	1	1
Shri S Jeyakumar ³	Non-Executive – Independent	1	1
Shri T A Ganesh ³	Non-Executive – Independent	2	2

1 Resigned from the Board with effect from October 28, 2010.

2 Appointed as a member in the Committee by the Board on October 28, 2010.

3 Industrial Development Bank of India Limited (IDBI) withdrew the nomination of Shri S Jeyakumar and appointed Shri T A Ganesh, as its nominee on Board with effect from May 10, 2010.

6. Allotment Committee

The Allotment committee of the Board was constituted in 2001. The purpose of this committee is to consider allotment of equity shares whenever the need arises. The committee comprised of Shri R Narayanan, Shri K Raghavendra Rao, Dr M R Girinath and Dr I Seetharam Naidu. At present the Committee comprises of Shri K Raghavendra Rao, Dr M R Girinath and Dr I Seetharam Naidu as Shri R Narayanan has resigned from the Board with effect from October 28, 2010. The Committee has not met during the year 2010-11.

7. Share Transfer and Investor's Grievance Committee

The Company's shares are compulsorily traded in dematerialised form. During the year 2010-11, the committee met 12 times to consider the transfers in the physical segment.

Name(s) of Director(s)	Number of meetings	
	Held	Attended
Shri R Narayanan, Chairman ¹	7	7
Shri K Raghavendra Rao	12	11
Shri S Krishnan ²	10	10
Shri R Sankaran ³	3	3

1 Resigned from the Board with effect from October 28, 2010.

2 Appointed as a member with effect from April 28, 2010.

3 Appointed as a member with effect from January 19, 2011.

The Board has designated Smt. Bhoomijha Murali, Company Secretary as the Compliance Officer.

The following table shows the nature of complaints received from shareholders during 2009-2010 and 2010-2011, all of which have been responded within one month.

Sl. Nature of complaints no	Received and answered	
	2010-2011	2009-2010
1 Non-receipt of share certificates sent for transfer/bonus shares	11	2
2 Non-receipt of dividend warrants	73	23
3 Complaints from SEBI, Stock exchanges and Government departments	2	2
TOTAL	86	27

8. Details of Annual/Extraordinary General Meetings

Location and start time of the General Meetings held in the past three (3) years

Year	AGM / EGM	Location	Special resolutions passed	Date	Time
2010	AGM	Sathguru Gnanananda Hall, Narada Gana Sabha, 314, TTK Road, Alwarpet Chennai-600 018.	Employees Stock Option Scheme 2010	July 21, 2010	11.00 AM
2009	AGM	Kalaigiar Arangam, "Anna Arivalayam", 367-369, Anna Salai, Teynampet, Chennai – 600 018	NIL	September 30, 2009	10.00 AM
2008	AGM	Kalaigiar Arangam, "Anna Arivalayam", 367-369, Anna Salai, Teynampet, Chennai – 600 018	Reappointment of Deputy Managing Director	September 29, 2008	10.00 AM

All the resolutions including the special resolutions set out in the respective notices were passed by the shareholders unanimously.

None of the resolutions passed at the above meetings were required to be passed through postal ballot.

9. Disclosures

- No transaction of material nature conflicting with the Company's interest was entered into by the Company with related parties i.e. Company's subsidiaries, Directors or management or relatives.
- Transactions with the related parties are disclosed in Note 16 of Schedule "Q" to the financial statements in the Annual Report.
- There were no instances of non-compliance by the Company on any matter related to capital markets during the preceding three years. Hence, there were no penalties, strictures imposed by SEBI / Stock Exchanges or any other statutory authorities against the Company.
- Presently the Company does not have a whistleblower policy. No employee has been denied access to approach the Audit Committee to report any serious concerns.
- No differential treatment from the Accounting Standards was followed in preparation of the financial statements of the Company.
- The Company complies with all mandatory requirements and has also adopted some of the non-mandatory requirements/ Corporate Governance Voluntary Guidelines 2009, as detailed below.

10. Means of Communication

- Financial Results are published by the Company in Financial Express, Economic Times and Makkal Kural.
- Results are also displayed in URL www.orchidpharma.com. Official news releases are also updated in the site.
- Presentations made during the year are available on the Company's website www.orchidpharma.com.
- The Company has an internal news magazine called ECHO.
- Key developments are communicated to the Stock Exchanges and media as and when they occur.

11. General Shareholder Information & Management's Discussion and Analysis

Appended to this Report.

12. CEO / CFO Certification

As required under Clause 49 of the Listing Agreement, a Certificate duly signed by Chairman & Managing Director, Shri K Raghavendra Rao and Executive Director - Finance, Shri S Krishnan was placed at the meeting of the Board of Directors held on May 18, 2011.

13. Auditors certificate on compliance of conditions of Corporate Governance

Certificate from the Auditors is enclosed along with this Report.

Compliance of Non-mandatory requirements as per Clause 49 of the Listing Agreement and Corporate Governance Voluntary Guidelines 2009

1. Audit Committee

The Company has an Audit Committee functioning with the constitution, roles and responsibilities as envisaged under the Corporate Governance Voluntary Guidelines 2009. The terms of reference of the Committee have been described at Serial No.3 herein above.

2. Remuneration Committee

The Company has constituted a Remuneration Committee. The terms of reference of the Committee have been described at Serial No.4 herein above.

3. Independent Directors

None of the Independent Directors are involved in the day to day affairs of the Company.

Number of Companies in which an Individual may become a Director

The Company has informed its Board Members about the restriction on number of other Directorships and the same is being complied with.

4. Statutory Auditors

The Company does not advocate rotation of Auditors as envisaged in these guidelines in view of the domain knowledge acquired by the Auditors over a period of time.

5. Internal Control

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

6. Shareholders' Rights

The quarterly financial results are published in the newspapers as mentioned in Serial No.10 above. The results are also displayed on the website of the Company.

Code of Conduct Certification

The Board of Orchid Chemicals & Pharmaceuticals Limited has laid down a code of conduct for all Board members and senior management. The code of conduct has been posted in the Company's URL namely www.orchidpharma.com. All the Board members and the senior management affirmed compliance to the code for the year 2010-11.

Place: Chennai

Date: May 18, 2011

K Raghavendra Rao

Chairman & Managing Director

Auditors' certificate on corporate governance

To

The Members of

ORCHID CHEMICALS & PHARMACEUTICALS LIMITED

We have examined the compliance of conditions of Corporate Governance by Orchid Chemicals & Pharmaceuticals Limited (the Company), for the year ended on March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of management. Our examination was limited to procedures and implementation thereof, adopted by the Company to ensure compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has

complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended March 31, 2011, no investor grievances are pending against the Company for more than one month as per the records maintained by the Company and presented to the Investor Grievance/Share Transfer Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For SNB Associates

Chartered Accountants

Firm Registration No. 015682N

B.Mahalingam

Partner

Membership No.210408

Place: Chennai

Date: May 18, 2011

Annexure VI to directors' report

General shareholders' information

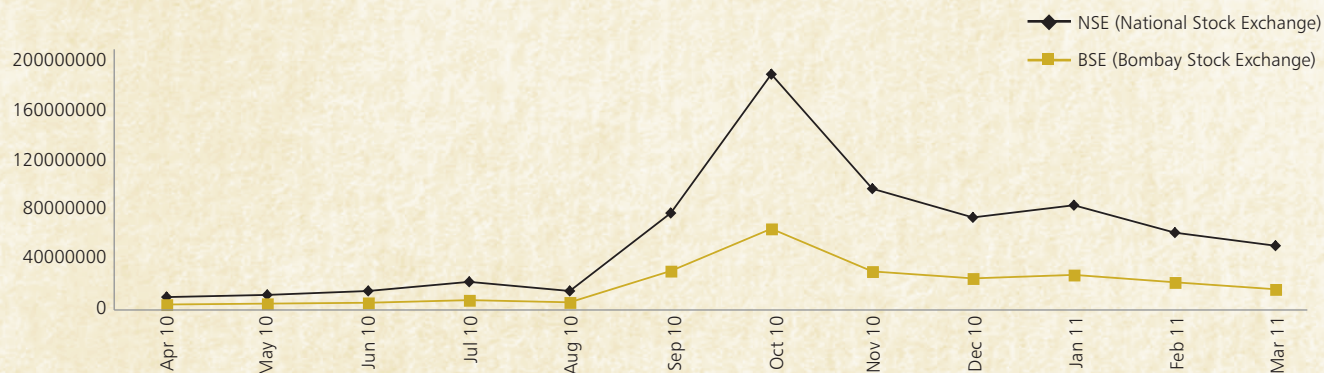
1 Registered Office	: 'Orchid Towers', 313, Valluvar Kottam High Road, Nungambakkam, Chennai - 600 034, Tamil Nadu, India.
2 Date, time and venue of 19th Annual General Meeting (AGM)	: Friday, July 29, 2011, 10.15 am at Kalaignar Arangam, "Anna Arivalayam", 367-369, Anna Salai, Teynampet, Chennai - 600 018
3 Dividend Payment Date for fiscal 2011	: Third week of August 2011 subject to approval of shareholders
4 Dates of book closure	: July 21, 2011 to July 29, 2011 (both days inclusive)
5 Financial Calendar	
Financial reporting for	
Quarter ending June 30, 2011	: Last week of July 2011
Quarter ending September 30, 2011	: Second week of November 2011
Quarter ending December 31, 2011	: Second week of February 2012
Year ending March 31, 2012	: Last week of May 2012
6 The equity shares of Rs 10/- each are listed at	<p>Madras Stock Exchange Limited No.30, Second Line Beach Chennai - 600 001, Tamil Nadu, India Tel : 91-44-25228951, Fax : 91-44-25244897</p> <p>National Stock Exchange of India Limited "Exchange Plaza", Plot No.C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051, Maharashtra, India Tel : 91-22-26598100, Fax : 91-22-26598120</p> <p>Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street Mumbai - 400 001, Maharashtra, India Tel : 91-22-22721233, Fax : 91-22-22721919</p>
7 Foreign Currency Convertible Bonds (FCCBs) / GDRs	
Global Depository Receipts (GDRs) are listed at	<p>Luxembourg Stock Exchange Bourse de Luxembourg BP 165, L-2011 Luxembourg Tel : +352 47 79 36-1; Telefax : +352 47 32 98</p> <p>London Stock Exchange Registered Office: 10, Paternoster Square London EC4M 7LS</p>
Foreign Currency Convertible Bonds aggregating to US\$ 175 million issued in February 2007 and due February 2012 are listed at	<p>Singapore Exchange Limited 2 Shenton Way #19-00 SGX Centre 1, Singapore 068804 Tel : (65) 62368888, Fax : (65) 65356994</p>
8 Listing Fees	: Listing Fees have been paid for all the above Stock Exchanges for 2010-2011 and 2011-2012.

9. Stock Market data

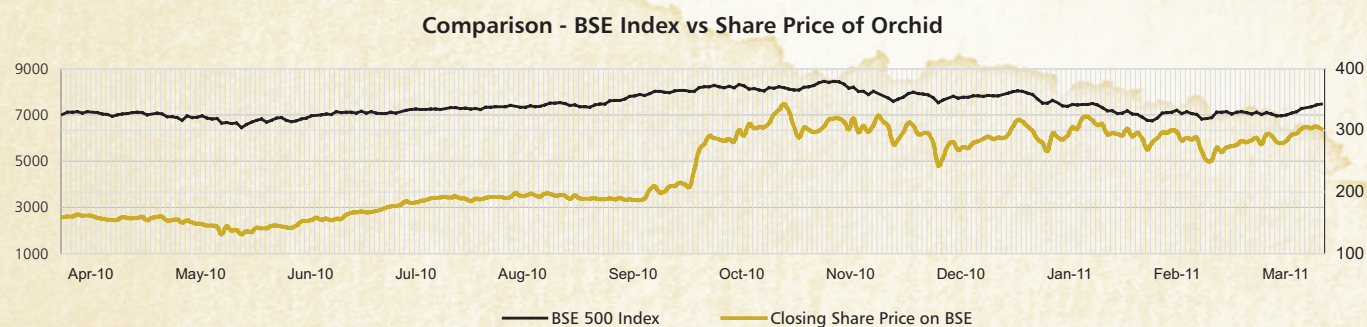
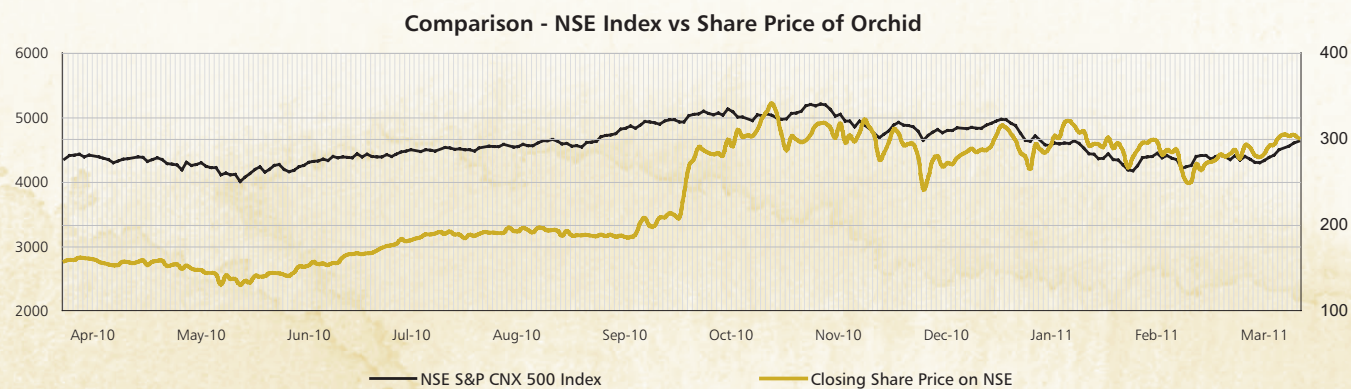
a) Monthly high and low quotations along with the volume of shares traded at NSE and BSE for 2010-2011 are:

Month	NSE			NSE S&P CNX 500 Index (Avg)	BSE			BSE 500 Index (Avg)
	High (Rs)	Low (Rs)	Volume of Shares (Nos)		High (Rs)	Low (Rs)	Volume of Shares (Nos)	
Apr-10	163.80	150.65	86,59,277	4366	163.90	150.50	26,88,781	7030
May-10	160.90	128.00	1,05,94,991	4198	160.90	128.00	35,08,052	6753
Jun-10	168.60	138.30	1,36,46,859	4298	168.75	138.10	40,59,447	6916
Jul-10	193.70	165.00	2,09,16,542	4465	195.00	164.60	63,79,222	7176
Aug-10	198.00	180.25	1,35,38,726	4571	198.45	184.05	44,91,643	7355
Sep-10	238.40	183.80	7,61,07,989	4822	238.40	182.35	2,97,25,869	7787
Oct-10	344.20	232.00	18,74,49,658	5027	344.40	232.40	6,35,61,992	8133
Nov-10	330.80	257.00	9,58,00,364	4981	330.95	259.25	2,93,79,097	8053
Dec-10	314.60	231.05	7,26,44,036	4824	314.65	231.30	2,37,71,531	7780
Jan-11	324.00	259.20	8,23,42,569	4657	323.85	259.55	2,66,26,474	7505
Feb-11	307.25	243.65	6,04,59,996	4319	307.30	243.40	2,04,85,856	6960
Mar-11	308.50	250.80	4,98,37,446	4410	308.30	252.00	1,51,11,832	7101
TOTAL			69,19,98,453				22,97,89,796	

b) Graphical representation of Volume of Shares traded of Orchid during April 2010 - March 2011



c) Comparison of broad based indices with share price of Orchid



10 Stock Exchange Security Code and other related information

Madras Stock Exchange Limited	OCL
Bombay Stock Exchange Limited	524372
National Stock Exchange of India Limited	ORCHIDCHEM
Singapore Exchange Limited	XS0287742653
Depository ISIN No.	INE191A01019
Corporate Identification Number (CIN)	L24222TN1992PLC022994

11. Equity history since incorporation of the Company upto March 31, 2011

Allotment Date	Particulars	Number of Shares	
		Issued	Cumulative
13-Jul-92	Subscribers to Memorandum	70	70
26-Nov-92	Issued to Promoters on Private Placement basis	2,49,930	2,50,000
27-Feb-93	Issued on Private Placement basis	14,51,800	17,01,800
4-Nov-93	Issued on Private Placement basis	17,98,200	35,00,000
8-Nov-93	Public Issue	25,00,000	60,00,000
18-Jul-94	Issued on Private Placement basis	12,00,000	72,00,000
1-Nov-94	Issued to Foreign Institutional Investors on Private Placement basis	2,50,000	74,50,000
3-Nov-94	Issued on Private Placement basis	12,23,000	86,73,000
21-Apr-95	Rights Issue (1:1)	86,73,000	1,73,46,000
9-Dec-99	Issued to Foreign Companies on Private Placement basis	1,06,53,192	2,79,99,192
21-Nov-02	Allotment pursuant to conversion of FCCBs	43,82,727	3,23,81,919
1-Mar-05	Allotment pursuant to conversion of warrants	17,50,000	3,41,31,919
27-Apr-05	Allotment pursuant to exercise of ESOS	11,800	3,41,43,719
2-Aug-05	Allotment pursuant to exercise of ESOS	59,485	3,42,03,204
2-Aug-05	Allotment pursuant to conversion of warrants	1,80,000	3,43,83,204
31-Aug-05	Allotment pursuant to exercise of ESOS	3,00,676	3,46,83,880
31-Aug-05	Allotment pursuant to conversion of warrants	70,000	3,47,53,880
21-Sep-05	Bonus Issue (1:2)	1,73,76,940	5,21,30,820
13-Oct-05	Allotment pursuant to conversion of warrants	1,05,000	52,235,820
2-Nov-05	Allotment pursuant to conversion of GDRs	92,50,000	6,14,85,820
23-Dec-05	Allotment pursuant to exercise of ESOS	19,649	6,15,05,469
1-Mar-06	Allotment pursuant to conversion of FCCBs	1,84,330	6,16,89,799
7-Mar-06	Allotment pursuant to conversion of FCCBs	4,60,827	6,21,50,626
20-Mar-06	Allotment pursuant to conversion of FCCBs	17,51,146	6,39,01,772
20-Mar-06	Allotment pursuant to conversion of warrants	50,000	6,39,51,772
31-Mar-06	Allotment pursuant to conversion of FCCBs	6,52,531	6,46,04,303
31-Mar-06	Allotment pursuant to conversion of FCCBs	13,879	6,46,18,182
18-Apr-06	Allotment pursuant to conversion of FCCBs	4,14,744	6,50,32,926
28-Apr-06	Allotment pursuant to conversion of FCCBs	7,37,325	6,57,70,251
28-Apr-06	Allotment pursuant to exercise of ESOS	3,475	6,57,73,726
31-May-06	Allotment pursuant to conversion of warrants	35,000	6,58,08,726
31-May-06	Allotment pursuant to exercise of ESOS	3,015	6,58,11,741
19-Oct-06	Allotment pursuant to exercise of ESOS	4,000	6,58,15,741
19-Jan-07	Allotment pursuant to exercise of ESOS	550	6,58,16,291
3-May-07	Allotment pursuant to exercise of ESOS	6,085	6,58,22,376
17-Jul-07	Allotment pursuant to exercise of ESOS	5,650	6,58,28,026
18-Oct-07	Allotment pursuant to exercise of ESOS	6,000	6,58,34,026
20-Dec-07	Allotment pursuant to exercise of ESOS	3,000	6,58,37,026

Allotment Date	Particulars	Number of Shares	
		Issued	Cumulative
17-Jan-08	Allotment pursuant to exercise of ESOS	13,750	6,58,50,776
26-Apr-08	Allotment pursuant to exercise of ESOS	9,425	6,58,60,201
29-May-08	Allotment pursuant to exercise of ESOS	16,375	6,58,76,576
13-Aug-08	Allotment pursuant to conversion of warrants	3,81,000	6,62,57,576
13-Aug-08	Allotment pursuant to exercise of ESOS	4,000	6,62,61,576
29-Aug-08	Allotment pursuant to conversion of warrants	41,79,000	7,04,40,576
29-Aug-08	Allotment pursuant to exercise of ESOS	1,500	7,04,42,076
TOTAL		7,04,42,076	

12. Distribution of Shareholding as on :

No of equity shares held	31st March 2011			31st March 2010		
	No of shares	No of Shareholders	% of Shareholders	No of shares	No of Shareholders	% of Shareholders
1-500	57,19,489	58,347	93.45	67,02,211	65,291	94.31
501-1000	16,53,541	2,088	3.34	17,47,188	2,244	3.24
1001-2000	14,04,591	931	1.49	13,25,401	896	1.29
2001-3000	7,64,808	295	0.47	6,22,133	241	0.35
3001-4000	5,39,486	150	0.24	3,95,128	110	0.16
4001-5000	5,41,673	115	0.18	4,18,701	91	0.13
5001-10000	16,14,721	215	0.34	11,22,395	151	0.22
10001 & above	5,82,03,767	294	0.47	5,81,08,919	205	0.30
TOTAL	7,04,42,076	62,435	100.00	7,04,42,076	69,229	100.00

13. Dematerialisation of Shares

The shares of the Company are in compulsory demat segment and are available for trading in both the depository systems, namely, National Securities Depository Limited and Central Depository Services (India) Limited. Shares dematerialised upto March 31, 2011 are:

No. of Shares	% of Shares	No. of Shareholders	% of Shareholders
70065102	99.46	60208	96.43

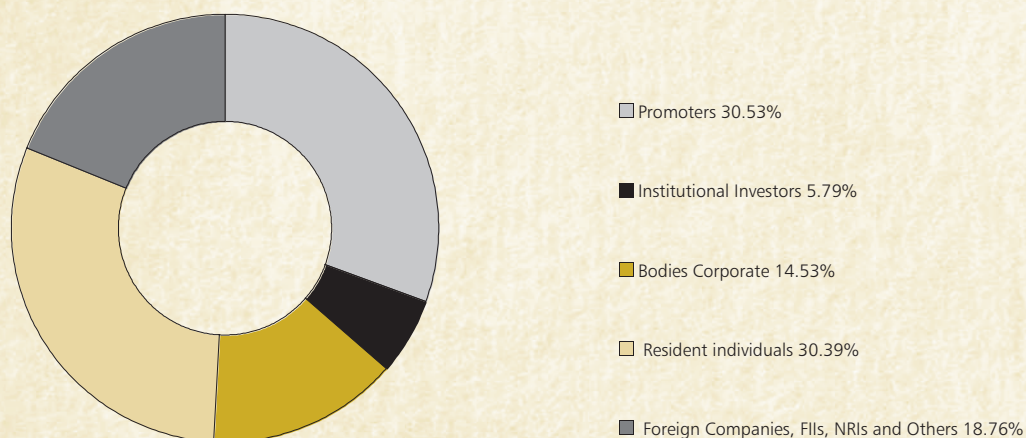
Reconciliation of Share Capital Audit

A qualified practising Company Secretary carries out reconciliation of share capital audit every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued / paid up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

14 a) Shareholding Pattern as on March 31, 2011

Category	No of shares held	Percentage of shareholding
A Promoter Holding		
1 Promoters / Promoter Group		
a) Indian	2,15,02,616	30.53
b) Foreign	Nil	Nil
Sub-Total (1)	2,15,02,616	30.53
B NON-PROMOTER HOLDING		
2 Institutional Investors		
a) Mutual Funds	8,92,897	1.27
b) Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-government Institutions)	31,84,085	4.52
c) Foreign Institutional Investors (FIIs)	94,77,177	13.45
Sub-Total (2)	1,35,54,159	19.24
3 OTHERS		
a) Private Corporate Bodies	1,02,32,047	14.53
b) Indian Public (Resident Individuals)	2,14,11,007	30.39
c) Non Resident Indians / Overseas Corporate Bodies	5,00,559	0.71
d) Foreign Companies	32,41,688	4.60
Sub-Total (3)	3,53,85,301	50.23
GRAND TOTAL (1+2+3)	7,04,42,076	100.00

b) Shareholding Pattern Chart



15 Outstanding GDRs/FCCBs and conversion dates

Name of the Instrument	Total Issued	Converted into equity so far	Bought Back as on 31/03/2011	Outstanding as on 31/03/11	Likely Conversion Date
a) Foreign Currency Convertible Bonds (FCCBs) (issued during 2005-06)	US\$ 4,25,00,000*	US\$ 2,27,90,000*	US\$ 1,97,10,000*	NIL**	N.A
b) Foreign Currency Convertible Bonds (FCCBs) (issued during 2006-07)	US\$ 17,50,00,000*	NIL	US\$ 5,75,78,000*	US\$ 11,74,22,000*	On or before February 28, 2012

* FCCBs are represented in value till the time they are converted into equity shares.

**FCCBs including yield -to- maturity, aggregating to US\$ 25.69 million (Rs 114.10 Crores) that were outstanding were fully redeemed on the due date i.e November 03, 2010.

The number of equity shares of the Company as on March 31, 2011 is 7,04,42,076 shares of Rs 10/- each. Out of the above, a portion of the shares have been converted into GDRs, with each GDR represented by an underlying equity share. The number of GDRs outstanding as on March 31, 2011 are 32,26,688.

16 Legal Proceedings

There are a few pending cases relating to the disputes on the title of the shares. The Company has been made a party to the disputes but these, however, are not material in nature.

17 Share Transfer System

M/s Integrated Enterprises (India) Limited are the Registrar and Share Transfer Agents for servicing activities relating to both physical and electronic segments. The share transfer committee met 12 times during the year 2010-2011.

18 Unclaimed Dividends

Pursuant to Section 205A of the Companies Act, 1956, the unclaimed dividend amounting to Rs 6,19,992 pertaining to the financial year 2002-03 was transferred to the Investor Education and Protection Fund (IEPF) in September 2010.

Unclaimed dividend for the financial year 2003-2004 is due for transfer to IEPF in September 2011. The Company has already written (during March 2011) to those shareholders who have not encashed their dividend, reminding them to act immediately.

The dividends for the year from 2003-2004 onwards, which remain unclaimed for seven years will be transferred to IEPF established by the Central Government under Section 205C of

the Companies Act, 1956 as and when they become due. Shareholders who have not encashed their dividends for these periods are requested to write to the Company.

19 ECS Mandate

To service its investors better, the Company requests all its members who hold shares in electronic form to update their bank particulars with their respective depository participants immediately. Shareholders holding shares in physical form may kindly forward the bank particulars to the Company's Registrar and Share Transfer Agent.

20 Updation of E-mail IDs

The Ministry of Corporate Affairs has taken a 'Green Initiative' in the Corporate Governance by allowing paperless compliances by the Companies. As a result, Companies are allowed to send all communication / documents in electronic mode to its members. In order to support the green initiative and to reduce the usage of paper, your Company requests all shareholders to update their e-mail ids with their respective depository participant, where they hold shares in electronic form and to the Company's Registrar and Share Transfer agent, if the shares are held in physical form.

21 Plant Locations:

a) Active Pharmaceutical Ingredient Facilities

i) Alathur Works

Plot Nos.85-87, 98-100, 126-131, 138-151 and 159-164
SIDCO Industrial Estate, Alathur, Kancheepuram Dist,
Pin 603 110, Tamil Nadu, India

ii) Aurangabad Works

L-8 & L-9, MIDC Industrial Area
Waluj, Aurangabad Dist, Pin 431 136
Maharashtra, India

b) Formulations (Finished Dosage Form) Facilities

i) A10/A11, SIDCO Industrial Estate
Alathur, Kancheepuram Dist
Pin 603 110, Tamil Nadu, India

ii) Plot Nos.B5 (Part) and B6 (Part)
SIPCOT Industrial Park
Irungattukottai, Sriperumbudur (Tk.)
Pin 602 105, Tamil Nadu, India

iii) B-77, SIDCO Industrial Estate
Alathur, Kancheepuram Dist
Pin 603 110, Tamil Nadu, India

22 Research and Development Centre

a) Plot No.476/14, Old Mahabalipuram Road, Shozhanganallur, Chennai 600 119, Tamil Nadu, India

23 Investor Contacts

a) Corporate Communications & Investor Relations

Mr Ch.Ram

Head, Corporate Communications &
Investor Relations
Phone : 91-44-28244908
Fax: 91-44-28211002
E-mail : ram@orchidpharma.com

b) Investor Correspondence / Compliance Officer

Mrs Bhoomijha Murali

General Manager - Legal &
Company Secretary
Phone : 91-44-28284232
Fax : 91-44-28275960
E-mail : bhoomija@orchidpharma.com

c) Registrar and Share Transfer Agent

Integrated Enterprises (India) Limited

2nd Floor, Kences Towers
No.1, Ramakrishna Street
North Usman Road
T.Nagar, Chennai - 600 017
Tamil Nadu, India
Tel : 91-44-28140801 - 03
Fax : 91-44-28142479
E-mail : corpserv@iepindia.com
Website : www.iepindia.com

Corporate Information

Board of Directors

Shri K Raghavendra Rao
Chairman & Managing Director

Shri S Krishnan
Executive Director & CFO

Directors

Dr M R Girinath
Dr I Seetharam Naidu
Shri Deepak Vaidya
Shri T A Ganesh (IDBI Nominee)
Shri Bharat D Shah
Shri R Sankaran
Prof Bala V Balachandran

Company Secretary

Mrs Bhoomijha Murali

Management Team

Dr B Gopalan	<i>Chief Scientific Office</i>
Ms Edna Braganza	<i>Chief Operating Officer - API</i>
Mr Madhusudan Rao	<i>Chief Operating Officer - Global Generics</i>
Mr M S Rangesh	<i>Chief Human Resources Officer</i>
Mr S Mani	<i>Head API - Process Research</i>
Dr R Buchi Reddy	<i>Senior Vice President - Process Research</i>
Mr P N Deshpande	<i>Senior Vice President - Manufacturing</i>
Mr K C Pathak	<i>Senior Vice President - Manufacturing</i>
Dr U P Senthil Kumar	<i>Senior Vice President - Process Research</i>
Dr Shashank Narayanrao Lulay	<i>Senior Vice President – Quality Assurance (Formulations)</i>
Mr S Sridharan	<i>Senior Vice President – IT & IE</i>
Dr J Surya Kumar	<i>Senior Vice President-Formulation Development</i>
Mr Deepak M B Nayyar	<i>Vice President - Domestic Formulations</i>
Mr C R Dwarakanath	<i>Vice President - SH&E</i>
Mr Gurmeet Singh	<i>Vice President - Commercial</i>
Mr V C Nagaraj	<i>Vice President - Human Resources</i>
Mr V S Padalkar	<i>Vice President - Projects & Maintenance</i>
Mr K V V Raju	<i>Vice President - Technical Operations</i>

Mr Sampath Parthasarathy *Vice President - Domestic Formulations*
Mr Srinivasa Rao Prerepa *Vice President - RA & QA (API)*

Bankers

Allahabad Bank • Andhra Bank • Bank of India • Bank of Baroda • Canara Bank • Central Bank of India • ICICI Bank Limited • IDBI Bank Limited • Indian Bank • Punjab National Bank • State Bank of India • Union Bank of India • State Bank of Hyderabad • The Federal Bank Limited • Standard Chartered Bank • State Bank of Travancore

Auditors

Statutory Auditors

SNB Associates
Chartered Accountants
No 12, 3rd Floor,
Gemini Parsn Complex
121, Anna Salai,
Chennai 600 006
Tamil Nadu, India

Cost Auditors

Shri V Kalyanaraman
Cost Accountant
No.4 (Old No.12),
Second Street,
North Gopalapuram
Chennai 600 086,
Tamil Nadu, India

Board Committees

Audit Committee

Shri Deepak Vaidya, *Chairman*
Prof Bala V Balachandran
Shri Bharat D Shah
Shri T A Ganesh
Dr M R Girinath
Dr I Seetharam Naidu

Compensation Committee

Shri K Raghavendra Rao, *Chairman*
Shri S Krishnan
Shri T A Ganesh

Share Transfer and Investor's Grievance Committee

Shri R Sankaran, *Chairman*
Shri S Krishnan
Shri K Raghavendra Rao

Remuneration Committee

Shri Deepak Vaidya, *Chairman*
Shri Bharat D Shah
Shri T A Ganesh
Dr M R Girinath
Shri R.Sankaran
Dr I Seetharam Naidu

Allotment Committee

Shri K Raghavendra Rao, *Chairman*
Dr M R Girinath
Shri S Krishnan
Shri R.Sankaran
Dr I Seetharam Naidu

Auditors' Report

Report of the Auditors to the Members

1. We have audited the attached Balance Sheet of Orchid Chemicals & Pharmaceuticals Limited (the Company) as at March 31, 2011 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annexe hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards as referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. On the basis of written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes thereon, specifically Note No.1 (i) (4) regarding adoption of amended Accounting Standard (AS-11) and the impact on the same on the profit for the year of the Company, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
 - ii. In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For SNB Associates
Chartered Accountants
Firm Registration No. 015682N

B. Mahalingam
Partner

Place: Chennai
Date: May 18, 2011

Membership No. 210408

Annexure to Auditors' Report

Referred to in Paragraph 3 of our Report of even date:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. According to the information and explanations given to us, the fixed assets have been physically verified by the Management at regular intervals. In our opinion, the frequency of such physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification as compared to the available records. There was no substantial disposal of fixed assets during the year.
2. Physical verification of Inventory has been conducted by the Management at reasonable intervals. The procedures for physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business. The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
3.
 - a. The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
 - b. As informed to us, the Company has not granted any loans secured or unsecured loans to companies, firms, or other parties for which entries are required to be made under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanation given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
5. In our opinion and according to the information and explanation given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.

The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices / Joint Venture agreements at the relevant time.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company, pursuant to the rules made by the Central Government for the maintenance of the Cost Records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
9. The Company is generally regular in depositing undisputed Statutory Dues including Provident fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales-Tax, Wealth-Tax, Service-Tax, Custom duty, Excise duty, Cess and any other statutory dues applicable to it with the appropriate authorities.
10. According to the information and explanations given to us, no undisputed amounts payable in respect of sales-tax, Income-Tax, Wealth Tax, Service Tax, Custom duty, Excise duty and Cess were outstanding at the year end for a period of more than six months from the date they became payable.

11. According to the records of the Company, there are no disputed amounts that have not been deposited with appropriate authorities on account of Income Tax, Sales-Tax, Wealth Tax, Service-Tax, Custom duty, Excise duty and Cess except the following:

Name of the Statute	Nature of dues	Period to which the amount relates	Amount Rs in Lakhs	Forum where the dispute is pending
Central Excise Act, 1944	Excise duty	1999-00 to 2001-02	149.07	Additional Commissioner of Central Excise, Chennai
		2004-05 to 2006-07	3.06	Customs, Excise and Service Tax Appellate Tribunal, Chennai
		2004-05 to 2006-07	439.48	Commissioner Chennai III
		April 2005 to May 2010	136.28	Additional Commissioner of Central Excise, Chennai
		Aug 2005 to July 2007	20.93	Joint Commissioner of Central Excise, Chennai
		2007 to 2009	4.67	Commissioner of Central Excise (Appeals)
		2007 to 2009	6.77	Assistant Commissioner of Central Excise, Chennai
		Sep 2006 to Feb 2010	1,423.06	Commissioner of Central Excise, Chennai
		Oct 2009 to July 2010	3.62	Deputy Commissioner of Central Excise, Chennai
Finance Act, 1994 (Chapter V)	Service tax	2005-06 to 2009-10	153.46	Commissioner of Central Excise, Chennai
		April 2007 to Jan 2010	22.24	Assistant Commissioner of Central Excise, Chennai
		Jan 2008 to Sep 2008	0.83	Commissioner of Central Excise (Appeals), Chennai

12. The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and in the immediately preceding financial year.
13. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in payment of dues to financial institutions and banks. The Company does not have any borrowings by way of debentures.
14. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
15. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund/societies.
16. Based on our examination of records and the information and explanations given to us, the Company has not dealt / traded in any shares, securities, debentures and other investments during the year.
17. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
18. The term loans obtained by the Company were applied only for the purposes for which the loans were obtained.
19. According to the Cash Flow Statement and other records examined by us and the information and explanations given to us on an over all basis, the funds raised on short-term basis, prima facie, have not been used during the year for long-term purposes.
20. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956, during the year.
21. The Company did not have any outstanding debentures / bonds during the year for which creation of securities is required.
22. The Company has not raised any money through public issue during the year. The end use of the money raised through Foreign Currency Convertible Bonds in the earlier years has been disclosed and verified.
23. Based on the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For SNB Associates
Chartered Accountants
Firm Registration No. 015682N

B. Mahalingam
Partner

Place: Chennai
Date: May 18, 2011

Membership No.210408

Balance Sheet as at March 31, 2011

(Rs lakhs)

	Schedule	31.03.2011	31.03.2010
I SOURCES OF FUNDS			
A Shareholders' Funds			
Share Capital	A	7,044.21	7,044.21
Reserves and Surplus	B	106,358.25	90,919.28
B Loan Funds			
Secured Loans	C	132,159.63	102,175.92
Foreign Currency Convertible Bonds (Refer Note 6 of schedule Q)		52,358.48	60,774.46
C Deferred Tax Liability (Refer Note 19 of Schedule Q)		19,455.56	20,380.94
D Foreign currency Monetary item Translation difference Account		–	1,761.47
Total		317,376.13	283,056.28
II APPLICATION OF FUNDS			
E Fixed Assets	D		
Gross Block		245,290.41	218,428.73
Less: Depreciation		84,636.83	72,087.32
Net block		160,653.58	146,341.41
Capital Work in Progress		31,982.94	25,143.13
Advance for capital items		27,981.21	21,700.53
		220,617.73	193,185.07
F Investments	E	13,041.83	12,356.52
G Current Assets, Loans and Advances			
Inventories	F	58,026.33	40,252.73
Sundry Debtors	G	48,110.61	71,623.25
Cash and Bank Balances	H	20,996.39	32,490.90
Loans and advances	I	44,071.96	28,892.79
		171,205.29	173,259.67
H Less: Current Liabilities & Provisions			
a) Current Liabilities	J	54,582.36	59,761.57
b) Provisions	K	32,906.36	35,983.41
		83,716.57	77,514.69
Total		317,376.13	283,056.28
Notes on accounts	Q		

As per our report of even date

On behalf of the Board

For SNB Associates

Chartered Accountants

Firm Registration No. 015682N

B. Mahalingam

Partner

Membership No. 210408

S. Krishnan

Executive Director & CFO

K. Raghavendra Rao

Chairman & Managing Director

Place: Chennai

Date: May 18, 2011

Bhoomijha Murali

GM-Legal & Company Secretary

Profit and Loss Account for the year ended March 31, 2011

(Rs lakhs)

Schedule	31.03.2011	31.03.2010
I INCOME		
Sales & Operating Income L	168,080.48	125,854.18
Less : Excise Duty	1,745.99	870.72
Extraordinary income -Profit on sale of undertaking (Refer Note No: 18 of Schedule Q)	–	101,530.29
Other Income M	760.11	980.00
	167,094.60	227,493.75
II EXPENDITURE		
Material Cost N	78,795.83	77,526.20
Manufacturing, Selling & Other Expenses O	46,496.35	64,728.47
Interest and Finance charges P	11,576.50	24,123.31
Depreciation / Amortisation	12,845.43	15,110.38
	149,714.11	181,488.36
III PROFIT /(LOSS)		
Profit/(Loss) for the year before tax	17,380.49	46,005.39
Less : Provision for tax		
Current Taxes	2,357.51	5,439.69
Deferred Taxes (Refer Note 19 of schedule Q)	(925.38)	7,431.74
Profit/(Loss) for the year after tax	15,948.36	33,133.96
Balance brought forward	5,859.15	2,832.22
Balance Available for Appropriation	21,807.51	35,966.18
IV APPROPRIATIONS		
Excess provision of dividend & tax thereon of earlier year written back	(2,174.29)	(247.35)
Proposed Dividend	2,557.52	8,879.59
Tax on proposed dividend	414.89	1,474.79
Transfer to General Reserve	15,000.00	20,000.00
Balance carried to Balance Sheet	6,009.39	5,859.15
V EARNINGS PER SHARE (Face value of Rs 10/-each) before extraordinary item		
Basic (Rs.)	22.64	(78.82)
Diluted (Rs.)	18.71	(78.82)
EARNINGS PER SHARE(Face value of Rs 10/-each) after extraordinary item		
Basic (Rs.)	22.64	47.04
Diluted (Rs.)	18.71	37.31
Notes on Accounts Q		

As per our report of even date

On behalf of the Board

For SNB Associates

Chartered Accountants

Firm Registration No. 015682N

B. Mahalingam

Partner

Membership No. 210408

S. Krishnan

Executive Director & CFO

K. Raghavendra Rao

Chairman & Managing Director

Place: Chennai

Date: May 18, 2011

Bhoomijha Murali
GM-Legal & Company Secretary

Schedules to the Accounts as at March 31, 2011

(Rs lakhs)

		31.03.2011	31.03.2010
Schedule A	SHARE CAPITAL		
Authorised			
10,00,00,000 (Previous year 10,00,00,000) Equity Shares of Rs 10/- each		10,000.00	10,000.00
Issued, Subscribed and Paid-Up			
7,04,42,076 (Previous year - 7,04,42,076) equity Shares of Rs 10/- each fully paid.		7,044.21	7,044.21
Of the above:			
1,73,76,940 Equity shares of Rs10/- each were allotted as fully paid bonus shares by capitalisation of reserves.			

Schedule B	RESERVES & SURPLUS				
Capital Reserve					
- Opening Balance	894.68		894.68		
- Additions during the year	—	894.68	—	894.68	
Securities Premium Account					
- Opening Balance	41,032.40		33,117.35		
- Additions during the year* (Refer Note 6 (c) of Schedule Q)*	288.73	41,321.13	7,915.05	41,032.40	
General Reserve					
- Opening Balance	43,133.05		23,133.05		
- Add : Transfers during the year	15,000.00	58,133.05	20,000.00	43,133.05	
Surplus in Profit & Loss Account		6,009.39		5,859.15	
		106,358.25		90,919.28	

(* includes Exchange rate gain/(loss) on provision for premium on redemption of FCCBs Rs 288.73 lakhs (Previous year Rs 3584.88 lakhs))

Schedule C	SECURED LOANS				
From Banks					
- Rupee Term Loans	51,658.13		19,997.53		
- Foreign Currency Term Loans	31,489.12		23,588.41		
- Rupee & Foreign Currency Packing Credit/Cash credit & Advance against Bills	48,986.09	132,133.34	58,501.11	102,087.05	
Hire Purchase Finance		26.29		88.87	
		132,159.63		102,175.92	

All Rupee Term Loans and Foreign Currency Term Loans from Banks/Financial Institutions are secured by first Pari Passu charge by way of joint mortgage on immovable and movable assets situated at Factory premises at SIDCO Industrial Area, Alathur, MIDC Industrial Area, Aurangabad, SIPCOT Industrial Park, Irungattukottai and R&D premises at Shozhanganallur and current assets, on second Pari Passu basis subject to prior charges created/ to be created on current assets in favour of bankers and financial institutions for securing working capital borrowings. Total term loans aggregating Rs 35,578.24 lakhs are additionally secured by personal guarantee of Shri K. Raghavendra Rao, Chairman & Managing Director of the Company. Of the above, the amount due for repayment of loans within next twelve months is Rs 22,583.83 lakhs (Previous year Rs 11,335 lakhs)

Packing Credit and Advances against bills from Banks and Working Capital Loans from Banks are secured by first charge on all current assets namely, Stocks of Raw materials, Semi-finished & Finished Goods, Stores and Spares not relating to Plant & Machinery (Consumable Stores and Spares), Bills Receivable, Book Debts & all other movable property both present and future excluding such movables as may be permitted by the Banks/ financial institutions from time to time and by second charge on immovable and movable assets after charges created/ to be created on immovable assets in favour of Financial Institutions/Banks for securing Term Loans. The borrowings from banks are additionally secured by personal guarantee of Shri. K. Raghavendra Rao, Chairman & Managing Director of the Company. Hire purchase Loans are secured by the assets acquired through such loans.

Schedules to the Accounts as at March 31, 2011

(Rs lakhs)

Schedule D FIXED ASSETS											
SL No.	Asset Description	Gross Block (At Cost)				Depreciation/Amortisation				Written Down Value	
		As at 1.4.2010	Additions during the year	Deletions during the year	As at 31.3.2011	Up to 1.4.2010	For the year	On Deletions	Up to 31.3.2011	As at 31.3.2011	As at 31.3.2010
1	Freehold Land & Site Development@	3,180.04	79.25	–	3,259.29	–	–	–	–	3,259.29	3,180.04
2	Leasehold Land	2,099.68	–	1,768.13	331.55	51.96	8.01	23.81	36.16	295.39	2,047.72
3	Buildings	30,189.91	1,349.67	–	31,539.58	4,032.10	975.97	–	5,008.07	26,531.51	26,157.81
4	Plant & Machinery	160,605.37	23,759.96	90.08	184,275.25	58,548.46	10,253.94	50.80	68,751.60	115,523.65	102,056.91
5	Factory Equipment	1,464.25	220.83	80.58	1,604.50	783.31	104.92	76.51	811.72	792.78	680.94
6	Laboratory Equipment	10,087.25	879.02	–	10,966.27	2,495.21	507.82	–	3,003.03	7,963.24	7,592.04
7	Office Equipment	2,122.15	159.26	89.05	2,192.36	1,197.99	170.79	83.82	1,284.96	907.40	924.16
8	Furniture & Fittings	1,505.99	109.40	–	1,615.39	647.29	90.16	–	737.45	877.94	858.70
9	Vehicles	566.60	94.73	130.19	531.14	199.01	47.21	60.98	185.24	345.90	367.59
10	Intangible Assets Acquired										
	Brands & Trademarks *	2,778.16	–	–	2,778.16	2,566.64	115.59	–	2,682.23	95.93	211.52
	Internally Generated DMF & ANDA **	3,829.33	2,367.59	–	6,196.92	1,565.35	571.02	–	2,136.37	4,060.55	2,263.98
	Total	218,428.73	29,019.71	2,158.03	245,290.41	72,087.32	12,845.43	295.92	84,636.83	160,653.58	146,341.41
	Previous Year's Figures	253,559.21	21,043.31	56,173.79	218,428.73	66,924.52	15,110.38	9,947.58	72,087.32	146,341.41	

* Represents value of registrations and value of applications filed Pending registration

** Refer Note 1 (b) (iv) of Schedule Q

@'Assets acquired pending for registration in favour of the Company.

	As at 31.03.2011	As at 31.03.2010
Freehold Land	59.09	59.09
Fixed Assets include assets on Hire Purchase (Gross Block)	91.05	177.58

Schedules to the Accounts as at March 31, 2011

		31.03.2011		31.03.2010	
Schedule	E	INVESTMENTS			
(At Cost)					
Long Term		Nos	Rs Lakhs	Nos	Rs Lakhs
Trade, Unquoted					
Subsidiary Companies					
Orchid Europe Limited, UK					
Common stock of GBP 1 each fully paid up		10000	6.42	10000	6.42
Less : Provision for diminution in value			(6.42)		(6.42)
			–		–
Orchid Pharma Japan KK					
Common stock JPY 50000 each fully paid up		600	122.49	600	122.49
Orchid Pharmaceuticals Inc., USA					
Common stock of US\$ 1 each fully paid up		200000	85.07	200000	85.07
Less : Provision for diminution in value			(40.21)		(40.21)
			44.86		44.86
Bexel Pharmaceutical Inc.**					
9,999,990 Series A & 48,93,750 Series B Convertible Preferred Stock					
par value US\$ 0.001 per share and 9,001,090 Common					
stock of par value US\$ 0.001 per share		23894830	8,883.24	23894830	8,883.24
Orchid Pharmaceuticals SA (Proprietary) Limited. South Africa					
10000 shares each fully paid up		303639	17.69	303639	17.69
Diakron Pharmaceuticals, Inc. USA					
3816017 Series A Preferred stock & 322,986 Common stock par value of					
0.83595 US\$ per share representing 64.55%		4139003	1,528.13	–	–
Orchid Research Laboratories Ltd.					
Fully paid up equity shares of Rs 10 each		14876600	1,487.66	14876600	1,487.66
Less : Provision for diminution in value			(1,487.66)		(1,487.66)
			–		–
			10,596.41		9,068.28
Joint Venture Companies					
Diakron Pharmaceuticals, Inc. USA					
Series A Preferred stock representing 42.71% interest		–	–	3528920	842.82
NCPC Orchid Pharmaceuticals Company Ltd, China					
Common stock representing 50% interest in the Company			2,364.24		2,364.24
			2,364.24		3,207.06
Others					
- Trade, Unquoted					
Sai Regency Power Corporation Pvt.Ltd.					
Fully paid up equity shares of Rs 10 each		450000	45.00	450000	45.00
- Non-Trade, Unquoted					
Madras Stock Exchange					
Fully paid up equity shares of Rs 10 each		911430	23.98	911430	23.98
MSE Financial services					
Fully paid up equity shares of Rs 10 each		31936	3.83	31936	3.83
Non - Trade, Quoted					
Bank of India -					
Fully paid up Equity shares of Rs 10 each		18600	8.37	18600	8.37
			81.18		81.18
Total Value of Investments			13,041.83		12,356.52

Market Value for quoted investment is Rs 88.41 lakhs (Previous year Rs 63.29 lakhs)

Aggregate value of Unquoted investment is Rs 13,033.46 lakhs (Previous year Rs 12,348.15 lakhs)

** Each Series A & B Preferred stock is convertible into One Common stock, at any time, at the option of the Company and will have voting rights equal to one common stock and has the same value as common stock.

Schedules to the Accounts as at March 31, 2011

(Rs lakhs)

	31.03.2011	31.03.2010
Schedule F INVENTORIES (Refer Note 1(f), Schedule "Q")		
Raw materials	14,384.92	9,878.90
Stores and Spare parts	2,929.97	2,331.04
Chemicals and Consumables	1,159.88	927.31
Packing Materials	908.55	710.70
Intermediates & WIP	27,304.92	17,566.07
Finished Goods	10,226.25	8,000.51
Traded Goods	1,111.84	838.20
	58,026.33	40,252.73

Schedule G SUNDRY DEBTORS		
Debts more than 6 months (Unsecured)		
Considered Good	41,596.37	51,245.40
Other Debts (Considered Good)		
Secured	427.15	1,042.57
Unsecured	6,087.09	19,335.28
(Includes Rs 61.01 Crores (Previous year Rs 90.61 Crores) kept under Escrow)		
	48,110.61	71,623.25

Schedule H CASH AND BANK BALANCES		
Cash in hand	12.89	8.10
Balances with scheduled banks on :		
Current account	19,260.76	3,904.84
Term Deposit account	753.69	13,103.91
Margin money deposit	848.47	10,851.60
Share Application money and Dividend account	76.55	51.52
Balances with other banks on :		
Current account (Ref Note 12 of Schedule Q)	44.03	4,570.93
	20,996.39	32,490.90

Schedule I LOANS AND ADVANCES (Unsecured)		
Considered Good		
Share Application Money Pending Allotment (Subsidiary)	744.40	–
Advances recoverable in cash or kind or for value to be received	14,474.65	9,721.96
Advance Payment of Tax	16,806.51	10,689.98
MAT recoverable	4,874.35	3,213.35
Loans to Subsidiaries	6,314.72	4,304.23
Deposits		
- With Government authorities	372.75	420.40
- Others	484.58	542.88
Considered Doubtful		
- Loan to Subsidiary	7,599.30	5,194.42
- Others	205.33	205.33
	51,876.59	34,292.55
Less: Provision for Doubtful Advances/Loans to Subsidiaries	7,804.63	5,399.76
	44,071.96	28,892.79

Schedules to the Accounts as at March 31, 2011

(Rs lakhs)

		31.03.2011	31.03.2010
Schedule J	CURRENT LIABILITIES		
Acceptances			
Sundry creditors (other than Micro, Small & Medium Scale Enterprises) for			
- Capital Items	2,941.29	2,366.49	
- Other supplies	22,165.41	19,480.08	
- Expenses	5,221.62	8,801.25	
[Includes due to Directors - Rs 500 lakhs (Previous year Rs Nil)]			
Investor Education and Protection Fund shall be credited by the following amounts namely :*			
- Unclaimed Dividend	76.55	51.52	
- Share Application Money Refundable	5.42	5.42	
Premium payable on redemption of FCCBs (Ref Note 6(c) of Schedule Q)	22,393.72	26,339.29	
Other liabilities (includes Rs 78.00 lakhs (Previous year Rs 46.26 lakhs) due to banks)	1,778.35	2,717.52	
	54,582.36	59,761.57	

* Represents balances in those accounts as of March 31, Actual amount to be transferred to the Investor Education and Protection Fund will be determined on due dates.

Schedule K	PROVISIONS		
Provisions for			
- Retirement Benefits	1,907.98	1,621.57	
- Rebates/Discounts	12,000.00	12,000.00	
- Taxation	16,025.97	12,007.46	
- Proposed Dividend	2,557.52	8,879.59	
- Tax on Proposed Dividend	414.89	1,474.79	
	32,906.36	35,983.41	

Schedules to the Accounts for the year ended March 31, 2011

(Rs lakhs)

		31.03.2011	31.03.2010
Schedule L	SALES & OPERATING INCOME		
Sales	157,512.88	121,385.21	
Less : Excise Duty	1,719.62	866.62	120,518.59
Operating Income			
Income from services rendered			
Contract Research & Development	691.88	108.01	
Sale of Other Materials	432.92	226.47	
Less : Excise Duty	26.37	4.10	222.37
Development Fee	433.10	492.50	
Licence Fee	1,434.40	1,283.22	
Other Operating Income (includes Rs 2,202.93 lakhs (Previous year Rs 2,164.45 lakhs) towards settlement of the Company's claim under Para IV litigation)	7,575.30	2,358.77	
	166,334.49	124,983.46	

Schedules to the Accounts for the year ended March 31, 2011

(Rs lakhs)

		31.03.2011	31.03.2010
Schedule	M OTHER INCOME		
Income from Investments			
Dividend (Refer Note 8 of Schedule Q)		267.10	2.41
Gain on cancellation of FCCBs-net		—	851.87
Profit on sale of fixed assets		125.31	—
Miscellaneous Income		367.70	125.72
		760.11	980.00

Schedule	N MATERIALS COST			
Raw Materials Consumed	84,570.14		42,881.05	
Cost of Traded Goods	3,688.02	88,258.16	3,345.45	46,226.50
Less: (Accretion to) / Depletion in Stocks				
Closing Stock of Intermediates, WIP & Finished Goods	37,531.17		25,566.58	
Opening Stock of Intermediates, WIP & Finished Goods	25,566.58	(11,964.59)	52,511.72	26,945.14
Consumption of Packing Materials		2,502.26		4,354.56
		78,795.83		77,526.20

Schedule	O MANUFACTURING, SELLING AND OTHER EXPENSES			
Power and Fuel		7,253.88		6,643.50
Conversion Charges		4,405.35		1,649.40
Consumption of Stores, Spares & Chemicals		4,314.69		2,707.49
Factory Maintenance		3,114.85		2,729.26
Salaries and Wages (includes Rs Nil (Previous year Rs 2500.28 lakhs) towards workmen compensation as one time settlement)		11,872.36		13,956.07
Contribution to Provident & other funds		1,123.09		959.07
Staff Welfare		1,143.00		1,014.02
Rent		35.34		30.77
Rates & Taxes		349.13		168.71
Insurance		1,282.67		1,192.42
Postage, Telephone & Telex		160.68		130.23
Printing & Stationery		281.87		230.05
Vehicle Maintenance		60.66		70.76
Research & Development Expenses (Refer Note 25 of Schedule Q)		3,326.62		5,388.49
Advertisement		38.48		4.79
Recruitment expenses		139.71		127.42
Auditors' Remuneration				
Statutory Auditors [Refer Note 7 of Schedule Q]		89.70		68.00
Cost Auditors		14.58		11.00
Travelling and Conveyance		1,564.12		1,381.08
Directors' Remuneration & perquisites (Refer Note 9 of Schedule Q)		897.49		304.74
Directors' travelling				
Inland		14.11		15.30
Overseas		67.82		27.79

Schedules to the Accounts for the year ended March 31, 2011

(Rs lakhs)

		31.03.2011	31.03.2010
Schedule	O	MANUFACTURING, SELLING AND OTHER EXPENSES	
		<i>(Contd...)</i>	
Directors' sitting fees		13.20	12.40
Loss on sale of fixed asset/written off		66.50	168.51
Freight outward		1,909.79	1,720.69
Commission on Sales		1,329.86	1,383.82
Business Promotion and Selling Expenses		1,421.55	1,114.97
Consultancy & Professional Fees		3,863.10	7,814.00
Exchange Rate Loss/ (Gain)		(7,376.93)	6,004.11
Provision for Losses of subsidiary companies		2,404.87	1,961.77
Bad debts and advances written off - net of provisions (Refer Note 27 of Schedule Q)		—	3,256.20
Miscellaneous expenses		2,144.22	2,481.64
		47,326.36	64,728.47
Less : Loss of profit - Insurance claim		830.01	—
		46,496.35	64,728.47

Schedule	P	INTEREST AND FINANCE CHARGES (Refer Note 10 of Schedule Q)	
Interest on Term Loans		1,287.38	13,780.24
Other Interest & Finance Charges		10,289.12	10,343.07
		11,576.50	24,123.31

As per our report of even date

On behalf of the Board

For SNB Associates

Chartered Accountants

Firm Registration No. 015682N

B. Mahalingam

Partner

Membership No. 210408

S. Krishnan

Executive Director & CFO

K. Raghavendra Rao

Chairman & Managing Director

Place: Chennai

Date: May 18, 2011

Bhoomijha Murali

GM-Legal & Company Secretary

Schedules to the Accounts

Schedule Q NOTES ON ACCOUNTS

1 Significant Accounting Policies

a) Accounting Convention

The Financial Statements are prepared under historical cost convention. Revenues are recognised and expenses are accounted on their accrual with necessary provisions for all known liabilities and losses.

b) Fixed Assets

- i) Fixed Assets are stated at the original cost inclusive of inward freight, incidental expenses related to acquisition and related pre-operational expenses and technical knowhow fees where applicable.
- ii) Machinery spares which can be used only in connection with specific fixed assets and the use of which are irregular, are charged over the period of the life of such fixed asset, in accordance with Accounting Standard (AS 10).
- iii) Brands represent brands acquired by the Company and includes IPR & Licences purchased for a consolidated consideration. The cost of brands, patents and trademarks are amortised over a period of 60 months from the month of acquisition.

iv) Internally Generated Intangible Assets - DMF & ANDA

DMF and ANDA costs represent expenses incurred on development of processes and compliance with regulatory procedures of the US FDA, in filing Drug Master Files ("DMF") and Abbreviated New Drug Applications ("ANDA"), in respect of products for which commercial value has been established by virtue of third party agreements/arrangements. This is in accordance with the requirements of Accounting Standard 26.

The cost of each DMF/ANDA is amortised to the extent of recovery of developmental costs applicable as per terms of agreement or over a period of five years from the date on which the product covered by DMF/ANDA is commercially marketed, whichever is earlier.

- v) Assets are depreciated on straight line basis at the rates specified in Schedule XIV of the Companies Act, except in respect of the following assets, where the useful lives reckoned in computing the depreciation for the year are different from those derived from the rates specified in Schedule XIV of the Companies Act, 1956. The revised useful life of the assets have been determined by the Management based on technical assessment.

Asset Categories	Useful life
Reactors, Pipes, Pipe fittings, Valves, Motors, Pumps, Nitrogen Plant, Gear Boxes, Cables and Centrifuges Evaporator(Indigenous), Jet aeration system(indigenous), Ventilation & Exhaust system, HCL column, ETP(indigenous), scrubber,incenarator(indigenous) & Instrumentation items.	9 years

Depreciation is provided at rate arrived based on useful life or schedule XIV rates whichever is higher.

- vi) Leasehold assets cost is amortised over the period of the Lease.
- vii) Depreciation on assets added/disposed off during the year is provided on pro-rata basis from the month of addition or up to the month preceeding the month of disposal, as applicable.
- viii) Impairment of assets:
Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. An impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the assets and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

c) Borrowing Costs

Interest cost on qualifying asset being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, is capitalised at the weighted average rate of the funds borrowed and utilised for acquisition of such assets.

d) Treatment of expenditure during construction period.

Expenditure during construction period is included under capital work-in-progress and the same is allocated to the respective fixed assets on the completion of construction.

e) Investments

Investments considered long term are shown at cost. Diminution in the value of investments other than temporary are provided for. Current investments are valued at lower of cost and market value.

f) Inventories

- i) Stores & Spares - At weighted average cost
- ii) Raw Materials - At annual weighted average cost

Schedules to the Accounts

Schedule Q NOTES ON ACCOUNTS (Contd...)

- iii) Finished Goods @ - At Lower of cost or net realisable value
iv) Work in Progress & Intermediates @ - At Lower of cost or net realisable value
@ After adjustment of unrealised profits on inter division transfer.

g) Revenue Recognition

Sales are recognised on despatch of goods from the factory/ warehouse and price differentials are accounted for at the end of each quarter as per the terms of marketing arrangement. Sales are net of returns, discounts and inter-division transfers. Service income is recognised as per contractual terms. In respect of composite contracts involving development and other activities, income is recognised on the basis of contractual terms after considering the quantum of work completed.

h) Retirement Benefits

Retirement Benefits are accounted on actuarial valuation carried out at the end of the year. The Company's liability towards the gratuity of employees is covered by a group gratuity policy with LIC, SBI and ICICI Prudential Life Insurance Company Ltd and the contribution to the fund is based on actuarial valuation carried out yearly as at March 31 as per the revised AS15. Provision for Leave Encashment has been made based on actuarial valuation as at the year end as per revised AS15. Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account for the year in which the related service is rendered.

i) Translation of Foreign Currency items

- 1) Non - Monetary foreign currency items are carried at cost
- 2) All inter-related transactions are recognised at common rates.
- 3) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of transaction.
- 4) Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of items which are covered by forward exchange contracts, the difference between the year end rate and the rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.

The Company has exercised the option provided under the amendment to the Companies (Accounting Standards) Amendment Rules, 2006 dated March 31, 2009 (AS 11). (a) amount remaining unamortised in the financial statements as on March 31, 2011 is Nil (previous year (Rs 1,761.47 lakhs)) (b) The value of fixed assets adjusted for exchange gain is Rs 63.27 lakhs (Previous year Loss of Rs 775.05 lakhs) resulting in depreciation amount being less by Rs 2.58 lakhs (Previous year more by Rs 29.08 lakhs) (c) profit for the year is higher by Rs 3,459.67 lakhs (Previous year - loss lower by Rs 11,791.12 lakhs).

j) Subsidy on Fixed Assets

Subsidy received on fixed assets is credited to the cost of respective fixed assets.

2. Sales tax recoverable has been recorded on the basis of the claims submitted or in the process of being submitted, as per rules relating to EOU and which in the opinion of the Company are recoverable.

(Rs lakhs)		
	As at 31.03.2011	As at 31.03.2010
3. Estimated amounts of contracts remaining to be executed on capital account (net of advances) and not provided for.	7,341.00	10,399.36
4. a. Other monies for which company is contingently liable :		
- Bills Discounted	29,881.05	17,435.59
- Unexpired Letters of Credit	8,867.50	8,652.67
- Bank Guarantees outstanding	107.06	122.35
- Claims against the Company not acknowledged as debts		
Excise demands under dispute pending before Excise authorities	2,186.94	1,980.10
Service Tax dispute pending before High Court of Chennai	176.53	271.29
b. Provision and contingencies in accordance with AS 29 :		
Opening Balance	12,000.00	4,000.00
Additions during the year	-	8,000.00
Closing Balance	12,000.00	12,000.00
5. The Company has filed an appeal against the demand made by the Income Tax department amounting to Rs Nil (Previous year Rs 98.94 lakhs). No provision has also been made for demand of interest amounting to Rs Nil (Previous year Rs 68.88 lakhs) as petition has already been filed for waiver of interest.		

Schedules to the Accounts

Schedule Q NOTES ON ACCOUNTS

6. Foreign Currency Convertible Bonds (FCCBs) :

- a) The Company raised FCCBs during 2006-07 aggregating to US\$ 175 million (Rs 77,358.75 lakhs) with an option to the investor to convert the FCCBs into equity shares of the Company at an initial conversion price of Rs 348.335 per share at a fixed rate of exchange on conversion Rs 43.93 = US\$ 1, at any time after April 9, 2007 and prior to February 18, 2012. Further the Company has an option of early redemption of these FCCBs in whole at any time on or after February 28, 2010 and prior to February 21, 2012, subject to certain conditions. Unless previously converted, redeemed or repurchased and cancelled, the FCCBs will be redeemed on February 28, 2012 at 142.77% of their principal amount. During the year 2008-09, the Company bought back FCCBs to the extent of US\$ 37.80 million and the outstanding FCCBs as at March 31, 2009 was US\$ 137.20 million.

During the year 2009-10, the Company bought back FCCBs to the extent of US\$ 19.778 million. The outstanding FCCBs as at March 31, 2011 is US\$ 117.422 million.

- b) The Company raised FCCBs during the year 2005-06 aggregating to US\$ 42.50 million (Rs 19,284.50 lakhs) including a green shoe option of US\$ 5 million (Rs 2,289.50 lakhs) with an option to the investor to convert the FCCBs into equity shares or global depository receipts at an initial conversion price of Rs 243.80 per share at a fixed rate of exchange on conversion Rs 44.94 = US\$ 1. Out of the above, FCCBs amounting to US\$ 22.79 million (Rs 10,241.82 lakhs) have been so far converted.

During 2008-09, the Company bought FCCBs to the extent of US\$ 2.25 million and the outstanding FCCB's as at March 31, 2010 is US\$ 17.46 million. During the year 2010-11, the Company redeemed the outstanding FCCBs, aggregating to US\$ 25.69 million (Rs 114.10 crore) including yield-to-maturity, on the due date i.e. November 03, 2010.

- c) Provision has already been made for the entire premium payable on redemption of FCCBs by debiting the Securities Premium account (SPA). In the event that the conversion option is exercised by the holder of FCCBs in the future, the amount of premium charged to SPA will be suitably adjusted in the respective years.

The debit to share premium account for premium on FCCBs and for issue expenses have been made on the gross value without adjusting any tax impact. Tax benefits accruing to the Company on account of claiming such expenses will be credited to the SPA in the year in which the benefit is enjoyed by the Company.

The provision for premium on redemption of FCCBs debited to SPA is being restated at the exchange rate prevailing at the year end and the gain of Rs 288.73 lakhs (Previous year Rs 3,584.88 lakhs) on account of such restatement during the year is adjusted to the security premium account.

- d) Even though the Company has provided for the premium on redemption of FCCBs as per note [c] above, the Company also makes provision for dividend in the books of account on the equity shares to be allotted upon conversion of FCCBs outstanding as at respective year end. Since the Company is obliged, as per SEBI guidelines, to pay dividend to those FCCBs holders who convert their FCCBs into equity after adoption of the financial statements and upto the book closure date.

- e) Usage of funds raised through FCCBs

	(Rs lakhs)	
	As at 31.03.2011	As at 31.03.2010
Opening Balance	6.00	7.81
Less: Expenses of Issue/Exchange fluctuations	0.88	1.81
Balance	5.12	6.00

7 Auditors' remuneration include the following:

	Year ended 31.03.2011	Year ended 31.03.2010
Audit fee	65.00	50.00
Tax Audit fee	9.75	7.50
For certification & other matters*	14.95	10.50
	89.70	68.00

* Excludes Rs Nil (Previous year Rs 20 lakhs) in relation to certification charges in connection with the sale of undertaking in 2009-10

Schedules to the Accounts

Schedule Q NOTES ON ACCOUNTS (Contd...)

8 Dividend includes the following			(Rs lakhs)
	Year ended 31.03.2011	Year ended 31.03.2010	
Trade	264.11	–	
Non-trade	2.99	2.41	
	267.10	2.41	

9 Directors' Remuneration (including Managing Director's Remuneration)

	Year ended 31.03.2011	Year ended 31.03.2010
Directors' Remuneration (including Managing Director's Remuneration)		
- Salaries	226.76	228.00
- Contribution to funds	28.91	26.48
- Other Perquisites	141.82	50.26
- Commission	500.00	–
	897.49	304.74
Net Profit for Computation of Managing Director's Commission		
Profit /(Loss) for the year before taxation as per Profit & Loss Account	17,380.49	46,005.39
Add : Directors' Remuneration	897.49	304.74
Loss on sale of Fixed Assets	67.29	173.93
Exchange rate losses on FCCBs	–	35.32
Losses of Subsidiary companies	2,404.87	1,961.77
	20,750.14	48,481.15
Less : Exchange rate gain on FCCBs	3,088.70	–
Gain on FCCB cancellation	–	851.87
Profit on sale of undertaking	–	101,530.29
Profit on sale of Fixed Assets	125.31	–
	3,214.01	102,382.16
Net Profit/(Loss)	17,536.13	(53,901.01)

For the year 2009-10 the Company had made an application to Central Government to approve the remuneration paid to the Managing Director and Whole-time Director as the minimum remuneration payable in case of inadequacy of profits. This approval has not been received till the date of approval of the accounts by the board of directors for the year 2010-11 (May 18, 2011). Adjustments required, if any will be made in the year in which the approval is received.

	Year ended 31.03.2011	Year ended 31.03.2010
10 a) Other Interest and Finance Charges is after crediting interest receipts	526.22	154.86
TDS on interest receipts	33.92	17.82
b) Amount of interest capitalised	5,090.45	4,662.27

	Year ended 31.03.2011	Year ended 31.03.2010
11 a) Factory Maintenance includes		
- Repairs & Maintenance - Plant & Machinery	861.99	930.26
- Repairs & Maintenance - Building	383.69	324.40
b) Consumption of Stores, Spares and Chemicals include Stores & Spares issued for maintenance	1,325.02	813.37

Schedules to the Accounts

Schedule Q NOTES ON ACCOUNTS (Contd...)

12 Balance as at the end of the year and maximum amount outstanding at any time during the year with banks other than Scheduled Banks.

		As at 31.03.2011	As at 31.03.2010
		(Rs lakhs)	
Barclays Bank, London	Balance as at March 31	1.22	1.23
	Maximum amount outstanding	1.23	1.39
State Bank of India, London	Balance as at March 31	–	4,523.25
	Maximum amount outstanding	4,753.27	14,028.50
Citibank NA, New York	Balance as at March 31	2.99	3.87
	Maximum amount outstanding	3.87	5.38
JSC Vneshtorgbank, Moscow	Balance as at March 31	25.27	10.97
	Maximum amount outstanding	59.26	48.94
Bank of India, New Jersey	Balance as at March 31	2.12	2.12
	Maximum amount outstanding	2.12	2.41
Eco Bank - Ghana	Balance as at March 31	2.40	3.37
	Maximum amount outstanding	31.85	23.63
JS ATF Bank - Kazak	Balance as at March 31	5.45	15.64
	Maximum amount outstanding	18.43	18.33
Private Bank - Ukraine	Balance as at March 31	4.58	10.48
	Maximum amount outstanding	69.64	41.70

13 Amounts Due to Micro, Small and Medium Enterprises

The Identification of Micro, Small and Medium Enterprises Suppliers as defined under "The Micro, Small and Medium Enterprises Development Act, 2006" is based on the Information available with the management. As certified by the Management, the amounts overdue as on March 31, 2011 to Micro, Small and Medium Enterprises on account of principal amount together with interest, aggregate to Rs Nil (Previous year Nil).

14 Derivative Instruments and unhedged Foreign currency Exposure :

a) Derivative instruments that are outstanding

Sl. No.	Particulars	As at 31.03.2011	As at 31.03.2010
1	Currency Swap	–	1,805.90
2	Forward	35,672.00	–

b) The purpose for which the instruments have been acquired is for hedging the foreign currency exposures.

c) The Foreign Currency Exposures that are not hedged by a derivative instrument or otherwise

	Currency	As at 31.03.2011		As at 31.03.2010	
		Foreign Currency	Rs lakhs	Foreign Currency	Rs lakhs
i) Receivables Outstanding	US\$	79,690,107	37,044.40	123,861,862	53,761.66
	EURO	487,939	303.98	58,641	15.47
	AUD	7,244	5.28	–	–
ii) Payables Outstanding	US\$	19,256,881	8,785.98	17,627,044	8,316.55
	EURO	245,757	188.76	–	–
	JPY	–	–	2,051,493	10.32
	Others	–	27.26	–	27.26
iii) Advance Paid	GBP	246,425	210.59	220,704	191.24
	US\$	8,020,283	3,575.44	15,657,595	6,991.90
	EURO	–	–	226,991	115.57
	CHF	5,359	2.20	6,734	2.74
	JPY	551,539	3.96	–	–
iv) FCCBs	US\$	117,422,000	52,358.47	134,882,000	60,774.46
v) Loans	US\$	70,619,244	31,489.12	52,351,799	23,588.41

The MTM gain amounting to Nil (Previous year Rs 66.29 lakhs) on the derivatives outstanding as on March 31, 2011 has been

Schedules to the Accounts

Schedule Q NOTES ON ACCOUNTS (Contd...)

accounted under exchange rates loss/(gain) account. Gain on Forward contract amounting to Rs 1,363.81 lakhs on the forward contract outstanding has been accounted under exchange rates loss/(gain) account.

- 15 Excise duty on finished goods has been accounted on removal of goods from factory, wherever applicable. Finished goods at factory have been valued at cost exclusive of excise duty and no provision has been made for excise duty on such goods. The above treatment has no impact on Profit & Loss account.

16 a) Related Party Transactions

In accordance with Accounting Standard 18, the disclosure required is given below:

(Rs lakhs)

Nature of Transaction		Subsidiary	Joint venture	Key Management Personnel	Relatives of Key Management Personnel/ Companies in which they exercise significant influence.
Finance - Equity Contribution	Diakron Pharmaceuticals Inc.	801.91 (-)	- (115.13)	- (-)	- (-)
	OPL, SA	- (4.57)	- (-)	- (-)	- (-)
	- Share Application money pending allotment	Diakron Pharmaceuticals Inc.	744.40 (-)	- (-)	- (-)
- Loans & Advances	Others	70.04 (310.37)	- (-)	- (-)	- (-)
	Orchid Pharmaceuticals Inc.	1,017.46 (-)	- (-)	- (-)	- (-)
	ORLL	3,252.24 (2,171.04)	- (-)	- (-)	- (-)
	Sale of goods	Karalex Pharma	4,892.60 (-)	- (-)	- (-)
	NCPC, China	- (-)	2,611.35 (2,827.30)	- (-)	- (-)
Rendering of Services / Interest income / rent	ORLL	121.20 (120.72)	- (-)	- (-)	- (-)
Availment of Services / Rent	Orgenus Pharma Inc.	185.54 (341.36)	- (-)	- (-)	- (-)
	Orchid Europe Ltd.	149.30 (158.10)	- (-)	- (-)	- (-)
	Karalex Pharma	340.82 (-)	- (-)	- (-)	- (-)
	Spectrasoft	- (-)	- (-)	- (-)	- (199.34)
	R.Vijayalakshmi	- (-)	- (-)	- (-)	- (22.00)
	Remuneration	-	-	Ref Note 9	-
Amounts due at the end of the year - Debit		13,632.76 (9,300.15)	7.82 (54.00)	- (-)	- (10.88)
Amounts due at the end of the year - Credit		- (-)	- (-)	- (-)	18.31 (-)

Figures in brackets are for previous year

Schedules to the Accounts

Schedule Q NOTES ON ACCOUNTS (Contd...)

Names of the related parties and description of relationship.

1. Subsidiary	Orchid Europe Limited, UK Orchid Pharmaceuticals Inc., USA Orgenus Pharma Inc., USA (Subsidiary of Orchid Pharmaceuticals Inc., USA.) Orchid Pharma Inc / Karalex Pharma USA, (Subsidiary of Orchid Pharmaceuticals Inc., USA) Orchid Research Laboratories Ltd., India (ORLL) Orchid Pharmaceuticals SA (Proprietary) Limited, South Africa (OPL, SA) Bexel Pharmaceuticals Inc., USA Diakron Pharmaceuticals Inc., USA Orchid Pharma Japan KK
2. Joint Venture	NCPC Orchid Pharmaceuticals Company Limited, (NCPC, China)
3. Key Management Personnel	Mr. K Raghavendra Rao, Chairman & Managing Director Mr. S Krishnan, Executive Director & CFO
4. Relatives of Key Management Personnel	Mrs. R Vijayalakshmi (wife of Mr. K Raghavendra Rao) Ms. R Divya and Ms. R Sowmya (daughters of Mr. K Raghavendra Rao)
5. Companies in which relatives of Key Management personnel exercise significant influence.	Spectrasoft Technologies Limited, India (Spectrasoft)

All whole time directors have been considered as Key Management Personnel as they are involved in planning, directing and controlling the activities of the reporting enterprise.

b) Information on Loans & Advances as per clause 32 of the listing Agreement

(Rs lakhs)

	Balance as on 31-03-2011	Maximum amount outstanding during the year
Subsidiary - Orchid Europe Limited, UK	463.84	560.72
Orchid Pharmaceuticals Inc., USA	1,075.52	1,075.52
Bexel Pharmaceuticals Inc., USA	2,425.82	2,425.82
Orchid Research Laboratories Ltd, India	9,667.58	9,667.58
Joint Venture - NCPC Orchid Pharmaceuticals Company Ltd., China	7.82	261.88

- 17 In terms of the resolution passed by the Company at the EGM dated October 21, 1999 Employee Stock Option Scheme was extended to the employees of the Company. Accordingly options totalling 15,00,000 Nos were given to the employees as per the scheme formulated under "ORCHID-ESOP 99" scheme by the Compensation committee of the Board of Directors. Each option is convertible into one equity share of Rs 10/- each at a price of Rs 243.35 including premium for 6,00,000 Nos, Rs 252 including premium for 3,07,925 Nos, Rs 300.65 including premium for 2,92,075 nos and Rs 339.25 including premium for 3,00,000 nos.

A fair and reasonable adjustment in share price/ the number of options outstanding was made by the Company in respect of the Employee Stock Options granted but not exercised by the Employees due to the corporate actions of issue of bonus shares during October 2005. The total number of options outstanding and the price was adjusted so that the total value and options available to each option holder remained the same.

Consequently the revised and adjusted prices per share are Rs 162.24 (Rs 243.35), Rs 168.00 (Rs 252.00) and Rs 200.44 (Rs 300.65) respectively for 6,00,000 Nos, 3,07,925 Nos and 2,92,075 Nos of options granted by the Company.

For the 3,00,000 options granted during April 2006 at a price of Rs 339.25, the Compensation Committee of the Board of Directors considered repricing of the options in the interest of the employees, due to the fall in the price of the shares of the Company and accordingly approved a repricing of the options from Rs 339.25 to Rs 193.25 as per the closing price of Orchid at National Stock Exchange on August 11, 2006. The revision in the price has been approved by the shareholders at the Annual General Meeting held on July 19, 2007.

2,60,489 Options (net of lapsed options) were outstanding as at March 31, 2010 including the additional number of options adjusted, due to the bonus issue under ORCHID-ESOP 99 scheme.

During 2010-11, the outstanding 2,60,489 Options got lapsed.

In terms of the resolution passed by the Company at the AGM dated July 18, 2005 the shareholders approved the scheme formulated under "ORCHID-ESOP 2005" for allotting 10,00,000 Nos. Accordingly 6,10,000 options were given to the eligible directors and employees

Schedules to the Accounts

Schedule Q NOTES ON ACCOUNTS (Contd...)

by the compensation committee of the Board of Directors at a meeting held on August 12, 2006. Each option is convertible into one equity share of Rs 10/- each at a price of Rs 193.25 per share including premium.

66,300 Options (net of lapsed options) were outstanding as at March 31, 2010 under ORCHID-ESOP 2005 Scheme.

During the year 2010-2011, the outstanding 66,300 Options got lapsed.

In terms of the resolution passed by the Company at the AGM dated July 21, 2010 the shareholders approved the scheme formulated under "ORCHID-ESOP 2010" for allotting 10,00,000 options. Accordingly 9,01,000 options were given to eligible Employees, including the Executive Director except the Promoter Director by the Compensation committee of the Board of Directors at a meeting held on October 28, 2010. Each option is convertible into one equity share of Rs 10/- each at a price of Rs 329.55 per share, being the closing share price of Orchid in the National Stock Exchange on October 27, 2010, the day prior to the date of the meeting. 8,98,000 Options were outstanding as at March 31, 2011 under ORCHID-ESOP 2010 Scheme.

No entries were passed in the books as the options were given at the market prices prevailing on the date of issuance of options.

- 18 During the 4th quarter of the FY 2009-10, Orchid completed the transaction for sale and transfer of its generic injectable finished dosage form pharmaceuticals business to Hospira. The sale and transfer transaction included Orchid's betalactam antibiotics injectables manufacturing complex and formulations R&D facility at Irungattukottai, Chennai as well as its generic injectable product portfolio and pipeline. The human resource base related to the transferred business also moved to the new entity.

(Rs lakhs)

	Year ended 31.03.2011	Year ended 31.03.2010
Details of Profit on sale of Undertaking		
Value of Consideration received on account of sale of undertaking	—	172,727.10
Less : Value of current assets transferred	—	(13,661.65)
Value of Fixed assets transferred	—	(47,022.49)
Expenses on transfer	—	(2,273.23)
Exchange rate (Loss)/gain	—	6,221.93
Provision for Inventory and debtors consequent to Business transfer	—	(14,461.36)
	—	101,530.29

- 19 a) Current tax includes Rs 122.70 lakhs (previous year Rs Nil) relating to prior years.
b) Deferred Tax liability represents the following
Provision for Deferred tax for the year Rs (925.38) lakhs (Previous year Rs 7431.74 lakhs)

	As at 31.03.2011	As at 31.03.2010
Timing Difference on account of Depreciation	19,455.56	20,380.94
Timing Difference on account of Losses	—	—

In accordance with clause 29 of Accounting Standard (AS22) Deferred tax Assets and Deferred tax Liabilities have been set off.

20 Segmental Reporting

The Company was disclosing segment information classifying the business as Bulk drugs and Formulations till the financial year 2004-05. However in view of integration of bulk actives and formulations business, with the commissioning of Generics formulation facilities from the financial year 2005-06, the Company considers the business as one interrelated and integrated business of "Pharmaceutical products" and hence no separate segmental reporting is provided.

21 Additional information pursuant to the provisions of Paragraph 3, 4C & 4D of Part II of Schedule VI of the Companies Act, 1956.

A) Licensed & Installed Capacity (as certified by the management)

Class of goods	Units	2010-11		2009-10	
		Regd/Licensed	Installed	Regd/Licensed	Installed
Bulk Drugs and Intermediates					
Oral & Sterile	MT	1,025	1,016	990	990
Dosage Forms					
Vials	Nos Millions	—	—	20	20
Tablets	Nos Millions	1,579	576	576	576
Capsules	Nos Millions	225	225	139	139
Dry syrups/Powders	Nos Millions	13	13	13	13

Installed Capacities are calculated based on the product mix and applicable shift operations.

Schedules to the Accounts

Schedule Q NOTES ON ACCOUNTS (Contd...)

B) Value of Raw Materials, Spare Parts and components consumed during the year

	Year ended 31.03.2011		Year ended 31.03.2010	
	Percentage	Amount (Rs lakhs)	Percentage	Amount (Rs lakhs)
Raw Materials				
Imported	61.94%	52,382.58	77.37%	33,176.92
Indigenous	38.06%	32,187.55	22.63%	9,704.13
	100.00%	84,570.14	100.00%	42,881.05
Spare Parts, Consumables & Packing Material				
Imported	16.86%	1,149.11	51.07%	3,606.84
Indigenous	83.14%	5,667.85	48.93%	3,455.21
	100.00%	6,816.96	100.00%	7,062.05

C) Earnings In Foreign Exchange during the year

(Rs lakhs)

	As at 31.03.2011	As at 31.03.2010
F.O.B. Value of Exports	72,585.33	97,620.36
Export of Services including royalty/ knowhow (net of withholding tax)	6,092.06	2,898.43

D) C.I.F Value of Imports (on cash basis)

	As at 31.03.2011	As at 31.03.2010
Raw Materials	47,157.56	30,997.50
Capital Goods	7,841.27	6,139.16
Spare Parts, Components, Consumables & Packing materials	2,732.76	732.89

E) Expenditure in Foreign Currency (on cash basis)

	As at 31.03.2011	As at 31.03.2010
Travelling Expenses	202.20	162.73
Interest & Bank Charges	1,688.64	2,249.71
Professional/Consultancy Fees	3,425.17	8,463.00
Royalty/Technical knowhow	—	35.91
Others	3,211.77	3,856.43

F) Dividend Remittances in Foreign Currency during the year

Year to which dividend relates	2009-10 Final	2008-09 Final
No of Non Resident Share Holders	2	2
No of Shares held by Non Resident Share Holders	3,176,713	3,515,000
Gross Dividend (Rs lakhs)*	317.67	35.15
Net Dividend (Rs lakhs)*	317.67	35.15

* represents only shares in respect of which dividend is remitted in foreign currency by the Company

Schedules to the Accounts

Schedule Q NOTES ON ACCOUNTS (Contd...)

22 Reconciliation of Basic and Diluted shares used in computing Earnings per share (Equity shares of Rs 10/-each fully paid-up)

		Year ended 31.03.2011	Year ended 31.03.2010
Profit After Tax before extra ordinary item	Rs Lakhs	15,948.36	(55,524.90)
Profit After Tax after extra ordinary item	Rs Lakhs	15,948.36	33,133.96
No of Shares Outstanding	Nos.	70,442,076	70,442,076
Weighted Average Number of shares	Nos.	70,442,076	70,442,076
Earnings per Share - Basic before extra ordinary item	Rs	22.64	(78.82)
Earnings per Share - Basic after extra ordinary item	Rs	22.64	47.04
No of warrants & options allotted			
Total No of Equity shares to compute diluted EPS	Nos.	85,250,661	88,795,877
Earnings per Share - Diluted before extraordinary item	Rs	18.71	(78.82)
Earnings per Share - Diluted after extraordinary item	Rs	18.71	37.31

23 Disclosure as per requirements of Accounting Standard 26

(Rs lakhs)

		As at 31.03.2011	As at 31.03.2010
ACQUIRED			
Brands & Trademarks			
Useful life		5 Years	5 Years
Gross Carrying Amount	Opening	211.52	327.15
	Additions	—	—
	Amortisation	115.59	115.63
	Closing	95.93	211.52
INTERNALLY GENERATED			
DMF & ANDA(Refer Note 1(b)(iv) of Schedule Q)			
Useful life		5 Years	5 Years
Gross Carrying Amount	Opening	2,263.98	4,723.56
	Additions	2,367.59	—
	Deletions	—	1,853.50
	Amortisation	571.02	606.08
	Closing	4,060.55	2,263.98

24 a) Details of Group Companies

Name of Subsidiary/Joint venture	Country	Type of holding	Percentage of holding	Nature of relationship	Nature of Business
Orchid Europe Limited	U.K	Equity	100%	Subsidiary	Marketing
NPCPC Orchid Pharmaceuticals Company Limited	China	Equity	50%	Joint Venture	Manufacturing
Bexel Pharmaceuticals Inc.*	USA	Convertible Preferred	@68.48%	Subsidiary	Research
		stock with equal voting rights as Common stock and Common stock.			
Orchid Pharmaceuticals Inc.	USA	Common stock	100%	Subsidiary	Services
Orgenus Pharma Inc.	USA			Subsidiary of Orchid Pharmaceuticals Inc.	Services
Orchid Research Laboratories Ltd.	India	Equity	100%	Subsidiary	Research
Orchid Pharma Inc/Karalex Pharma	USA			Subsidiary of Orchid Pharmaceuticals Inc.	Marketing
Orchid Pharmaceuticals SA (proprietary) Limited	South Africa	Equity	100%	Subsidiary	Marketing
Orchid Pharma Japan KK	Japan	Equity	100%	Subsidiary	Marketing
Diakron Pharmaceuticals Inc.	USA	Convertible Preferred	64.55%	Subsidiary	Research
		Stock and Common stock			

* Preferred stock has been considered as common stock for the purpose of calculating the percentage of holding since Preferred stock has the same voting rights as common stock.

@ excluding 31.52% held through a wholly owned subsidiary

Schedules to the Accounts

Schedule Q NOTES ON ACCOUNTS (Contd...)

b) The Company's share of interest in Assets, Liabilities, Income and expenses of Joint venture companies: (Rs lakhs)

	As at 31.03.2011	As at 31.03.2010
Fixed Assets	3,164.80	3,424.98
Current Assets	7,544.65	5,596.17
Current Liabilities	4,188.07	2,880.46
Loans	1,033.50	1,414.70
Income	12,479.44	10,767.37
Expenses	11,348.60	9,696.20

25 Expenditure on Research and Development

	As at 31.03.2011	As at 31.03.2010
Capital expenditure	642.78	57.75
Revenue expenditure charged to the Profit & Loss account (excluding depreciation)	3,326.62	5,388.49
	3,969.40	5,446.24

Revenue Research and Development Expenses include :

	Year ended 31.03.2011	Year ended 31.03.2010
Power and Fuel	152.51	190.63
Consumption of Stores, Spares & Chemicals	768.33	1,154.59
Salaries, Wages and Bonus	1,683.40	1,801.84
Contribution to Provident & other funds	138.36	163.08
Staff Welfare	123.17	135.19
Rates & Taxes	21.39	56.25
Insurance	12.57	15.21
Postage, Telephone & Telex	10.30	11.35
Printing & Stationery	16.52	22.51
Vehicle Maintenance	6.03	6.36
Recruitment expenses	27.59	12.30
Travelling and Conveyance	69.42	31.05
Loss on Sale of Asset	0.78	5.42
Testing Charges	40.75	286.56
Consultancy & Professional Fees	32.86	851.14
Others	222.64	645.01
	3,326.62	5,388.49

26 Disclosure as required by Accounting Standard 15 (Revised) on Employee Benefits

A Defined Contribution Plan

- The Company contributes 12% of the salary for all eligible employees towards provident fund managed by the Central Government.
- The Company also contributes 15% of salary, subject to a maximum of Rs 1,00,000, for all eligible employees in managerial cadre towards Superannuation Funds managed by Life Insurance Corporation of India

Schedules to the Accounts

Schedule Q NOTES ON ACCOUNTS (Contd...)

B Defined Benefit Plan

(Rs lakhs)

	Gratuity (Funded)		Leave Encashment (Unfunded)	
	As at 31.03.2011	As at 31.03.2010	As at 31.03.2011	As at 31.03.2010
1) Reconciliation of opening and closing balances of Defined Benefit obligation				
Defined Benefit Obligation at the beginning of the year	1,338	660	824	571
Current Service Cost	358	313	435	357
Interest Cost	100	46	59	36
Actuarial (gain)/ loss	(13)	479	(108)	88
Benefits paid	(173)	(160)	(160)	(228)
Defined Benefit Obligation at the year end	1,610	1,338	1,050	824
2) Reconciliation of opening and closing balances of fair value of plan assets				
Fair Value of plan assets at the beginning of the year	535	497		
Expected return on plan assets	71	47		
Actuarial gain / (loss)	(70)	40		
Employer contribution	250	110		
Benefits paid	(34)	(160)		
Fair value of plan assets at year end	751	534		
Actual return on plan assets	1	(88)		
3) Reconciliation of fair value of assets and obligations				
Fair value of plan assets	751	534	–	–
Present value of obligation	1,610	1,338	1,050	824
Amount recognised in Balance Sheet	858	804	1,050	824
4) Expense recognised during the year				
Current Service Cost	358	313	435	357
Interest Cost	100	46	59	36
Expected return on plan assets	(71)	(47)	–	–
Actuarial (gain) / loss	57	439	(108)	88
Net Cost	443	751	386	481
5) Investment Details		% Invested		
Funds Managed by Insurer	100%	100%		
6) Actuarial assumptions				
Discount rate (per annum)	8.00%	8.00%	8.00%	8.00%
Expected rate of return on plan assets (per annum)	10.00%	10.00%	–	–
Rate of escalation in salary (per annum)	10.00%	10.00%	10.00%	10.00%

The estimates of rate of escalation in salary considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

Schedules to the Accounts

Schedule Q NOTES ON ACCOUNTS (Contd...)

- 27 The bad and doubtful debts include value of debts amounting to Nil (Previous year Rs 1,615.11 lakhs) written off against the provision already made in earlier years.
- 28 The Government of India, Ministry of Corporate Affairs has issued a notification under section 211(4) of the Companies Act, 1956 dated February 8, 2011 exempting the disclosure of the quantitative details in compliance of Paras 3(i)(a), 3(ii)(a), 3(ii)(b), and 3(ii)(d) of Part II of Schedule VI of the Companies Act, 1956.
- 29 Previous year's figures have been re-grouped wherever necessary to conform to current year's classification.

As per our report of even date

On behalf of the Board

For **SNB Associates**

Chartered Accountants

Firm Registration No. 015682N

B. Mahalingam

Partner

Membership No. 210408

S. Krishnan

Executive Director & CFO

K. Raghavendra Rao

Chairman & Managing Director

Place: Chennai

Date: May 18, 2011

Bhoomijha Murali

GM-Legal & Company Secretary

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. State Code

Balance Sheet Date
Date Month Year

II. Capital Raised during the year (Amount in Rs Thousands)

Public Issue Rights Issue

Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs Thousands)

Total Liabilities Total Assets

Sources of Funds

Paid-up Capital Reserves & Surplus

Secured Loans Unsecured Loans

Deferred Tax Liability

Application of Funds

Net Fixed Assets Investments

Net Current Assets Misc. Expenditure

Accumulated Losses

IV. Performance of Company (Amount in Rs Thousands)

Turnover Total Expenditure

Other Income

Profit/Loss before Tax Profit/Loss after Tax

Earnings Per Share in Rs Dividend %

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)

Product Description

B U L K C E P H A L O S P O R I N S

P H A R M A P R O D U C T S

O T H E R B U L K D R U G S

On behalf of the Board

S. Krishnan
Executive Director & CFO

K. Raghavendra Rao
Chairman & Managing Director

Place: Chennai
Date: May 18, 2011

Bhoomijha Murali
GM-Legal & Company Secretary

Cash Flow Statement for the year ended March 31, 2011

(Rs lakhs)

	31.03.2011	31.03.2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation	17,380.49	46,005.39
Adjustment for:		
Depreciation	12,845.43	15,110.38
Dividend Income	(267.10)	(2.41)
Profit on sale of undertaking	–	(101,530.29)
Provision for discounts/Rebates	–	8,000.00
Gain on cancellation of FCCBs-net	–	(851.87)
Loss of subsidiary companies	2,404.87	1,961.77
Loss / (profit) on sale of Fixed Assets	(58.02)	173.93
Foreign Exchange Rate Fluctuations - Unrealised	(1,598.93)	477.79
Interest Expense	11,576.50	24,123.34
Operating Profit before Working Capital Changes	42,283.24	(6,531.97)
Adjustments for:		
Trade and other Receivables	11,193.37	(20,446.78)
Inventories	(17,773.60)	34,116.06
Trade Payables	1,625.15	(4,576.51)
Cash generated from Operations	37,328.16	2,560.80
Income Taxes Paid	(6,116.53)	(6,589.10)
Net Cash from Operating Activities	31,211.63	(4,028.30)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(37,688.20)	(21,307.68)
Proceeds from Sale / Deletion of Fixed Assets	1,920.13	(970.23)
Investments in Subsidiaries	(685.31)	(119.71)
Dividends received	267.10	2.41
Cash Flow from Investing Activities before Extra ordinary item	(36,186.28)	(22,395.21)
Proceeds from Sale of undertaking	–	163,742.55
Net cash used in Investing Activities after extra ordinary item	(36,186.28)	141,347.34
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from / (Repayment) Working Capital Borrowings	(9,515.02)	5,480.11
Proceeds from Long Term Borrowings	49,865.81	46,629.97
Repayment of Long Term Borrowings	(11,335.00)	(109,249.80)
Proceeds from Short Term Borrowings	12,800.00	21,000.00
Cancellation of issue of FCCBs (net of expenses)	(11,409.52)	(9,272.49)
Repayment of Short Term Borrowings	(12,800.00)	(32,004.01)
Proceeds from / (Repayment of) HP Finance	(54.68)	(55.53)
Interest paid	(16,666.95)	(28,785.58)
Dividend paid including dividend distribution tax	(8,180.09)	(824.14)
Net cash from Financing Activities	(7,295.45)	(107,081.47)
D. NET INCREASE IN CASH AND CASH EQUIVALENTS	(12,270.10)	30,237.57
Cash and Cash equivalents at the beginning of period	31,587.78	1,350.21
Cash and Cash equivalents at the end of period	19,317.68	31,587.78
Reconciliation Statement		
Cash and bank Balances as per Balance sheet	20,996.39	32,490.90
Less : Margin Money Deposit	1,602.16	851.60
Unclaimed Dividend	76.55	51.52
Cash and cash Equivalents as per cash flow	19,317.68	31,587.78

As per our report of even date

On behalf of the Board

For SNB Associates

Chartered Accountants

Firm Registration No. 015682N

B. Mahalingam

Partner

Membership No. 210408

S. Krishnan

Executive Director & CFO

K. Raghavendra Rao

Chairman & Managing Director

Place: Chennai

Date: May 18, 2011

Bhoomijha Murali
GM-Legal & Company Secretary

Section 212



Orchid Chemicals & Pharmaceuticals Limited

Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies

Particulars		(Rs lakhs)												
		Orchid Europe Limited United Kingdom Apr '10 - Mar '11	Orchid Pharmaceuticals Inc., USA Apr '10 - Mar '11	Orgenus Pharmaceuticals Inc., USA Apr '10 - Mar '11	Orchid Pharma Inc., USA Apr '10 - Mar '11	Bexel Pharmaceuticals Inc., USA Jan '10 - Dec '10	Orchid Pharma Japan K.K. Japan Apr '10 - Mar '11	Orchid Pharmaceuticals SA (Proprietary) Limited South Africa Mar '10 - Feb '11	Diakron Pharmaceuticals Inc USA Apr '10 - Mar '11	Orchid Research Laboratories Ltd., India Apr '10 - Mar '11				
Financial year of the Subsidiary		£ Rs lakhs	\$ Rs lakhs	\$ Rs lakhs	\$ Rs lakhs	\$ Rs lakhs	Jpy Rs lakhs	South African Rand	\$ Rs lakhs	Rs Rs lakhs				
1	Capital	10000	7.17	100000	44.58	18374777	8191.48	303638	20.10	4338030	1933.89	148766000	1487.66	
2	Reserves	(641902)	(459.99)	107572	47.96	(24567090)	(10952.01)	(1.65)	(282712)	(3117960)	(1389.97)	(900420570)	(9004.21)	
3	Other Liabilities	815776	584.59	250855	111.83	6311346	2813.60	-	25	-	1777566	792.45	966758354	9667.58
4	Total Liabilities	183874	131.76	2703370	1205.16	458428	53.06	20951	1.39	2997636	1336.35	1115524354	11155.24	
5	Total Assets	183874	131.76	2703370	1205.16	458428	53.06	20951	1.39	2997636	1336.35	1115524354	11155.24	
6	Details of investment	-	-	-	-	-	-	-	-	-	-	-	-	
7	Turnover	264689	189.68	-	-	391000.00	174.31	-	-	-	-	2204990	22.05	
8	Profit/(Loss) before Taxation	33226	23.81	33605	14.98	(163607)	(72.94)	2703	0.01	(19301)	(1.28)	(240487199)	(2404.87)	
9	Provision for Taxation	7261	5.20	-	-	39115	17.44	-	-	-	-	-	-	
10	Profit/(Loss) after Taxation	25965	18.61	33605	14.98	(994595)	(443.39)	2703	0.01	(19301)	(1.28)	(240487199)	(2404.87)	
11	Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	-	
12	Dealt with or provided for in the accounts of the holding company	-	-	-	-	-	-	-	-	-	-	-	-	
a)	Net aggregate of the profit / (loss) for the current period of the subsidiary	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	(2404.87)	
b)	Net aggregate of the profit / (loss) for previous financial years of the subsidiary	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	(6599.33)	
13	Not dealt with or provided for in the accounts of the holding company	-	-	-	-	-	-	-	-	-	-	-	-	
a)	Net aggregate of the profit / (loss) for the current period of the subsidiary	18.61	(0.13)	14.98	(443.39)	(72.94)	0.01	(1.28)	(504.48)	(504.48)	(504.48)	(504.48)	Nil	
b)	Net aggregate of the profit / (loss) for previous financial years of the subsidiary	(478.59)	6.90	(17.35)	-	(10299.33)	(1.67)	(17.44)	(885.50)	(885.50)	(885.50)	(885.50)	Nil	
i) Indian equivalent of figures have been arrived at by applying the year end rate 1£ = Rs 71.66, 1 South African Rand = Rs 6.62, 1 Japanese Yen = Re. 0.54 and 1US\$ = Rs 44.58 and do not form part of the reports of Orchid Europe Limited, Orchid Pharmaceuticals Inc., Orgenus Pharmaceuticals Inc., Orchid Pharma Inc., Bexel Pharmaceuticals Inc., Orchid Pharma Japan K.K., Orchid Pharmaceuticals SA (Proprietary) Limited and Diakron Pharmaceuticals Inc.,														
ii) Holding Company's interest is as stated in the schedule Q Notes to accounts 24(a).														
iii) Shares held by the holding company in the subsidiary is as stated in the schedule E of the audited accounts.														
iv) Orchid Pharma Inc., USA is a wholly owned Subsidiary of Orchid Pharmaceuticals Inc., USA.														

On behalf of the Board

Place: Chennai

Date: May 18, 2011

S. Krishnan

Executive Director & CFO

K. Raghavendra Rao

Chairman & Managing Director

Bhoomijha Murali

GM-Legal & Company Secretary

Consolidated Auditors' Report

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS OF ORCHID CHEMICALS & PHARMACEUTICALS LIMITED AND ITS SUBSIDIARIES AND JOINT VENTURES.

To the Board of Directors

Orchid Chemicals & Pharmaceuticals Limited

1. We have audited the attached Consolidated Balance Sheet of Orchid Chemicals & Pharmaceuticals (the "Company") and its subsidiaries and joint ventures (together the "Group"), as at March 31, 2011 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow statement for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimate made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3.
 - a) The financial statements of two subsidiaries which represent as at March 31, 2011, total liabilities (net) (Rs 853.83 lakhs) (previous year total liabilities (net) Rs 341.87 lakhs) and total revenue for the year ended of Rs 5,712.13 lakhs (Previous year Rs 462.23 lakhs) have been audited by other auditors and we have relied upon such audited financial statements for the purpose of our audit of the consolidated Financial Statements and our opinion, in so far as it relates to the amounts included in respect of such subsidiaries and joint venture is based solely on the report of the other auditors.
 - b) The audited financial statements for the year ended March 31, 2011 were not available in respect of four subsidiaries and one joint venture of the Company. Consequently, such subsidiaries and joint venture have been accounted for in the Consolidated Financial Statements, on the basis of unaudited financial statements provided by the management of such subsidiaries and joint venture. The total assets (net) of Rs 3,795.19 lakhs as at March 31, 2011 (previous year Rs 2,345.23 lakhs) and total Rs 2,345.23 lakhs) and total revenue for the year then ended of Rs 12,655.98 lakhs (Previous year Rs 1,0891.26 lakhs) in respect of such subsidiaries and joint venture are included in the consolidated Financial Statements.

Our opinion, in so far as it relates to the amounts included in respect of such subsidiaries and joint venture, is based solely on the accounts as provided by the management of
- such subsidiaries and joint venture.
4. Subject to our remark in Para 3 (b) above:
 - a) We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting standards -
 - AS - 21 - Consolidated financial statements
 - AS - 27 - Financial Reporting of Interests in Joint ventures,
 on the basis of the separate audited financial statements of Orchid Chemicals & Pharmaceuticals Limited and a subsidiary and the audited/unaudited financial statements of subsidiary companies and joint venture Company as mentioned above, considered in the consolidated financial statements.
 - b) In our opinion, on the basis stated in paragraph (2) above, and on the consideration of separate audit reports on and management approved accounts of individual financial statements of the Company, its aforesaid subsidiaries and joint venture, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at March 31, 2011;
 - ii. In the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year ended on that date; and
 - iii. In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.
5.
 - a) Attention is drawn to the remarks of the Auditors of a subsidiary Company given in the Note.No.7 of Schedule 'P' to the Consolidated Financial Statements.
 - b) Attention is drawn to Note No. 2 (j) (4) of Schedule P to the Consolidated Financial Statements Regarding adoption of amended Accounting Standard (AS-11) and the impact on the same on the profit for the year of the Company.

For SNB Associates
Chartered Accountants
Firm Registration No. 015682N

B. Mahalingam
Partner

Place: Chennai
Date: May 18, 2011

Membership No. 210408

Consolidated Balance Sheet as at March 31, 2011

(Rs lakhs)

Schedule		31.03.2011	31.03.2010
I SOURCES OF FUNDS			
A Shareholders' Funds			
Share Capital	A	7,044.21	7,044.21
Reserves and Surplus	B	99,880.21	86,721.78
B Loan Funds			
Secured Loans	C	133,193.13	103,590.63
Foreign Currency Convertible Bonds (Refer Note 8 of Schedule P)		52,358.48	60,774.46
C Deferred Tax Liability (Refer Note 16 of Schedule P)		19,360.28	20,280.46
D Foreign currency Monetary item Translation difference Account		–	1,761.47
E Minority Interest		192.33	–
Total		312,028.64	280,173.01
II APPLICATION OF FUNDS			
F Fixed Assets D			
Gross Block		262,424.51	234,462.96
Less: Depreciation		87,185.98	74,131.50
Net block		175,238.53	160,331.46
Capital Work in Progress		32,166.19	25,188.07
Advance for capital items		27,987.31	21,704.30
		235,392.03	207,223.83
G Investments		81.19	81.19
H Current Assets, Loans And Advances			
Inventories	E	61,762.51	42,263.92
Sundry Debtors	F	51,347.86	73,698.19
Cash and Bank Balances	G	22,234.15	33,515.74
Loans and advances	H	36,232.45	20,573.37
		171,576.97	170,051.22
I Less: Current Liabilities & Provisions			
a) Current Liabilities	I	62,115.19	61,198.96
b) Provisions	J	32,906.36	35,984.27
		76,555.42	72,867.99
Total		312,028.64	280,173.01
Notes on accounts	P		

As per our report of even date

On behalf of the Board

For SNB Associates

Chartered Accountants

Firm Registration No. 015682N

B. Mahalingam

Partner

Membership No. 210408

S. Krishnan

Executive Director & CFO

K. Raghavendra Rao

Chairman & Managing Director

Place: Chennai

Date: May 18, 2011

Bhoomijha Murali

GM-Legal & Company Secretary

Consolidated Profit and Loss Account for the year ended March 31, 2011

(Rs lakhs)

	Schedule	31.03.2011		31.03.2010	
I INCOME					
Sales & Operating Income	K	179,925.01		135,216.05	
Less : Excise Duty		1,745.98	178,179.03	870.71	134,345.34
Extraordinary income from profit on sale of undertaking (Refer note 15 of Schedule P)			–		101,530.29
Other Income	L		381.21		859.28
			178,560.24		236,734.91
II EXPENDITURE					
Material Cost	M		86,889.28		83,954.59
Manufacturing, Selling & Other Expenses	N		49,488.88		66,079.85
Interest and Finance charges	O		11,675.19		24,227.04
Depreciation / Amortisation			13,350.42		15,489.96
			161,403.77		189,751.44
III PROFIT/(LOSS)					
Profit/(Loss) for the year before tax			17,156.47		46,983.47
Less : Provision for tax					
Current Taxes		2,457.97		5,624.53	
Deferred Taxes (Refer Note 16 of Schedule P)		(920.18)	1,537.79	7,433.55	13,058.08
Profit/(Loss) for the year after tax			15,618.68		33,925.39
Balance brought forward			(61.43)		(3,879.79)
Balance Available for Appropriation			15,557.25		30,045.60
IV APPROPRIATIONS					
Excess provision of dividend & tax thereon of earliers year written back			(2,174.29)		(247.35)
Proposed Dividend		2,557.52		8,879.59	
Tax on proposed dividend		414.89	2,972.41	1,474.79	10,354.38
Transfer to General Reserve			15,000.00		20,000.00
Balance carried to Balance Sheet			(240.87)		(61.43)
V EARNINGS PER SHARE					
(Face value of Rs 10/- each) before extraordinary item					
Basic			22.17		(95.97)
Diluted			18.32		(95.97)
EARNINGS PER SHARE					
(Face value of Rs 10/- each) after extraordinary item					
Basic			22.17		48.16
Diluted			18.32		38.21
Notes on Accounts	P				

As per our report of even date

On behalf of the Board

For SNB Associates

Chartered Accountants

Firm Registration No. 015682N

B. Mahalingam

Partner

Membership No. 210408

S. Krishnan

Executive Director & CFO

K. Raghavendra Rao

Chairman & Managing Director

Place: Chennai

Date: May 18, 2011

Bhoomijha Murali

GM-Legal & Company Secretary

Schedules to the Consolidated Accounts as at March 31, 2011

(Rs lakhs)

		31.03.2011	31.03.2010	
Schedule A	SHARE CAPITAL			
Authorised				
10,00,00,000 (Previous year 10,00,00,000) Equity Shares of Rs 10/- each		10,000.00		10,000.00
Issued, Subscribed and Paid-Up				
7,04,42,076 (Previous year - 7,04,42,076) equity Shares of Rs 10/- each fully paid.		7,044.21		7,044.21
Of the above:				
1,73,76,940 Equity shares of Rs 10/- each were allotted as fully paid up by way of bonus shares by capitalisation of reserves.				
Schedule B	RESERVES & SURPLUS			
Capital Reserve				
- Opening Balance		894.68	894.68	
- Additions during the year		—	894.68	894.68
Securities Premium Account				
- Opening Balance		41,032.42	33,117.36	
- Additions during the year* (Ref Note 8 (c) of Schedule P)		288.73	7,915.07	41,032.43
General Reserve				
- Opening Balance		42,712.07	22,712.07	
- Add : Transfers during the year		15,000.00	20,000.00	42,712.07
Foreign Currency Fluctuation Reserve				
- Opening Balance		1,292.46	649.78	
Adjustments		701.58	642.68	1,292.46
Surplus in Profit & Loss Account				
Adjustment on consolidation		(1,800.86)	851.57	790.14
		99,880.21		86,721.78

(* includes Exchange rate gain/(loss) on provision for premium on redemption of FCCBs Rs 288.73 lakhs (Previous year Rs 3584.88 lakhs))

Schedule C	SECURED LOANS			
From Banks				
- Rupee Term Loans		51,658.13	19,997.53	
- Foreign Currency Term Loans		31,489.12	23,588.41	
- Rupee & Foreign Currency Packing Credit & Advance against Bills		48,986.09	58,501.11	102,087.05
From Financial Institutions				
Foreign Currency				
- Term Loans		1,033.50	1,414.70	1,414.70
Hire Purchase Finance		26.29		88.88
		133,193.13		103,590.63

All Rupee Term Loans and Foreign Currency Term Loans from Banks/Financial Institutions are secured by first Pari Passu charge by way of joint mortgage on immovable and movable assets situated at Factory premises at SIDCO Industrial Area, Alathur, MIDC Industrial Area, Aurangabad, SIPCOT Industrial Park, Irungattukottai and R&D premises at Shozhanganallur and current assets, on second Pari Passu basis subject to prior charges created/ to be created on current assets in favour of bankers and financial institutions for securing working capital borrowings. Total term loans aggregating Rs 35,578.24 lakhs are additionally secured by personal guarantee of Shri K. Raghavendra Rao, Chairman & Managing Director of the Company. Of the above, the amount due for repayment of loans within next twelve months is Rs 22,583.83 lakhs (Previous year Rs 11,335 lakhs)

Packing Credit and Advances against bills from Banks and Working Capital Loans from Banks are secured by first charge on all current assets namely, Stocks of Raw materials, Semi-finished & Finished Goods, Stores and Spares not relating to Plant & Machinery (Consumable Stores and Spares), Bills Receivable, Book Debts & all other movable property both present and future excluding such movables as may be permitted by the Banks/ financial institutions from time to time and by second charge on immovable and movable assets after charges created/ to be created on immovable assets in favour of Financial Institutions/Banks for securing Term Loans. The borrowings from banks are additionally secured by personal guarantee of Shri. K. Raghavendra Rao, Chairman & Managing Director of the Company. Hire purchase Loans are secured by the assets acquired through such loans.

Schedules to the Consolidated Accounts as at March 31, 2011

(Rs lakhs)

Schedule	D	FIXED ASSETS									
SL No.	Asset Description	Gross Block (At Cost)				Depreciation/Amortisation				Written Down Value	
		As at 1.4.2010	Additions/ Adjustments during the year	Deletions/ Adjustments during the year	As at 31.3.2011	Up to 1.4.2010	For the year	On Deletions	Up to 31.3.2011	As at 31.3.2011	As at 31.3.2010
1	Goodwill on Consolidation*	9,482.32	378.93	–	9,861.25	–	–	–	–	9,861.25	9,482.32
2	Freehold Land & Site Development@	3,180.04	79.25	–	3,259.29	–	–	–	–	3,259.29	3,180.04
3	Leasehold Land	2,099.68	–	1,768.13	331.55	51.96	8.01	23.81	36.16	295.39	2,047.72
4	Buildings	30,827.66	1,349.67	–	32,177.33	4,161.71	997.15	–	5,158.86	27,018.47	26,665.95
5	Plant & Machinery	164,773.16	23,843.75	90.08	188,526.83	60,052.85	10,518.09	50.80	70,520.14	118,006.69	104,720.31
6	Factory Equipment	1,464.25	220.83	80.58	1,604.50	783.30	104.92	76.51	811.71	792.79	680.95
7	Laboratory Equipment	10,941.40	914.66	–	11,856.06	2,588.03	549.60	–	3,137.63	8,718.43	8,353.37
8	Office Equipment	2,392.53	240.02	89.05	2,543.50	1,393.63	187.44	83.82	1,497.25	1,046.25	998.90
9	Furniture & Fittings	1,645.68	112.00	–	1,757.68	677.01	103.40	–	780.41	977.27	968.67
10	Vehicles	615.85	100.21	130.19	585.87	214.67	51.31	60.98	205.00	380.87	401.18
11	Intangible Assets Acquired										
	Brands & Trademarks **	2,778.16	–	–	2,778.16	2,566.64	115.59	–	2,682.23	95.93	211.52
	Patents & Registrations	432.90	512.67	–	945.57	76.35	143.87	–	220.22	725.35	356.55
	Internally Generated DMF & ANDA ***	3,829.33	2,367.59	–	6,196.92	1,565.35	571.02	–	2,136.37	4,060.55	2,263.98
	Total	234,462.96	30,119.58	2,158.03	262,424.51	74,131.50	13,350.40	295.92	87,185.98	175,238.53	160,331.46
	Previous Year Figures	269,566.33	21,319.70	56,423.07	234,462.96	68,815.62	15,489.96	10,174.08	74,131.50	160,331.46	

* Refer Note 2 (e) of Schedule - P

** Represents value of registrations and value of applications filed Pending registration

*** Refer Note 2 (b) (v) of Schedule - P

@Assets acquired pending for registration in favour of the Company.

	As at 31.03.2011	As at 31.03.2010
Freehold Land	59.09	59.09
Fixed Assets include assets on Hire Purchase (Gross Block)	91.05	177.58

Schedules to the Consolidated Accounts as at March 31, 2011

(Rs lakhs)

		31.03.2011	31.03.2010
Schedule E	INVENTORIES (Refer Note 2(g), Schedule "P")		
Raw materials		14,715.35	10,227.47
Stores and Spare parts		2,956.59	2,359.85
Chemicals and Consumables		1,298.01	1,055.22
Packing Materials		908.55	710.70
Intermediates & WIP		28,919.92	18,364.15
Finished Goods		10,658.75	8,708.33
Traded Goods		2,305.34	838.20
		61,762.51	42,263.92

Schedule F	SUNDRY DEBTORS		
Debts more than 6 months (Unsecured)			
Considered Good		43,503.06	51,245.40
Considered Doubtful		103.64	—
Other Debts (Considered Good)			
Secured		427.15	1,042.57
Unsecured*		7,417.65	21,410.22
		51,451.50	73,698.19
Less: Provision for Doubtful Debts		103.64	—
		51,347.86	73,698.19

* (Includes Rs 61.01 Crores (Previous year Rs 90.61 Crores) kept under Escrow)

Schedule G	CASH AND BANK BALANCES		
Cash in hand		13.27	8.42
Balances with scheduled banks on :			
Current account		20,051.06	3,910.20
Term Deposit account		869.31	13,103.91
Margin money deposit		848.46	10,851.60
Share Application money and Dividend account		76.55	51.52
Balances with other banks on:			
Current account		44.03	4,570.93
Others		331.47	1,019.16
		22,234.15	33,515.74

Schedule H	LOANS AND ADVANCES (Unsecured)		
Advances recoverable in cash or kind or for value to be received		13,691.59	5,693.18
Advance Payment of Tax		16,807.71	10,689.98
MAT recoverable		4,874.35	3,213.35
Deposits			
- With Government authorities		372.80	433.38
- Others		486.00	543.48
Considered Doubtful			
- Others		205.33	205.33
		36,437.78	20,778.70
Less: Provision for Doubtful Advances		205.33	205.33
		36,232.45	20,573.37

Schedules to the Consolidated Accounts as at March 31, 2011

(Rs lakhs)

		31.03.2011	31.03.2010
Schedule I	CURRENT LIABILITIES & PROVISIONS		
Acceptances		3,828.06	2,242.02
Sundry creditors (other than Micro, Small & Medium Scale Enterprises) for			
- Capital Items		2,996.68	2,666.25
- Other supplies		24,430.06	19,998.18
- Expenses		6,217.07	6,914.57
[Includes due to Directors - Rs 500 lakhs (Previous year Rs Nil)]			
Investor Education and Protection Fund shall be credited by the following amounts namely :*			
- Unclaimed Dividend		76.55	51.52
- Share Application Money Refundable		5.42	5.42
Premium payable on redemption of FCCBs (Ref Note 8 c of Schedule P)		22,393.72	26,339.29
Other liabilities (includes Rs 78.00 lakhs (Previous year Rs 46.26 lakhs) due to banks)		2,167.63	2,981.71
		62,115.19	61,198.96

* Represents balances in those accounts as of March 31, Actual amount to be transferred to the Investor Education and Protection Fund will be determined on due dates.

Schedule J	PROVISIONS		
Provisions for			
- Retirement Benefit		1,907.98	1,621.57
- Rebates/Discounts		12,000.00	12,000.00
- Taxation		16,025.97	12,008.32
- Proposed Dividend		2,557.52	8,879.59
- Tax on Proposed Dividend		414.89	1,474.79
		32,906.36	35,984.27

Schedules to the Consolidated Accounts for the year ended March 31, 2011

(Rs lakhs)

		31.03.2011	31.03.2010
Schedule K	SALES & OPERATING INCOME		
Sales	169,743.62		130,738.94
Less : Excise Duty	1,719.62	168,024.00	866.62
Operating Income			
Income from services rendered			
Contract Research & Development		713.93	116.15
Sale of Other Materials	432.92		226.47
Less : Excise Duty	26.36	406.56	4.09
Development Fee		433.10	492.50
Licence Fee		1,434.40	1,283.22
Other Operating Income (includes Rs 2,202.93 lakhs (Previous year Rs 2,164.45 lakhs) towards settlement of the Company's claim under Para IV litigation)		7,167.04	2,358.77
		178,179.03	134,345.34

Schedules to the Consolidated Accounts for the year ended March 31, 2011

(Rs lakhs)

		31.03.2011	31.03.2010
Schedule L	OTHER INCOME		
Income from Investments			
Dividend (Refer Note 10 of Schedule P)		2.99	2.41
Gain on cancellation of FCCBs-net		—	851.87
Profit on sale of fixed assets		131.72	—
Miscellaneous Income		246.50	5.00
		381.21	859.28

Schedule M	MATERIALS COST			
Raw Materials Consumed		93,127.15	48,879.13	
Cost of Traded Goods		3,688.02	96,815.17	52,224.57
Less: (Accretion) / Depletion to Stocks				
Closing Stock of Intermediates, WIP & Finished Goods		39,578.67	27,072.48	
Opening Stock of Intermediates, WIP & Finished Goods		27,072.48	(12,506.19)	27,303.80
Consumption of Packing Materials			2,580.30	4,426.22
		86,889.28		83,954.59

Schedule N	MANUFACTURING, SELLING AND OTHER EXPENSES			
Power and Fuel		7,679.67	7,057.93	
Conversion Charges		4,405.35	1,649.40	
Consumption of Stores, Spares & Chemicals		4,699.08	2,929.92	
Factory Maintenance		3,662.43	3,202.51	
Salaries and Wages (includes Rs Nil (Previous year Rs 2,500.28 lakhs) towards workmen compensation as one time settlement)		13,929.79	15,296.77	
Contribution to Provident & other funds		1,231.56	1,033.44	
Staff Welfare		1,311.89	1,117.88	
Rent		154.35	133.54	
Rates & Taxes		388.63	210.45	
Insurance		1,330.18	1,220.90	
Postage, Telephone & Telex		194.87	148.39	
Printing & Stationery		307.56	246.29	
Vehicle Maintenance		63.84	76.53	
Research & Development (Refer Note 20 of Schedule P)		3,388.95	5,388.49	
Advertisement		42.30	18.70	
Recruitment expenses		146.18	135.25	
Auditors' Remuneration				
Statutory Auditors [Refer Note 9 of Schedule P]		109.75	80.77	
Cost Auditors		14.58	11.00	
Travelling and Conveyance		1,677.22	1,423.50	
Directors' Remuneration & perquisites		897.49	304.74	
Directors' travelling				
Inland		14.11	15.30	
Overseas		67.82	27.79	

Schedules to the Consolidated Accounts for the year ended March 31, 2011

(Rs lakhs)

			31.03.2011		31.03.2010	
Schedule	N	MANUFACTURING, SELLING AND OTHER EXPENSES (Contd...)				
Directors' sitting fees				13.75		12.40
Loss on sale of fixed asset				66.50		173.74
Freight outward				2,220.28		1,752.75
Commission on Sales				1,790.49		1,477.62
Business Promotion and Selling Expenses				1,452.72		1,167.86
Consultancy & Professional Fees				3,950.54		7,409.74
Exchange Rate Loss/ (Gain)				(7,347.84)		6,041.81
Provision for doubtful debts & advances				103.64		–
Bad debts and advances written off-net off provisions (Refer Note 22 of Schedule P)				–		3,256.20
Miscellaneous expenses				2,351.21		3,058.24
				50,318.89		66,079.85
Less : Loss of profit - Insurance claim				830.01		–
				49,488.88		66,079.85

Schedule	O	INTEREST AND FINANCE CHARGES (Refer Note 11 of Schedule P)			
Interest on Term Loans			1,384.40		13,881.66
Other Interest & Finance Charges			10,290.79		10,345.38
			11,675.19		24,227.04

As per our report of even date

On behalf of the Board

For SNB Associates

Chartered Accountants

Firm Reg. No. 015682N

B. Mahalingam

Partner

Membership No. 210408

S. Krishnan

Executive Director & CFO

K. Raghavendra Rao

Chairman & Managing Director

Place: Chennai

Date: May 18, 2011

Bhoomijha Murali

GM-Legal & Company Secretary

Schedules to the Consolidated Accounts for the year ended March 31, 2011

Schedule P NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1 a) The Company and description of business

Orchid Chemicals & Pharmaceuticals Limited was incorporated in India in July 1992 and started commercial production in February 1994. The Company manufactures Active Pharmaceuticals Ingredients as 100% export oriented unit, and manufactures and sells finished dosage forms (formulations) in domestic and export markets. The Company also has fullfledged R & D facilities. The Company has invested in the following companies :

- Orchid Europe Limited, a Company formed in the United Kingdom initially to market nutraceuticals through mail order/ direct marketing in the United Kingdom and Europe.
- NCPC Orchid Pharmaceuticals Company Limited incorporated in China, engaged in the business of manufacture and sale of bulk drugs.
- Bexel Pharmaceuticals Inc., USA engaged in Pharmaceutical research and development.
- Orchid Pharmaceuticals Inc., USA to provide services in USA. It has a wholly owned subsidiaries "Orgenus Pharma Inc, USA" which provides services in USA and "Orchid Pharma Inc./Karalex Pharma USA." which sells pharmaceutical products in USA.
- Orchid Research Laboratories Limited, India engaged in pharmaceutical research and development.
- Orchid Pharmaceuticals SA (Proprietary) Limited, South Africa to register and market formulations in South Africa
- Orchid Pharma Japan KK, Japan to market bulk drugs and formulations in Japan
- Diakron Pharmaceuticals Inc., USA engaged in Pharmaceutical research and development

The Company, its Subsidiaries and its Joint Ventures are collectively referred as "the Group" .

b) Consolidation

The Company's consolidated financial statement has been prepared on the following basis.

Name of Subsidiary/Joint venture	Country	Type of holding	Percentage of holding	Nature of relationship	Accounting Standard adopted for consolidation of accounts
Orchid Europe Limited	U.K	Equity	100%	Subsidiary	A S 21*
Orchid Pharmaceuticals Inc.	USA	Common stock	100%	Subsidiary	A S 21*
Orgenus Pharma Inc.	USA			Subsidiary of Orchid Pharmaceuticals Inc.	
Orchid Research Laboratories Ltd.	India	Equity	100%	Subsidiary	A S 21*
Orchid Pharma Inc./Karalex Pharma US	USA			Subsidiary of Orchid Pharmaceuticals Inc.	
Orchid Pharmaceuticals SA (Proprietary) Limited	South Africa	Equity	100%	Subsidiary	A S 21**
NCPC Orchid Pharmaceuticals Company Limited	China	Equity	50%	Joint Venture	A S 27**
Bexel Pharmaceuticals Inc. *** \$	USA	Convertible Preferred stock with equal voting rights as Common stock and Common stock	\$68.48%	Subsidiary	A S 21**
Orchid Pharma Japan KK	Japan	Equity	100%	Subsidiary	A S 21*
Diakron Pharmaceuticals Inc.	USA	Convertible Preferred stock and common stock	64.55%	Subsidiary	A S 21**

* based on the Audited accounts

** based on the Management approved accounts

*** Preferred stock has been considered as common stock for the purpose of calculating the percentage of holding since Preferred stock has the same voting rights as common stock.

\$ Excluding 31.52% held through a wholly owned subsidiary.

c) Convenience Translation

The accounts of the subsidiary companies and Joint Venture companies have been prepared in their respective currencies.. For the purpose of convenience the balances are translated into Indian currency, being the reporting currency in the consolidated financial statements, at the closing rate as at March 31.

Schedules to the Consolidated Accounts

Schedule P NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Contd...)

2 Group Significant Accounting Policies

a) Accounting Convention

The Financial Statements are prepared under historical cost convention. Revenues are recognised and expenses are accounted on their accrual with necessary provisions for all known liabilities and losses.

b) Fixed Assets

- i) Fixed Assets are stated at the original cost inclusive of inward freight, incidental expenses related to acquisition and related pre-operational expenses and technical knowhow fees where applicable.
- ii) Machinery spares which can be used only in connection with specific fixed assets and the use of which are irregular, are charged over the period of the life of such fixed asset, in accordance with Accounting Standard (AS 10).
- iii) Brands represent brands acquired by the Company and includes IPR & Licences purchased for a consolidated consideration. The cost of brands, patents and trademarks are amortised over a period of 60 months from the month of acquisition.
- iv) The cost of patents / registrations acquired by subsidiaries / joint venture are amortised over their useful life after they are put to use.

v) Internally Generated Intangible Assets - DMF & ANDA

DMF and ANDA costs represents expenses incurred on development of processes and compliance with regulatory procedures of the US FDA, in filing Drug Master Files("DMF") and Abbreviated New Drug Applications("ANDA"), in respect of products for which commercial value has been established by virtue of third party agreements/arrangements. This is in accordance with the requirements of Accounting Standard 26.

The cost of each DMF/ANDA is amortised to the extent of recovery of developmental costs applicable as per the terms of agreement or over a period of five years from the date on which the product covered by DMF/ANDA is commercially marketed, whichever is earlier.

- vi) Assets are depreciated on straight line basis at the rates specified in Schedule XIV of the Companies Act, except in respect of the following assets, where the useful lives reckoned in computing the depreciation for the year are different from those derived from the rates specified in Schedule XIV of the Companies Act, 1956. The revised useful life of the assets have been determined by the Management based on technical assessment. Depreciation in the books of Subsidiaries/Joint Ventures have not been restated, since the differences are not material.

Asset Categories	Useful life
Reactors, Pipes, Pipe fittings, Valves, Motors, Pumps, Nitrogen Plant, Gear Boxes, Cables and Centrifuges Evaporator(Indigenous), Jet aeration system(indigenous), Ventilation & Exhaust system, HCL column, ETP(indigenous), scrubber,incenarator(indigenous) & Instrumentation items.	9 years

Depreciation is provided at rate arrived based on useful life or schedule XIV rates whichever is higher.

- vii) Leasehold assets cost is amortised over the period of the Lease.
- viii) Depreciation on assets added/disposed off during the year is provided on pro-rata basis from the month of addition or up to the month preceeding the month of disposal, as applicable.
- ix) Impairment of assets:
Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. An impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the assets and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

c) Borrowing Costs

Interest cost on qualifying asset being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, is capitalised at the weighted average rate of the funds borrowed and utilised for acquisition of such assets.

d) Treatment of expenditure during construction period.

Expenditure during construction period is included under capital work-in-progress and the same is allocated to the respective fixed assets on the completion of construction.

- e) The excess of cost to the Company of its interest in subsidiaries / joint ventures over its share of net assets of such subsidiaries / joint ventures at the date of acquisition of interest is recognised as goodwill on consolidation. Goodwill arising on consolidation is not amortised.

f) Investments

Investments considered long term are shown at cost. Diminution in the value of investments other than temporary are provided for. Current investments are valued at lower of cost and market value.

Schedules to the Consolidated Accounts

Schedule P NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Contd...)

- g) Inventories**
- i) Stores & Spares - At weighted average cost
 - ii) Raw Materials - At annual weighted average cost
 - iii) Finished Goods @ - At Lower of cost & net realisable value
 - iv) Work in Progress & Intermediates @ - At Lower of cost & net realisable value
- @ After adjustment of unrealised profits on inter division transfer.
- h) Revenue Recognition**
- Sales are recognised on despatch of goods from the factory/ warehouse and price differentials are accounted for at the end of each quarter as per the terms of marketing arrangement. Sales are net of returns, discounts and inter-division transfers. Service income is recognised as per contractual terms. In respect of composite contracts involving development and other activities, income is recognised on the basis of contractual terms after considering the quantum of work completed.
- i) Retirement Benefits**
- Retirement Benefits are accounted on actuarial valuation carried out at the end of the year. The Company's liability towards the gratuity of employees is covered by a group gratuity policy with LIC, SBI and ICICI Prudential Life Insurance Company Ltd and the contribution to the fund is based on actuarial valuation carried out yearly as at 31st March as per the revised AS15. Provision for Leave Encashment has been made based on actuarial valuation as at the year end as per revised AS15. Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account for the year in which the related service is rendered.
- j) Translation of Foreign Currency items**
- 1) Non - Monetary foreign currency items are carried at cost
 - 2) All inter-related transactions are recognised at common rates.
 - 3) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of transaction.
 - 4) Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of items which are covered by forward exchange contracts, the difference between the year end rate and the rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.
- The Company has exercised the option provided under the amendment to the Companies (Accounting Standards) Amendment Rules, 2006 dated March 31, 2009 (AS 11). (a) amount remaining unamortised in the financial statements as on March 31, 2011 is Nil (previous year (Rs 1,761.47 lakhs)) (b) The value of fixed assets adjusted for exchange gain is Rs 63.27 lakhs (Previous year Loss of Rs 775.05 lakhs) resulting in depreciation amount being less by Rs 2.58 lakhs (Previous year more by Rs 29.08 lakhs) (c) profit for the year is higher by Rs 3,459.67 lakhs (Previous year - loss lower by Rs 11,791.12 lakhs).
- k) Subsidy on Fixed Assets**
- Subsidy received on fixed assets is credited to the cost of respective fixed assets.
3. Sales tax recoverable have been recorded on the basis of the claims submitted or in the process of being submitted, as per rules relating to EOU and which in the opinion of the Company are recoverable.
- | | As at
31.03.2011 | As at
31.03.2010 |
|---|---------------------|---------------------|
| 4. Estimated amounts of contracts remaining to be executed on capital account (net of advances) and not provided for. | 7,341.00 | 10,399.36 |
| 5. a. Other monies for which Company is contingently liable : | | |
| - Bills Discounted | 29,881.05 | 17,435.59 |
| - Unexpired Letters of Credit | 8,867.50 | 8,652.67 |
| - Bank Guarantees outstanding | 107.06 | 122.35 |
| - Claims against the Company not acknowledged as debts | | |
| Excise demands under dispute pending before Excise authorities | 2,186.94 | 1,980.10 |
| Service Tax dispute pending before High Court of Chennai | 176.53 | 271.29 |
| b. Provision and contingencies in accordance with AS 29 : | | |
| Opening Balance | 12,000.00 | 4,000.00 |
| Additions during the year | - | 8,000.00 |
| Closing Balance | 12,000.00 | 12,000.00 |
6. The Company has filed an appeal against the demand made by the Income Tax department amounting to Nil (Previous year Rs 98.94 lakhs). No provision has also been made for demand of interest amounting to Nil (Previous year Rs 68.88 lakhs) as petition has already been filed for waiver of interest.

Schedules to the Consolidated Accounts

Schedule P NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Contd...)

- 7 In the financial statements for the year ended December 31, 2010 of Bexel, prepared as a Development Stage Enterprise, the auditors of the Company have referred to Note 2 to the financial statements and expressed an opinion that the successful completion of the Company's development program and ultimately the attainment of profitable operations is dependant upon future events, including maintaining adequate financing to fulfil its development activities and achieving a level of revenues adequate to support the Company's cost structure. The text of Note 2 referred to is reproduced below.

"The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and assume the Company will continue as a going concern. As a development stage Company, with no commercial operating history, the Company is subject to all of the risks and expenses inherent in the establishment of a new business enterprise. To address these risks and expenses, the Company must, among other things, respond to competitive developments, attract, retain and motivate qualified personnel and support the expense of marketing new products based on innovative technology. To date, the Company has incurred expenses in research and development activities without generating sufficient revenues to offset those expenses. As a result the Company has incurred losses and negative cash flow from operating activities, and as of December 31, 2010, the Company had accumulated net losses of \$ 23,266,629. There can be no assurance that management will achieve the intended results".

8 **Foreign Currency Convertible Bonds (FCCBs) :**

- a) The Company raised FCCBs during the year 2006-07 aggregating to US\$ 175 million (Rs 77,358.75 lakhs) with an option to the investor to convert the FCCBs into equity shares of the Company at an initial conversion price of Rs 348.34 per share at a fixed rate of exchange on conversion Rs 43.93 = US\$ 1, at any time after April 9, 2007 and prior to February 18, 2012. Further the Company has an option of early redemption of these FCCBs in whole at any time on or after February 28, 2010 and prior to February 21, 2012, subject to certain conditions. Unless previously converted, redeemed or repurchased and cancelled, the FCCBs will be redeemed on February 28, 2012 at 142.77 % of their principal amount. During the year 2008-09, the Company bought back FCCBs to the extent of US\$ 37.80 million and the outstanding FCCBs as at March 31, 2009 was US\$ 137.20 million.

During the year 2009-10, the Company bought back FCCBs to the extent of US\$ 19.778 million. The outstanding FCCBs as at March 31, 2011 is US\$ 117.422 million.

- b) The Company raised FCCBs during the year 2005-06 aggregating to US\$ 42.50 million (Rs 19,284.50 lakhs) including a green shoe option of US\$ 5 million (Rs 2,289.50 lakhs) with an option to the investor to convert the FCCBs into equity shares or global depository receipts at an initial conversion price of Rs 243.80 per share at a fixed rate of exchange on conversion Rs 44.94 = US\$ 1. Out of the above, FCCBs amounting to US\$ 22.79 million (Rs 10,241.82 lakhs) have been so far converted.

During 2008-09, the Company bought FCCBs to the extent of US\$ 2.25 million and the outstanding FCCB's as at March 31, 2010 is US\$ 17.46 million. During the year 2010-11, the Company redeemed the outstanding FCCBs, aggregating to US\$ 25.69 million (Rs 114.10 crore) including yield-to-maturity, on the due date i.e. November 03, 2010.

- c) Provision has already been made for the entire premium payable on redemption of FCCBs by debiting the Securities Premium Account (SPA). In the event that the conversion option is exercised by the holder of FCCBs in the future, the amount of premium charged to SPA will be suitably adjusted in the respective years.

The debit to share premium account for premium on FCCBs and for issue expenses have been made on the gross value without adjusting any tax impact. Tax benefits accruing to the Company on account of claiming such expenses will be credited to the SPA in the year in which the benefit is enjoyed by the Company.

The provision for premium on redemption of FCCBs debited to SPA is being restated at the exchange rate prevailing at the year end and the gain of Rs 288.73 lakhs (Previous year- Rs 3,584.88 lakhs) on account of such restatement during the year is adjusted to the security premium account.

- d) Even though the Company has provided for the premium on redemption of FCCBs as per note [c] above, the Company also makes provision for dividend in the books of account on the equity shares to be allotted upon conversion of FCCBs outstanding as at respective year end. since the Company is obliged, as per SEBI guidelines, to pay dividend to those FCCB holders who convert their FCCB into equity after adoption of the financial statements and upto the book closure date.

- e) Usage of funds raised through FCCBs

	(Rs lakhs)	
	As at 31.03.2011	As at 31.03.2010
Opening Balance	6.00	7.81
Less: Expenses of Issue/Exchange fluctuations	0.88	1.81
Balance	5.12	6.00

Schedules to the Consolidated Accounts

Schedule P NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Contd...)

9 Auditors' remuneration include the following:

(Rs lakhs)

	Year ended 31.03.2011	Year ended 31.03.2010
Statutory - Audit fee	65.00	50.00
Tax Audit fee	9.75	7.50
For certification & other matters*	14.95	10.50
Others	20.05	12.77
	109.75	80.77

*Excludes Rs Nil (Previous year Rs 20 lakhs) in relation to certification charges in connection with the sale of undertaking

10 Dividend includes the following

Non-trade	2.99	2.41
-----------	------	------

11 a) Other Interest and Finance Charges is after crediting interest receipts

TDS on interest receipts	33.92	17.82
--------------------------	-------	-------

b) Amount of interest capitalised	5,090.45	4,662.27
-----------------------------------	----------	----------

12 Excise duty on finished goods has been accounted on removal of goods from factory, wherever applicable. Finished goods at factory have been valued at cost exclusive of excise duty and no provision has been made for excise duty on such goods. The above treatment has no impact on Profit & Loss account.

13 Related Party Transactions

In accordance with Accounting Standard 18, the disclosure required is given below:

Nature of Transaction		Subsidiary	Joint venture	Key Management Personnel	Relatives of Key Management Personnel/ Companies in which they exercise significant influence.
-Share Application money pending allotment		-	-	-	-
- Loans (Including Interest accrued)		(-)	(-)	(-)	(-)
- Shares allotted		-	-	-	-
- Warrants allotted		(-)	(-)	(-)	(-)
- Forfeiture of advance on warrants		-	-	-	-
		(-)	(-)	(-)	(-)
Sale of goods	NCPC, China	-	1,305.67	-	-
		(-)	(1,413.65)	(-)	(-)
Rendering of Services / Royalty / Interest income		-	-	-	-
		(-)	(-)	(-)	(-)
Services Received / Rent Paid		-	-	-	-
		(-)	(-)	(-)	(-)
Remuneration		-	-	897.49	-
		(-)	(-)	(304.74)	(-)
Amounts Due at the end of the year - Debit		-	3.91	-	-
		(-)	(27.00)	(-)	(10.88)
Amounts Due at the end of the year - Credit		-	-	-	-
		(-)	(-)	(-)	(-)

Figures in brackets are for previous year

Schedules to the Consolidated Accounts

Schedule P NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Contd...)

Names of the related parties and description of relationship.

1	Subsidiary	Orchid Europe Limited, UK (Previously known as Orchid Nutricare Limited)
		Orchid Pharmaceuticals Inc., USA
		Orgenus Pharma Inc., USA (Subsidiary of Orchid Pharmaceuticals Inc., USA)
		Orchid Pharma Inc/Karalex Pharma, (Subsidiary of Orchid Pharmaceuticals Inc., USA)
		Orchid Research Laboratories Ltd. India
		Orchid Pharma Japan KK
		Orchid Pharmaceuticals SA (Proprietary) Limited, South Africa
		Bexel Pharmaceuticals Inc., USA
		Diakron Pharmaceuticals Inc., USA
2	Joint Venture	NCPC Orchid Pharmaceuticals Company Limited, China
3	Key Management Personnel	Mr. K Raghavendra Rao, Chairman & Managing Director
		Mr. S Krishnan, Executive Director & CFO
4	Relatives of Key Management Personnel	Mrs. R Vijayalakshmi (wife of Mr. K Raghavendra Rao)
		Ms. R Divya and Ms. R Sowmya (daughters of Mr. K Raghavendra Rao)
	Companies in which relatives of Key Management Personnel exercise significant influence.	Spectrasoft Technologies Limited

All whole time directors have been considered as Key Management Personnel as they are involved in planning, directing & controlling the activities of the reporting enterprise.

b) Information on Loans & Advances as per clause 32 of the listing Agreement

(Rs lakhs)

	Balance as on 31-03-2011	Maximum amount outstanding during the year
Joint Venture - NCPC Orchid Pharmaceuticals Company Ltd., China	3.91	130.94

- 14 In terms of the resolution passed by the Company at the EGM dated October 21, 1999 Employee Stock Option Scheme was extended to the employees of the Company. Accordingly options totalling 15,00,000 Nos were given to the employees as per the scheme formulated under "ORCHID-ESOP 99" scheme by the Compensation committee of the Board of Directors. Each option is convertible into one equity share of Rs 10/- each at a price of Rs 243.35 including premium for 6,00,000 Nos, Rs 252 including premium for 3,07,925 Nos, Rs 300.65 including premium for 2,92,075 nos and Rs 339.25 including premium for 3,00,000 nos.

A fair and reasonable adjustment in share price/ the number of options outstanding was made by the Company in respect of the Employee Stock Options granted but not exercised by the Employees due to the corporate actions of issue of bonus shares during October 2005. The total number of options outstanding and the price was adjusted so that the total value and options available to each option holder remained the same.

Consequently the revised and adjusted prices per share are Rs 162.24 (Rs 243.35), Rs 168.00 (Rs 252.00) and Rs 200.44 (Rs 300.65) respectively for 6,00,000 Nos, 3,07,925 Nos and 2,92,075 Nos of options granted by the Company.

For the 3,00,000 options granted during April 2006 at a price of Rs 339.25, the Compensation Committee of the Board of Directors considered repricing of the options in the interest of the employees, due to the fall in the price of the shares of the Company and accordingly approved a repricing of the options from Rs 339.25 to Rs 193.25 as per the closing price of Orchid at National Stock Exchange on August 11, 2006. The revision in the price has been approved by the shareholders at the Annual General Meeting held on July 19, 2007.

2,60,489 Options (net of lapsed options) were outstanding as at March 31, 2010 including the additional number of options adjusted, due to the bonus issue under ORCHID-ESOP 99 scheme.

During 2010-11, the outstanding 2,60,489 Options got lapsed.

In terms of the resolution passed by the Company at the AGM dated July 18, 2005 the shareholders approved the scheme formulated under "ORCHID-ESOP 2005" for allotting 10,00,000 Nos. Accordingly 6,10,000 options were given to the eligible directors and employees by the compensation committee of the Board of Directors at a meeting held on August 12, 2006. Each option is convertible into one equity share of Rs 10/- each at a price of Rs 193.25 per share including premium.

66,300 Options (net of lapsed options) were outstanding as at March 31, 2010 under ORCHID-ESOP 2005 Scheme.

Schedules to the Consolidated Accounts

Schedule P NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Contd...)

During the year 2010–2011, the outstanding 66,300 Options got lapsed.

In terms of the resolution passed by the Company at the AGM dated July 21, 2010 the shareholders approved the scheme formulated under "ORCHID-ESOP 2010" for allotting 10,00,000 options. Accordingly 9,01,000 options were given to eligible Employees, including the Executive Director except the Promoter Director by the Compensation committee of the Board of Directors at a meeting held on October 28, 2010. Each option is convertible into one equity share of Rs 10/- each at a price of Rs 329.55 per share, being the closing share price of Orchid in the National Stock Exchange on October 27, 2010, the day prior to the date of the meeting. 8,98,000 Options were outstanding as at March 31, 2011 under ORCHID-ESOP 2010 Scheme.

No entries were passed in the books as the options were given at the market prices prevailing on the date of issuance of options.

- 15 During the 4th quarter of the FY 2009-10, Orchid completed the transaction for sale and transfer of its generic injectable finished dosage form pharmaceuticals business to Hospira. The sale and transfer transaction included Orchid's betalactam antibiotics injectables manufacturing complex and formulations R&D facility at Irungattukottai, Chennai as well as its generic injectable product portfolio and pipeline. The human resource base related to the transferred business also moved to the new entity.

(Rs lakhs)

	Year ended 31.03.2011	Year ended 31.03.2010
Details of Profit on sale of Undertaking		
Value of Consideration received on account of sale of undertaking	–	172,727.10
Less : Value of current assets transferred	–	(13,661.65)
Value of Fixed assets transferred	–	(47,022.49)
Expenses on transfer	–	(2,273.23)
Exchange rate Loss/(gain)	–	6,221.93
Provision for Inventory and debtors consequent to Business transfer	–	(14,461.35)
	–	101,530.29

- 16 a) Current tax includes Rs 122.70 lakhs (previous year Rs Nil) relating to prior years.
b) Deferred Tax liability represents the following
Provision for Deferred tax for the year (Rs 920.18 lakhs) (Previous year Rs 7433.55 lakhs)

	As at 31.03.2011	As at 31.03.2010
Timing Difference on account of Depreciation	19,455.55	20,380.94
Timing Difference on account of Losses	(95.27)	(100.48)

In accordance with clause 29 of Accounting Standard (AS22) Deferred tax Assets and Deferred tax Liabilities have been set off.

17 Segmental Reporting

The Company was disclosing segment information classifying the business as Bulk drugs and Formulations till the financial year 2004-05. However in view of integration of bulk actives and formulations business, with the commissioning of Generics formulation facilities from the financial year 2005-06, the Company considers the business as one interrelated and integrated business of "Pharmaceutical products" and hence no separate segmental reporting is provided.

18 Reconciliation of Basic and Diluted shares used in computing Earnings per share (Equity shares of Rs 10/-each fully paid-up)

		Year ended 31.03.2011	Year ended 31.03.2010
Profit After Tax before extra ordinary item	Rs lakhs	15,618.72	(67,604.90)
Profit After Tax after extra ordinary item	Rs lakhs	15,618.72	33,925.39
No of Shares Outstanding	Nos.	70,442,076	70,442,076
Weighted Average Number of shares	Nos.	70,442,076	70,442,076
Earnings per Share - Basic before extra ordinary item	Rs	22.17	(95.97)
Earnings per Share - Basic after extra ordinary item	Rs	22.17	48.16
No of warrants & options allotted			
Total No of Equity shares to compute diluted EPS	Nos.	85,250,661	88,795,877
Earnings per Share - Diluted before extraordinary item	Rs	22.17	(95.97)
Earnings per Share - Diluted after extraordinary item	Rs	18.32	38.21

Schedules to the Consolidated Accounts

Schedule P NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Contd...)

19 Disclosure as per requirements of Accounting Standard 26

(Rs lakhs)

		As at 31.03.2011	As at 31.03.2010
ACQUIRED			
- Brands, Patents & Trademarks			
Useful life		5 Years	5 Years
Gross Carrying Amount (Rs.)	Opening	568.07	728.01
	Additions / Adjustments	512.67	–
	Amortisation	259.46	159.94
	Closing	821.28	568.07
INTERNALLY GENERATED			
- DMF & ANDA (Refer Note 2(b)(v) of Schedule P)			
Useful life		5 Years	5 Years
Gross Carrying Amount (Rs.)	Opening	2,263.98	4,723.56
	Additions	2,367.59	–
	Deletion	–	1,853.50
	Amortisation	571.02	606.08
	Closing	4,060.55	2,263.98

20 Expenditure on Research and Development

	As at 31.03.2011	As at 31.03.2010
Capital expenditure	642.78	57.75
Revenue expenditure charged to the Profit & Loss account (excluding depreciation)	3,388.95	5,388.49
	4,031.73	5,446.24

Revenue Research and Development Expenses include :

	Year ended 31.03.2011	Year ended 31.03.2010
Power and Fuel	152.51	190.63
Consumption of Stores, Spares & Chemicals	768.33	1,154.59
Salaries, Wages and Bonus	1,683.40	1,801.84
Contribution to Provident & other funds	138.36	163.08
Staff Welfare	123.17	135.19
Rates & Taxes	21.39	56.25
Insurance	12.57	15.21
Postage, Telephone & Telex	10.30	11.35
Printing & Stationery	16.52	22.51
Vehicle Maintenance	6.03	6.36
Recruitment expenses	27.59	12.30
Travelling and Conveyance	69.42	31.05
Loss on Sale of Asset	0.78	5.42
Testing Charges	103.08	286.56
Consultancy & Professional Fees	32.86	851.14
Others	222.64	645.01
	3,388.95	5,388.49

Schedules to the Consolidated Accounts

Schedule P NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Contd...)

21 Derivative Instruments and unhedged Foreign currency Exposure :

a) Derivative instruments that are outstanding

(Rs lakhs)

Sl. No.	Particulars	As at 31.03.2011	As at 31.03.2010
1	Currency Swap	–	1,805.90
2	Forward	35,672.00	–

b) The purpose for which the instruments have been acquired is for hedging the foreign currency exposures.

c) The Foreign Currency Exposures that are not hedged by a derivative instrument or otherwise

	Currency	As at 31.03.2011		As at 31.03.2010	
		Foreign Currency	Rs lakhs	Foreign Currency	Rs lakhs
i) Receivables Outstanding	US\$	79,690,107	37,044.40	123,861,862	53,761.66
	EURO	487,939	303.98	58,641	15.47
	AUD	7,244	5.28	–	–
ii) Payables Outstanding	US\$	19,256,881	8,785.98	17,627,044	8,316.55
	EURO	245,757	188.76	–	–
	JPY	–	–	2,051,493	10.32
	Others	–	27.26	–	27.26
iii) Advance Paid	GBP	246,425	210.59	220,704	191.24
	US\$	8,020,283	3,575.44	15,657,595	6,991.90
	EURO	–	–	226,991	115.57
	CHF	5,359	2.20	6,734	2.74
	JPY	551,539	3.96	–	–
iv) FCCB	US\$	117,422,000	52,358.47	134,882,000	60,774.46
v) Loans availed	US\$	70,619,244	31,489.12	52,351,799	23,588.41

22 The bad and doubtful debts includes value of debts amounting to Rs Nil (Previous year Rs 1,615.11 lakhs) written off against the provision already made in earlier years.

23 Previous year's figures have been regrouped wherever necessary to conform to current year's classification.

As per our report of even date

On behalf of the Board

For **SNB Associates**

Chartered Accountants

Firm Registration No. 015682N

B. Mahalingam

Partner

Membership No. 210408

S. Krishnan

Executive Director & CFO

K. Raghavendra Rao

Chairman & Managing Director

Place: Chennai

Date: May 18, 2011

Bhoomijha Murali

GM-Legal & Company Secretary

Consolidated Cash Flow Statement for the year ended March 31, 2011

(Rs lakhs)

	31.03.2011	31.03.2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation and extraordinary item	17,156.51	46,983.47
Adjustment for:		
Depreciation	13,350.40	15,489.96
Dividend Income	(2.99)	(2.41)
Profit on sale of Undertaking	–	(101,530.29)
Loss/ (Profit) on sale of Fixed Assets	(65.22)	179.16
Gain on cancellation of FCCBs-net	–	(851.87)
Foreign Exchange Rate Fluctuations - Unrealised	(3,610.41)	(1,244.87)
Interest Expense	11,675.19	24,227.03
Provision for Rebates/Discounts	–	8,000.00
Provision for doubtful debts	103.64	–
Operating Profit before Working Capital Changes	38,607.12	(8,749.82)
Adjustments for:		
Trade and other Receivables	12,654.95	(16,313.17)
Inventories	(19,498.60)	34,561.46
Trade Payables	7,567.21	(6,341.07)
Cash generated from Operations	39,330.68	3,157.40
Income Taxes Paid	(6,117.73)	(6,589.10)
Net Cash from Operating Activities	33,212.95	(3,431.70)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(38,671.40)	(21,516.29)
Proceeds from Sale / Deletion of Fixed Assets	1,927.33	(952.68)
Dividends received	2.99	2.41
Cash Flow from Investing Activities before Extra ordinary item	(36,741.08)	(22,466.56)
Proceeds from Sale of undertaking	–	163,742.55
Net cash used in Investing Activities	(36,741.08)	141,275.99
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Working Capital Borrowings	(9,515.02)	5,480.11
Proceeds from Long Term Borrowings	49,484.61	46,134.65
Repayment of Long Term Borrowings	(11,335.00)	(109,249.80)
Proceeds from issue of Foreign Currency Convertible Bonds (net of expenses)	(11,409.52)	(9,272.49)
Proceeds from Short Term Borrowings	12,800.00	21,000.00
Repayment of Short Term Borrowings	(12,800.00)	(32,004.01)
Proceeds from HP Finance	(54.68)	(55.53)
Interest paid	(16,765.65)	(28,889.31)
Dividend paid	(8,180.09)	(824.14)
Net cash from Financing Activities	(7,775.35)	(107,680.52)
D. NET INCREASE IN CASH AND CASH EQUIVALENTS	(11,303.48)	30,163.77
Cash and Cash equivalents at the beginning of period	32,612.62	2,448.85
Cash and Cash equivalents at the end of period	21,309.14	32,612.62
Reconciliation statement		
Cash and bank Balances as per Balance sheet	22,234.15	33,515.74
Less : Margin Money Deposit	848.46	851.60
Unclaimed Dividend	76.55	51.52
Cash and cash Equivalents as per cash flow	21,309.14	32,612.62

As per our report of even date

On behalf of the Board

For SNB Associates

Chartered Accountants

Firm Registration No. 015682N

B. Mahalingam

Partner

Membership No. 210408

S. Krishnan

Executive Director & CFO

K. Raghavendra Rao

Chairman & Managing Director

Place: Chennai

Date: May 18, 2011

Bhoomijha Murali

GM-Legal & Company Secretary



Key Financial Parameters and Ratios at a Glance

(Rs lakhs)

S.No	Particulars	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
A)	Financial Results Summary										
1	Total Sales & Operating Income	166,335	124,983	122,155	125,018	93,418	88,877	68,929	71,341	54,141	42,552
2	Other Income	760	128@	451	124@	156	133	82	123	111	75
3	Total Income	167,095	125,111	122,606	12,5142	93,574	89,009	69,012	71,464	54,253	42,628
4	Profit on Sale of Undertaking	—	101,530	—	—	—	—	—	—	—	—
5	EBITDA	41,802	85,239	24,831	41,734	29,137	26,060	16,311	15,049	10,963	9,772
6	PAT	15,948	33,133	(5,217)	18,454	9,663	8,290	3,101	3,103	1,954	631
7	Paid-up Equity Share Capital	7,044	7,044	7,044	6,585	6,582	6,462	3,413	3,238	3,238	2,800
8	Shareholders' Net worth	132,858	118,344	79,971	80,387	59,361	86,509	54,568	49,690	48,049	37,017
B)	Key Ratios & Parameters										
(I)	Profitability related Ratios & Parameters										
1	EBITDA Margin - %	25.02	68.13	20.25	33.35	31.14	29.28	23.64	21.06	20.21	22.92
2	Net Profit Margin - %	9.54	26.48	(4.26)	14.75	10.33	9.31	4.49	4.34	3.60	1.48
(II)	Share holder related Ratios & Parameters										
1	EPS-Rs/Share	22.64	47.04	(7.61)	28.03	14.70	14.85	9.55	9.58	6.61	2.25
2	Book Value - Rs/Share #	188.61	168.01	113.53	122.07	90.19	133.88	159.87	153.45	148.38	132.21
(III)	Growth related Ratios & Parameters										
1	Growth in Total Income - %	33.56	2.04	(2.03)	33.74	5.13	28.98	(3.00)	32.00	27.00	14.42
2	Growth in EBITDA - %	(50.96)	243.28	(40.50)	43.23	11.81	59.77	8.00	37.00	12.00	(3.87)
3	Growth in PAT - %	(51.87)	735.04	(128.27)	90.97	16.56	167.33	—	59.00	210.00	82.37

Ratio calculated as (Free Reserves & Surplus + Deferred Tax Liability) over Equity Share Capital

@ Does not include exchange rate gain on FCCB

Figures for 2009-10 are not comparable, as they include the impact of sale of Generic Formulations Injectable Business



This Annual Report is printed on 100% recycled paper as certified by the U.K.-based National Association of Paper Merchants (NAPM) and France-based Association des Producteurs et des Utilisateurs des papiers et cartons Recyclés (APUR).



Regd. Office

**'Orchid Towers' 313, Valluvar Kottam High Road,
Nungambakkam, Chennai - 600034, India**

Tel: (91)-44-28211000 • Fax: (91)-44-28211002

Email: corporate@orchidpharma.com

Website: www.orchidpharma.com

Health portal: www.healthorchid.com