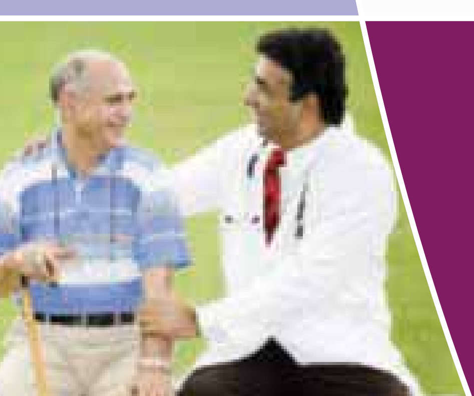
25th Annual Report 2011-12

Your Preferred Partner in Quality Health Care



Bal Pharma Limited

COMPANY PROFILE

Board of Directors

Mr. Shailesh Siroya	-	Managing Director
Dr. S. Prasanna	-	Whole-time Director
Mr. Shrenik Siroya	-	Non-executive Director
Dr. G.S.R. Subba Rao	-	Independent Director
Mr. Pramod Kumar. S	-	Independent Director
Mr. Ajit Kumar	-	Nominee Director

Company Secretary

Mr. V. Murali

Registered Office

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

Corporate Office

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

Plant Locations

Unit I : Formulations
21 & 22, Bommasandra Industrial Area,
Hosur Road, Bangalore - 560 099.

Unit II : R & D Centre & Bulk Drugs
61/B, Bommasandra Industrial Area,
Hosur Road, Bangalore - 560 099.

Unit III : Parenterals
732/735, Off. National Highway, No. 4,
Village Kenjal, Dist. Bhor, Maharashtra - 412 217.

Unit IV : Formulations plant at Uttarakhand
Plot # 1,2,3 & 69, Sector 4, IIE-Pantnagar,
Rudrapur, Udham Singh Nagar, Uttarakhand - 263 153.

Unit V: Intermediaries
A/P-Thabdewadi, Tal - Kavathe Mahankal
Dist- Sangli, Sangli-416405.

Bankers

Canara Bank
Punjab National Bank
EXIM Bank

Statutory Auditors

M/s. TD Jain & DI Sakria

Internal Auditors

M/s. Manjunath S & Co.

Cost Auditor

Mr. M. R. Krishnamurthy

Registrar & Share Transfer Agent

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

NOTICE IS HEREBY GIVEN THAT the 25th (Twenty Fifth) Annual General Meeting of the members of Bal Pharma Limited, will be held on Friday, 21st September 2012 at 4.00 P. M. at Bharatiya Vidya Bhavan, Race Course Road, Bangalore - 560 001 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2012 and the Profit and Loss Account for the financial year ended as on that date and the Reports of the Directors and the Auditors thereon;
2. To appoint a Director in place of Dr. G.S.R Subba Rao, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Shernik Siroya, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or with out modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT Messrs TD Jain & DI Sakaria (*erstwhile,* Messrs Ostawal & Jain), Chartered Accountants, (Registration No. 0024918) be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as has fixed by the Board of Directors.

SPECIAL BUSINESS:

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

   "RESOLVED THAT pursuant to the provisions of Section 95 and other applicable provisions of the Companies Act, 1956 and subject to Article 3 of the Articles of Association of the Company, 4,00,000 (Four Lakhs) Redeemable Preference Shares of ₹ 100/- (Rupees Hundred only) each in the Authorised Share Capital of the Company be and are hereby reclassified in to 40,00,000 (Forty Lakhs) Equity Shares of ₹ 10/- (Rupees Ten only) each.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to comply with all the legal provisions and do all such ancillary acts and to take such steps and to do such acts, matters and things as they may deem proper and give/send such notices, directions as may be necessary for the purpose of giving effect to the above resolution."

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

   "RESOLVED THAT pursuant to Section 16 and other applicable provisions if any, of the Companies Act, 1956, the existing Clause V of the Memorandum of Association of the Company be and is hereby altered by deleting the existing Clause V and by substituting the following new Clause V thereof:

   V The Authorised Share Capital of the Company is ₹15,00,00,000/- (Rupees Fifteen crores only) divided into 1,50,00,000 (One Crore Fifty Lakhs) Equity Shares of ₹10/- (Rupees Ten only) each, with the powers to increase or decrease or reclassify and to vary, modify or abrogate any such rights, privileges or conditions in such manner as provided by resolution of the Company.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to comply with the legal provisions and do all ancillary and consequential matters and to take such steps and to do such acts, matters and things as they may deem proper and give/send such notices, directions as may be necessary for the purpose of giving effect to the above resolution."

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

   "RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Article 5 of the Articles of Association of the Company be and is hereby amended as follows:

   By deleting the existing Article 3 and by substituting the following new Article 3 thereof:

CAPITAL

3 The Authorised Share Capital of the Company is ₹15,00,00,000/- (Rupees Fifteen crores only) divided into 1,50,00,000 (One Crore Fifty Lakhs) Equity Shares of ₹10/- (Rupees ten only) each, with the powers to increase or decrease or reclassify and to vary, modify or abrogate any such rights, privileges or conditions in such manner as provided by resolution of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to comply with all the legal provisions and do all ancillary and consequential matters and to take such steps and to do such acts, matters and things as they may deem proper and give/send such notices, directions as may be necessary for the purpose of giving effect to the above resolution."

8. To consider, and if thought fit, to pass with or without modifications, the following as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956, provisions of the Securities and Exchange Board of India Act, 1992 ('SEBI Act') and Guidelines and other applicable provisions including any statutory modification(s) or re-enactment thereof, for the time being in force, the provisions of the Memorandum and Articles of Association of the Company, the relevant Guidelines for Preferential Issue of the SEBI {Issue of Capital and Disclosure Requirements} Regulations, 2009, any other Guidelines or Regulations of SEBI, Listing Agreement entered into with the Stock Exchange(s), where the Shares of the Company are listed, and any other applicable laws/rules/regulations and subject to the consent/approval of any other authority / institution, consent of the Company be and is hereby accorded to create, offer, issue and allot up to 11,37,764 (Eleven Lakhs Thirty Seven Thousand Seven Hundred and Sixty Four only) Warrants on a preferential basis to the following Promoters and Promoters group as set out herein below (hereinafter referred to as "Warrants") with each Warrant convertible into one Equity Share of the Company of nominal value of ₹ 10/- each at a premium of ₹ 11/- per Share so that the total number of Equity Shares to be issued by the Company upon conversion of the Warrants does not exceed 11,37,764 Equity Shares, on such terms and conditions as may be decided and deemed appropriate by the Board of Directors of the Company (hereinafter referred to as the "Board" which shall be deemed to include any duly authorized Committee thereof) at the time of issue or allotment:

Sl. No.	Names of the Promoters	No. of Warrants
1.	Shailesh Siroya	6,00,000
2.	Anita Siroya	5,37,764
	Total	**11,37,764**

RESOLVED FURTHER THAT the "Relevant Date" in relation to the issue of Warrants in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 would be 21st August 2012, being 30 days prior to the date of passing of this resolution.

RESOLVED FURTHER THAT the aforementioned issue of Warrants shall be subject to the following terms and conditions:

1. The Warrants shall be convertible (at the sole option of the Warrant holders) at any time but within a period of 18 months from the date of allotment of Warrants.
2. Each Warrant shall be convertible into one Equity Share of nominal value of ₹ 10/- each of the Company.
3. The Warrant holder(s) shall, on the date of allotment of Warrants, pay an amount equivalent to 25% of the total consideration per Warrant viz., ₹ 5.25/- per Warrant, each Warrant priced at ₹ 21/-.
4. The Warrant holder(s) shall, before the date of conversion of the Warrants into Equity Shares, pay the balance 75% viz., ₹ 15.75 per Warrant, of the balance consideration towards the subscription to each Equity Shares.
5. The amount referred to in (3) above shall be forfeited, if the option to convert in to the Shares is not exercised subject however, to the enabling powers being vested in the Board herein.
6. The number of Warrants and the price per Warrant shall be appropriately adjusted, subject to the Companies Act, 1956 and SEBI Guidelines, for corporate actions such as bonus issue, right issue, stock split, merger, de-merger, transfer of undertaking, sale of division or any such Capital or corporate restructuring.
7. The Equity Shares shall be under lock in for a period of three years and the lock in date commences from the date of conversion of Warrants into Equity Shares.
8. In the event of any of the Warrant holders not subscribing to all or any of the Equity Shares relatable to the Warrants within the stipulated period viz.,18 months from the date of allotment of the Warrants, the Board shall, in its absolute discretion, offer such Shares to any other person(s) subject to the prevailing guidelines and in case such offer is declined by such person(s) or the Equity Shares are not subscribed to, within the stipulated period, such Shares shall lapse.

RESOLVED FURTHER THAT the Board of Directors be authorized to deal with any issue arising out of the proposed issue including powers to dispose off the Warrants not exercised in any manner whatsoever including powers to forfeit the application monies on account of the unexercised Warrants in the best interest of the Company."

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

"RESOLVED THAT in accordance with the provisions of Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956, provisions of the Securities and Exchange Board of India Act, 1992 ('SEBI Act') and Guidelines and other applicable provisions including any statutory modification(s) or re-enactment thereof, for the time being in force, the provisions of the Memorandum and Articles of Association of the Company, the relevant Guidelines for Preferential Issue of the SEBI {Issue of Capital and Disclosure Requirements} Regulations, 2009, any other Guidelines or Regulations of SEBI, Listing Agreement entered into with the Stock Exchange(s), where the Shares of the Company are listed, and any other applicable laws/rules/regulations and subject to the consent/approval of any other authority / institution, consent of the Company be and is hereby accorded to create, offer, issue and allot up to 11,60,984 (Eleven Lakhs Sixty Thousand Nine hundred and Eighty Four) Warrants on a preferential basis to the following strategic investors, as set out herein below (hereinafter referred to as "Warrants") with each Warrant convertible into one Equity Share of the Company of nominal value of ₹ 10/-each at a premium of ₹ 11/- per Share so that the total number of Equity Shares to be issued by the Company upon conversion of the Warrants does not exceed 11,60,984 Equity Shares, on such terms and conditions as may be decided and deemed appropriate by the Board of Directors of the Company (hereinafter referred to as the "Board" which shall be deemed to include any duly authorized Committee thereof) at the time of issue or allotment:

Sl. No.	Names of the proposed allottees	No. of Warrants
1	Ram Murthy	5,81,000
2	Prakash Chandra Jain	5,79,984
	Total	**11,60,984**

RESOLVED FURTHER THAT the "Relevant Date" in relation to the issue of Warrants in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 would be 21st August 2012, being 30 days prior to the date of passing of this resolution.

RESOLVED FURTHER THAT the aforementioned issue of Warrants shall be subject to the following terms and conditions:

1. The Warrants shall be convertible (at the sole option of the Warrant holders) at any time within a period of 18 months from the date of allotment of Warrants.
2. Each Warrant shall be convertible into one Equity Share of nominal value of ₹ 10/- each of the Company.
3. The Warrant holder(s) shall, on the date of allotment of Warrants, pay an amount equivalent to 25% of the total consideration per Warrant viz., ₹ 5.25 per Warrant, each Warrant priced at ₹ 21/-.
4. The Warrant holder(s) shall, before the date of conversion of the Warrants into Equity Shares, pay the balance 75% viz., ₹ 15.75 per Warrant, of the balance consideration towards the subscription to each Equity Shares.
5. The amount referred to in (3) above shall be forfeited, if the option to convert in to the Shares is not exercised subject however, to the enabling powers being vested in the Board herein.
6. The number of Warrants and the price per Warrant shall be appropriately adjusted, subject to the Companies Act, 1956 and SEBI Guidelines, for corporate actions such as bonus issue, rights issue, stock split, merger, de-merger, transfer of undertaking, sale of division or any such Capital or corporate restructuring.
7. The Equity Shares shall be under lock in for a period of one year and the lock in date commences from the date of conversion of Warrants into Equity Shares.
8. In the event of any of the Warrant holders not subscribing to all or any of the Equity Shares relatable to the Warrants within the stipulated period viz., 18 months from the date of allotment of the Warrants, the Board shall, in its absolute discretion, offer such Shares to any other person(s) subject to the prevailing guidelines and in case such offer is declined by such person(s) or the Equity Shares are not subscribed to, within the stipulated period, such Shares shall lapse.

RESOLVED FURTHER THAT the Board of Directors be authorized to deal with any issues arising out of the proposed preferential issue including powers to dispose off the Warrants not exercised in any manner whatsoever including powers to forfeit the application monies on account of the unexercised Warrants in the best interest of the Company."

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

"RESOLVED THAT pursuant to Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act,1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow any sum or sums of money in any manner from time to time with or without securities and upon such terms and conditions as may deem fit not withstanding that monies already borrowed by the Company (apart from the temporary loans if any obtained from the companies bankers in ordinary course of business) my exceed the aggregate of the paid up capital and free reserves of the company subject however to the condition that such borrowings at any point of time shall not exceed ₹ 250 crores.

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

"RESOLVED THAT subject to the Provisions of Section 198, 269, 309, 310, 311 and Schedule XIII of the Companies Act, 1956 and subject to the applicable Clauses of the Memorandum and Articles of the Articles of Association of the Company, and subject to the approval of the Central Government through the Ministry of Corporate Affairs, remuneration of Mr. Shailesh Siroya, Managing Director be enhanced from the existing ₹ 3.50 Lakhs (Rupees Three Lakhs and Fifty Thousand only) per month to ₹ 5 Lakhs (Rupees Five Lakhs only) per month inclusive of salary and perquisites but exclusive of the following for the period of 2 years with effect from 01.08.2012 for the residual period of his appointment:

1. Contribution to Provident Fund, Superannuation fund or Annuity Fund to the extent they either singly or put together, are not taxable under Income Tax Act,1961.
2. Gratuity payable at a rate not exceeding half months salary for each completed year of service, and
3. Encashment of leave at the end of the tenure.

FURTHER RESOLVED THAT as recommended by the Remuneration Committee and the Board of Directors, approval of the Central Government be obtained for this revision in the remuneration."

By order of the Board

Bangalore
10th August, 2012

V. Murali
Company Secretary

ANNEXURE TO THE NOTICE:

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

Item Nos. 5, 6 & 7

After careful consideration and conclusion that there would be no usage in the foreseeable future, your Board has recommended reclassification of Preference Share Capital in to Equity Share Capital in the Authorized Share Capital of the Company.

At present, the Authorized Share Capital of the Company is ₹ 15 crores divided into 1,10,00,000 Equity Shares of ₹ 10/- each and 4,00,000 Redeemable Preference Shares of ₹ 100/- each. The Company has plans for further expansions/investment in its business and explores other avenues of expansion, modernization and diversification. Further, the Company also considers issue of the Equity Shares on a preferential basis to part finance its ongoing and further expansion and modernization projects and for this purpose, it needs to increase the Authorised Share Capital of the Company. With the changed economic and corporate scenario, it would be difficult to enthuse any interest in any person to invest in Preference Shares and hence your Board has felt that the Redeemable Preference Shares will not be utilized in the foreseeable future. Considering various criteria, your Board recommends that the said un issued Authorised Capital of ₹ 4,00,00,000 divided in to 4,00,000 Redeemable Preference Shares of ₹ 100/- (One Hundred only) each be reclassified as 40,00,000 (Forty Lakhs) Equity Shares of ₹ 10/- (Rupees Ten only) each in terms of the powers vested under the Companies Act, 1956 and the Articles of Association.

For reclassification in Authorised Share Capital, approval of shareholders is necessary. The Resolutions at Item No. 5, 6 and 7 seek to effect this reclassification of the Authorized Share Capital and the consequential alteration in the Memorandum of Association and Articles of Association of the Company.

The Board recommends passing of these resolutions in the interest of the Company.

None of the Director is concerned or interested in these resolutions except to the extent of their Share holdings, if any.

Item Nos. 8 & 9

Your Company has been growing steadily and has crossed a revenue of ₹140 crores. The Director's have carefully worked out the needs and after discussions and careful study, your Board has proposed to issue Warrants partly to the Promoters and partly to Strategic Investors. Your Directors have decided after due consultation to opt for an optimised mix of Debt and Equity.

Accordingly, apart from the Promoters intent to infuse further funds, talks were held with certain Strategic Investors and Warrants as per details furnished in the respective Resolutions are being proposed to be issued as follows:

- 11,37,764 Warrants to Promoters / Promoters Group
- 11,60,984 Warrants to Strategic Investors.

Your approvals are sought in terms of Section 81(1A) of the Companies Act, 1956 for the resolutions 8 and 9.

Considering the above, the Board has recommended these Resolutions for your consideration and approval.

Objects of the Issue:

To part fund the ongoing expansion programmes, new initiatives on expansion and to augment the working capital requirements.

Intention of Promoters/Directors/ Key management personnel to subscribe to the offer:

Promoters and persons belonging to Promoters' Group intend to subscribe to 11,37,764 Warrants under Resolution No. 8.

Shareholding pattern before and after the offer proposed at Resolution Nos. 8 & 9 and based on the Shareholding pattern as on 30.06.2012, is as under:

CATE-GORY CODE	CATEGORY OF SHAREHOLDER	PRE ISSUE CAPITAL		POST ISSUE CAPITAL	
		NUMBER OF SHARES	%	NUMBER OF SHARES	%
(A)	**PROMOTER AND PROMOTER GROUP**				
(1)	INDIAN				
(a)	**Individual /HUF**	3465515	32.78	4603279	35.76
(b)	Foreign Promoters	655187	6.20	655187	5.08
(c)	Others-Bodies Corp	1310836	12.40	1310836	10.18
	Sub-Total A	**5431538**	**51.37**	**6569302**	**51.02**
(B)	**PUBLIC SHARE HOLDING**				
(1)	NON-INSTITUTIONS				
(a)	Bodies Corporate	492981	4.66	492981	3.82
(b)	Individuals				
(i)	Individuals holding nominal share capital up to ₹ 1 lakh	2812724	26.61	2812724	21.86
(ii)	Individuals holding nominal share capital in excess of ₹ 1 lakh	1833095	17.34	1833095	14.24
(c)	Others	2000	0.02	2000	0.01
	NON RESIDENT INDIANS	0.00	0.00	0.00	0.00
	CLEARING MEMBERS	0.00	0.00	0.00	0.00
	Strategic Investor's	1,286	0.00	1162270	9.02
	Sub-Total B	**5142086**	**48.63**	**6303070**	**48.94**
	Grand Total (A+B)	**10573624**	**100%**	**12872372**	**100%**

The above shareholding pattern has been arrived on the assumption that the entire 22,98,748 Warrants proposed to be issued would be converted into Equity Shares.

Proposed time limit within which the allotment shall be complete:

Within 15 days from the date of passing of this resolution or within 15 days from the date of receipt of approvals by any regulatory authority or Central Government, whichever is later as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time.

The identity of the proposed allottee/s and the percentage of post preferential issue capital that may be held by the allottee/s would be as follows:

A. Promoters - Warrants

SL. No.	NAME OF THE ALLOTTEES	CATE-GORY	PRE ISSUE HOLDINGS	% OF TOAL EQUITY	POST ISSUE HOLDINGS	% OF TOTAL EQUITY
1.	Shailesh Siroya	Promoter	6,70,759	6.34%	12,70,759	9.87%
2.	Anita Siroya	Promoter	4,80,776	4.55%	10,18,540	7.91%
	TOTAL		**11,51,535**	**10.89%**	**22,89,299**	**17.78%**

B. Strategic Investors – Warrants:

SL. No.	NAME OF THE ALLOTTEES	CATE-GORY	PRE ISSUE HOLDINGS	% OF TOAL EQUITY	POST ISSUE HOLDINGS	% OF TOTAL EQUITY
1	Ram Murthy	Public	Nil	NA	5,81,000	4.51%
2	Prakash Chandra Jain	Public	1,286	0.00	5,81,270	4.51%
	TOTAL				**11,62,270**	**9.02%**

The above statement has been arrived on the assumption that the entire **22,98,748** Warrants proposed to be issued would be converted into Equity Shares.

Issue Price:

The issue price of ₹ 21/- (including the premium of ₹ 11/- per Equity Share) is in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, and for the purpose of the above guidelines, the Relevant Date is 21st August 2012.

Auditor's Certificate:

A copy of the Certificate of the Statutory Auditors of the Company certifying the adherence to SEBI Guidelines for preferential issues, under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 for the proposed issue is open for inspection at the Registered Office of the Company till the date of Annual General Meeting.

The Warrants shall be locked in for such period as prescribed by SEBI Guidelines:

As per SEBI (ICDR) Regulations 2009, the Shares allotted to the promoter group entities after the conversion of warrants will be subjected to a lock in for 3 year from the date of their allotment and for non promoters, the lock in period will be 1 year from the date of allotment of Shares.

Item No. 10

As per the provisions of Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of a Public Company can not borrow money (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) in excess of the aggregate of the Company's Paid-up Capital and Free Reserves (that is reserves not set apart for any specific purpose) without the consent of the Shareholders in the General Meeting.

The Shareholders of the Company at the Extra Ordinary General Meeting of the Company held on 25th July 1994 had authorized the Board to borrow in excess of the share capital and free reserves subject to the ceiling of Rs.75.00 crores.

Since 1994, your Company has grown multi fold and also has diversified its product range to diabetic and cardiac products and also has introduced branded formulations in addition to the existing bulk drug business. As a result, the Board has felt the need to infuse more funds into the Company for its R&D division and also for its marketing operations by way of an optimized mix of debt and Equity. To enable this additional borrowing, it is proposed to enhance the borrowing powers of the Company from the existing Rs.75.00 crores to Rs.250.00 crores.

Your Directors recommend the above Resolution for your approval.

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

Item No. 11

Mr. Shailesh Siroya was re-appointed as Managing Director of the Company for a period of 5 years with effect from 1.08.2009 with a compensation package of ₹ 3.50 Lakhs per month with revision of the same after 3 years. As the 3 years period has expired now, based on the recommendations of the Remuneration Committee, the Board of Directors of the Company have recommended the revision of remuneration payable to Mr. Shailesh Siroya from the existing ₹ 3.50 Lakhs per month to ₹ 5.00 Lakhs per month which is subject to the approvals of the shareholders at the ensuing Annual General Meeting of the Company and of the Central Government.

This may be considered as abstract under Section 302 of the Companies Act, 1956.

None of the Directors except Mr. Shailesh Siroya and Mr. Shrenik Siroya being 'relative' of Mr. Shailesh Siroya, may be deemed to be concerned or interested in the resolution.

By order of the Board

Bangalore
10th August, 2012

V. Murali
Company Secretary

NOTES:-

1. A Member entitled to attend and vote at the Annual General meeting may appoint a proxy to attend and vote on a poll instead of his/her behalf. A Proxy need not be a member. Proxy, in order to be effective must be deposited the proxy instrument duly filled, at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting. Proxy Form is forwarded as detachable part of Annual Report;

2. Corporate Members intending to send their authorised representative to attend the meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.

3. For convenience of the Members and for proper conduct of the meeting, entry to the place of meeting will be regulated by an Attendance slip, which is forwarded as detachable part of Annual Report. Members are requested to affix their signature at the place provided in the Attendance Slip and hand it over at the entrance;

4. The Register of Members and Share Transfer Books of the Company will remain closed on 19.09.2012 to 21.09.2012 (both days inclusive).

5. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.

6. Members, who hold Shares in dematerialized form, are requested to bring in their Client ID and DP ID nos. for easier identification of attendance at the meeting and those who hold Shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.

7. A member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at least 7 days prior to the meeting, so that, the required information can be made available at the meeting.

8. Members holding Shares in physical form are requested to notify immediately any change in their address to the Company's Registrar and Transfer Agent; TSR Darashaw Limited. Members holding Shares in electronic form may intimate any such changes to their respective Depository Participants (DPs).

9. Members holding more than one share certificate in different folios are requested to kindly apply for consolidation of the folios and send the relative share certificates to the Company's Registrar and Share Transfer Agent,TSR Darashaw Limited, # 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr.E.Moses Road, Mahalaxmi, Mumbai – 400011.

10. Members are kindly requested to bring Annual Report 2011-12 along with them to the 25th Annual General Meeting, since extra copies will not be supplied at the meeting.

11. Pursuant to Section 205A (5) of the Companies Act, 1956, as amended, any money transferred to Unpaid Dividend Account and remaining unclaimed for a period of 7 (seven) years from the date of such transfer to the Unpaid Dividend Account shall be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government, and thereafter, the shareholders shall not be able to claim any Unpaid Dividend from the said fund or from the Company. The Company has since transferred the amount lying in the credit of Unpaid Dividend Account for the financial year 2003-04 to Investor Education and Protection Fund established by the Central Government as stipulated under Section 205C of the Companies Act, 1956 read with Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001. The members who have not encashed the Dividend Warrants for the financial years 2004-2005 onwards are requested to write to, TSR Darashaw Limited, the Registrar and Share Transfer Agents of the Company.

12. The Members may now avail of the facility of nomination by nominating, in the prescribed form, a person to whom your Shares in the company shall vest in the event of death of member. Interested members may write to the Company's Registrar & Share Transfer Agent for the prescribed form.

13. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding Shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding Shares in physical form can submit their PAN details to the Company / Registrar and Transfer Agents, TSR Darashaw Limited

By order of the Board

Bangalore
10th August, 2012

V. Murali
Company Secretary

Important Communication to Members

The Ministry of Corporate Affairs vide General Circular No:17/2011, dated 21.04.2011 has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING:

Name of the Director	Dr. G.S.R. Subba Rao	Mr. Shrenik Siroya
Date of Birth	21.08.1937	10.09.1964
Date of Appointment	08.07.2000	30.09.1997
Qualification	BSC (Honors), Msc, Dsc, Phd, F.A.Sc, F.N.A	B.E (U.K)
Experience / Expertise	Formerly professor and Dean in Indian Institute of Science (IISC), Bangalore. He is also a consultant to many Indian and Foreign Pharmaceutical Companies on synthesis of drugs, intermediates, natural products & Steroid hormones.	Mr. Shernik Siroya has got vast experience in managing various enterprises including companies.
Other Directorships	Nil	1) Siroya Exports (p) Ltd- Director 2) Siroya Developers (p) Limited-Director 3) Mokalsor Stone Private Ltd – Director 4) Siroya FM Constructions Pvt Ltd – Director. 5) Siroya Nabar Hosing pvt Ltd-Director. 6) Mannath Developers (p) Ltd – Director. 7) Siroya FM infra development Pvt Ltd. 8) Mannath Properties (p) Ltd-Director.
Other Committee Memberships in the Company	a) Audit Committee : Chairman b) Remuneration Committee: Chairman c) Shareholder's and Investor Grievance's Committee: Chairman	Audit Committee : Member Shareholders and Investor Grievances Committee : Member.
Number of Shares held directly or indirectly	4,000 (0.03%)	3,74,700 (3.54%)

To

The Members

Your Directors have pleasure in presenting the 25th Annual Report together with the Audited Accounts of the Company for the financial year ended on 31st March, 2012.

1. FINANCIAL RESULTS:

(₹. in Lakhs)

	Particulars	2011-12	2010-11
1)	Total Income	**14,224.60**	11,664.84
2)	Earnings before Interest , Tax, Depreciation & Amortisation	**1588.51**	1131.76
	Less :		
	Depreciation & Amortisation	**413.08**	342.36
	Finance cost	**729.91**	679.13
	Profit /(Loss)before taxation and prior period adjustment	**445.52**	110.27
	Less :		
3)	Provision for taxation	**8.95**	4.53
4)	Deferred Tax	**60.75**	58.67
5)	Extra Ordinary / Non Recurring items	**-**	-
6)	Prior year adjustments	**0.12**	(0.16)
7)	Profit after Tax	**375.70**	47.23
	Add:		
8)	Profit & loss account balance at the beginning of the year	**804.53**	809.56
9)	Profit /(Loss) made available for appropriation	**1,180.23**	856.79
	Less:		
10)	Proposed Dividend on Equity Shares	**-**	-
11)	Tax on Dividend	**-**	-
12)	Balance Carried to Balance sheet	**1,180.23**	856.79

Note: Previous year's income has been regrouped in line with that of the year under review for comparison. The opening balance of P & L has been reduced during the year consequent upon merger of Basava Chem Ltd., with the Company.

2. DIVIDEND:

In view of the capex plans and to facilitate expansion programs under consideration, your Directors have decided not to recommend payment of dividend for the financial year 2011-12.

3. MANAGEMENT DISCUSSION AND ANALYSIS:

Global Pharmaceutical Industry Challenges

Global spending on medicine reached USD 882 Billion in 2011 with an expected 3-6% CAGR over the next five years. Major global pharmaceutical companies have been strengthening their revenue streams with generic product sales mainly through acquisitions and strategic alliances with generic manufacturers. Many pharmaceutical companies have relied on M&A deals rather than on the organic growth to gain market share in the generic sector. This strategy allows the pharma companies to effectively secure high quality Active Pharmaceutical Ingredients (API), diversify product portfolios, achieve economics of scale and most importantly expand their presence in the emerging markets like India where the growth is driven by generic products. With the market size of USD 320 Billion, United States continues to be the largest pharmaceutical market followed by Japan and Europe. The emerging economies like China and India are expected to show substantial increase in the size of their market and your Company is focusing on capturing additional market share in this region also.

Indian Pharmaceutical Scenario:-

Currently, the Indian pharmaceutical industry is ranked fourth in terms of volume and fourteen in terms of value in the global pharmaceutical market. According to the IMS report Indian pharmaceutical industry has grown by 16.3% as against the global growth rate of 7% during the financial year 2011.12. Indian Pharma has contributed INR 65962.60 crores revenue to the Indian economy during 2011.12. As indicated by IMS publication, the following are the key drivers to the industry growth. a) Increased penetration of pharmaceutical into urban and rural areas b) Rise in chronic and age-related diseases in India, c) Increase in patients covered by the private heath care sector d) rise in the population who have health insurance cover.

In 2011, countries across the globe witnessed economic slowdown if not turbulence. USA and Middle East have their own cup of woes in the form of spiralling debt, rising unemployment etc., Political turmoil in Middle East has hampered the crude oil supply to the world. Asia also has faced its worst financial crisis during the year. But the Indian Pharmaceutical industry, especially the generic manufacturers by and large have not been affected much by the global slow down, largely due to cost advantages in production of medicine and tie-up of long term contracts with confirmed orders.

The raise in the middle and upper middle class population in India are leading to higher spend in better health facilities and wider coverage of the heath insurance. In addition, spreading of awareness by Government and Non - Government organisations in dealing with major aliments all have resulted in better prospects of growth for the Indian pharma industry.

4. BUSINESS OPERATIONS:

During the financial year 2011-12, your Company has achieved a total turnover of Rs 142.25 crores as against ₹ 116.65 crores achieved during the previous year 2010-11, thus registering a growth of 21.95%.

With this increase in turnover, the net profit after tax of the Company during 2011-12 has increased substantially to ₹ 3.76 crores as against the net profit of ₹ 0.47 crore achieved in the previous year, 2010-11.

The bulk drug business continues to dominate, as the total sales on this segment has increased from ₹ 46.20 crores in 2010-11 to ₹ 53.01 crores during the year 2011-12. The products mix during the year 2011-12 improved with higher sale of high value items in addition to our regular API.

Exports of Bulk Drugs has registered a growth of 16.05% during the year under review with a turnover of ₹ 36.44 crores as against ₹ 31.40 crores achieved during the previous financial year.

The export formulations division registered a growth of 6.71% by increasing its turnover from ₹ 36.94 crores in the previous year to ₹ 39.42 crores during the year under review. Your Company expanded its presence in many new global markets such as Latin America, many African countries, South East Asia etc.

Your Company's branded formulations Divisions mainly consisting of "Diabetic" and "Cardiac" Products made a net sale of ₹ 24.09 crores during 2011.12 as against ₹ 19.58 crores during the previous year, thereby strengthening the Company's presence in the domestic market.

The over all exports of your Company during the year under review has increased to ₹ 75.85 crores from ₹ 66.48 crores achieved during the previous year.

Supplies to Govt. Institutional business registered a turnover of ₹ 8.14 crores during the year, as against ₹ 6.44 crores during the previous year and the Ayurvedic products Division has achieved a turn over of Rs 1.73 crores, during the year under review as against ₹ 1.94 crores achieved during the previous financial year.

Your Company has also won the Best Exporter award from the Sri Lankan Government for the Year 2011-12 for supply of drugs and medical equipments to Sri Lanka Pharmaceutical Corporation, a Government of Sri Lanka enterprise.

5. RESEARCH & DEVELOPMENT:

The Research and Development division of your Company continued its activities in the field of development and standardization of pathways for the manufacture of novel and high value active pharmaceutical ingredients. The clear pathways thus established have resulted in the scale up of production levels of these drugs to meet the needs of the international market.

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

The quality of the drugs your Company offers to its customers being of such high order, there is ready acceptance of these products in the international markets. There is continuing and growing demand for products of your Company. New products in the therapeutic segments of antihistamines, anxiolytics and for the treatment of neurological disorders are being introduced in the near future in the commercial market. These products are of direct result of R&D efforts in this direction.

6. AUDIT COMMITTEE:

The Audit Committee consisted of Dr. G.S.R. Subba Rao, Independent Director as Chairman, Mr. Ajit Kumar, nominee Director of EXIM Bank and Mr. Shrenik Siroya, Non-executive Director; Mr. Pramod Kumar. S who is Independent Director was inducted into the Committee as member, with effect from 10.08.2012. The Audit Committee has been discharging its duties under SEBI Guidelines read with the Listing Agreement. The said Committee is also functioning as Audit Committee under Section 292A of the Companies Act, 1956.

7. AUDITORS' REPORT

There are no adverse qualifications or remarks in the Auditors' Report. However, regarding the outstanding un-paid dividend amount for the year 2003.04 of ₹ 1,84,828 which was due for transfer to the Investor Education and Protection Fund, as mentioned in the Auditors' Report, it is hereby confirmed that the amount has since been transferred to the said Fund.

8. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

Your Company has an adequate system of internal controls with clearly defined authority limits. They ensure that the Company's assets are protected against loss from unauthorised use or disposition and all transactions are authorised, recorded and reported in conformity with generally accepted accounting principles. These systems are designed to ensure accuracy and reliability of accounting data, promotion of operational efficiency and adherence to the prescribed management policies. These policies are periodically reviewed to meet current business requirements.

Internal Audit is carried out by Messrs. Manjunath & Co. Bangalore, an independent firm of Chartered Accountants. They interact with the Audit Committee and have reported to the Directors that there is adequate internal control systems in respect of areas carried out by them.

9. DIRECTORS' RESPONSIBILITY STATEMENT:

In compliance to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to confirm with reference to statement of Accounts for the financial year ended on 31.03.2012:

(i) that in preparing the Annual Accounts, all applicable Accounting Standards have been followed;

(ii) that the accounting policies adopted are consistently followed and the judgements or estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and Loss Account of the Company for the financial year ;

(iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities;

(iv) That the Directors have prepared the annual accounts on 'going concern' basis.

10. SUBSIDIARY COMPANIES:

The Amalgamation proceedings of Basav Chem limited, with Bal Pharma Limited was approved by Honourable High Court of Karnataka vide COP No 90/2010 and 89/2010. As on 31.03.2012 the Company has no subsidiaries, either wholly owned or otherwise. Hence, the financial results of the Company for the year under review and the results pertaining to the previous year, are not entirely comparable.

11. PARTICULARS OF EMPLOYEES:

There was no employee drawing remuneration falling within the limits prescribed under Section 217(2A) of the Companies Act, 1956.

12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND FOREIGN EXCHANGE OUTGO:

As per provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, details relating to the Conservation of Energy and Technology Absorption and Foreign Exchange Earnings and Outflow are given in Annexure I, which is forming part of the Directors Report.

13. PUBLIC DEPOSITS:

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

14. DIRECTORS:

Dr. G. S. R Subba Rao and Mr. Shrenik Siroya, Directors retire by rotation at the 25th Annual General Meeting of the Company and being eligible, offer themselves for reappointment. Your Directors recommend their reappointments.

15. AUDITORS:

Messrs T. D. Jain & DI Sakaria (erstwhile Messrs Ostawal & Jain), Chartered Accountants, Statutory Auditors of the Company retire at the Annual General Meeting and are eligible them for appointment.

16. COST AUDIT:

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

Subject to the approval of the Central Government, the Board has appointed Mr. M.R. Krishna Murthy as Cost Auditor of the Company for the financial year, 2011-12 for cost audit of both Formulation and Bulk Drug divisions of the Company separately. The Cost Audit is under progress and the Company will submit the Cost Auditor's report to the Central Government soon.

17. CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION TO SHAREHOLDERS:

A detailed report on the Corporate Governance System and practices of the Company are given in a separate section in this Annual Report. Detailed information for the shareholders is given in Additional Shareholders information section.

18. HUMAN RESOURCES:

The Company's Human Resource agenda for the year focused on strengthening four key areas: Building a robust talent pipeline, enhancing individual and organizational capabilities for future readiness, driving greater employee engagement, and strengthening employee relations through progressive people management.

19. INSURANCE COVERAGE:

The Board reports that your Company has adequate insurance cover on all the assets of the Company.

20. APPRECIATION:

Your Directors place on record their sincere appreciation of significant contributions made by the employees through their dedication, hard work and commitment and the trust reposed on us by the medical fraternity and the patients. The Directors also acknowledge the support and wise counsel extended to the Company by Canara Bank, Punjab National Bank, EXIM Bank, State Bank of India and other Banks and financial institutions, government agencies, shareholders and investors at large. Your Directors look forward to having the same support in their endeavour to help people lead healthier lives.

For and on behalf of the Board of Directors

Bangalore	**Dr. S. Prasanna**	**Shailesh Siroya**
10th August, 2012	Executive Director	Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE I

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, and forming part of Directors' Report for the financial year ended on 31st March, 2012:

1. Conservation of Energy:

Electricity		2011-12	2010-11
(a)	**Purchased Unit**		
	Units (Kwhr)	**3,851,754**	3,296,623
	Amount	**19,330,008**	16,399,568
	Rate/Unit	**5.02**	4.97
(b)	**Own Generation through Diesel generator**		
	Units (Through Diesel Generator) - Kwhr	**342,735**	501,503
	Units per ltr of Diesel	**3.47**	3.03
	Cost/unit	**13.09**	13.72
	Total Units purchased/generated (Kwhr)	**4,194,489**	3,798,126
(C)	Steam Turbine/Generator	**Nil**	Nil

B. CONSUMPTION PER UNIT OF PRODUCTION

Standards * (if any)	2011-12**	2010-11**
i. Electricity		
ii. Furnace Unit		
iii. Coal		
iv. Others		

*	Owing to the range of products manufactured and the ever changing product mix, it has not been possible to establish standards relating to consumption of energy per unit of production;
**	For the same reasons and as per the Records and Books, maintained by the Company, under the Companies Act, 1956, the Company is not in a position to furnish the required information in the prescribed format for the current year and the previous year

2. Disclosure of Particulars with respect to Technology absorption:

I. Research and Development (R & D)	
(a) Specific areas in which R&D is carried out by the Company	R&D was carried out in the development of synthetic methodologies for drugs having medicinal properties for the treatment of 1. Anxiety and sleep disorders 2. Dermatological problems 3. Psychic afflictions, and 4. Ocular inflammations
(b) Benefits derived as a result of the above R&D	The synthetic methodologies which met success in the development phase were applied in scale-up operations to study the economics, viability and efficiency of the process of production. This resulted in the compilation of important data pertaining to the extension of the process to commercial production.
(c) Future plan of action	Efficient pilot plant processes which have been devised for the drugs were put into practice in manufacturing operations and the commercial viability was explored. Since the drugs that are being studied gave good international market, the export of the drugs to meet international demand has been considered in the future plan of action.

d)	Expenditure on R&D during the financial year ended 31-03-2012:
i) Capital	N I L
ii) Recurring	11,398,007
iii) Total	11,398,007
iv) Total R&D expenditure as a percentage of total turnover	0.80%

3. Technology Absorption, Adaptation and Innovation:

(i) Efforts in brief made towards technology absorption, adaptation and innovation	The technology being developed for the process development is an in-house effort. Personnel in the R&D department are constantly involved in the development of viable technologies for commercial production of drugs of importance. The absorption of in-house developed technologies, therefore, is facile and the pace of adaptation fast. Most of the processes developed in the R&D laboratory are efficient, simple and adaptable processes and innovative in many ways.
(ii) Benefits derived as a result of the above efforts e.g., product improvement, cost reduction, product development, import substitution, etc.	The benefits as a result of technology development in-house are many. As importance and emphasis is given to quality characteristics of the drug under each stage of development, the product coming out elicits good response in the market. Added to this, the purity levels of the drug and the consistency with which the purity is maintained in every batch of drug that is produced enhances the market potential of the drugs. When a drug is manufactured on a regular basis, knowledge is gained on ways and means of reducing the manufacturing cost of the drug. Constant improvement in utility utilization, equipment utilization, energy savings etc. contribute to the overall cost reduction exercise.
	Most of the Active Pharmaceutical Ingredients produced by Bal Pharma are of niche nature and are not common products from others in the industry. Thus, the drugs are of demand not only in the national market but also in the international market. For internal consumers, the drugs offered by Bal Pharma reduce their dependence on import of the drugs from external sources. Besides, Bal Pharma's formulation departments are using the APIs produced in-house. All these factors contribute to substantial import substitution.

Technology is developed in house with state of the Art R&D facility at our unit in Bangalore.

4. Total Foreign Exchange Earnings and Outgo:

	2011-12 (in ₹)	2010-11 (in ₹)
Total Foreign Exchange Earnings	**714,161,294**	633,221,979
Total Foreign Exchange Outgo	**293,220,853**	246,604,167
(a) Raw Materials	**281,870,630**	235,269,107
(b) Other Foreign currency payments		
(i) Travelling Expenses	**1,782,375**	2,769,836
(ii) Export Promotion Expenses	**9,297,996**	5,752,793
(iii) Others - Capital import	**269,852**	2,812,431

REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR 2011-12

Bal Pharma Limited continues to addhere to the philosophy of Corporate Governance. The Company believes that sound Corporate Governance is critical to enhance and retain investor trust. Accordingly, we always seek to ensure that we attain our performance rules with integrity.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

"Corporate Governance" is the system by which business corporations is broadly directed and controlled. The Corporate Governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the Board, Managers, Shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the Company objectives are set, and the means of attaining those objectives and monitoring performance.

Corporate Governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. In contemporary business corporations, the main external stakeholder groups are shareholders, debtholders, trade creditors, suppliers, customers and communities affected by the company's activities. Internal stakeholders are the Board of Directors, executives, and other employees.

2. BOARD OF DIRECTORS & BOARD COMMITTEES:

2.1 Board Meetings:

In accordance with the provisions of the revised clause 49 of the Listing Agreement, the Board meets at least once in every quarter to review the quarterly financial results and other items of the Agenda and, if necessary, additional meetings are held. The Board meets at least 4(four) times in a year and the gap between two Board Meetings is not more than four months as per the revised Clause 49 of the Listing Agreement. The Board is apprised and informed of all the important information relating to the business of the Company. The Managing Director and the Company Secretary discuss the items to be included in the Agenda.

The Board comprises of 6 (six) Directors with Mr. Shailesh Siroya as Managing Director, Dr. Prasanna as Whole-time Director, Mr. Shrenik Siroya as Non-Whole time Non-Independent Director, Mr. Ajit Kumar as Non-Whole time nominee Director from Export Import Bank of India, and Dr. G.S.R Subba Rao and Mr. Pramod Kumar. S as Independent Directors.

During the financial year 2011-12 under review, 4 (four) Board meetings were held on 13-05-2011, 10-08-2011, 08-11-2011,03-02-2012. Compositions of the Board, attendance of the members of the Board at the Board meetings and Annual General Meeting along with their Chairmanship/Membership on Boards/Committees during the financial year 2011-12 are as furnished below:

Sl. No.	Name of the Director	Category	Attendance at		Total number of Directorships in Boards of public Limited companies on the date of this report	Total Number of memberships in Committees of Public Limited Companies on the date of this report	
			Board Meetings	Last AGM on 21.09.2011		As Chairman	As Member
1	Mr. Shailesh Siroya	Executive Director	04	Yes	03	Nil	3
2	Dr. S Prasanna	Executive Director	04	No	02	1	Nil
3	Mr. Shrenik Siroya	Non-Executive Director	01	No	02	Nil	3
4	Dr. G S R Subbarao	Independent Director	04	Yes	01	3	Nil
5.	Pramod Kumar S *	Independent Director	00	No	01	00	00
6.	Mr. K Ajit Kumar	Nominee Director	03	No	02	Nil	2
7.	Mr. Arun Bhan**	Independent Director	02	Yes	02	Nil	1

* Mr. Pramod Kumar S was appointed as Independent Director with effect from 10th May 2012.

** Mr. Arun Bhan ceased to be the Director of the Company with effect from 3rd February 2012.

2.2 INFORMATION PLACED BEFORE THE BOARD

Information placed before the Board of Directors broadly covers the items specified in revised Clause 49 of the Listing Agreement and such other items which are necessary to facilitate meaningful and focused deliberations on issues concerning the Company and taking decisions in an informed and efficient manner. Besides, the Directors on the Board have complete access to information as and when required.

2.3 BOARD COMMITTEES:

Currently, the Board has 4 (four) Committees namely viz. (1). Audit Committee, (2) Remuneration Committee (3) Shareholders & Investors Grievance Committee, (4) Banking Transaction Committee. The Board decides the terms of reference of these Committees and the assignment of its Members thereof.

3. AUDIT COMMITTEE:

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the Board's overall responsibilities, an Audit Committee was constituted by the Board comprising of three Directors. The Chairman of the Audit Committee is an Independent Director. The Company Secretary acts as the Secretary to the Audit Committee. The Audit Committee consists of the following Members:

Sl No.	Name of the Member	Category
1.	Dr. G S R Subba Rao, Chairman	Independent Director
2.	Mr. Ajit Kumar, Member	Nominee Director
3.	Mr. Shrenik Siroya, Member	Non-executive Director

Mr. Pramod Kumar S who is an Independent Director, was inducted as member of the Audit Committee with effect from 10.08.2012.

The primary objective of the Audit Committee is to monitor and provide effective supervision of the Company's financial reporting process with a view towards ensuring accurate, timely and proper disclosures and the transparency, integrity and quality of financial reporting. Audit Committee oversee the work carried out in the financial reporting process – by the Management, the Internal Auditors and the Independent Auditors – and reviews the processes and safeguards employed as per the Listing Agreement.

During the year under review, 4 (four) meetings of Audit Committee were held on 13-05-2011, 10-08-2011, 08-11-2011 & 03-02-2012.

The following are the details of the Audit Committee members and their attendance during the year:

Sl. No.	Name of the Member	Number of meetings attended
1	Dr. G S R Subba Rao, Chairman	4
2	Mr. Shrenik Siroya, Member	1
3	Mr. Ajit Kumar, Member	3

The terms of reference of the Committee also cover the matters specified under Section 292A of the Companies Act, 1956.

4. REMUNERATION COMMITTEE AND REMUNERATION TO DIRECTORS:

4.1 Remuneration policy: - The Managerial remuneration to Executive Directors of the Company is paid in terms of all applicable provisions / schedules of the Companies Act, 1956 and the rules made there under.

4.2 Remuneration Committee is functioning with the following members, as on 31st March, 2012:

Sl. No.	Name of the Member	Category
1	Dr. G S R Subba Rao, Chairman	Independent Director.
2	Mr. Arun Bhan, Member *	Independent Director.
3	Mr. Shrenik Siroya, Member	Non-Executive Director.

* Resigned on 3rd February 2012.

4.3 Mr. Pramod Kumar S who is an Independent Director, was inducted as member in the Remuneration Committee in place of Mr. Arun Bhan, with effect from 10.08.2012.

4.4 The terms of reference of the Committee cover the matters specified under revised Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The Committee also functions as 'Remuneration Committee' under Schedule XIII to the Companies Act, 1956;

4.5 The Remuneration Committee was also authorised to function as 'Compensation Committee' under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;

4.6 The remuneration paid to Mr. Shailesh Siroya, Managing Director, Dr. Prasanna, Whole-time Director and sitting fee paid to Non-executive Director & independent Directors, during the financial Year 2011-12 are as under:

Sl. No.	Particulars	Mr. Shailesh Siroya	Dr. S Prasanna	Mr. Shrenik Siroya	Dr. G S R Subba Rao	Mr. Arun Bhan	Mr. Ajit Kumar
1	Salary & Perquisites	₹ 42,00,000/-	₹ 22,20,000/	N.A.	N.A.	N.A.	N.A.
2	Sitting Fees	N.A.	N.A.	₹ 6,000/-	₹ 14,000/-	₹ 1,000/-	₹ 6,000/-
	Total	**₹ 42,00,000/-**	**₹ 22,20,000/-**	**₹ 6,000/-**	**₹ 14,000/-**	**₹ 1,000/-**	**₹ 6,000/-**

5. SHAREHOLDERS' AND INVESTORS' GRIEVANCES COMMITTEE:

5.1 The Committee consists of the following members of the Board:

Sl. No.	Name of the Member	Category
1	Dr. G S R Subba Rao, Chairman	Independent Director
2	Mr. Shrenik Siroya, Member	Non Executive Director
3	Mr. Shailesh Siroya, Member	Managing Director

5.2 The terms of reference of the Committee cover the matters specified under revised Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited and National Stock Exchange of India Ltd.

5.3 The Committee meets on need basis to dispose off the matters under its reference.

5.4 Name and designation of the Compliance Officer: Mr. V. Murali, Company Secretary

5.5 Investor complaints handled:

Year	Outstanding as on 01.04.2011	Received during the FY	Resolved during the FY	Pending as on 31.03.2012
2011-12	NIL	19	19	NIL

6. OTHER COMMITTEES:

6.1 BANKING TRANSACTIONS COMMITTEE:

Considering the size and the continuous growth of both the Company and its banking transactions, a Sub-Committee of Board, named Banking Transactions Committee was constituted on 30th April, 2006 for considering specific banking transactions, annexed below:

a) To review periodically the banking transactions of the Company;

b) To open new bank accounts for the business purposes of the Company, wherever required;

c) To close bank accounts of the Company, where required;

d) To change signatories to the bank accounts of the Company, where required;

e) To borrow funds from various Banks and financial institutions, not exceeding ₹. 50,00,000/- (Rupees Fifty Lakhs only) for purchase of immoveable assets like motor vehicles and utilities and to create charge on these assets;

The Committee comprises of Mr. Shailesh Siroya, Managing Director and Dr. S. Prasanna, Whole-time Director.

7. GENERAL BODY MEETINGS:

7.1 The last 3 Annual General Meetings were held as under:

Financial Year	Date	Time	Location
2008-09	25-09-2009	10.30 AM	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001.
2009-10	27-09-2010	10.00 AM	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001.
2010-11	21-09-2011	11.30 AM	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001.

7.2 The special resolutions passed by the Company in its 22nd 23rd, 24th AGM(s) /EGM held on 25-09-2009, 27-09-2010,21-09-2011 are as under :

Date of AGM	AGM No.	Business Transacted by Special Resolution
25-09-2009	22	Revision in remuneration of Mr. Shailesh Siroya, Managing Director
27-09-2010	23	NIL
21.09.2011	24	Nil

08. POSTAL BALLOT – The Company has not passed any resolution by way of Postal Ballot during the financial year 2011-12;

09. DISCLOSURES:

Messers. Desa Marketing International, Bangalore, under an agreement with the Company, provides service support for enhancing and promoting business interests of the Company and also sourcing various products for the Company. Mr. Shailesh Siroya, Managing Director, is interested in the said agreement and the Company has obtained approval from the Central Govt. under Section 297 (1) of the Companies Act, 1956, and renewed the same thereafter.

10. MEANS OF COMMUNICATIONS:

Un-audited quarterly/half yearly financial results are published in widely circulating national dailies. Audited and Un-Audited results of the Company are regularly submitted to the exchanges for the benefit of the shareholders. The Annual reports of the Company and other important press releases/clippings are uploaded on the Company's Website. During the financial year 2011-12, the Company has not made any presentation to the institutional investors or analysts.

11. GENERAL SHAREHOLDER INFORMATION:

Sl. No.	Item	Particulars
1	Date of Incorporation	May 19, 1987
2	Date and Time of the 25th Annual General Meeting	21st September 2012 at 4.P.M.
3	Venue of Annual General Meeting	Bharatiya Vidya Bhavan, Race Course Road, Bangalore - 560001.
4	Date of Book Closure	September 19 to 21,2012 (Both days inclusive)
5	Financial Calendar	1st April, 2012 - 31st March, 2013
6	Financial reporting for the first quarter ended on 30-06-2012	10.08.2012
7	Financial reporting for the second quarter ended on 30-09-2012	Second week of Nov. 2012
8	Financial reporting for the third quarter ended 31-12-2012	Second week of February, 2013
9	Financial reporting for the quarter & year ended on 31-03-2013	Second week of May, 2013
10	Listing on Stock Exchanges	Bombay Stock Exchange Ltd., (BSE) National Stock Exchange of India Ltd., (NSE)
11	Stock Code	BSE Scrip Code - 524824 NSE symbol - BALPHARMA
12	ISIN Number	INE083D01012
13	Outstanding GDR/ADR Warrants	Not Applicable

12. MARKET PRICE DATA:

Monthly high and low quotations as well as the volume of Shares traded at National Stock Exchange of India Ltd , during 2011-12 are as under:

Month	High (₹)	Low (₹)	Trade Volume
April 2011	31.95	22.80	108555
May 2011	33.40	25.25	1945025
June 2011	31.75	25.00	65885
July 2011	31.50	28.00	83099
August 2011	30.60	20.99	120089
September 2011	25.00	21.65	47994
October 2011	22.55	20.00	34816
November 2011	22.45	16.00	48093
December 2011	19.95	14.20	42004
January 2012	23.55	15.70	206617
February 2012	24.45	20.00	184795
March 2012	21.65	17.60	31968

Monthly high and low quotations as well as the volume of Shares traded at Bombay Stock Exchange Ltd during 2011-12 are as under:

Month	High (₹)	Low (₹)	Trade Volume
April 2011	32.00	23.40	66175
May 2011	33.70	25.40	135970
June 2011	32.00	26.00	38938
July 2011	31.40	27.00	54046
August 2011	29.70	21.00	88643
September 2011	25.50	21.50	44008
October 2011	22.60	20.20	33015
November 2011	23.00	16.95	109700
December 2011	19.90	15.50	17659
January 2012	23.40	15.65	138617
February 2012	25.00	20.20	123922
March 2012	23.00	17.95	56294

12.1 DISCLOSURES REGARDING SUSPENSE ACCOUNT PURSUANT TO SEBI CIRCULAR NO. SEBI/CFD/DIL/LA/1/2009/24/04 DATED APRIL 24, 2009:

As per the above mentioned Circular, Clause 5A stands for Shares issued pursuant to the public issues or any other issue which remain unclaimed and are lying in the escrow account and any unclaimed benefits like Bonus Shares etc., which are to be credited to the Demat Suspense Account. As none of the Shares issued to the public remain un claimed, this Clause is not applicable for your Company.

13. SHARE TRANSFER SYSTEM:

The Company's Shares are listed and traded on the Stock Exchanges in compulsory Demat mode. Shares in physical form which are lodged for transfer at the Investor Service Centre of the Share Transfer agent and the same are processed and credit of Shares have been given to the investors Demat account.

Periodical audits are carried out at the office of the Share Transfer Agents by independent Practicing Company Secretary and requisite Compliance Certificates/Reports are obtained by the company.

TSR Darashaw Limited, Mumbai, is Share Transfer Agents for both physical and electronic mode of transfer of the Company's Shares. Transfer of Shares held in the physical mode are approved within a maximum period of 15 days, if found in order. Shares under objection are returned within 7 days.

13.1 Share Transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects. The Demat requests are processed within 21 days from the date of request. The Shareholder's and Investors Grievances Committee whose terms of reference include approving physical transfer of Shares meets as and when required. Besides, the Company also engages a Practising Company Secretary to carry out periodical Secretarial audits.

Shareholders' correspondence may kindly be addressed to the Company's Registrar and Transfer Agents at the below– mentioned address. Members may also write to the Compliance Officer of the Company at the annexed address.

13.2 Registrars & Share Transfer Agent:

TSR Darashaw Limited,
6-10, Haji Moosa Patrawala Industrial Estate
20 Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011.
Phone:-91-22-66568484 Fax :-91-22-66568494
Email:- csg-unit@tsrdarashaw.com

Company Secretary & Compliance Officer
Bal Pharma Limited,
Corporate Office:
5th Floor, 'Lakshmi Narayan Complex',
10/1, Palace Road, Bangalore – 560052
Tel: 080 - 41379500 Fax: 080 - 22354057

Shareholders can also contact the branch offices/Agencies of TSR Darashaw Limited, whose addresses are given below:

i. TSR Darashaw Limited, 503, Barton Centre, 84, MG Road, Bangalore – 560 001, Tel: 080-25580019/25320321, Fax: 080-25580019, Email: tsrdlbang@tsrdarashaw.com.

ii. TSR Darashaw Limited, Bungalow No: 1 E Road, Northern Town, Bistupur, Jamshedpur – 831001, Tel: 0657-2426616, Fax: 0657-2426937, Email: tsrdljsr@tsrdarashaw.com.

iii. TSR Darashaw Limited, Tata Centre, 1st floor, 43, Jawaharlal Nehru Road, Kolkata 700071. Tel: 033- 22883087, Fax: 033-22883062, Email: tsrdlcal@tsrdarashaw.com

iv. TSR Darashaw Limited, Plot No: 2/42, Sant Vihar, Ansari Road, Darya Ganj, New Delhi – 110002, Tel:011-23271805, Fax: 011-23271802, Email: tsrdldel@tsrdarashaw.com.

v. Agent: Shah Consultancy Services Pvt. Ltd, 3 Sumatinath Complex, 2nd Dhal Pritam Nagar, Ellisbridge, Ashram Road, Ahmedabad – 380006, Telefax: 079 – 26576038, Email ID shahconsultancy8154@gmail.com

14. DISTRIBUTION OF SHAREHOLDING:

Range From	Range To	No. of Shares	% of Holding	No. of shareholders	% of total shareholders
1	5,000	1,079,509	10.21	6,947	84.96
5001	10,000	519,478	4.91	621	7.59
10001	20,000	461,661	4.37	293	3.58
20001	30,000	289,860	2.74	113	1.38
30001	40,000	165,873	1.57	46	0.56
40001	50,000	167,388	1.58	36	0.44
50001	100,000	387,664	3.67	54	0.66
100001	9,999,999,999	7,502,191	70.95	67	0.82
		10,573,624	**100.00**	**8,177**	**100.00**

15. CATEGORIES OF SHAREHOLDING:

Distribution Schedule - As on 31.03.2012:

Sl. No	Category	No. of Shareholders	No. of Shares held	Percentage Shareholding
1.	FII	0	0	0.00
2.	Non-Resident	51	806155	7.62
3.	Other Banks	1	1800	0.02
4.	Mutual Fund	1	200	0.00
5.	Bodies Corporate	209	502662	4.75
6.	Promoters, Directors & Relatives*	22	5441538	51.46
7.	Indian Public	7893	3821269	36.14
	Grand Total	**8177**	**10573624**	**100.00**

Distribution of holding in Depositories (in Demat form) and physical form:

Depository code	Total Number of shareholders	Total holdings	Percentage to capital
CDSL	2,037	1,731,719	16.38
NSDL	4,421	8,192,492	77.48
Physical	1,719	649,413	6.14
	8,177	**10,573,624**	**100.00**

16. DEMATERIALISATION OF SHARES:

The Company has signed agreements with Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL) for dematerialisation of the Company's Shares. The ISIN number allotted for the Company is INE 083D01012.

17. EMPLOYEES ACCESS TO AUDIT COMMITTEE (WHISTLE BLOWER POLICY):

The Company promotes ethical behaviour in all its business activities and has put in place mechanism of reporting illegal or unethical behaviour. As per the requirement of revised Clause 49 of the Listing Agreement, the Company has issued a circular informing the employees about their right to access Audit Committee for the purpose of bringing to the Committee's notice unethical or improper practices in the Company. The Company affirms that no employee has been denied access to the Audit Committee. The Directors and Management personnel are obliged to maintain confidentiality of such reporting and ensure that the whistle blowers are not subjected to any discriminatory practices.

18. ADDRESS FOR CORRESPONDENCE:

Company Secretary & Compliance Officer
Bal Pharma Limited
Corporate Office:
5th Floor, 'Lakshmi Narayan Complex',
10/1, Palace Road, Bangalore – 560052
Tel: 080 - 41379500 Fax: 080 - 22354057
E-mail: secretarial@balpharma.com, investor@balpharma.com

AUDITORS CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To The Members
Bal Pharma Limited
Bangalore

1) I have examined the compliance of conditions of Corporate Governance by Bal Pharma Limited for the year ended, 31st March, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with BSE and NSE, Mumbai.

2) The compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

3) In my opinion and to the best of my information and explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

4) I state that in respect of investors' grievances received during the year ended 31st March, 2012, no investor grievances are pending against the Company as on 31st March 2012, as per the records maintained by the Company and presented to the Shareholders and Investors Grievances Committee.

5) I 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.

Vijayakrishna K. T.
Practising Company Secretary
FCS – 1788; CP – 980

Bangalore
10th August, 2012

TO THE MEMBERS OF BAL PHARMA LIMITED

We have audited the attached balance sheet of Bal Pharma Limited as at 31 March 2012, the statement of profit and loss for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date, which we have signed under reference to this report. 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.

We have 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.

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report)(Amendment) order, 2004 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

(i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

(ii) In our opinion, proper books of accounts as required by law, have been kept by the company so far as appears from our examination of those books;

(iii) The balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account;

(iv) In our opinion, the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable;

(v) On the basis of the written representations received from the directors, as on 31 March 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 ; and

(vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, together with the notes thereon and attached thereto and subject to Note no.43 regarding non-confirmation of balances in parties accounts and pending review of old balances, give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the balance Sheet, of the state of affairs of the company, as at 31 March 2012;

(b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and

(c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **T D JAIN AND D I SAKARIA**
Chartered Accountants
Firm registration no: 002491S

Bangalore
10th August, 2012

T D JAIN
Partner
M. No.: 12034

ANNEXURE TO THE AUDITOR'S REPORT

Annexure referred to in Paragraph 3 of the report of the Auditors to the members of Bal Pharma Limited for the year ended 31 March 2012:

1. The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. These fixed assets were physically verified by management according to a phased programme designed to cover all the items over a period of three years. Pursuant to the programme, physical verification of certain assets was carried out during the year and we have been informed that no material discrepancies were noticed on such physical verification. Substantial part of fixed assets have not been disposed off during the year, which will affect its status as going concern.

2. The stock of inventory has been physically verified during the year by the management at reasonable intervals. In our opinion, the procedures of physical verification of inventory, followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory. The discrepancies noticed during the physical verification of stocks as compared to book records were not material; however, the same has been properly dealt with in the books of account.

3. (a) According to the information and explanations given to us, the company has not granted any loans to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (d) of the order are not applicable to the company and hence not commented upon.

   (b) The company has taken interest free unsecured loans, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The company has taken interest free unsecured loan from its Managing director. The maximum balance outstanding during the year was ₹ 63,95,700/- and the yearend balance of the loan was ₹ 33,80,700/-. This loan is repayable on demand.

   (c) In our opinion and according to the explanations given to us, the rate of interest, wherever applicable, and other terms and conditions on which such loans have been taken from the companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the company.

   (d) The company is regular in repayment of demand loans.

4. In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and nature of its

business, for the purchase of inventory and fixed assets and for the sale of goods and services. We have not observed any major weakness in the internal control system during the course of our audit.

5. In our opinion, and according to the information and explanations given by the management, we are of the opinion that contracts and arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section and such transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the Company

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 accounts maintained by the Company pursuant to the rules prescribed by the Central government for maintenance of cost records under Section 209(1)(d) of the Act and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not however made a detailed examination of records with a view to determining whether they are accurate and complete.

9. a) According to the information and explanations given to us and on the basis of our examination of books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs duty, Excise duty, Cess and any other material statutory dues during the year with the appropriate authorities. However, there have been delays in remitting undisputed statutory dues with these authorities. Further, an amount of ₹ 184,828/- required to be deposited during the year in Investor Education and Protection fund towards unclaimed dividend of financial year 2003-04 has not been deposited as at 31 March 2012.

   b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues were in arrears as at 31 March 2012 for a period of more than six months from the date they became payable. However an amount of ₹ 184,828/- required to be deposited in Investor Education and Protection fund towards unclaimed dividend of financial year 2003-04 was in arrears as at 31 March 2012 for a period of more than six months from the date it became payable.

   c) According to the information and explanations given to us, there are no amounts in respect of Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty and Cess that have not been deposited with appropriate authorities on account of any dispute other than those mentioned in Annexure I to this report.

10. The Company has no accumulated losses. The Company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.

11. The Company has not defaulted in repayment of dues to its bankers or to any financial institution. The Company did not have any outstanding debentures during the year.

12. The Company has not granted any loans and advances on the basis of security by way of pledge of Shares, debentures and other securities. Accordingly, clause 4(xii) of the Order is not applicable.

13. The Company is not a chit fund, nidhi or mutual benefit fund/society. Accordingly, clause 4(xiii) of the Order is not applicable.

14. Accordingly to the information and explanations given to us, the Company is not dealing or trading in Shares, securities, debentures and other investments. Accordingly clause 4(xiv) of the Order is not applicable

15. Based on the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

16. In our opinion and according to information and explanations given to us and on the basis of examination of books of accounts, the term loans obtained by the Company were applied for the purpose for which such loans were obtained.

17. According to the information and explanations given to us, and on an overall examination of balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investments.

18. The Company has not made any preferential allotment of Shares to parties and companies covered in the register maintained under section 301 of the Act during the year. Accordingly, clause (xviii) of the Order is not applicable.

19. The Company has not issued any debentures. Hence the requirements of clause (xix) of paragraph 4 of the Order are not applicable to the Company.

20. The company has not raised any money by way of public issue during the year.

21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For **T D JAIN AND D I SAKARIA**
Chartered Accountants
Firm registration no: 002491S

T D JAIN
Partner
M. No.: 12034

Bangalore
10th August, 2012

Annexure I as referred to para 9 of annexure to the Auditor's Report

Name of the Statute	Nature of dues	Amount in ₹	Period to which Amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Central Excise Duty and penalty	8,68,598	2000-01	Customs, Excise, Service Tax Appellate, Mumbai
The Kerala General Sales Tax Act, 1963	Local Sales tax	7,49,720	2002-03	The Deputy Commissioner (Appeals), Ernakulam

BALANCE SHEET AS AT 31 MARCH 2012

	Note no	31 March 2012 ₹	31 March 2011 ₹
EQUITY AND LIABILITIES			
Shareholders' fund			
Share capital	3	105,736,240	104,832,240
Reserves and surplus	4	294,821,871	260,240,617
		400,558,111	**365,072,857**
Non- current liabilities			
Long-term borrowings	5	60,908,609	117,896,356
Deferred tax liabilities (Net)	6	74,176,971	67,642,354
Other long term liabilities	7	6,371,954	6,796,954
Long-term provisions	8	6,437,101	9,999,274
		147,894,635	**202,334,938**
Current liabilities			
Short- term borrowings	9	445,294,371	412,510,888
Trade payables	10	269,216,581	262,140,267
Other current liabilities	11	139,566,158	107,391,831
Short- term provisions	8	9,107,700	4,729,791
		863,184,810	**786,772,777**
Total		**1,411,637,556**	**1,354,180,572**
ASSETS			
Non- current assets			
Fixed assets			
Tangible assets	12	472,540,997	479,790,884
Intangible assets	13	56,443,959	59,468,081
Capital work in progress		4,114,194	1,277,984
Non- current investments	14	150,000	550,000
Long term loans and advances	15	31,825,510	21,793,852
Other non-current assets	16	1,592,562	532,375
		566,667,221	**563,413,176**
Current assets			
Inventories	17	336,595,183	322,143,609
Trade receivables	18	381,858,240	370,158,625
Cash and cash equivalents	19	30,267,219	19,670,859
Short-term loans and advances	15	93,134,017	77,688,837
Other current assets	16	3,115,676	1,105,466
		844,970,335	**790,767,396**
Total		**1,411,637,556**	**1,354,180,572**

Summary of significant accounting policies **2.1**

The accompanying notes are an integral part of the financial statements.

As per our report of even date
For **T D JAIN AND D I SAKARIA**
Chartered Accountants
Firm registration number- 002491S

For and on behalf of directors of Bal Pharma Limited

T D Jain
Partner
Membership No. 012034

V. Murali
Company Secretary

Dr. S Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
10th August, 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2012

	Note no	31 March 2012 ₹	31 March 2011 ₹
Revenue			
Revenue from operations (gross)	20	1,422,459,744	1,166,484,115
Less: excise duty		25,593,418	22,085,261
Revenue from operations (net)		1,396,866,326	1,144,398,854
Other income	21	10,781,042	5,422,696
Total Revenue - (i)		**1,407,647,368**	**1,149,821,550**
Expenses			
Cost of materials consumed	22	718,463,305	604,432,592
Purchase of traded goods	23	37,523,988	31,573,787
(Increase)/decrease in inventories of finished goods and work-in-progress	24	12,028,287	(20,724,838)
Employees benefits expenses	25	211,541,348	181,443,316
Other expenses	26	269,239,746	239,920,455
Total Expense - (ii)		**1,248,796,674**	**1,036,645,312**
Earnings before interest, tax, depreciation and amortization - EBITDA - (i-ii)		**158,850,694**	**113,176,238**
Finance costs	27	72,991,086	67,912,711
Depreciation and amortization expenses	28	41,308,148	34,236,057
Profit/(loss) before tax - (iii)		**44,551,460**	**11,027,470**
Tax expenses			
Current tax		9,773,638	2,384,169
Less: MAT credit entitlement		8,913,745	1,969,169
Net Current Tax		859,893	415,000
(Excess)/Short provision for tax of earlier years		12,057	(15,812)
Deferred Tax		6,075,310	5,866,756
Wealth tax		35,195	38,569
Total tax expense - (iv)		**6,982,455**	**6,304,513**
Profit/(loss) for the year (iii-iv)		**37,569,005**	**4,722,957**
Earning per equity share: (Nominal value per share: ₹ 10 (31 March 2011: ₹ 10)			
Basic		3.57	0.45
Diluted		3.57	0.45

Summary of significant accounting policies **2.1**

The accompanying notes are an integral part of the financial statements.

As per our report of even date
For **T D JAIN AND D I SAKARIA**
Chartered Accountants
Firm registration number- 002491S

For and on behalf of directors of Bal Pharma Limited

T D Jain
Partner
Membership No. 012034

V. Murali
Company Secretary

Dr. S Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
10th August, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

	31 March 2012 ₹	31 March 2011 ₹
Cash flows from operating activities:		
Profit before tax	44,551,460	11,027,470
Add / (Less) : Adjusted for		
- Reserves and Surplus from merged entity	(3,820,691)	-
- Deferred Tax liability from merged entity	459,307	-
- Employee Stock Option Scheme	(186,859)	51,968
Add / (Less) : Non Cash adjustments to reconcile profit before tax to net cash flows		
- Depreciation and Amortisation	41,308,148	34,236,057
- (Gain) / Loss on sale of fixed assets	(8,780,337)	-
- Finance cost	72,991,086	67,912,711
- Interest income	(1,973,347)	(893,160)
- Dividend income	-	(7,110)
Operating profit / (loss) before working capital changes	144,548,767	112,327,936
Add / (Less) : Working capital changes		
- Decrease / (Increase) in inventories	(14,451,574)	(35,919,110)
- Decrease / (Increase) in trade receivables	(11,699,615)	(50,986,358)
- Decrease / (Increase) in loans and advances	(25,476,837)	(23,469,791)
- Decrease / (Increase) in other assets	(3,070,397)	(1,637,841)
- Increase / (Decrease) in trade payables	7,076,313	50,323,815
- Increase / (Decrease) in other liabilites	31,749,327	57,660,222
- Increase / (Decrease) in provisions	4,515,478	4,826,170
Cash generated from/(used in) operations	133,191,462	113,125,043
Direct taxes paid	4,606,887	188,525
Net cash flow from / (used in) operating activites (A)	**128,584,575**	**112,936,518**
Cash flows from investing activities:		
Purchase of fixed assets including intangible assets and capital work-in-progress	(36,340,012)	(28,620,993)
Proceeds from sale of investments	1,000,000	-
Purchase of investments	(100,000)	-
Proceeds from sale of fixed assets	11,250,000	-
Interest income	1,973,347	893,160
Dividend income	-	7,110
Net cash flow from / (used in) investing activities (B)	**(22,216,665)**	**(27,720,723)**
Cash flows from financing activities:		
Money received on exercise of shares under ESOP	1,423,800	
Repayment of long-term borrowings	(56,987,747)	(94,213,234)
Repayment of short-term borrowings	32,783,483	80,432,940
Finance cost	(72,991,086)	(67,912,711)
Net cash flow from/(used in) financing activities (C)	**(95,771,550)**	**(81,693,005)**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	10,596,360	3,522,790
Cash and cash equivalents at the beginning of the year	19,670,859	16,148,069
Cash and cash equivalents at the end of the year	**30,267,219**	**19,670,859**
Components of cash and cash equivalents		
Cash in hand	136,016	71,618
Balance with banks - on current accounts	8,888,557	2,699,679
Balance with banks - on deposit accounts	21,242,646	16,899,562
Total Cash and cash equivalents	**30,267,219**	**19,670,859**
Summary of significant accounting policies **2.1**		

As per our report of even date
For **T D JAIN AND D I SAKARIA**
Chartered Accountants
Firm registration number- 002491S

For and on behalf of directors of Bal Pharma Limited

T D Jain
Partner
Membership No. 012034

V. Murali
Company Secretary

Dr. S Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
10th August, 2012

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1. Corporate Information

Bal Pharma Limited (the company) is a Public Limited Company domiciled in India and incorporated under provisions of the Companies Act, 1956. Its shares are listed on two recognized stock exchanges in India. The company is engaged in the manufacturing and selling of pharmaceutical products. The company caters to both domestic and international markets.

2. Basis of preparation

The financial statements of the company have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006, (as amended), other pronouncements of Institute of Chartered Accountants of India and the relevant provisions of Companies Act, 1956.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The Management evaluates and adopts all recently issued or revised accounting standards on an ongoing basis.

2.1. Summary of significant accounting policies

a) Presentation and disclosure of financial statements

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However it has significant impact on presentation and disclosures made in the financial statements. The company has also re classified the previous year figures in accordance with the requirements applicable in the current year.

b) Use of Estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenditure for the year. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

c) Fixed assets

Fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use and all pre-operative expenses till the commencement of commercial production are capitalized.

Advances paid towards acquisition of tangible fixed assets outstanding at the end of the reporting period is shown under loans and advances as per revised Schedule VI of Companies Act, 1956 and the cost of tangible fixed assets not ready for their intended use before such date are disclosed under capital work in progress.

d) Intangible fixed assets

Intangible fixed assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization. Intangible assets are amortized on a straight line method as per the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956.

e) Depreciation

Depreciation on owned fixed assets is provided for on the straight line method as per the rates and in the manner prescribed under Schedule XIV of the Companies Act 1956. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Premium on leasehold land is amortized over the initial period of lease. Individual low cost assets (acquired for less than Rs. 5,000/-) are entirely depreciated in the year of acquisition.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

f) **Valuation of Inventories**

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First in-first-out (FIFO)
Stores and spares	First in-first-out (FIFO)
Work-in-process and finished goods (manufactured)	FIFO and including an appropriate share of production overheads
Finished goods (traded)	Actual cost of purchase

g) **Retirement benefits**

- Gratuity

In accordance with Indian laws, Bal Pharma Limited provide for gratuity, a defined benefit retirement plan covering all eligible employees of the Company. In accordance with the payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment of an amount based on the respective employee's salary and tenure of employment and vesting occurs upon completion of five years of service. The measurement date used for determining retirement benefits for gratuity is March 31.

Provision for gratuity & compensated absences is made on the basis of actuarial valuation at the balance sheet date, carried out by an independent actuary.

Contributions payable to the recognized provident fund, which is defined contribution scheme, are charged to the profit and loss account.

- Short Term Employees Benefits

Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered. These benefits include leave travel allowance, bonus/performance incentives.

h) **Investments**

Investments are either classified as current or long-term based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

i) **Foreign currency transactions and balances**

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

j) **Expenditure on research and development**

In accordance with the Accounting Standard 26 on Intangible Assets, the Management has recognized Revenue Expenditure, direct as well as allocated, on R & D projects for development of new products and processes as Intangible Assets, since it is of the opinion that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. These assets shall be amortized over a period of ten years starting from the year of commercial production. However, Revenue Expenditure on projects, which have become unsuccessful are charged off as an expense in the year in which they are abandoned. Capital expenditure incurred on research and development is capitalized as fixed assets and depreciated in accordance with the depreciation policy of the company.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

k) **Leases**

Leases under which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired on or after April 01, 2001 are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease payments under operating leases are recognized as an expense in the statement of profit and loss on a straight line basis over the lease term.

l) **Income tax expense**

Income tax expense comprises current tax and deferred tax charge or credit.

- Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period, i.e, the period for which MAT credit is allowed to be carried forward.

In the year in which the company recognizes MAT credit as an asset in accordance with the Guidance Note on accounting for credit available in respect of Minimum Alternate Tax under the Income Tax Act, 1961, the said asset is created by way of credit to the statement of profit & loss and shown as “MAT credit Entitlement”.

The company reviews the “MAT credit entitlement” asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

- Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

m) **Earning per share**

In determining earnings per share, the company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

n) **Employee stock option schemes**

In accordance with the Securities and Exchange Board of India guidelines, the excess of the market price of shares, at the date of grant of options under the employee stock option schemes, over the exercise price is treated as employee compensation and amortized over the vesting period.

o) **Provisions and contingent liabilities**

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

p) **Impairment of tangible and intangible assets**

The Company assesses at each balance sheet date whether there is any indication that an asset may be Impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previous assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical Cost.

q) **Accounting for amalgamation**

The company treats an amalgamation in the nature of merger if it satisfies all the following criteria:

- All the assets and liabilities of the transferor company become, after amalgamation, the assets and liabilities of the transferee company.
- Shareholders holding not less than 90% of the face value of the equity shares of the transferor company (other than the equity shares already held therein, immediately before the amalgamation, by the transferee company or its subsidiaries or their nominees) become equity shareholders of the transferee company.
- The consideration for amalgamation receivable by those equity shareholders of the transferor company who agree to become shareholders of the transferee company is discharged by the transferee company wholly by the issue of equity shares, except that cash may be paid in respect of any fractional shares.
- The business of the transferor company is intended to be carried on, after the amalgamation, by the transferee company.
- The transferee company does not intend to make any adjustment to the book values of the assets and liabilities of the transferor company, except to ensure uniformity of accounting policies.

All other amalgamations are in the nature of purchase.

The company accounts for all amalgamations in the nature of merger using the pooling of interest method. The application of this method requires the company to recognize any non-cash element of the consideration at fair value. The company recognizes assets, liabilities and reserves, whether capital or revenue, of the transferor company at their existing carrying amounts and in the same form as at the date of the amalgamation. The balance in the statement of profit and loss of the transferor company is transferred to the general reserve. The difference between the amount recorded as share capital issued, plus any additional consideration in the form of cash or other assets, and the amount of share capital of the transferor company is adjusted in reserves.

r) **Cash Flow Statement**

The Cash Flow Statement is prepared by the "Indirect method" set out in Accounting Standard 3 on "Cash Flow Statements" and presents the cash flows from operating, investing and financing activities of the company. Cash and Cash equivalents presented in the Cash Flow Statement consist of cash on hand and demand deposits with banks.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

3. Share Capital

	31 March 2012 ₹.	31 March 2011 ₹.
Authorized shares		
11,000,000 (31 March 2011: 11,000,000) equity shares of ₹.10 each	110,000,000	110,000,000
400,000 (31 March 2011: 400,000) redeemable preference shares of ₹.100 each	40,000,000	40,000,000
	150,000,000	**150,000,000**
Issued, subscribed and fully paid-up shares		
10,573,624 (31 March 2011: 10,483,224) equity shares of ₹.10 each	105,736,240	104,832,240
Total	**105,736,240**	**104,832,240**

a. Reconciliation of the equity shares outstanding at the beginning of the reporting period

	31 March 2012		31 March 2011	
	Nos	₹.	Nos	₹.
At the beginning of the period	10,483,224	104,832,240	10,483,224	104,832,240
Issued during the period - ESOP	90,400	904,000	-	-
Outstanding at the end of the period	**10,573,624**	**105,736,240**	**10,483,224**	**104,832,240**

b. Terms/Rights attached to Equity shares

The company has only one class of equity shares having par value of ₹.10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting period

	31 March 2012 no's	31 March 2011 no's
Equity shares allotted as fully paid bonus shares by capitalization of reserves	-	3,040,000
Equity shares allotted as fully paid -up pursuant to contracts for consideration other than cash	-	-
Equity shares bought back by the company	-	-

In addition, the company has issued total 127,400 shares (31 March 2011: 37,000) during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan (ESOP) wherein part consideration was received in form of employee services.

d. Details of shareholders holding more than 5% shares in the company

Equity shares of ₹.10 each fully paid	31 March 2012		31 March 2011	
	Nos	% holding in the class	Nos	% holding in the class
Micro Labs Limited	1,310,836	12.40	1,310,836	12.50
Shailesh siroya	670,759	6.34	670,759	6.40
Anand surana	-	-	525,686	5.01

As per records of the company, including its register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

e. Shares reserved for issue under options

For details of shares reserved for issue under the employee stock option plan (ESOP) of the company, please refer note no. 40.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

4. Reserves and surplus

	31 March 2012 ₹.	31 March 2011 ₹.
Capital reserves		
Balance as at beginning of the reporting period	3,000,000	3,000,000
Add: Transferred from merged entity	1,405,725	-
Add: Additions during the year	-	-
Closing balance	**4,405,725**	**3,000,000**
Securities premium account		
Balance as per last financial statement	145,637,950	145,637,950
Add: Additions on ESOPs exercised	519,800	-
Add: Transferred from employee stock options outstanding	1,722,120	-
Closing balance	**147,879,870**	**145,637,950**
Employees stock options outstanding		
Gross employee stock compensation for options granted in earlier years	4,181,475	4,181,475
Add: Gross compensation for options granted during the year	-	-
Less: Options forfeited/surrendered	(1,754,505)	(1,518,285)
Less: Deferred employee stock compensation	-	(49,361)
Less: Transferred to securities premium on exercise of stock options	(2,426,970)	(704,850)
Closing Balance	**-**	**1,908,979**
General reserve		
Balance as per the last financial statement	24,015,000	24,015,000
Add: Difference in value of investment and share capital of merged entity	500,000	-
Add: Amount transferred from surplus balance in the statement of profit and loss	-	-
Closing Balance	**24,515,000**	**24,015,000**
Surplus/(deficit) in the statement of profit and loss		
Balance as at beginning of the reporting period	85,678,688	80,955,731
Add: Transferred from merged entity	(5,226,417)	-
Add: Profit for the year	37,569,005	4,722,957
Surplus in the statement of profit and loss	**118,021,276**	**85,678,688**
Total	**294,821,871**	**260,240,617**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

5. Long-term borrowings

	Non-current portion		Current maturities	
	31 March 2012 ₹.	31 March 2011 ₹.	31 March 2012 ₹.	31 March 2011 ₹.
Term Loans				
- From banks				
State Bank of India (Secured)	-	2,320,239	2,320,239	14,835,477
Exim Bank (Secured)	57,383,023	114,771,912	57,388,889	30,609,774
Kotak Mahindra Bank (unsecured)	2,127,628	-	3,737,597	-
- From Financial institutions				
Tata Capital Limited (unsecured)	710,889	-	1,244,192	-
Other Loans and Advances				
- Vehicle loan (secured)	687,069	804,205	1,041,381	1,450,552
	60,908,609	**117,896,356**	**65,732,298**	**46,895,803**
The above amount includes				
Secured borrowings	58,070,092	117,896,356	60,750,509	46,895,803
Unsecured borrowings	2,838,517	-	4,981,789	-
Amount disclosed under the head “other current liabilities”-(note 11)	-	-	(65,732,298)	(46,895,803)
Total	**60,908,609**	**117,896,356**	**-**	**-**

a. Term Loan from State Bank of India of ₹. 2.30 Crores obtained during the financial year 2009-10 and repayable in 10 monthly installments of ₹. 23 Lakh each. The term is secured by hypothecation of assets of Unit II and Unit III, and Unit IV funded by them. Term loan is further secured by collateral securities & personal guarantees of Directors and carries interest rate @ 16.5%.

b. Term loans obtained from EXIM Bank of ₹.21.55 Crores towards establishment of Formulation Plant at Uttaranchal and repayable in quarterly installments. The term loan is secured by first pari passu charge on the entire immovables and Hypothecation of whole of moveable fixed assets, both present and future of the Company including:

   i. Moveable plant and machinery, Equipment, Appliances, furniture, vehicles, machinery spares and stores, tools and accessories, whether or not installed.

   ii. Related movables in the course of transit or delivery whether now belonging or which may hereafter belong to the Company or which may be held by any person at any place within or outside India to the order or disposition of the company and all document or title including bills of lading, shipping documents, policies of insurance and other instruments and documents relating to such movables together with benefits of all rights thereto. Term loan is further secured by collateral securities & personal guarantees of Directors and carries interest rate @ 12%.

c. The vehicle loans are secured by hypothecation of vehicles taken on loan.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

6. Deferred tax liability (net)

	31 March 2012 ₹.	31 March 2011 ₹.
Deferred tax assets		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	2,670,913	4,142,100
Carried forward losses	15,947,191	11,004,002
Gross deferred tax assets	18,618,104	15,146,102
Deferred tax liability		
Fixed assets: Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting	74,636,839	63,044,371
Others	18,158,237	19,744,085
Gross deferred tax liability	92,795,076	82,788,456
Net deferred tax liability	**74,176,971**	**67,642,354**

7. Other Long term liabilities

	31 March 2012 ₹.	31 March 2011 ₹.
Others		
- Deposit received from Customers	6,371,954	6,796,954
Total	**6,371,954**	**6,796,954**

8. Provisions

	Long-term		Short-term	
	31 March 2012 ₹.	31 March 2011 ₹.	31 March 2012 ₹.	31 March 2011 ₹.
Provision for employee benefits				
Provision for gratuity (note no. 30)	4,420,067	7,791,453	1,680,810	2,349,177
Provision for leave benefits (note no. 30)	2,017,034	2,207,821	114,214	121,182
	6,437,101	9,999,274	1,795,024	2,470,359
Other provisions				
Provision for Income Tax (net of advance tax)	-	-	7,277,481	2,220,863
Provision for wealth tax	-	-	35,195	38,569
	-	-	7,312,676	2,259,432
Total	**6,437,101**	**9,999,274**	**9,107,700**	**4,729,791**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

9. Short-term borrowings

	31 March 2012 ₹.	31 March 2011 ₹.
From Banks		
- Cash credit (secured)	209,796,881	206,669,701
- Packing credit (secured)	52,690,917	70,602,601
- Bills Discounted (secured)	77,039,137	95,550,566
- Buyers credit (Unsecured)	102,386,736	39,688,020
Interest free loan and advances from directors repayable on demand (Unsecured)	3,380,700	-
Total	**445,294,371**	**412,510,888**
The above amount includes		
Secured borrowings	339,526,935	372,822,868
Unsecured borrowings	105,767,436	39,688,020

Short term borrowings from banks is secured under a Consortium arrangement with pari passu charge is secured by hypothecation of stock and book debts and second charge on all the movable fixed assets. Cash credit is repayable on demand and carries interest rate @ 14.50% p.a to 15.25% p.a.

10. Trade payables

	31 March 2012 ₹.	31 March 2011 ₹.
Trade payables (refer note no. 32 for details of dues to micro and small enterprises)	269,216,581	262,140,267
Total	**269,216,581**	**262,140,267**

11. Other current liabilities

	31 March 2012 ₹.	31 March 2011 ₹.
Current maturities of long-term borrowings (note 5)	65,732,298	46,895,803
Creditors for capital goods	7,930,536	5,188,169
Due to subsidiary	-	540,278
Investor education and protection fund will be credited by following amounts:		
Unpaid dividend	847,859	847,859
Unclaimed rights issue application money	141,750	141,750
Rental Deposits	2,161,072	1,117,500
Advances from customers	30,010,753	28,718,862
Book overdraft on account of issue of cheques	11,812,716	8,850,933
Statutory liabilities	6,200,475	3,911,341
Other payables	14,728,699	11,179,336
Total	**139,566,158**	**107,391,831**

12. Tangible assets

Amount in ₹

Particulars	Gross carrying value					Depreciation					Net carrying value	
	As at beginning of the reporting period	Acquisitions through amalgama-tion	Additions	Disposals	As at end of the reporting period	Upto last year	Accumulated depreciation on acquisitions through amalgamation	for the year	Disposals	Total	As at end of the reporting period	As at beginning of the reporting period
Tangible Assets												
Land	18,190,913	90,000	-	-	18,280,913	293,964	-	146,982	-	440,946	17,839,967	17,896,949
Building	192,328,798	3,401,220	1,296,307	2,691,070	194,335,255	35,359,146	2,164,498	5,508,973	706,391	42,326,226	152,009,029	156,969,652
Plant & Machinery	157,407,893	7,084,078	7,043,206	-	171,535,177	52,048,498	5,183,309	6,024,277	-	63,256,084	108,279,093	105,359,395
Utilities	232,904,016	136,536	7,479,331	-	240,519,883	59,288,146	30,362	11,209,100	-	70,527,608	169,992,275	173,615,871
Furniture and Fixtures	15,732,692	24,181	720,829	-	16,477,702	7,133,515	21,226	1,014,200	-	8,168,941	8,308,761	8,599,177
Office equipments	18,516,064	27,682	858,793	-	19,402,539	10,641,735	19,376	1,197,383	-	11,858,494	7,544,044	7,874,329
Vehicles	18,632,638		1,362,403	1,157,784	18,837,257	9,157,127		1,785,103	672,800	10,269,430	8,567,827	9,475,511
Total	**653,713,014**	**10,763,697**	**18,760,869**	**3,848,854**	**679,388,726**	**173,922,131**	**7,418,771**	**26,886,018**	**1,379,191**	**206,847,729**	**472,540,997**	**479,790,884**
31 March 2011	**639,175,731**	**-**	**14,537,284**	**-**	**653,713,015**	**145,383,155**	**-**	**28,538,976**	**-**	**173,922,131**	**479,790,884**	**493,792,576**

13. Intangible assets

Amount in ₹

Particulars	Gross carrying value					Amortization					Net carrying value	
	As at beginning of the reporting period	Acquisitions through amalgama-tion	Additions	Disposals	As at end of the reporting period	Upto last year	Accumulated depreciation on acquisitions through amal-gamation	for the year	Disposals	Total	As at end of the reporting period	As at beginning of the reporting period
Softwares	58,760	-	-	-	58,760	29,486	-	9,525	-	39,011	19,749	29,274
R & D Expenses	92,369,831	-	11,398,007	-	103,767,838	33,618,007	-	14,183,620	-	47,801,627	55,966,211	58,751,824
Market Development												
expenditure	11,690,472	-	-	-	11,690,472	11,003,489	-	228,984	-	11,232,473	457,999	686,983
Total	**104,119,063**	**-**	**11,398,007**	**-**	**115,517,070**	**44,650,982**	**-**	**14,422,129**	**-**	**59,073,111**	**56,443,959**	**59,468,081**
31 March 2011	**91,313,338**	**-**	**12,805,725**		**104,119,063**	**38,953,901**		**5,697,081**		**44,650,982**	**59,468,081**	**52,359,437**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

14. Non current investments

	31 March 2012 ₹.	31 March 2011 ₹.
Investment in Subsidaries		
Nil (31 March: 100,000) shares of ₹.10 each fully paid in Basav Chem Limited	-	500,000
	-	500,000
Investment in equity instruments - Unquoted		
4,000 (31 March: Nil) shares of ₹.25 each fully paid in The saraswat cooperative Bank Limited	100,000	-
5,000 (31 March: 5,000) shares of ₹.10 each fully paid in The Shamrao vithal Co-operative Bank Ltd.	50,000	50,000
	150,000	50,000
Total	**150,000**	**550,000**
Aggregate amount of quoted investments (Market value - Not available)	1,107,850	1,107,850
Aggregate amount of unquoted investments	150,000	550,000
Aggregate provision for diminution in value of investment	1,107,850	1,107,850

15. Loans and advances

	Long-term		Short-term	
	31 March 2012 ₹.	31 March 2011 ₹.	31 March 2012 ₹.	31 March 2011 ₹.
Capital advances				
Unsecured considered good	4,631,632	1,134,077	-	-
Security deposit				
Unsecured considered good	11,093,027	10,960,975	5,801,971	5,668,032
Advances recoverable in cash or kind				
Unsecured considered good	-	-	19,760,418	9,779,776
Other loans and advances				
MAT Credit entitlement	13,581,714	4,667,969	-	-
Advance to Subsidiary company	-	-	-	6,460,000
Prepaid Expenses	-	-	2,232,833	2,440,353.00
Loans/advances to employees	-	-	698,381	1,093,203
Balances with statutory/government authorities	2,502,412	5,014,106	64,210,786	51,869,768
Others	16,725	16,725	429,628	377,705
	16,100,851	9,698,800	67,571,628	62,241,029
Total	**31,825,510**	**21,793,852**	**93,134,017**	**77,688,837**

Loans and advances includes loans and advances due by directors or other officers, etc: ₹. Nil (31 March 2011:₹. Nil)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

16. Other assets

	Non-current		Current	
	31 March 2012 ₹.	31 March 2011 ₹.	31 March 2012 ₹.	31 March 2011 ₹.
Unsecured, considered good				
unless stated otherwise				
Non current bank balance (note no 19)	1,592,562	532,375	-	-
	1,592,562	532,375	-	-
Others				
Insurance claims	-	-	1,786,613	975,202
Interest accrued on fixed deposits	-	-	1,329,063	130,264
	-	-	3,115,676	1,105,466
Total	**1,592,562**	**532,375**	**3,115,676**	**1,105,466**

17. Inventories (valued at lower of cost and net realizable value)

	31 March 2012 ₹.	31 March 2011 ₹.
Raw materials and components [includes in transit ₹. 1,362,911 (31 March 2011: ₹. 8,613,433)]	106,590,186	82,936,102
Packing material	30,357,679	27,886,606
Work-in progress	72,780,572	75,950,211
Finished goods	125,368,577	134,227,225
Stores and spares	1,498,169	1,143,465
Total	**336,595,183**	**322,143,609**

18. Trade receivables

	31 March 2012 ₹.	31 March 2011 ₹.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	52,168,062	62,048,325
Other receivables		
Unsecured, considered good	329,690,178	308,110,300
Total	**381,858,240**	**370,158,625**

19. Cash and cash equivalents

	Non-current		Current	
	31 March 2012 ₹.	31 March 2011 ₹.	31 March 2012 ₹.	31 March 2011 ₹.
Cash on hand	-	-	136,016	71,618
Balance with Bank				
On current Account	-	-	6,624,259	1,583,365
On EEFC account	-	-	1,268,689	120,705
On unclaimed rights issue application money	-	-	147,750	147,750
On Unpaid dividend account	-	-	847,859	847,859
Deposits with original maturity of less than 3 months	-	-	1,080,000	-
	-	-	10,104,573	2,771,297
Other bank balances				
Deposits with original maturity for more than 3 months but less than 12 months	-	-	3,739,282	5,472,866
Deposits with original maturity for more than 12 months	1,592,562	532,375	2,937,866	4,578,412
Margin money deposits	-	-	13,485,498	6,848,284
	1,592,562	532,375	20,162,646	16,899,562
Amount disclosed under non current assets (note 16)	(1,592,562)	(532,375)	-	-
Total	**-**	**-**	**30,267,219**	**19,670,859**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

20	Revenue from Operations	31 March 2012 ₹.	31 March 2011 ₹.
	Sale of products		
	- Finished goods	1,319,305,119	1,090,666,881
	- Traded goods	69,413,568	51,409,523
	Sale of services other operating Revenue	1,772,649	4,212,460
	- Scrap sales	2,439,826	1,840,331
	- Export benefits	24,315,555	16,875,462
	- Provisions / creditors no longer payable written back	2,213,027	1,479,458
	- Royalty income	3,000,000	-
	Total	**1,422,459,744**	**1,166,484,115**
	Details of products sold		
	- Finished goods sold		
	Tablets	390,963,928	529,261,528
	Capsules	344,249,301	20,578,850
	Ointments	9,566,202	5,430,529
	Liquids	28,481,381	73,015,061
	EED	16,772,193	893,030
	Bulk drugs	529,272,114	461,487,883
		1,319,305,119	**1,090,666,881**
	- Traded goods sold		
	Tablets	30,870,314	18,120,098
	Capsules	24,199,389	20,007,472
	Liquids	14,343,865	13,281,953
		69,413,568	**51,409,523**
	Details of services rendered		
	- Testing services	1,772,649	4,212,460

21	Other Income	31 March 2012 ₹.	31 March 2011 ₹.
	Interest Income on bank deposits	1,973,347	893,160
	Dividend Income on long-term investments	-	7,110
	Exchange differences (Net)	-	4,386,697
	Net gain on sale of fixed assets	8,780,337	-
	Other non-operating income	27,358	135,729
	Total	**10,781,042**	**5,422,696**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

22. **Cost of materials consumed**	**31 March 2012** ₹.	**31 March 2011** ₹.
Raw materials		
Opening Stock	82,936,102	75,208,578
Add: Purchases	644,625,528	542,127,468
Less: Closing stock	106,590,186	82,936,102
	620,971,444	**534,399,944**
Packing Materials		
Opening Stock	27,886,606	20,233,352
Add: Purchases	99,962,934	77,685,902
Less: Closing stock	30,357,679	27,886,606
	97,491,861	**70,032,648**
Total cost of materials consumed	**718,463,305**	**604,432,592**
Details of raw materials consumed		
Powder	558,810,838	479,762,599
Liquids	43,747,530	46,633,000
Capsules	18,413,076	8,004,345
	620,971,444	**534,399,944**
Details of inventory of raw material		
Powder	91,988,659	76,540,745
Liquids	13,000,383	4,266,578
Capsules	1,601,144	2,128,779
	106,590,186	**82,936,102**

23. **Purchase of traded goods**	**31 March 2012** ₹.	**31 March 2011** ₹.
Tablets	18,458,607	15,283,912
Capsules	4,103,273	3,255,369
Liquids	14,962,108	13,034,506
Total	**37,523,988**	**31,573,787**

24. **(Increase) / decrease in Inventories of finished goods and work in progress**	**31 March 2012** ₹.	**31 March 2011** ₹.	**(Increase)/ decrease** ₹.
Inventories at the end of the year			
Work-in-progress	72,780,572	75,950,211	3,169,639
Finished goods	125,368,577	134,227,225	8,858,648
	198,149,149	210,177,436	12,028,287
Inventories at the beginning of the year			
Work-in-progress	134,227,225	41,316,481	(92,910,744)
Finished goods	75,950,211	148,136,117	72,185,906
	210,177,436	189,452,598	(20,724,838)
Total (increase)/decrease	**12,028,287**	**(20,724,838)**	

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

	31 March 2012 ₹.	31 March 2011 ₹.
Details of inventory		
Work-in-progress		
Tablets	32,071,425	21,243,529
Capsules	2,255,289	516,592
Liquids	2,014,677	1,968,966
Ointments	-	196,897
EED	1,931,049	2,030,497
Bulk drugs	34,508,132	49,993,730
	72,780,572	75,950,211
Finished goods		
Tablets	101,228,846	99,339,228
Capsules	12,522,072	13,572,969
Liquids	6,387,741	13,450,888
Ointments	3,838,015	4,167,241
EED	709,768	1,650,213
Bulk drugs	682,135	2,046,686
	125,368,577	134,227,225

25 Employee Benefit Expense

	31 March 2012 ₹.	31 March 2011 ₹.
Salaries, wages and bonus	199,240,106	163,652,192
Contribution to provident and other fund	8,728,292	7,384,730
Employees stock option scheme	(186,859)	51,968
Gratuity expense (refer note no. 30)	(4,094,657)	2,218,985
Leave benefit expense (refer note no. 30)	(292,637)	674,998
Staff welfare expense	8,147,103	7,460,443
Total	**211,541,348**	**181,443,316**

26 Other Expenses

	31 March 2012 ₹.	31 March 2011 ₹.
Consumption of stores and spares	11,173,841	12,309,066
Power and fuel	33,003,733	25,353,311
Water charges	1,009,883	881,672
Laboratory and Testing	6,678,048	6,157,738
Sub-contracting expenses	15,639,112	13,355,478
Repairs & Maintenance:		
Plant and machinery	5,881,062	7,466,220
Others	8,808,305	8,176,322
Excise duty on Finished goods inventory	1,866,664	1,855,273
Seminar, Conference & Exhibition Expenses	2,942,729	3,714,229
Freight and forwarding charges	37,023,886	34,785,792
Commission on Sales	5,599,792	3,920,771
Breakages & Expired Goods	12,933,621	19,050,198

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

	31 March 2012 ₹.	31 March 2011 ₹.
Advertisement and selling Expenses	13,367,045	13,842,067
Sales promotion items	21,945,834	11,786,359
Traveling and conveyance expenses	45,251,117	41,835,819
Rates & Taxes	6,609,059	2,207,957
Communication Costs	3,967,070	3,952,885
Legal & Professional charges	6,216,191	5,875,442
Printing & Stationery	3,711,323	5,838,142
Insurance	2,765,237	2,101,549
Rent	8,838,755	7,151,724
Directors Sitting fees	27,000	42,000
Electricity Charges	961,268	864,936
Balances/Bad debts/Advances written off	2,190,283	1,141,183
Payment to Auditors		
As auditor		
Audit fee	400,000	250,000
Tax audit fee	50,000	50,000
Limited Review	15,000	21,000
In other capacity		
Other services (certification fees)	200,000	34,000
Reimbursement of expenses	50,000	50,000
Security charges	2,192,515	2,089,275
Exchange differences (Net)	2,967,633	-
Vehicle operation and maintenance	2,924,248	2,337,346
Others	2,029,492	1,422,701
Total	**269,239,746**	**239,920,455**

27. Finance costs

	31 March 2012 ₹.	31 March 2011 ₹.
Bank charges	11,617,853	9,865,441
Interest		
-Banks	59,615,144	57,172,113
-Others	1,758,090	875,157
Total	**72,991,087**	**67,912,711**

28. Depreciation and amortization expenses

	31 March 2012 ₹.	31 March 2011 ₹.
Depreciation of tangible assets (refer note no. 12)	26,886,018	28,538,976
amortization of intangible assets (refer note no. 13)	14,422,129	5,697,081
Total	**41,308,148**	**34,236,057**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

29. Calculation of Earning per share (EPS) – Basic and Diluted:

Sl. No.	Particulars	31 March 2012	31 March 2011
1	Opening No. of Shares	10,483,224	10,483,224
2	Total Shares Outstanding	10,573,624	10,483,224
3	Weighted average number of shares	10,528,918	10,483,224
4	Net Profit attributable to equity share holders	₹. 37,569,004	₹. 4,722,957
5	Basic EPS	₹. 3.57	₹. 0.45
	Diluted		
6	Weighted average number of shares (including ESOP dilution)	10,528,918	10,532,303
7	Diluted EPS	₹.3.57	₹. 0.45

30. Gratuity and leave benefits plan:

The following table sets out the status of the plan as required under AS 15 (revised)

Amount in ₹.

Particulars	Gratuity (funded)		Leave benefits (unfunded)	
	31 March 2012	31 March 2011	31 March 2012	31March 2011
Change in defined benefit obligation				
Opening defined benefit obligation	12,489,807	10,577,572	2,329,003	1,654,005
Opening obligation transferred from merged entity	267,484	-	112,086	-
Interest cost	979,131	825,962	194,599	132,320
Current service cost	1,622,942	1,794,125	931,142	922,814
Benefits paid	(1,036,317)	(506,097)	(17,204)	-------
Actuarial losses/(gain)	(6,541,360)	(201,755)	(1,418,378)	(380,136)
Closing defined benefit obligation	7,781,687	12,489,807	2,131,248	2,329,003
Change in plan assets				
Plan assets at the beginning of the year at fair value	2,349,177	2,655,927	-	-
Expected return on plan assets (estimated)	155,000	192,200	-	-
Contribution to fund	212,580	-	-	-
Benefits settled	(1,036,317)	(506,097)	-	-
Actuarial gain/(loss) on plan assets	370	7,147	-	-
Plan assets at the end of the year at fair value	1,680,810	2,349,177	-	-
Reconciliation of present value of the obligation and fair value of plan assets				
Fair value of plan assets at the end of the year	1,680,810	2,349,177		
Present value of defined benefit obligation at the end of the year	7,781,687	12,489,807	2,131,248	2,329,003
Asset/(liability) recognized in the balance sheet	(6,100,877)	10,140,630	(2,131,248)	(2,329,003)
Cost for the period				
Current service cost	1,622,942	1,794,125	931,142	922,814
Interest cost	979,131	825,962	194,599	132,320
Expected return on plan assets	(155000)	(192200)		
Net actuarial (gain)/loss recognized for the year	(6,541,730)	(208,902)	1,418,378	(380,136)
Expense/(income) recognized in the statement of profit and loss	(4,094,657)	2,218,985	(292,637)	674,998

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

Particulars	Gratuity (funded)		Leave benefits (unfunded)	
	31 March 2012	31 March 2011	31 March 2012	31March 2011
Movement in the liability recognized in balance sheet				
Opening liability	10,140,630	7,921,645	2,329,003	1,654,005
Opening liability transferred from merged entity	267,484	-	112,086	-
Expense/(income) recognized for the period as above	(4,094,657)	2,218,985	(292,637)	674,998
Contribution/Benefits paid	(212,580)	-	(17204)	-
Closing liability	6,100,877	10,140,630	2,131,248	2,329,003
Assumptions at the valuation date				
Discount factor	8.50%	8.00%	8.50%	8.00%
Salary escalation rate	5.50%	5.50%	5.50%	5.50%
Rate of return (expected) on plan assets	8.00%	8.00%	8.00%	8.00%
Retirement age	58	58	58	58

31. Export benefits:

The Company has accounted an amount of ₹. 23,594,720 (31 March 2011: ₹. 16,875,462) being the net amount of credit under the DEPB and other schemes as announced by the Import Export Policy. The same will be utilized for off-setting the customs duty on future imports. The accumulated amount outstanding on this account as on 31 March 2012 is ₹.27,186,366 (31 March 2011: ₹. 21,118,281) and the same is reflected under short-term loans and advances.

32. Based on the information available with the company, principal amount due to micro and small enterprises is ₹. Nil (31 March 2011: ₹. Nil). Further interest paid during the year and interest due at the end of the year to micro and small enterprises is ₹. Nil (31 March 2011: ₹. Nil).

33. Expenditure on research and development:

An amount of ₹. 11,398,007 (31 March 2011: ₹. 12,805,725) has been incurred during the year on research and development of new products and processes in the R & D Centre. The same is proposed to be amortized over a period of 10 years commencing from the year of commercial production. Amount written off during the year on account of the above was ₹.14,183,620 (31 March 2011: ₹.5,458,572). The balance on this account as on 31 March 2012: ₹. 55,966,211 (31 March 2011: ₹. 58,751,824).

The details of expenditure incurred during the year is as under:-

Amount in ₹.

Particulars	31 March 2012	31 March 2011
Raw material consumed	1,856,737	3,769,039
Power and fuel	1,996,446	1,689,417
Water charges	81,117	89,831
Laboratory and testing	16,64,248	1,302,063
Employee benefit expense	5,245,325	5,495,479
Others	554,134	459,896
Total	**11,398,007**	**12,805,725**

34. Related party disclosures:

- **Name of related parties and related party relationship**

  Related parties where control/significant influence exist or with whom transactions have taken place during the year:

i. Erstwhile subsidiary - Basav Chem Limited

ii. Enterprises where principal/ promoter shareholders have control or significant influence (Significant interest entities):
Micro Labs Ltd - Enterprise owned by some of the promoter shareholders

iii. Others:
Desa Marketing International - Enterprise owned by the Managing director of the Company
Siroya Developers (P) Ltd. - Enterprise owned by relatives of Managing director of the company
Siroya Constructions - Enterprise over which the Managing director of the company exercises joint control with other partners
Siroya Wellness - Enterprise over which the Managing director of the company exercises joint control with other partners

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

Key managerial personnel represented on the board

Shailesh D Siroya	-	Managing director (MD)
Dr. S P Prasanna	-	Whole time director (WTD)
Shrenik D Siroya	-	Director

- **Related party transactions**

The following is a summary of significant related party transactions

Amount in ₹.

Particulars	31 March 2012	31 March 2011
Sales to Micro Labs Limited	16,903,809	31,356,086
Sale of fixed asset to Managing director	11,500,000	-
Sales to Siroya wellness	2,678,385	
Purchase from Micro Labs Limited	51,258,080	12,463,863
Commission paid to Desa Marketing International	6,263,236	4,739,284
Job Work Charges Paid to Micro Labs Limited	10,342,874	2,885,233
Job Work charges paid to erstwhile subsidiary		7,014,623
Interest paid to Micro Labs Limited	636,817	-
Loan taken from Managing Director	7,300,000	-
Repayment of Loan taken from Managing Director	3,913,300	-

The remuneration paid to Key managerial personnel during the year:

Amount in ₹.

Particulars	Managing Director		Whole time Director	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Salaries and allowances	4,200,000	4,200,000	2,220,000	2,040,000
Commission	-	-	-	-
Perquisites	-	-	-	-

Note : The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the company as a whole.

The Company has the following amounts due from / to related parties

Amount in ₹.

Particulars	31 March 2012	31 March 2011
Dues from related parties:		
Erstwhile subsidiary (included in Short-term loans and advances)	-	6,460,000
Enterprises owned by Managing Director jointly with other partners (included in Trade receivables)	3,074,622	-
Due to related parties:		
Erstwhile subsidiary (included in other current liabilities)	-	540,278
Significant interest entities (included in Trade payables)	34,864,313	1,223,415
Enterprises owned by Managing Director of the company – Desa Marketing International (included in other current liabilities)	8,739,289	6,349,020
Managing Director (included in short-term borrowings)	3,380,700	-

35. The Company has provided for ₹. 1,231,948 (31 March 2011: ₹. 1,227,343) being Excise Duty on Finished Goods lying at various manufacturing units at the end of reporting period.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

36. Contingent liabilities not provided for:

- Guarantees issued by Company's bankers ₹.13,672,151 (31 March 2011: ₹.11,452,970)
- Letter of credit ₹ 137,439,654 (31 March 2011: ₹. 111,713,626)
- Estimated value of contracts remaining to be executed on capital account and not provided for ₹. 4,490,588 (31 March 2011: ₹. NIL)
- The claim of duty and penalty of ₹ 868,598 for the period May 2000 to November 2001 by Central Excise in respect of Unit III is being contested and under the directions of CESTAT , Mumbai a pre-deposit of ₹ 30,000 has been made. The same is still pending decision.
- A Sales Tax claim of ₹ 749,720 on treating stock transfer as sales in Ernakulam by the Commercial Taxes, Special Circle I, KGST is being contested and a deposit of ₹ 253,729 has been made. The application is being heard by the Deputy Commissioner, Ernakulam and is still pending decision.
- The Company is also involved in other lawsuits, claims, investigations and proceedings including patent and commercial matters, which arise in the ordinary course of business, however, there are no such matters pending that the company expects to be material in relation to its business.

37. Value of imports calculated on CIF basis:

Amount in ₹.

Particulars	31 March 2012	31 March 2011
Raw materials	281,870,630	235,269,107
Capital goods (Including spares and components)	269,852	2,812,431
Total	**282,140,482**	**238,081,538**

38. A) Expenditure in foreign currency:

Amount in ₹.

Particulars	31 March 2012	31 March 2011
Traveling expenditure	1,782,375	2,769,836
Registration fee	586,696	1,562,830
Commission on export sales	1,733,247	1,836,508
Sales promotion	6,978,053	2,353,455
Total	**11,080,371**	**8,522,629**

B) Earnings in foreign currency:

Amount in ₹.

Particulars	31 March 2012	31 March 2011
FOB value of exports	714,161,294	633,221,979

39. Details of Consumption of Imported and indigenous raw materials, components and spare parts:

Particulars	31 March 2012		31 March 2011	
	Value in ₹.	% of total consumption	Value in ₹.	% of total consumption
Raw material				
Imported	272,208,339	43.84	235,269,107	44.02
Indigenous	348,763,106	56.16	299,130,837	55.98
Total	**620,971,444**	**100.00**	**534,399,944**	**100.00**
Stores and spares				
Imported	-	-	-	-
Indigenous	11,173,841	100.00	12,309,066	100.00
Total	**11,173,841**	**100.00**	**12,309,066**	**100.00**

40. Employee stock option scheme

Bal Pharma Limited's Employee stock option scheme – 2006 (ESOP 2006) : The Company instituted the 2006 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 23-09-2004. The Scheme covers all non promoter directors and employees and its subsidiaries. Under the scheme, the compensation Committee of the Board ('the Committee') shall administer the Scheme and grant stock options to eligible directors and employees of the Company and its subsidiaries. The Committee shall determine the employees eligible for receiving the options, the number of options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for the options issued on the date of the grant.

The market value of a share on each grant date is defined as the average of the two weeks high and low price of the share preceding the date of grant of option on the stock exchange where there is highest trade volume during that period.

In case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed under each option agreement by the Committee, failing which they would stand cancelled.

The company under ESOP-2006 had granted 2, 19,500 options to eligible employees. The vesting period for the options granted varies from 12 to 60 months.

* Stock option activity under ESOP-2006 was as follows:

Particulars	**31 March 2012**	**31 March 2011**
Options outstanding at the beginning	102,800	110,400
Add: Options Granted	-	-
Less: Options forfeited/Surrendered	12,400	7,600
Less: Options exercised	90,400	-
Options outstanding at the end	-	102,800

* Exercise Price: ₹.15.75
* Market price on the date of grant ₹. 34.80

41. Segment information

The Company is primarily engaged in a single business segment of manufacturing and marketing of Pharmaceutical Formulations and Active Pharmaceutical Ingredients and is managed as ONE entity, for its various activities and is governed by a similar set of risks and returns.

Geographical segments

In the view of the management, the Indian and Export Markets represent geographical segments.

Sales by market

The following is the distribution of the company's sales by geographical market: **Amount in ₹**

Geographical segments	**31 March 2012**	**31 March 2011**
India	630,175,770	475,478,655
Other than India	758,542,916	666,597,749
Total	**1,388,718,686**	**1,142,076,404**

Assets and additions to fixed assets by geographical area:

The following table shows the carrying amount of segment assets and additions to fixed assets by geographical area in which the assets are located.

Amount in ₹

Particulars	**31 March 2012**		**31 March 2011**	
	India	**Others***	**India**	**Others***
Carrying amount of segment assets	1,149,521,257	20,615,088	1,072,484,126	223,048,142
Additions to fixed assets	18,760,869	-	14,537,284	-

* Others represent receivables from debtors located outside India.

42. Unclaimed dividends on equity shares

Year	**Amount in ₹**
2003 - 04	1, 84,828
2004 - 05	11,830
2005 - 06	1, 63,221
2006 - 07	1, 25,070
2007 - 08	1, 89,482
2008 - 09	1, 73,428
Total	**8,47,859**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

43. Balances of Sundry debtors, sundry creditors, loans and advances, receivables and payables are subject to confirmation/reconciliation, if any

44. In the opinion of the Board of directors adequate provision has been made in the accounts for all known liabilities and the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the value stated in the balance sheet.

45. The Company's significant leasing arrangements are in respect of operating leases for premises (office, stores, godowns, residential, guest houses, etc.) Theses are cancelable operating leases and these lease agreements are normally renewed on expiry. The aggregate lease rentals payable are charged as rent under note 26.

46. Accounting for amalgamation

The Honorable High Court of Karnataka, on 26 August 2011, sanctioned a scheme of amalgamation (the scheme) under sections 391 to 394 of the Companies Act, 1956. In accordance with the scheme, Basav Chem Limited (transferor company) merges with the company with retrospective effect from 1 April 2009. However, since the sanction to the scheme was given during the year, the assets and liabilities of the transferor company stands transferred to and vested in the company with effect from 1 April 2011. The transferor company was engaged in the business of manufacture of pharmaceutical products. The amalgamation is expected to channelize synergies and lead to better utilization of available resources and result in greater economies of scale.

The accounting treatment has been given as per the scheme as sanctioned by the Honorable High court of judicature of Karnataka and accordingly the assets, liabilities and reserves of Basav Chem Limited., as at 1 April 2011 have been accounted under the pooling of interest method.

The company's investment in the equity share capital of Basav Chem Limited, aggregating to Rs. ₹.500,000/- stands cancelled on amalgamation and the excess of net assets of transferor company over the cost of investment amounting to ₹. 500,000 has been adjusted to reserves as per the order of Karnataka High Court.

As a result of above, figures in respect of current financial year are not comparable with those of previous financial year.

47. Disclosure as required under Accounting Standard 14 – Accounting for Amalgamation:

- Name of the Amalgamating company: Basav Chem Limited
- Nature of its business: Manufacture of pharmaceutical products
- Effective date of amalgamation for accounting purposes: 01 April 2011
- Method of accounting used to reflect amalgamation: The pooling of interest method
- Particulars of scheme sanctioned: Scheme sanctioned by the Honorable High Court of Karnataka, Bangalore through order dated 26 August 2011.
- Description and number of shares issued, together with the percentage of company's equity shares exchanged to effect the amalgamation : Not applicable
- The amount of any difference between the consideration and the value of net identifiable assets acquired and treatment thereof: Not applicable

48. Till the year ended 31 March 2011, the company was using pre-revised schedule VI to the companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31 March 2012, the revised schedule VI notified under the companies Act,1956, has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification.

As per our report of even date
For **T D JAIN AND D I SAKARIA**
Chartered Accountants
Firm registration number- 002491S

For and on behalf of directors of Bal Pharma Limited

T D Jain	**V. Murali**	**Dr. S Prasanna**	**Shailesh Siroya**
Partner	Company Secretary	Director	Managing Director
Membership No. 012034			

Bangalore
10th August, 2012

Bal Pharma Limited

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

ATTENDANCE SLIP

No. of Shares

Folio/Client I.D. No
with D.P. I.D. No.

To be handed over at the entrance of the meeting hall.

Name and Address

25th Annual
General Meeting
21.09.2012

I hereby certify that I am a Registered Shareholder of the Company.
I hereby record my presence at the above Annual General Meeting of the Company.
A Member/Proxy wishing to attend the meeting must complete this Attendance Slip and hand it over at the entrance of the meeting hall.

Name of Proxy (if any) in BLOCK LETTERS

Signature of Member / Proxy

Bal Pharma Limited

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

PROXY FORM

No. of Shares

Folio/Client I.D. No
with D.P. I.D. No.

I/We ____

of ____

being a member / members of BAL PHARMA LIMITED hereby appoint ______________________________

of ______________________________ or failing him / her ______________________________

of ______________________________ as my / or proxy to attend and vote for me/us on my / our behalf at the 25th Annual General Meeting of the Members of Bal Pharma Limited to be held on Friday, the 21st September, 2012 at 4.00 p.m. at Bharatiya Vidya Bhavan, Race Course Road, Bangalore - 560 001.

Affix
Revenue
Stamp
Re. 1.00

Signed ....

NOTE : Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member. This form duly completed should be deposited at the Registered Office of the Company at Bangalore not later than 48 hours before the commencement of the meeting.

FINANCIAL SUMMARY - LAST 10 YEARS AT A GLANCE

(Rs. in Lakhs)

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
A. Sales and Earnings										
Gross Sales	14,366.41	12,084.21	11216.66	11085.45	9135.98	7861.31	7647.41	6003.73	6204.63	5765.04
Net Sales	14,224.60	11664.84	10815.16	10655.43	9034.56	7618.17	7462.04	5799.26	6046.50	5513.87
Profit before Tax	445.51	110.27	-90.62	405.57	420.30	315.92	357.03	220.22	284.03	275.50
Tax	69.82	63.04	52.26	106.28	134.59	114.23	64.45	32.38	23.81	13.36
Profit after Tax	375.69	47.23	-142.88	299.29	285.71	201.69	292.58	187.84	260.22	262.14
Retained Earnings	375.69	47.23	-142.88	207.30	163.50	110.03	200.71	61.86	149.19	113.47
B. Assets and Liabilities										
Net Fixed Assets	4766.55	4810.69	4975.08	5532.73	4592.82	3123.62	2222.25	1903.83	1611.32	1439.17
Investments	1.50	1.50	1.50	1.50	1.50	15.04	241.37	13.58	13.58	13.58
Net Current Assets	4928.12	4634.01	4141.98	2990.81	3476.93	3775.59	4328.40	2959.32	2441.56	2127.18
Intangible Assets	564.44	594.68	523.21	493.99	463.22	427.80	435.49	436.71	363.43	278.39
Share Capital	1057.36	1048.32	1048.32	1048.32	1044.62	1044.62	1044.62	741	973	773
Reserves & Deferred Tax Liability	3689.98	3278.83	3151.57	3253.88	2958.05	2758.08	2582.35	1623.09	1329.24	1226.14
Loan Funds	5719.35	5773.03	5441.88	4716.83	4531.81	3539.35	3600.54	2949.35	2127.65	1859.18
C. Ratios										
Earnings Per Share Rs.	3.57	0.39	-1.36	2.85	2.74	1.93	2.90	1.55	2.63	3.34
Dividend per Equity share %	-	-	7.5	10.00	7.5	7.5	7.5	15	12	
Book value per Equity Share Rs.	37.88	34.82	29.40	36.33	33.54	27.88	26.75	22.15	20.98	21.52

Note: "Figures of FY 2010-11 are regrouped consequent to revision of schedule VI from FY 2011-12."

BOOK POST

OUR MISSION

A full fledged Global player catering to the needs of medical fraternity and Pharmaceutical Industry

Bal Unit - I at Bangalore

- Plant commissioned in the Year 1992
- WHO - GMP Certified & ISO 9001:2000 approved
- Manufacture of Finished Dosage Forms

Bal Unit - 2 at Bangalore

- Plant Commissioned in the year 1996
- Multi Purpose API facility approved as per WHO-GMP guidelines
- Manufacture of Drug Intermediates
- Full fledged R & D lab approved by Department of Science & Technology

Bal Unit - 3 with FFS Technology at Pune

- Plant renovated as per WHO-GMP guidelines
- Engaged in SVP and LVP (Intravenous) by Form Fill & Seal technology

Bal Unit-4 at Uttranchal

- State - of art plant designed for regulated market in excise free zone
- Formulation Plant in 4 1/2 acres land, having a construction area of 88000 sq.ft.

BAL PHARMA LIMITED

Corporate Office: 5th Floor, Lakshmi Narayan Complex, 10/1, Palace Road, Bangalore - 560 052, India

Ph : +91-80-4137 9500 Fax : +91-80-2235 4057 / 2235 4058

Email : secretarial@balpharma.com / info@balpharma.com Website : www.balpharma.com