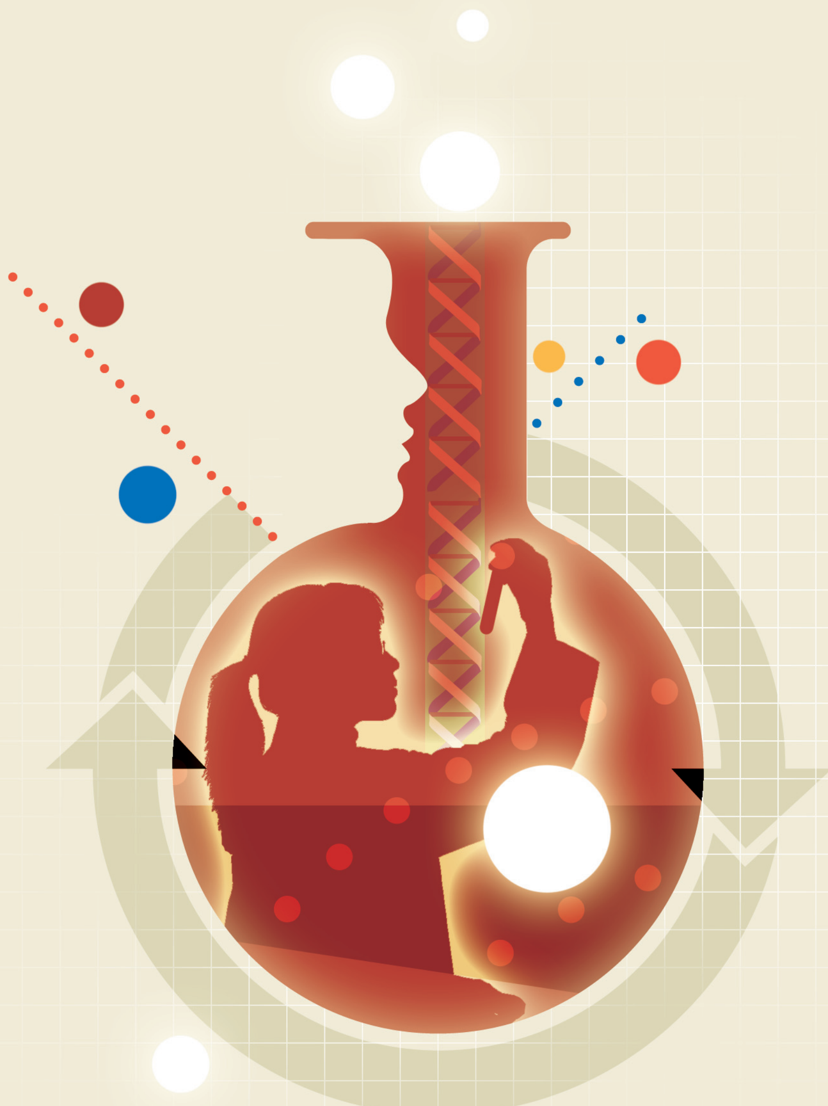
VENUS™
Enjoy Innovations

Doing what we know best.
Research.



Research. Explore. Delve.
Analyse. Check. Ratify. Confirm.
Validate. Compare.
Benchmark. Reconfirm.
Re-engineer. Research.

At Venus Remedies, everything starts and ends with research.

Cause.

1,123.70

The quantum (in ₹ million) invested in Research-IPR

100,000

The area (in sq. ft) of our R&D centre

40

The number of members in our research team

20

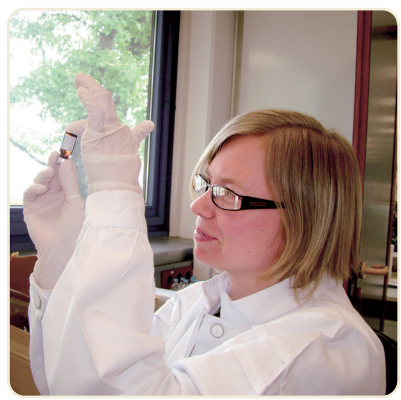
The percentage of PhDs and post-doctorate professionals in our R&D team

473.19

The quantum of investment in Research-IPR (in ₹ million) in 2009-10

15.17

The percentage of our investment in Research-IPR as a proportion of turnover in 2009-10



33.80

The CAGR in our R&D investment (percentage) over the three years leading to 2009-10

Effect.

9

Number of research products launched following the completion of clinical trails

9

Number of international patents received for our research products

341

Number of patent applications filed across the world

594

Number of ACTDs filed in semi-regulated markets

85

Number of CTDs in regulated markets

294

Number of market authorisations in semi-regulated markets (two in regulated markets)

135+

Number of our research papers published in international journals

34

Number of trademarks registered (116 applications filed)

8

Number of products for which Phase IV trials are in process

4

Number of products for which Phase III clinical trials are in process

3

Number of products for which Phase III multi-centric trials are in process

25

Number of products under development at all times

Venus Remedies features among the 10 leading fixed- dosage injectable manufacturers in the world. And India's only manufacturer in this space.

Venus Remedies commenced operations in 1991 as an intravenous infusion manufacturing company. Today, the Company is present in a number of high-growth therapeutic segments (anti-infective, oncology, cardiovascular and neurology, primarily through injectibles).

Venus Remedies possesses a portfolio of over 75 products. The Company's functions are managed by 1,375 members (as on March 31, 2010) headed by Mr. Pawan Chaudhary, Chairman cum Managing Director.

Venus Remedies is headquartered in Panchkula (India) and possesses three manufacturing units (Panchkula and Baddi in India; Werne in Germany). Its research and development centre is located in Baddi.

Venus Remedies enjoys a marketing footprint across 60 countries supported by eight overseas marketing offices including the US and Germany.

Venus Remedies manufacturing units are ISO 9001, ISO 14001, ISO 18001 and OHSAS 18001 certified. The Company also received approvals from EUROPEAN-GMP and WHO-GMP, among others.

Venus Remedies' is ranked 104 in the pharmaceutical sector in Asia and is among the top 50 pharmaceutical companies in India.

Venus Remedies' shares are listed on the Bombay Stock Exchange and the National Stock Exchange. The promoters hold a 25.41% share in the Company's equity as on March 31, 2010; foreign holding was 20.19% as on that date.

Awards

- Ampucare: Gold Medal 'INDIA INNOVATION PROGRAM-2010' organised by Lockheed Martin (USA), FICCI and DST (India).
- Best SMB Award 2008: Government of India
- Emerging SME 2007: Awarded by Dr. Manmohan Singh, Prime Minister of India

Our *global presence*

Canada
The US
Mexico
Guatemala
Salvador
Costa Rica
Colombia
Peru
Jamaica
Dominican Republic
Venezuela
Brazil

The United Kingdom
The Netherlands
Poland
Czech Republic
Switzerland
Portugal
Germany
Slovenia
Macedonia
Albania
Greece
Niger

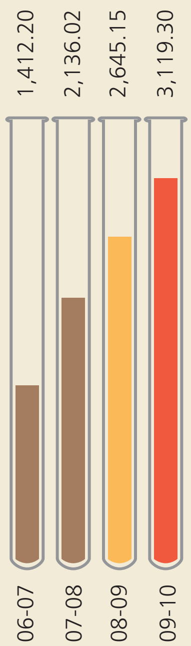
Togo
Uganda
Botswana
Zimbabwe
South Africa
Mauritius
Ethiopia
Kenya
Russia
Belarus
Ukraine
Moldova

Croatia
Bosnia
Serbia
Azerbaijan
Turkey
Syria
Iraq
Iran
Jordan
Kuwait
UAE
Saudi Arabia

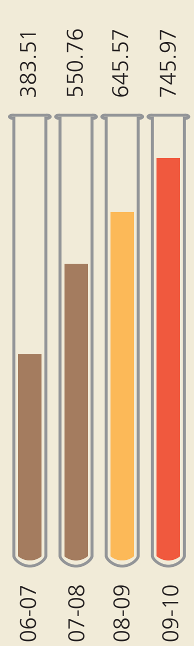
India
Pakistan
Burma
Yemen
South Korea
The Philippines
Sri Lanka
Thailand
Vietnam
Cambodia
Malaysia
Indonesia

At Venus, research is not an expense.
But an investment generating growing returns.

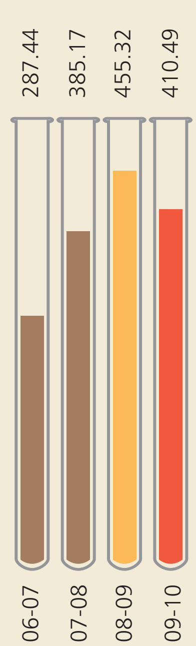
Revenue (₹ million)



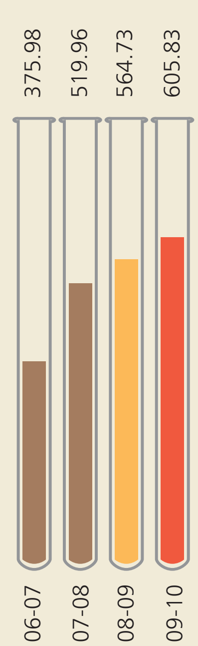
EBIDTA (₹ million)



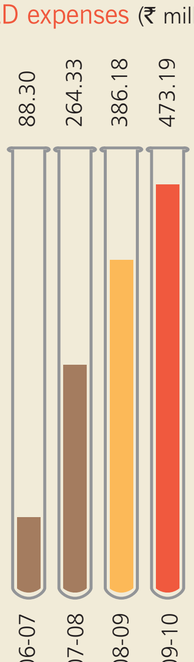
Profit after tax (₹ million)



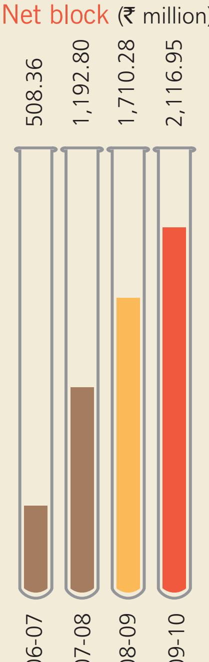
Cash profit (₹ million)



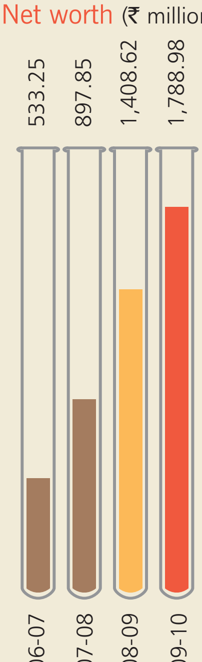
R&D expenses (₹ million)



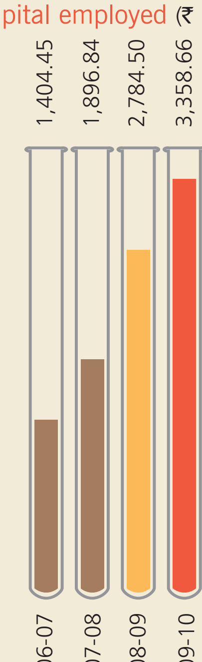
Net block (₹ million)



Net worth (₹ million)



Capital employed (₹ million)



Earning per share	Book value per share	EBIDTA margin	Return on net worth	Return on capital employed
₹48.45	₹211.13	23.91%	22.95%	20.48%
2009-10	2009-10	2009-10	2009-10	2009-10

Highlights, 2009-10

Financials

- Revenues grew 17.93% from ₹2,645.15 million in 2008-09 to ₹3,119.30 million
- EBIDTA grew 15.55% from ₹645.57 million in 2008-09 to ₹745.97 million
- Profit after tax de-grew 9.85% from ₹455.32 million in 2008-09 to ₹410.49 million

Operations

- Invested ₹88.09 million in the automation of manufacturing facilities
- Invested ₹24.60 million in upgrading the R&D infrastructure

Marketing

- Extended footprint across seven nations
- Launched five new products in India
- Launched four new products in the global markets
- Launched two research-based products

Filings

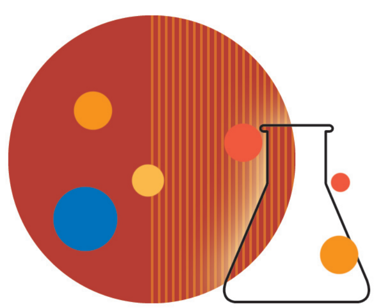
- Filed 74 CTDs and 44 ACTDs
- Filed 294 product registrations

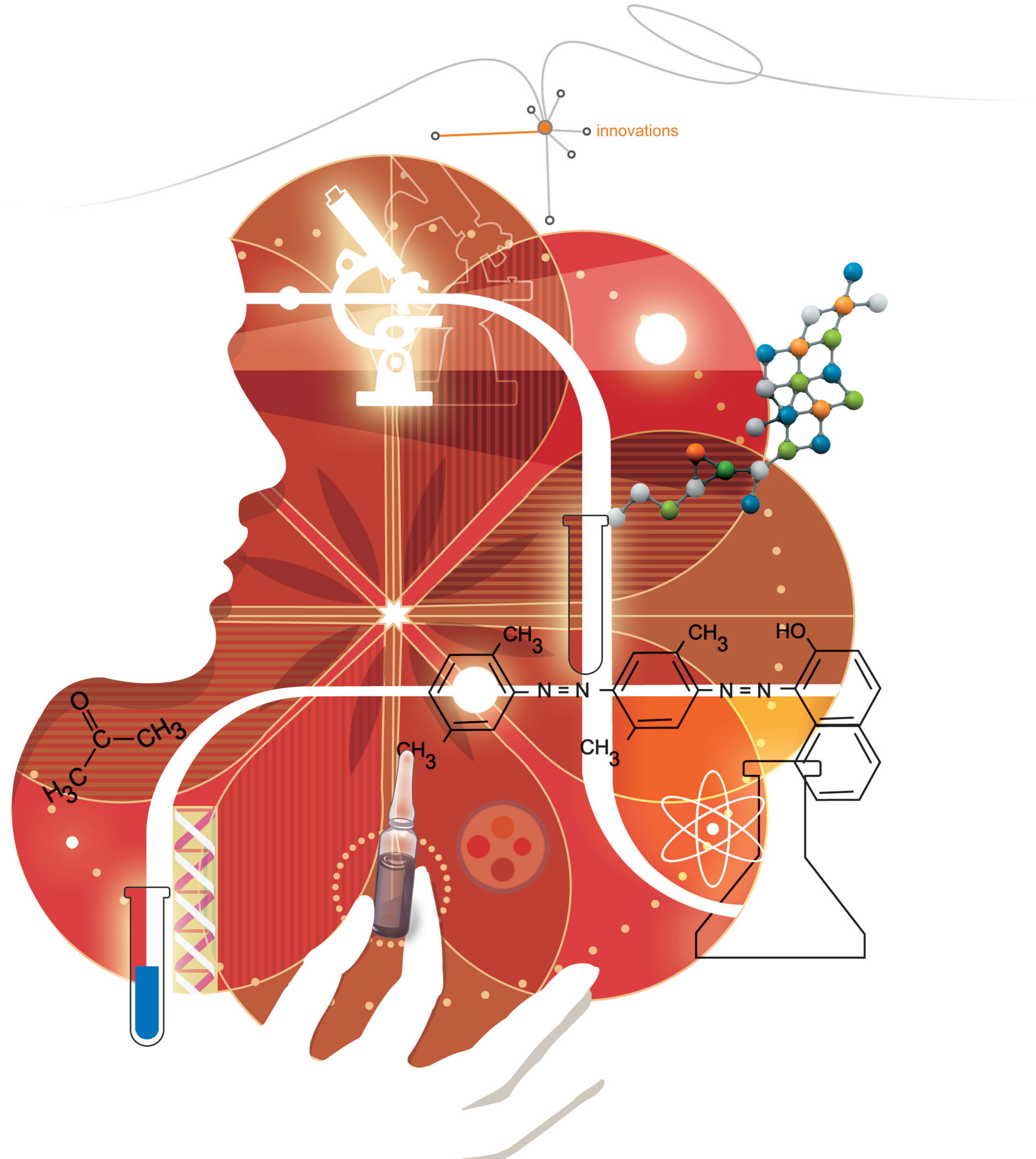
Patent approvals

- Received a product patent from the Korean Intellectual Property Office (KIPO) for Potentox
- Received a product patent from the Republic of South Africa for Sulbactomax (to combat beta-lactamase-generated drug resistance)
- Received a product patent from the Republic of South Africa for Potentox, a unique super-speciality product indicated for the treatment of hospital-acquired pneumonia, community-acquired pneumonia and febrile neutropenia
- Received a product patent from the Republic of South Africa for Tobracef, which is indicated for the treatment of complicated mixed bacterial infection
- Received the first-ever injectible FDC product patent issued by the Indian Patent Office (IPO), Government of India, for Potentox
- Received a product patent from the Intellectual Property Office, Government of India, for Sulbactomax

Certifications

- Received Good Manufacturing Practices approval from Ethiopia's Drug Administration and Control Authority for four facilities (oncology liquid, oncology lyophilised, dry powder cephalosporin and dry powder carbapenems)
- Received Good Manufacturing Practices approval from Botswana's drug regulatory unit for oncology liquid, oncology lyophilised, dry powder cephalosporin and dry powder carbapenems facilities





VENUS – VISION

- We are in the business of preserving and improving human life through innovation
- We exist to provide value to our customers.

Research at Venus.

Making *innovations happen.*

AT VENUS REMEDIES, WE DO NOT MERELY MANUFACTURE FORMULATIONS. WE BELIEVE WE ARE IN THE BUSINESS OF RELIEVING PEOPLE'S FROM SUFFERING.

We are engaged in doing so through novel solutions that fill the vast gap between challenging ailments and available molecules.

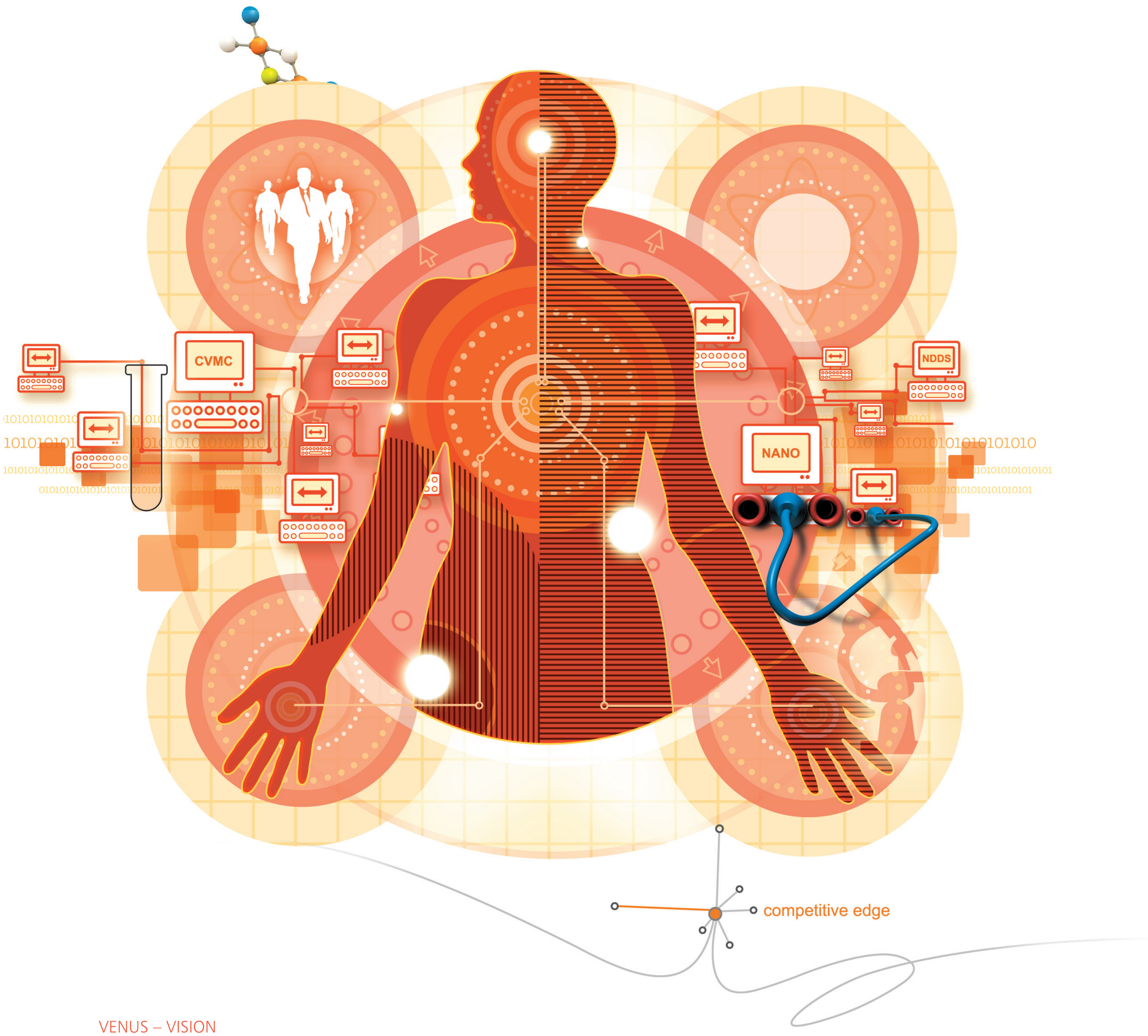
This is what we have to show for our intent:

- Launched eight novel research-based products over the last five years which fill solution gaps in high-growth segments, namely antibiotics, oncology and neurology
- Launched a unique wound healing therapy, Ampucare which possesses 11 essential modes for wound healing therapy; it prevents graft rejection – a problem for plastic surgeons as it has a very wide bacterial coverage. A first-of-its-kind product for the Indian market; this therapy is designed to cure all wounds (even critical wounds suffered by a diabetic patient) and avoid amputation
- Launched Mebatic, an infusion therapy based on the combination of ofloxacin and ornidazole, for the treatment of dysentery and gastroenteritis. The Company combined an aerobic with an anaerobic molecule by using a special chemical vector. This reduced the treatment time from 10-15 days to 5 days and removed the adverse effects caused by drugs
- Launching Aceclofenac, a controlled and sustained release injectable; the dosage remains effective for 24 hours as against the conventional dose of three injections of Diclofenac which are required to be administered every eight hours. This is the first instance of a controlled release pain killer injection in India; the Company received a product patent from the Indian Patent Office, Government of India
- Working on a number of first-of-its-kind products: a target-based drug for breast and ovarian cancer where 90% of the drug will go to the affected area; the rest would spread across the whole body, resulting in minimal side effects; it would significantly enhance the efficacy of the drug, resulting in reduced dosage requirement and reducing treatment cost

IN DOING SO, we expect to capitalise on a ₹5,000-million opportunity in the domestic market and a US$1,000-million global market opportunity.

Innovator – globally pronounced

Venus Remedies was bestowed with the "Best Innovation Award" in for its wound-healing solution 'Ampucare' by the Indo-USA Joint Science and Technology Forum.



VENUS – VISION

- We ensure product quality, safety, reliability and excellence.
- We manufacture medicines for patients and not for profits; profits follow.

Research at Venus.

Strengthening the *competitive edge.*

AT VENUS REMEDIES, WE DO NOT BUY TECHNOLOGY. WE IMBIBE, REFINE AND EXTEND OUR OPERATING HORIZONS.

This is done with the singular objective of creating an impression on the global pharmaceutical space.

This is how it was done over the last few years:

- Focused on the super speciality parenteral injectables segment in the space of finished dosage forms; we now possess the largest injectable manufacturing capacity in Asia
- Mastered the Chemical Vector Mediated Compatibility (CVMC) technology through which incompatible molecules are combined following the addition of a chemical vector in a manner that both molecules maintain their independent activity and also work together as a combined therapy without any adverse impact on the patient
- Mastered the technology of creating novel drug delivery systems; developed an injectable with properties of controlled and sustained release, a first in the Indian pharmaceutical sector

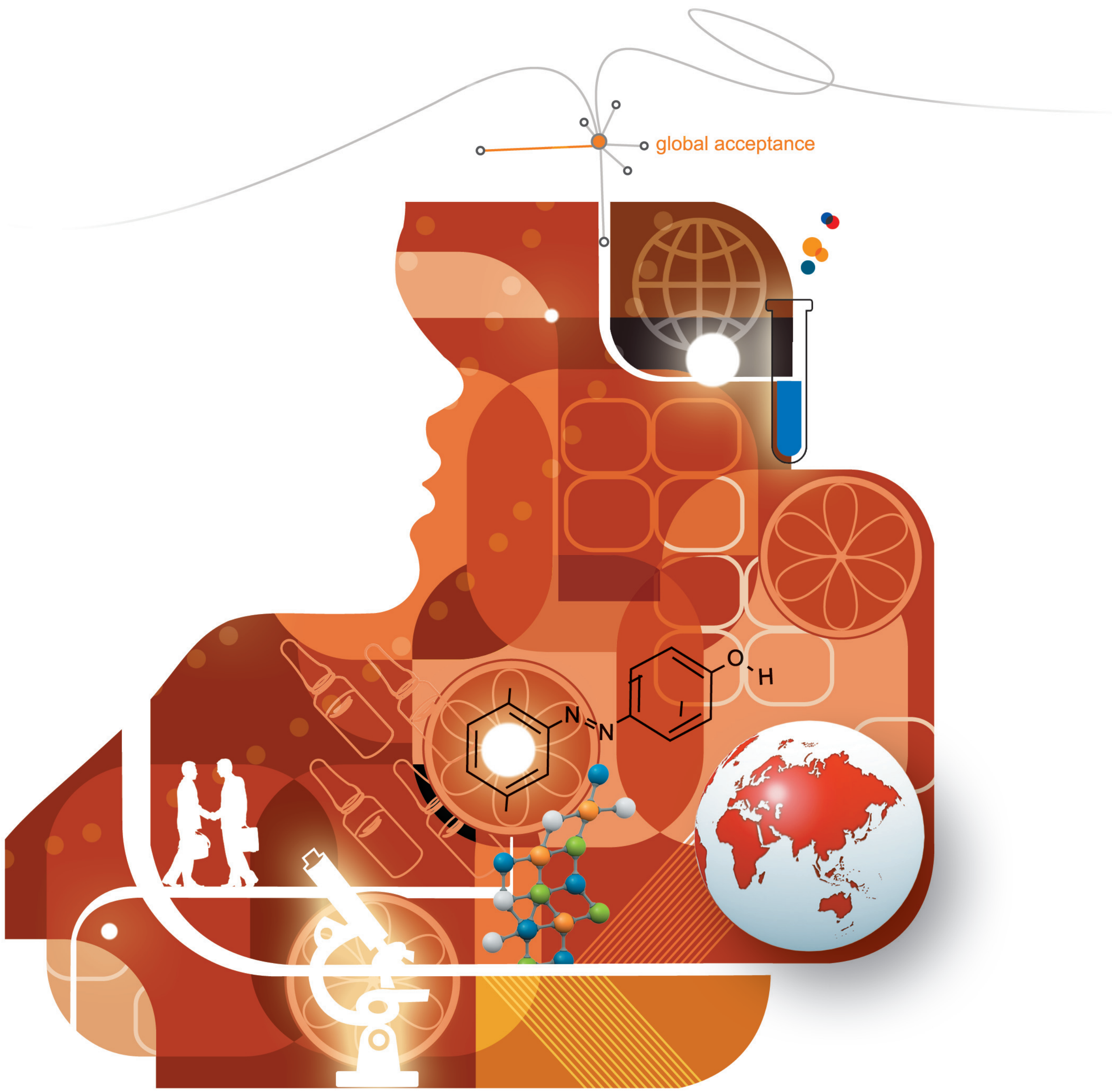
As a result, revenues from CVMC-based products grew from ₹200 million in 2006-07 to ₹800 million in 2009-10.

GOING AHEAD, the Company is strengthening its pipeline – two products using the CVMC technology, two products using the nanotechnology and three with NDDS therapies.

Demonstrated superiority

Venus is the only company in the world to master the CVMC technology, reflected in product superiority.

Product	Combining molecules	Estimated reduction in treatment time	Other benefits of the combined therapy	Number of nations with patent application	Number of nations from which patent received
Sulbactomax	Ceftriaxone with Sulbactum	20%	* Emperic therapy for ESBL producing organisms * Eradicates biofilms formed by resistant bacteria	Fifty	Two
Potentox	Cefepime with Amikavin	15%	* Improved safety and lesser nephrotoxicity, hepatotoxicity and ototoxicity	Fifty	Four
Vancoplus	Ceftriaxone with Vancomycin	12%	* Broad spectrum FDC with enhanced penetration of blood brain barrier for treatment of meningitis	Fifty	Two
Tobracef	Ceftazidime with Tobramycin	15%	* Increased efficacy and safety for treatment of mixed, multi-bacterial infections to reduce treatment cost	Fifty	One
Mebatic	Ofloxacin with Ornidazole	15%	* Emperic therapy for GI and GE infections to cure aerobic One and anaerobic infections with protection for probiotics	One	Nil
Pirotum	Cefpirome with Sulbactam	12%	* Complete therapy for septicaemia and intra-abdominal infection	One	Nil
Zydotum	Ceftazidime with Sulbactum	15%	* Anti-pseudomonal drug used in LRTI and UTI infection	One	Nil
Supime	Cefepime with Sulbactum	17%	* Enhanced activity against complicated and non-complicated UTI and skin infections with fewer side effects	One	Nil



VENUS – VISION

- We work with passion, commitment and enthusiasm.
- We believe in hard work, productivity and continuous improvement.

Research at Venus.

Providing *global acceptance.*

AT VENUS, WE PRIDE OURSELVES IN THE FACT THAT WE HAVE NOT CLUTTERED OUR PORTFOLIO WITH ME-TOO BRANDS. WE HAVE DEVELOPED UNIQUE PHARMACEUTICAL SOLUTIONS.

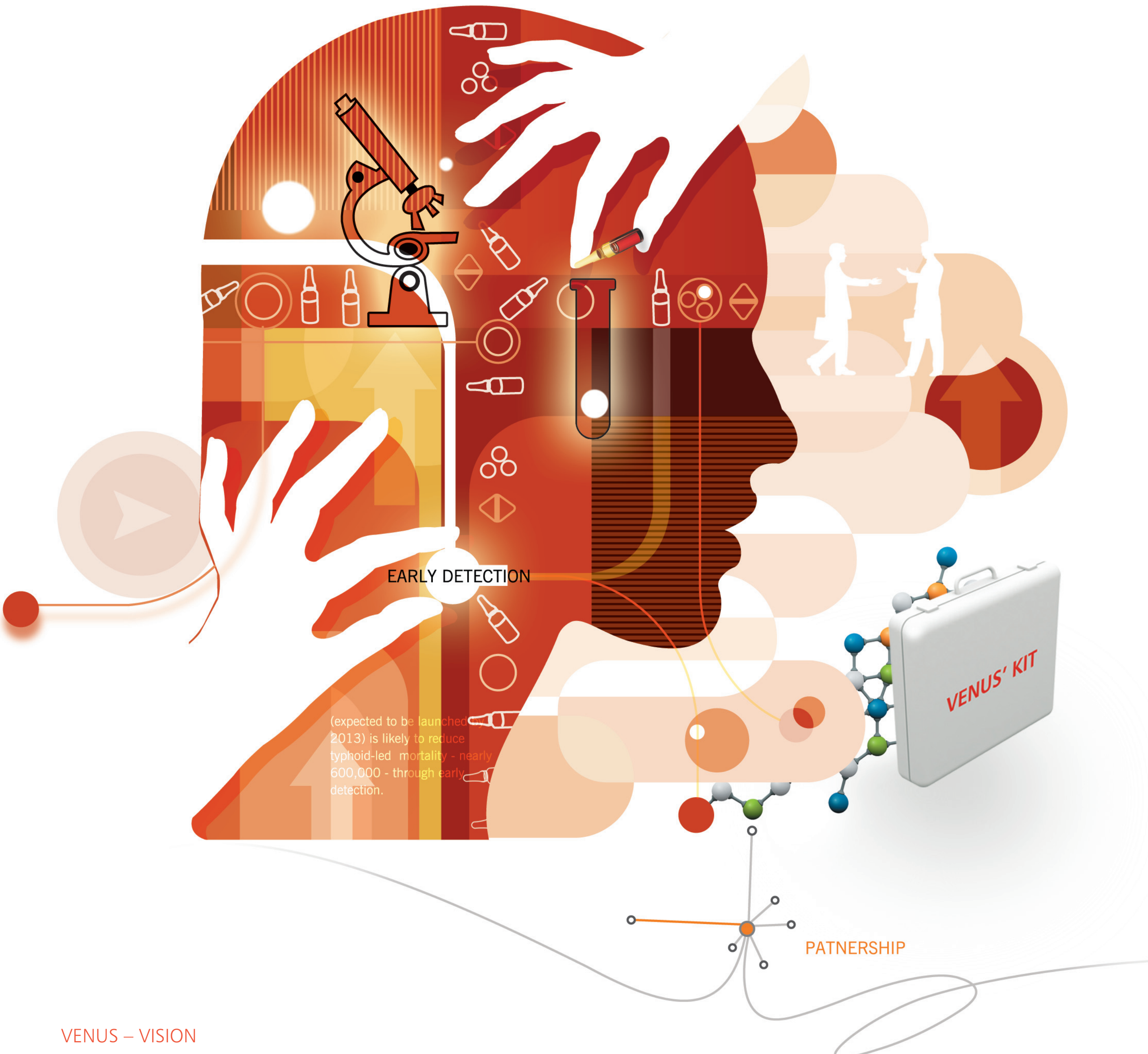
We have done so to enhance our global recognition and visibility:

- Received a product patent from the Korean Intellectual Property Office (KIPO) for Potentox, an instant remedy for hospital/community-acquired pneumonia, which can be fatal for any patient undergoing treatment in intensive-care
- Received a product patent from the Companies and Intellectual Property Registration Office (CIPRO) of South Africa for Sulbactomax, combating beta-lactamase-generated drug resistance
- Received a product patent from CIPRO in South Africa for Potentox within five months of its first grant in South Korea
- Received a product patent for Tobracef involving the treatment of complicated mixed bacterial infection of acute pulmonary exacerbations/cystic fibrosis/chronic obstructive pulmonary disease from CIPRO in South Africa
- Received the first-ever injectable FDC product patent issued by the Indian Patent Office, Government of India, for Potentox; also received a product patent for Sulbactomax from the Intellectual Property Office (IPO), Government of India

Venus' novel research-based products cater to a US$200-million opportunity in these nations across 12 years. The Company filed two patent applications in 2009-10 for two products, an antibiotic fixed dose combination and a therapy for the cure of arthritis.

One in three

Venus Pharma GmbH, Germany, received the marketing authorisation for meropenem, a carbapenem injection, in the European Union through a registration in Portugal. Venus emerged among only three EU-GMP manufacturers of carbapenem antibiotics in the world and is capable of marketing this drug in Europe. Meropenem has a market size of about Euro 150 million in Europe. The registration of meropenem is expected in 17 other European countries by March 2011.



VENUS – VISION

- We encourage and respect individual initiative, ability and creativity to develop people as the source of our strength.

- We practice honesty, integrity and ethics in all aspects of business and strive to be the best corporate citizen.

Research at Venus.

Facilitating partnerships.

AT VENUS, WE DO NOT MERELY PARTNER WITH COMPANIES WITH THE OBJECTIVE TO GROW OUR BUSINESS. WE ENTER INTO RELATIONSHIPS THAT LEVERAGE NOVEL IDEAS AND PROJECTS AND SOLUTIONS THAT ENHANCE MUTUAL VISIBILITY.

This win-win proposition forms the bedrock of our approach.

We achieved this through the following initiatives:

- Tied-up with IMTECH, a renowned research centre of the Council of Scientific and Industrial Research (CSIR) and the Department of Microbiology, Punjab University, to develop a typhoid diagnostic kit, expected to reduce disease detection time from 48 hours (through the conventional Vidal test) to a few minutes. Venus' kit (expected to be launched by 2013) is likely to reduce typhoid-led mortality – nearly 600,000 – through early detection
- In-licensed the technology for solid tumour detection from the University of Illinois, Chicago, which will facilitate the early detection and staging of solid tumours using conventional modes; Venus developed a formulation for this technology
- Out-licensed Sulbactomax to a renowned South Korean pharmaceutical company, enabling it to capitalise on a US$25 million opportunity
- Granted permission to conduct Phase III clinical trials on a novel injectable Aminoglycoside, in-licensed from a Chinese innovator company and is expected to be completed in the current year; Venus possesses the exclusive marketing rights for this product in India, a market size estimated at ₹6,000 million and growing at 8% annually

IN DOING SO, Venus created a robust foundation for sustained growth.

Royalty

Venus is in advanced discussion stages with two large MNCs for out-licensing two patented research products.

From the Chairman cum Managing Director's desk

"It was a satisfying year; we created a robust foundation for accelerated growth over the coming years."

MR. PAWAN CHAUDHARY, CHAIRMAN CUM MANAGING DIRECTOR, REVIEWS THE COMPANY'S PERFORMANCE IN 2009-10 AND HIGHLIGHTS THE ROAD AHEAD.

Dear shareholders,

The year 2009-10 was satisfying even as our revenues grew 17.93% and net profit declined 9.85%.

Satisfying year

The year was satisfying for reasons that extended beyond the financials; we received patent approvals from international and domestic regulatory bodies, showcasing our ability to identify niche products. The result was an enhanced global respect and visibility, expected to translate into enhanced returns over the foreseeable future.

The opportunity window

This is the right development to have transpired at the right time. Now that our patent approvals are in place, we enjoy the exclusive right to market products in select geographies while addressing large opportunities.

Product	Patent from which nation	Patent approval year (month/year)	Estimated market opportunity (US$ million)	Patent expiry
Sulbactomax	South Africa		US$200 million	November 2025
	India	27-11-09	US$400 million	December 2024
Potentox	South Africa	27-08-08	US$200 million	December 2025
	South Korea	25-05-09	US$585 million	December 2025
	New Zealand	13-05-09	US$83 million	December 2025
	India	26-08-09	US$400 million	December 2024
Tobracef	South Africa	27-08-08	US$200 million	May 2026
Aceclofinac	India	26-03-10	US$100 million	November 2024

VENUS – VISION

- We acknowledge our responsibility towards our customer, our employees, the society at large and last but not the least our shareholders.
- We shall build Venus as a Nation

It would be pertinent to communicate that we do not just have our patents in place, but have a holistic strategy to capitalise on a significant industry opportunity.

One, we expect to capitalise on the industry opportunity by out-licensing our patented products to large pharmaceutical companies in these geographies.

Two, we are leveraging our research-led visibility in entering into an agreement with a renowned South Korean pharmaceutical company for Sulbactomax (to be supplied from our Baddi unit) accredited with multiple international GMPs. Commercial supplies are expected to begin early 2012.

Three, our product registration is in process in 60 countries; we are at an advanced stage of filing the Common Technical Document for Sulbactomax in Europe, which once approved, will open the continent for our research product.

Four, we filed patents for Sulbactomax in 50 countries including the US, Europe, Australia, Japan and Latin America.

Five, we entered into a dialogue with pharmaceutical companies to conclude similar agreements for two other patent-approved research products with attractive revenue potential of the present US$585 million Korean cephalosporin market.

We filed around 341 patent applications over the six years leading to 2009-10 and hope to receive a number of product patent approvals that will strengthen our global presence.

Global innovator

The fiscal 2009-10 was memorable for another milestone. We received the Best Innovation Award by Indo-US Science and Technology Forum in collaboration with Lockheed Martin Foundation, FICCI and DST (Government of India) for our research product Ampucare, a wound-healing solution containing 11 healing properties, effective even on diabetic patients, preventing amputation.

This product is relevant for an important reason – graft rejection is a recurring problem in plastic surgery caused by bacterial infection and is not curable by traditional medicinal procedures. Ampucare, developed by Venus, prevents graft rejection as it possesses a wide bacterial coverage. We marketed this product successfully on a pan-India basis, generating ₹20.30 million in revenue in 2009-10, exported the product to a number of countries and expect to extend our global reach in the coming years.

In the US, the world's largest pharmaceutical market, we plan to leverage the assistance of Lockheed Martin Foundation and establish this product as a medical device, subsequently graduating it to a drug (enjoying 50-fold realisations). The Foundation will assist us in finding a suitable partner to market the product in that country and generate attractive revenues.

Another step towards globalisation

The other important 2009-10 event was that the Company's wholly-owned subsidiary Venus Pharma GmbH, Germany, received the Marketing Authorisation of Meropenem (carbapenem injection) in European Union countries through a registration in Portugal.

Venus Pharma GmbH is the primary centre for Venus' business in 27 EU countries, EEA members and Gulf countries. We are now among the only three EU-GMP manufacturers of carbapenem antibiotics in the world, capable of marketing this drug in Europe. We expect to be only the second company to launch this generic product in the market.

Meropenem's European market size is about Euro 150 million. We expect to market the product in Portugal from the second quarter of the current year and register it in 17 other European countries by March 2011, strengthening profitability over the coming years.

Growing the team

Our people are our top priority in the organisation owing to a basic understanding: it is the people who conduct the business and help it grow. Over the last two decades, we created 176 teams, each with a clearly identified goal. The best performing teams are awarded at the Annual Day function in recognition of their efforts.

We expect to strengthen the team – from 1,375 (March 31, 2010) to about 4,000 members by 2015 – to effectively capitalise on business opportunities. Our goal is not just to increase numbers, but to build a creative, trained and dedicated team. We are focused on growing the learning curve of our members to create knowledgeable persons and a learned organisation. Consequently, we institutionalised a system by which 1% of the organisational man-hours are invested in training on various technical aspects and soft skills for the complete grooming of the individual. We are working to raise this number to 5% within the next two years on an increased base.

We set an ambitious goal in our Mission 2015, wherein we wish to make every department an independent profit centre. As a first step in that direction, we launched the 'Entrepreneur Programme'. Under this programme, each department will charge a fee for the service rendered to other departments. This will highlight utilisation of manpower and resources of each department and other inefficiencies in the department which can be resolved at the department level. We expect that marginal improvements by the departments will go a long way in improving the overall performance of the organisation.

Strengthening our capability

Manufacturing: Our nine dedicated injectable manufacturing units represent the largest capacity in Asia, making us a leading global player. In view of the large unfolding opportunities, we invested ₹2,000 million in capacities and capabilities in the five years leading to 2008-09. This resulted in enhanced recognition: we possess 53 international GMP certifications for our nine super speciality injectable manufacturing facilities.

In 2009-10, we increased automation within our operating facilities to minimise human intervention and enhance quality consistency, a critical factor in infusion therapy.

We received our GMP approval from Ethiopia's Drug Administration and Control Authority (DACA) for four facilities (oncology liquid, oncology lyophilised, dry powder cephalosporin and dry powder carbapenem). This operational recognition will allow us to tap the large African market.

Research: In 2009-10, we invested in ₹24.60 million in our R&D infrastructure. We installed sophisticated equipment, reducing operational time and diverting precious person-hours towards research on novel therapeutic solutions. We installed equipment with RRLC technology which reduced testing time to under an hour against four hours taken by the conventional HPLC equipment.

During the year under review, we applied for GLP and NABL certification. Of the two audits mandated for GLP certification, one was successfully completed in 2009-10. They recommended upgradation of certain technologies; we plan to invest ₹12.50 million in a state-of-the-art sampling machine which can accurately analyse 200 samples; currently, our equipment manages about 10 samples. This will facilitate improved product management and ensure GLP compliance.

Road ahead

We expect to reinforce our industry position through the following initiatives:

- Out-license patented products (up to March 31, 2010) to large MNC pharmaceutical companies and generate sizeable resources to re-invest in research
- Generate an IPR wealth of US$1 billion by 2015
- Grow our marketing team from 700 to 3,000 members
- Marketing presence across 60 nations

In doing so, we expect to grow our business by about 15% annually over the next three years and graduate from the top 50 to the top 25 pharmaceutical companies in India.

Regards

PAWAN CHAUDHARY

Our competitive advantage

Segment presence
The Company, present in the relatively uncluttered fixed dosage injectables space, possesses Asia's largest injectable manufacturing capacity.

Therapeutic segments
The Company is present in the high-value, high-growth therapeutic segments of oncology, anti-infective and neurology.

Research and development
The Company's state-of-the-art 100,000-sq. ft research and development centre complies with GLP standards and is accredited by the Department of Scientific & Industrial Research, Government of India.

Patents
The Company received nine patents from global and domestic authorities out of 341 patents filed in over 50 countries.

Facilities
The Company's three manufacturing facilities (two in India and one in Germany) received national and international GMP certifications.

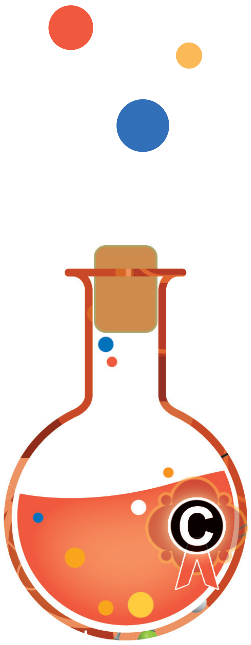
Reach
The Company's footprint spans 60 nations (regulated and semi-regulated) and has a strong export presence in over 22 nations, supported by eight overseas offices.

Distribution network
The Company has a strong marketing team of 41 distributors, 700 professionals, 1,500 stockists, 35,000 chemists and 100,000 doctors, among others.

Partnering
The Company established strategic marketing alliances with leading pharmaceutical companies like Elder Pharmaceuticals, IPCA Laboratories, Lupin, Glenmark Pharmaceuticals and Piramal Healthcare, among others.

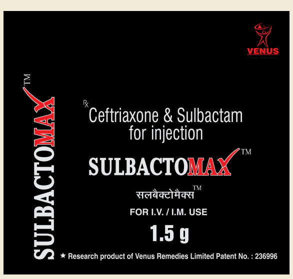
Gearing
The Company's attractive debt-equity ratio of 0.84 as on March 31, 2010, provides adequate scope for mobilising resources to fund growth.

Tax cover
The Company's manufacturing unit in Baddi enjoys a tax holiday of 10 years. The R&D centre's DSIR approval provides a weighted tax benefit of 200% on revenue and capital expenditure, enabling the Company to import R&D material and equipment at zero-duty.



Novel therapies.
Potential opportunities.

Sulbactomax



- LAUNCH: 2005
- REVENUE IN 2009-10: ₹450 MILLION

The fixed dose combination of ceftriaxone sulbactam, marketed by Venus under the Sulbactomax brand, is one of the most potent combinations, highly effective against betalactamase-producing, cephalosporin-resistant pathogenic bacteria like K pneumoniae and E. coli, among others. The product treats lower respiratory tract infections, pre- and post-operative infections, skin and skin structure infections, urinary tract infections (complicated and uncomplicated), acute bacterial otitis media and other infections caused by betalactamase producing ceftriaxone-resistant bacteria.

The global cephalosporin market is estimated at US$9.7 billion; ceftriaxone accounts for about US$1.2 billion (US$105 million in the Indian sub-continent alone) of this and de-growing. Sulbactomax, the Company's research-based product, is capable of replacing a larger share of the ceftriaxone market by providing a cutting edge to the chronic Extended Spectrum Beta Lactamases (ESBL) problem.

South Korea's promising US$14.75 billion pharmaceutical market is growing annually at a compounded 8.56%. We expect that Sulbactomax will have a significant market share in the present cephalosporin market of US$585 million in South Korea, growing at 10% per annum.

To capitalise on the opportunity provided by our research recognition, we entered into an agreement with a renowned pharmaceutical company in South Korea to provide Sulbactomax from our Baddi unit, accredited with multiple international GMPs. The commercial supplies are expected to begin early 2011.

The South African pharmaceutical market is one of the most diverse medical markets in the world – sixth out of 17 Middle Eastern and African markets. The South African market size is estimated at about US$2 billion, primarily dependent on imports of US$1.44 billion, and is expected to grow around 9% in local currency terms to ZAR 31.7 billion (US$3.9 billion) by end 2013.

Venus is marketing this product in India and seven other countries. The Company filed a patent for this product in 50 countries including the US, Europe, Australia, Japan and Latin America, while registration is on in another 10 nations.

Potentox

- LAUNCH: 2006
- REVENUE IN 2009-10: ₹103.50 MILLION

This unique super speciality product is used for treating hospital and community-acquired pneumonia and febrile neutropenia. Venus' innovative solution reduces pneumonia treatment time from 21-30 days to 7-10 days and reduces drug and disease-induced toxicities, making it safe even for paediatric use. The revenue opportunity from this drug is attractive.

WHO suggests the annual occurrence of about 4.50 million cases of pneumonia, resulting in about 3.9 million deaths from the disease including 1,022,000 in sub-Saharan Africa. Statistics South Africa (2007) indicates that in 2005, influenza and pneumonia were the third leading causes of deaths in the country (7.71%).

The Korean pharmaceutical market is the eleventh-largest and is expected to annually grow more than 10%. Korea has the second highest annual growth in drug and total healthcare expenditure (1998-2003) among OECD members, accounting for 12.7% growth in drug expenditure. The Korean cephalosporin market is estimated at US$585 million.

To capitalise on the growing opportunity, the Company is in an advanced discussion with global pharmaceutical companies for out-licensing the product, which is expected to generate a revenue equivalent to about 5% of the present Korean cephalosporin market.

A recent joint UNICEF-WHO report drew attention to the pneumonia fatality. India recorded a total of 7.8 lakh pneumonia cases in 2005 and 3,513 deaths. As in many countries, pneumonia is an under-recognised problem in India. According to UNICEF and WHO, the country accounts for nearly 40% of global child pneumonia cases. Globally, pneumonia kills millions every year, children particularly. About 15 countries account for 75% of childhood pneumonia cases worldwide; India registers the highest number of cases.

In India, the PCV vaccine is available but at ₹4,500 per dose and needs to be administered to infants when they are aged 6, 10 and 14 weeks, followed by a booster dose. This makes the vaccine therapy costly and unaffordable for the common man. Potentox represents a cost-effective solution against existing therapy expenses.

Tobracef

- LAUNCH: 2008
- REVENUE IN 2009-10: ₹47.50 MILLION

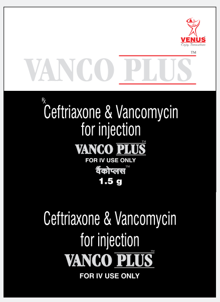
Tobracef treats complicated mixed bacterial infection of acute pulmonary exacerbations/cystic fibrosis/chronic obstructive pulmonary disease.

The market for anti-infective related disorders is becoming increasingly challenging as growing numbers of infectious pathogens are becoming resistant to existing therapies. Venus has focused on developing drugs to counter resistance for nearly a decade. Tobracef is the result of our efforts.

The South African market is expected to grow 9% to US$3.9 billion by end 2013, an upcoming opportunity. Cystic fibrosis (CF) is an autosomal recessive disorder, highly prevalent among different population groups of South Africa. In South Africa, one in 20 white individuals, one in 55 coloured individuals and one in 34 black individuals suffer from this disease. Tuberculosis, influenza and pneumonia and cerebrovascular diseases are among the leading causes of death among South Africans, according to a study. The potential for these indications is around US$570 million.

The product is under process of registration in regulated and semi-regulated markets and this could become one of our blockbuster brands.

Vancoplus



- LAUNCH: 2007
- REVENUE IN 2009-10: ₹82.50 MILLION

Vancoplus is an innovative fixed dose combination of glycopeptide and third generation cephalosporin with special chemical vector (CVMC technology) in dry powder form.

Vancoplus is effective against the gram +ve (MRSA, S.aureus, S.penumoniae, PRSP) and gram -ve (E.coli, P.aeruginosa, K.pneumoniae, Neisseria neningitidis) pathogens. The combination resulted in improved efficacy with reduced MIC over the existing therapies.

This product is the best solution available for the treatment of meningitis, shunt infections, brain abscess and nosocomial infections like pneumonia and acute bacterial endocarditis, in India.

Today, streptococcus pneumoniae and meisseria meningitis are the leading causes of bacterial meningitis. According to Infectious Disease Society of America (IDSA) and European Federation of Neurological Societies (EFNS), Streptococcus pneumoniae alone is responsible for 80-90% of the bacterial meningitis. Vancoplus is active against all susceptible pathogens responsible for meningitis. According to e-medicine neurology, meningitis is one of the top 10 causes of death worldwide. In developed nations the mortality rate is 25%, but in the developing countries the mortality rate ranges from 20-40%.

According to CDC, appropriate antibiotic treatment of most common types of bacterial meningitis should reduce the risk of death from meningitis to below 15%.

Mebatic

- LAUNCH: 2010
- REVENUE IN 2009-10: ₹13.50 MILLION

Mebatic is an innovative fixed dose combination of floroquinolone and nitroimidazole. This product is the best available therapy for the treatment of anaerobes, aerobes and protozoa, the causative microorganisms for gastrointestinal infections like acute watery diarrhoea, dysentery, enteritis, entero colitis, traveler's diarrhoea and acute food poisoning, among others. This product is also the best available choice for pre and post surgical procedures, pelvic infections, urinary tract infections, urogenital tract infections, typhoid and prevention of ICU infections due to anaerobes.

An average 1,250 people die each day in India from diarrhoea-related diseases and 1,000 from tuberculosis, according to a 2006 report by a Geneva-based organisation. Tuberculosis and diarrhoea-related diseases kill more people each day in India than the total number of worldwide deaths due to the H1N1 virus.

About 1.5 million children the age of under five die of diarrhoea every year. While the highest number of deaths occur in Africa, of the total 38% deaths that took place in South Asia in 2004, India accounted for the highest number of deaths. This was revealed by a new report released by the United Nations and World Health Organisation (WHO). Among the 15 countries of South Asia, India accounts for the highest number of deaths during to diarrhoea, much above China, Pakistan and Bangladesh.

Management discussion and analysis

Global pharmaceutical sector

The global pharmaceutical industry is undergoing a major change: an increasing focus on generic products, a shift from the developed to developing world on the back of a rise in population and reduction in poverty levels, leading to higher medical penetration. The global pharmaceutical market grew at 4-6% in 2010 compared with 7% at US$837 billion in 2009; it is expected to grow by about US$300 billion over the next five years to reach US$1.1 trillion in 2014 at a CAGR of 4.4% *[Source: IMS Health]*.

The emerging pharmaceutical markets (Brazil, Russia, China, India, Turkey, Mexico and Indonesia) are projected to grow at a CAGR of around 14.7% during 2009-2012, characterised by rapid urbanisation, government support, patent expiries and low-cost operations, among other factors *[Source: RNCOS – December 2009]*.

The developed nations, namely the US, the EU and Japan, are expected to report subdued growth following rising healthcare costs owing to demographic changes, patent expiries and increased generic acceptance by medical professionals.

Share of global R&D spending

Nations	2008	2009	2010
Americas	39.9%	39.4%	39.2%
The US	35.4%	35.0%	34.8%
Asia	32.0%	33.5%	34.6%
Japan	13.2%	12.5%	12.3%
China	9.1%	11.1%	12.2%
India	2.4%	2.5%	2.9%
Europe	24.9%	24.0%	23.2%
Rest of world	3.2%	3.1%	3.0%

[Source: Battelle, R&D Magazine]

Global research and development

A general decline in success rates for new drugs took its toll on productivity, evident in the doubling of phase III terminations in the period 2007-2009, compared with those in 2004-2006. Further, less than one in 10 drugs reaching 'first toxicity dose' is expected to be successfully launched.

Highlights, 2009-10

- The global R&D expenditure stood at 6.3% in 2009 compared with 6.6% in 2008.
- Around 26 new molecule entities (NME) were launched in the global market, an increase from 21 in 2008.
- An estimated 17.9% of the global R&D was allocated to anti-cancer drugs, receiving the largest proportion of R&D investments.

[Source: Thomas Reuters, CMR International, June 28, 2010]

Road ahead

The BRIC nations are expected to dominate R&D investment, overshadowing developed economies like Europe and Japan where R&D growth is projected to be 3-5% [Source: By Martin Grueber, Research Leader, Battelle, Cleveland, Ohio and Tim Studt, Editor in Chief, Advantage Business Media, December 22, 2009, rdmag.com].

Indian pharmaceutical industry

Overview

India's pharmaceutical sector is the world's third largest by volume and 14th by value (₹1,00,611 crore) with a turnover of US$21.04 billion between September 2008 and

In 2009 and counting...

Deaths owing to cancer were estimated at 562,340 in 2009, over 1,500 deaths a day; an expected 1,479,350 new cancer cases were diagnosed.

September 2009.

The domestic formulation industry registered a CAGR of 14% during FY2003-08 from around US$3.9 billion to US$7.7 billion, outpacing the global pharma industry growth rate of 7%. The industry is typically growing at around 1.5-1.6 times the country's GDP growth.

Socio-economic factors such as rising income levels, increasing affordability, gradual penetration of health insurance and rising incidence of chronic diseases could grow the Indian formulations market to US$13.7 billion by 2013 with a CAGR of 12.2% over the period 2008-2013 [Source: The Financial Express, October 5, 2009]. By 2015, India is expected to rank among the top 10 global pharmaceutical markets.

India emerged as one of the world's prominent quality generic drug suppliers, with the potential of capturing up to a 10% share of the global market by 2015 (US$2 billion). The country's growing success can be attributed to the increasing recognition of process patents over the last three decades *(Source: The Financial Express October 5, 2009).*

India's outsourcing sector grew 43%, with the drug discovery and development segment growing at 65%, over three times the global average. India expects to emerge as one of the world's top five innovator countries by 2020 [Source: Report by Ernst & Young, September, 2009]. The organised pharmaceutical retail market grew at 20-25% annually; it has the potential to grow from US$4.5 billion in 2009 to US$9 billion by 2011.

The Indian pharmaceutical industry's research spending was about 5% of revenues, lower than the equivalent of 14-18% in developed countries (Source: Hindu Business Line, June 23, 2009). To encourage R&D spending, the Indian government proposed (in March 2009) to invest up to ₹2,500 crore in one of the biggest R&D initiatives, matched by a similar amount from private sector players. The government plans to mobilise investments of over a billion dollars across five years to promote innovation *(Source: Business standard March 2, 2009).*

Exports

A majority of India's revenues are derived from the international markets (mainly the US and Europe). Indian pharmaceutical exports stood at ₹244 billion (US$5.48 billion) in 2009-10 and are expected to grow to ₹593 billion (US$13.31 billion) by 2011-2012 [Source: RNCOS], owing to a number of factors: low manufacturing cost, consistent quality and skilled intellectual capital, among others. It is estimated that India's drug manufacturing costs are up to 50% lower than in established markets like the US and the costs in India's US Food and Drug Administration (FDA or US FDA)-approved plants are 30-50% lower.

Drugs worth US$224 billion are likely to go off-patent in the US across 2009-15, an opportunity for India to manufacture a considerable share. Indian generic players are well placed to capitalise on this opportunity with ready regulatory filings, technical capabilities and sufficient capacity.

Fuelled by the growing generics and outsourcing opportunity in regulated markets, exports are likely to grow at a compound annual growth rate (CAGR) of 20-22% to US$15-17 billion by 2010-11.

CRAMS

India's share in the global CRAMS industry was under 3% at about US$1.1 billion as on December 2009 (Source: Centrum Research). India's contract manufacturing business was about US$869 million in 2007 and is expected to register 37% CAGR across 2007-12. Contract research business was estimated at about US$400 million in 2007 and is expected to grow to US$3 billion in 2015. India is at an advantage in terms of lower manufacturing and labour costs, regulatory advantage in terms of the largest number of USFDA (US Food & Drug Administration)-approved plants after the US, the highest global DMF (Drug Master File) filings and lower clinical trial costs compared with other developing nations.

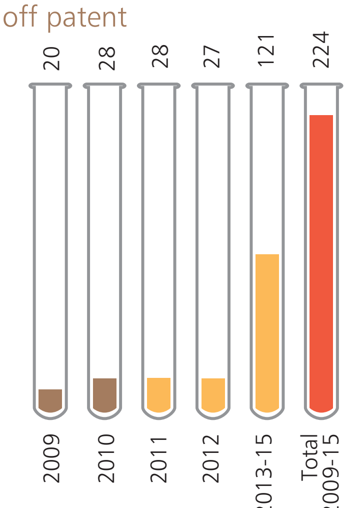
India's advantages of low production and competitive R&D costs, abundant qualified manpower and provision of diverse services (drug discovery, product development and formulation, pre-clinical and clinical trial management) combine to create a global advantage in contract manufacture.

Clinical trials' cost (around 65% of the total outsourcing market of CROs) in India is less than half of that in western countries. Consequently, clinical research is expected to attract outsourcing opportunities for Indian pharmaceutical companies.

The Indian CRAMS sector is expected to register a growth of 29% over CY2009-12E to US$5.1 billion from the current US$2.4 billion. India is

Drugs going off patent

(US$ billion)



(Source: IMS Health, Teva presentation)

expected to account for over 7% of the global CRAMS market by 2013.

Other advantage for CRAMS business

- Quality indicator: India has the highest number (about 100) of USFDA-approved plants outside the US.

- Regulator compliance indicator: India leads the race in filing drug master files (DMFs), with a 46% share in global DMFs.

Therapeutic segments

Oncology

Cancer is a leading cause of death worldwide. Annual global cancer deaths number about 7.6 million and are expected to surge to 17 million by 2030 [Source: WHO]. Breast cancer is the second most common type of cancer; more than one million new cases of breast cancer are registered every year worldwide. Global cancer drugs sales are expected to grow at a 12-15% CAGR, reaching US$75 to US$80 billion by 2012 [Source: IMS Health]. India's oncology market is estimated at US$225 million (₹900 crore) and expected to reach US$850 million (₹3,350 crore) by 2012, growing at a CAGR of nearly 30%.

Cardiovascular

Heart diseases emerged as the number one killer in urban and rural areas. If all age groups are included, heart diseases account for about 19% of all deaths. Consequently, the cardiovascular segment in India is expected to register a 14.7% CAGR, higher than the industry average growth rate of 12% *[Source: CRISIL]*.

Antibiotics

According to a report by Datamonitor, the market for high-end antibiotics in Indian hospitals was worth ₹33 billion (US$685.8 million) in 2009-10, an annual growth of 49.8%. The market is estimated to grow to about ₹89 billion by 2014-15 at a compounded rate of 21.8%.

Indian market to treble in a decade

The Indian pharmaceutical sector is well-placed to capitalise on a growing generic space, marked by rising generic penetration (over 20% of world's generics are produced in India *[Source: RNCOS]*), larger-selling drugs going off-patent, governmental push for cheaper generic drugs and innovator-generic partnerships.

India is expected to rank among the top 10 global pharmaceutical markets by 2015, likely to touch ₹2.2 trillion (US$50 billion) and open up a probable US$8 billion market for MNCs selling expensive drugs by 2015. This will make it a lucrative clinical trial destination for global giants *[Source: McKinsey Report]*.

The growing incidence of lifestyle disorders (diabetes, cancer, cardiovascular ailments and neuropsychiatry) will catalyse the growth of speciality and super-speciality therapies. India's speciality and super-speciality therapies are likely to account for 45% of the market by 2015 (35.9% in 2006) as a per a McKinsey report.

Socio-economic factors like rising incomes, increasing affordability, gradual health insurance penetration and a rise in chronic diseases could see the Indian formulations market grow to US$13.7 billion by 2013, at a CAGR of 12.2% *(Source: The Financial Express)*. By 2015, India is expected to rank among the top 10 global pharmaceutical markets, with the industry growing at around 1.6 times the country's GDP growth *(Source: The Financial Express)*.

Killer at work

- Cancer accounts for 7.4 million deaths worldwide (around 13% of all deaths)
- Around 10,000 new cancer cases are detected in India annually, the total victims adding up to about 2.5 million cumulatively.

(Source: WHO)

Stroke after stroke

- Three of every 1,000 Indians suffer a stroke in their life time.
- Urban cardiovascular patients are expected to increase at a compounded 7.3% (2005-2015).

(Source: Asia Times, 2008)

India, a preferred clinical trial destination

According to a FICCI-E&Y study, India is a preferred destination for contract research and clinical trials because of its cost advantage (a clinical trial in India costs around 60% lower than in developed markets).

The industry-sponsored Phase II and III clinical trial study sites in India grew 116% from April 2008 to June 2009, as the country graduated from rank 18 to 12 among the world's 60 most active countries. India participates in 7% of the global Phase III trials and 3.2% of the Phase II trials with industry-sponsored trials; India ranks second in Asia after Japan in the number of industry-sponsored Phase II and III trial studies *(Source: Business Standard, August 10, 2009)*.

1

Plant operations

Snapshot

- Manufacturing units: 3
- Manufacturing blocks: 9
- Injectable capacity: 78.50 million vials per annum

Overview

The Company has three manufacturing units (two in India, one in Germany) which are integrated and networked for timely production and product despatch. The Company's competence lies in quality assurance, quality control, in-process control guidelines and training.

Panchkula unit: This was the Company's first unit, renovated in accordance with WHO-GMP and ISO 9001:2008 standards. It possesses an annual manufacturing capacity of 7.50 million bottles. The location is unique in terms of manufacturing strategic products like antibiotics and plasma expender, among others, with the assistance of world-class equipment and strict manufacturing conditions. A parenteral facility for super speciality intravenous fluids was established with state-of-the-art laboratories. The key products manufactured at this unit comprise Mebatic, Calridol, Moximicin, Neurotol and Glutapep, among others.

Baddi unit: The unit manufactures high-end novel formulations across eight facilities for oncology liquid injections, oncology lyophilised, lyophilised injections, pre-filled syringes, cephalosporins, carbapenems, cardiology injections and liquid vials. It possesses a state-of-the-art lyophiliser with SIP/CIP provision enabling it to manage these formulations. The unit has a warehousing capacity of 1,900 pallets. This unit is accredited with some of the world's most stringent GMPs – GMP Europe, GMP Colombia (INVIMA), GMP Ukraine, GMP Kenya, GMP Uganda, GMP Ethiopia, GMP Sudan, GMP Zimbabwe, GMP Syria, GMP Yemen, GMP Iran, GMP Botswana and GMP WHO. Some of the key brands manufactured at this facility include Doxol, Paxol, Citabol, Epirol, Ronem, Immunox, Pimcef, Fejet IV., Parin-E, Vanconex CP, Potentox, Lastinem, Dobutacard, Sulbactomax, Supime, Tobracef and Pirotum.

Germany unit: This unit (under a wholly-owned subsidiary Venus Pharma GmbH) engages in out-licensing CTDs, site variation projects, testing and batch release for Europe and warehousing and logistic support. The unit is situated in the heart of Europe, a geographical advantage to cater to European markets. The unit is accredited with EU GMP and possesses world class QA, QC laboratories. The facility possesses a warehousing capacity of 3,000 pallets under controlled temperature, a batch release facility for local manufacturers and pharma exporters and four dedicated packaging sections, customising products into local languages.

Key features of plants

Proper ventilation systems coupled with HVAC for controlling dust accumulation and cross contamination in the processing areas and dedicated AHUs were developed in critical areas. Besides, in unclassified areas, ventilation and exhaust systems (5 micron to 20 micron filters) were made available. Sufficient ventilation provisions were provided for warehouses and subsidiary areas. All operations are carried out under Luminar Air Flow work station to provide 100% assurance of product quality.

For aseptic filling and terminal sterilisation, the Company interlocks lines along with automatic controls and designs. The Company circumvents the probability of contamination and cross-contamination by providing suitable facilities like change rooms, pass boxes and airlocks, among others.

Besides, it maintains an integrated vial and ampoule lines for tunnel sterilisation, filling, washing, external cleaning and sealing operations.

Its facilities were awarded certifications on national level like WHO GMP, ISO 9001, ISO 14001 and ISO 18001 and EUROPEAN-GMP, OHSAS 18001, Latin American GMP (INVIMA), Ukrainian GMP, Zimbabwe GMP, Uganda GMP, Syrian GMP, Columbian GMP, Kenya GMP, Yemen GMP, Saudi Arabian GMP, Iranian GMP Ethiopia GMP and Sudan GMP, on an international level.

Highlights, 2009-10

- Grew production significantly at all the three facilities
- Invested ₹88.09 million in strengthening the automation at its operating units
- Received Good Manufacturing Practices (GMP) approval from Ethiopia's Drug Administration and Control Authority (DACA) for four facilities, namely oncology liquid, oncology lyophilised, dry powder cephalosporin and dry powder carbapenem
- Received Good Manufacturing Practices approval from Botswana's drug regulatory unit for oncology liquid, oncology lyophilised, dry powder cephalosporin and dry powder carbapenems facilities

2

Quality management

Snapshot

- Certification: ISO 9001:2008
- GMP approvals: 53

Overview

Venus adheres to the requirements of various regulatory authorities by following stringent quality control measures. The quality assurance team monitors and maintains the desired quality at all levels. Besides, the quality control and analytical laboratory carries out stringent analytical tests across the entire operational value chain, from the procurement of raw-materials and ingredients to in-process and finished products. To monitor critical systems like clean rooms, personnel flow, material flow, water systems and utilities, the quality control department is facilitated with sophisticated instruments.

Stability studies are held at its stability chambers at different environmental parameters as per ICH guidelines. Quality control computers are used for data acquisition from HPLC and integration. As an element of water and environmental monitoring program and for microbiological testing such as microbial limit testing, bacterial endotoxin testing and sterility testing, among others, the microbiology laboratory was established. Quality control computers are used for data acquisition from HPLC and integration. The different incubators are maintained at around 35°C and 25°C. Quality control chromatographic instruments are sustained by reliable validated software which follows 21 CFR.

To detect residual product in formulation tanks and product contact equipment, analytical development scientists rigorously build and validate cleaning methods. Venus's quality assurance system follows a divisional organisational structure, defined responsibilities, updated processes, standard operating procedures and cyclic training, among others.

Monitoring and analysing data in context to testing, analysis, manufacture, in-process controls and any other monitoring (process, process conditions, services and utilities including water system, environment, hygiene and HVAC system, among others) used in medicinal product manufacture, is conducted by the quality control department.

Audit plans: To ensure quality management system enforcement, the Company conducts periodic audits through its internal and external teams.

Constant surveillance: The Company follows strict surveillance by fitting cameras in critical areas like manufacturing and warehouse, recorded by the control room and accessible to authorised parties worldwide from the Company's website.

Systems and automation: The Company developed in-house software (SPINE) to integrate its entire departments through local area networks. According to the job profile, each user can access it. A regular data backup system is maintained, reviewed at the time of batch review. Product availability is possible at every stage through package, yield reconciliation, stock ledgers, batch wise stock, party wise stock, receiving and distribution records. The master batch is fed in packages; requisitions are generated automatically following the receipt of schedules and the stock position is updated automatically.

Standards: Venus follows a roadmap via the Validation Master Plan (VMP) to address the validation and qualification strategy. To verify that the quality of all manufactured products is in accordance with the international benchmark, VMP mentions and coordinates entire qualification/validation activities. Besides, it specifies the responsibilities for validation and assists in planning important actions. Any facet which may affect product quality is validated; all critical systems and facilities are validated under VMP procedures.

Highlights, 2009-10

- Complete development of man, money, material and machine module of SPINE, which are interlinked and provide all data at a click of the mouse
- Implementation of a unique state-of-the-art CRM software
- Mapping and monitoring of material across India

3

Logistics management

Snapshot

- Team size: 20 members
- Domestic customers: 41 distributors and 1,200 stockists
- Global destinations: 60 nations

Domestic logistics

The Company's supply chain team plans, implements and controls the efficient flow and storage of goods, services and related information between the point of origin and consumption.

The supply chain team possesses three well-equipped warehouses in Baddi and Panchkula with cumulative storage space of 14,000 sq. m, sophisticated equipment and facilities for a controlled environment (temperature up to 25 degree as per WHO,GMP norms), cold rooms (temperature 2-8 degree centigrade) for cold chain products, electronic stackers and hydraulic trolleys for material handling. There was a proper rack system in warehouses with an 875-rack capacity. The Company deploys contemporary electrical machines and suction power vacuum cleaners to maintain hygienic warehouse conditions.

The Company's product movement is handled by 15 reputed cargo management companies to provide net tracking and auto messaging facilities, among others. The supply chain department automated the supply chain from material receiving and despatch to product tracking and identification.

To improve customer services, the Company attaches feedback forms with every consignment. This facilitates improved packaging and logistics. To minimise the probability of a mismatch between product and destination, the team uses coloured stickers with party name and destination pasted on each consignment box.

As a proactive organisation, the Company created domestic and global distribution maps with a booklet and sent to every client – domestic and global – marking the road, rail, air and sea routes with distance to be covered and time taken to reach the consignment which facilitated better supply chain planning.

International logistics

The Company's international logistics and sample section provided a logistics service to all clients across 40 nations.

The international logistics and sample section is an organised operating unit specialised in intercontinental deliveries, covering a range of services from document to charter-load shipments.

The Company possesses a dedicated team for custom clearances of all regulated and semi-regulated markets. The team offers diverse service options: DTD (Door to Door), DTA (Door to Airport), ATD (Airport to Door), ATA (Airport to Airport), Ex works, DDU (Duty delivery Unpaid) and DDP (Duty Delivery Paid) to its customers. Shipments are tracked hourly to ensure timely delivery.

The team has a ready reckoner of air freights to 72 nations through multiple airline options for each destination, optimising logistics expenses. The international logistics team successfully handles numerous temperature controlled shipments (20ºC – 80ºC) to international destinations.

The international logistics section provides customised services, keeping in view the regulatory norms of respective countries.

Highlights, 2009-10

- Complete automisation of domestic and international logistics
- Elimination of human intervention through the implementation of bar code systems
- Auto-tracking and feedback from customers
- Installation of temperature-controlled warehouses

4

Research and development

Snapshot

- R&D space: 100,000 sq. ft
- Research team: 40 scientists
- Products commercialised: 9 novel therapies
- Product pipeline: 22 unique solutions

Overview

Research is a critical thrust area at Venus, forming the foundation for every strategic initiative undertaken by the Company over its two decade existence.

Vision: To establish Venus as an innovator company worldwide by developing and commercialising products that provides a complete solution for serious or life-threatening medical conditions

Venus Medicine Research Centre

Venus Medicine Research Centre (VMRC), the Company's 100% subsidiary, is dedicated to achieve breakthrough innovations by balancing basic biomedical and translational research to develop medicines that treat serious medical conditions. The research centre was established for US$6 million in 2008 and recognised by DSIR for the development of globally competitive technologies with high commercial potential. This recognition served as a watermark of our capabilities with accompanying tax and duty exemptions. The research team comprises 40 scientists and supporting staff, of which 20% are PhDs and Post-Doctorates.

The Company enjoys a weighted tax deduction of 200% on its R&D expenses with a complete exemption of duties on the import of related materials/equipment. The Company also benefits through the accelerated depreciation allowance on plant and machinery set up for indigenous technology and excise duty waiver on goods produced on through indigenous technologies.

The research centre comprises nine high-tech testing laboratories at par with stringent cGLP standards. These laboratories cover microbiology, toxicology, molecular biology, biochemistry, pharmacognosy and biotechnology including tissue culture, stability and chemical analyses. These units are equipped with sophisticated ultra-sensitive instruments like UPCL, HPLC, GC-MS, AAS, FT-IR, UV-visible spectrophotometer, biochemical analyser, Elisa reader, Karl Fischer apparatus, gel documentation and auto analyser, among others.

The research facilities also comprise an international standard animal house approved by the Committee for the Purpose of Control and Supervision on Experiments on Animals (CPCSEA).

Key research areas

The Company's key areas of research cover the following:

Novel Drug Delivery System (NDDS): Development of nanotechnology-based, sustained release and targeted delivery formulations with NDDS to reduce adverse drug reaction and side-effects in therapeutic areas of oncology, NSAID, neuro science, arthritic disorders, stress and lifestyle related diseases, immuno chemistry, infectious diseases and wound healing

Formulation development: Development of non-infringing formulations to reduce the impact of generic competition, revitalise established brands, fill product pipeline gaps and enhance patient compliance. This, along with the strong regulatory team, facilitated CTD development and a first-mover generic presence in leading markets

Research capabilities

The research team is sub-divided into the following teams

Process development and technology transfer: The team facilitates the transfer of technology from laboratory to pilot plant to manufacturing locations worldwide. This team is largely instrumental in technology transfer for scaling a successful molecule and for technology transfer in an out-licensing deal.

Analytical research division (ARD): The ARD is equipped to develop methods for novel formulations, taking challenges of analytical development to support the team in drug design.

Chemical and stability testing division: The quality control department enhance product quality through stability tests as per ICH guidelines as well as timely, cost-effective, validated analytical services for research, enabling Venus to meet international quality and regulatory requirements.

Pre-clinical division (PCD): PCD handles all pre-clinical trials and toxicological studies under GLP environment. Vet pathologists assist the PCD team in preparing requisite disease models in-vivo by ensuring a compliance with OECD guidelines.

Natural product research: This team specialises in screening natural products and drug development as per pharmacopoeial and medicine standards.

Office of research support (ORS): This wing bridges the gap between research and marketing through interactions with the field force, training of marketing teams, reply to queries raised by the PMT team and design of experiments for research value-addition.

Clinical research services: This team accelerates the delivery of safe and effective therapeutics to patients and is involved in Phase-I, II, III, IV and BA/ BE studies monitoring, as per GCP, for its research products.

Investment in Research-IPR

The Company invested 14% of its turnover in Research-IPR on average across the last three years. Of the total R&D investment, about 70% was used for creating intellectual property, the rest for routine expenses. In 2009-10, the Company invested ₹24.08 million to strengthen its R&D capability. It invested in a sophisticated testing machine, which is expected reduce testing time.

	2007-08	2008-09	2009-10
Investment in Research-IPR (₹million)	264.33	386.18	473.19

Research products

Product	Combination molecules	Dosage form
Sulbactomax	Ceftriaxone and sulbactam	Injection
Venco plus	Ceftriaxone and vancomycin	Injection
Potentox	Cefepime and amikacin	Injection
Tobracef	Ceftazidime and tobramycin	Injection
Zydotum	Ceftazidime and sulbactam	Injection
Supime	Cefepime and sulbactam	Injection
Pirotum	Cefpirome and sulbactam	Injection
Neurotol	Mannitol and glycerine	Infusion
Mebatic	Ofloxacin and Ornidazole	Infusion

Important innovations

- Developed medicines based on medical transcription knowledge
- Sustained release NSAID formulation in injectable form
- Developed nano technology-based formulations for treatment of arthritic disorders
- Developed nano emulsion for treatment and prevention of acne and related disorders
- Developed solvent system to overcome drug and disease induced toxicities

Highlights, 2009-10

- Launched two novel research-based therapies
- Completed Phase I clinical trial while Phase II is in progress following permission from DCGI for novel cancer detection molecule
- Initiated the Phase III clinical trial of a novel Aminoglycoside injection following permission from the DCGI
- Organised an international conference "MANTHAN 2010" on current advances in novel and parenteral drug delivery on January 14, 2010 along with two workshops on GLP and HPLC techniques
- Compiled the first 100 research publication in the PRAYAS magazine launched on March 24, 2010, the 19th raising day of Venus

Road ahead

- Emerge among the handful Indian pharmaceutical companies with a GLP certification for the pre-clinical, analytical, stability and micro-biological fields; the GLP and NABL certifications are at advanced approval stages; of the two audits required for the GLP approval, one was completed and the certification is expected in the current year

Intellectual property

To protect the R&D work, the IPR wing at Venus is actively engaged in filing, procuring and maintaining trademarks, copyrights and patents (nationally and internationally). The team is also involved in in-licensing new innovative technologies and out-licensing the Company's research products to regulated markets. This painstaking commitment enriched the Company's IPR (depicted below):

Patents: The team filed 341 patents globally, of which nine were granted and 33 are at advanced stages of approval. The patents cover 51 countries across Europe, North America, the Far East, Australia, South America, Africa and the ASEAN.

Trademarks: The team filed for more than 150 trademarks, of which 44 were registered and 106 were under various stages of registration.

Copyrights

- Seven copyrights for package inserts of seven research products
- Four new copyrights under process (Venus Army logo, TNT, Venus song and lyrics)

Research publications

The intellectual scientific division is engaged in value addition to research products for market support by publishing research papers in various journals. A total 140 research papers were communicated in various national and international journals of repute such as Current Drug Therapy (Netherland), Asian Journal of Biochemistry (the US), Current Drug Safety (the US), Experiment Lung Research (the UK) Current Clinical Pharmacology (Netherland), Journal of Pharmacology & Toxicology (the US), Current Enzyme Inhibition (Scotland) and International Journal of Biomedical Sciences (the US), of which 100 were published, eight accepted and 32 communicated.

In-licensing

- The Company in-licensed a novel aminoglycoside (antibiotic) with patent rights from an innovator company in China.
- The Company in-licensed the technology for solid tumour detection from University of Illinois (US), helping in early detection and staging of solid tumours using conventional modes. Venus developed the formulation for this technology, protected by IPR.

Out-licensing

The IPR department out-licensed its patented research product Sulbactomax to a renowned pharmaceutical company in South Korea. Besides, the IPR department entered into a discussion with two large pharmaceutical MNCs for out-licensing two patented research products.

Technical collaboration/joint research

VMRC and its IPR department played a pivotal role in forging research collaboration agreements with institutes of national and international repute to collaborate in joint research, technical collaborations and higher education of VMRC members with the objective of bridging the gap between industry and academia, extending research to consumers. Some key agreements were entered into with the following:

- IMTECH and PU (Chandigarh) to develop typhoid detection kits
- University of Illinois, Chicago
- National Institute of Pharmaceutical Education and Research (NIPER), India
- Guru Jambeshwar University of Science and Technology, Hissar

Key milestones

- Ampucare was awarded the Best Innovation of 2010 by Lockheed Martin Foundation, FICCI, DST and Indo-US Science and Technology Forum.
- Outlicensed CTDs in Europe and South Africa
- Conducted the international conference "MANTHAN 2010" on current advances in novel and parenteral drug delivery with delegates and speakers from the US, Canada, Switzerland and Saudi Arabia

Current R&D pipeline

Product name/ code	Category	status
VRC 001	Anti inflammatory, analgesic	Launch Plan : August 2010
VRG 003	Hepatoprotective	Launch Plan : August 2010
VRT-001	TPN	Launch Plan: November 2010
VRT-002	TPN	Launch Plan: November 2010
VRA-002	NSAID	Launch Plan: December 2010
VRP1007	Anti-acne	Launch Plan: February 2011
VRN	Neuro surgery	CT permission from DCGI awaited
P001	Antibiotic	CT permission from DCGI awaited
P002	Antibiotic	CT permission from DCGI awaited
P003	Antibiotic	CT permission from DCGI awaited
VRE-001	Antibiotic	In Phase III CT
VRP1008	Arthritis and rheumatic disorders	In Phase III CT
VRP 1620	Cancer detection	In Phase II CT
VRP 007	Target based oncology drug for breast and ovarian cancer	Under development
VRP 2009	Oncology FDC	Under development
VRP 008	Antibiotic FDC	Under development
VRP-0010	Immune booster	Under development
VRP 0011	Oral cancer	Under development
VRP 0012	Anti-viral	Under development
VRP 0013	Detoxifying	Under development
VRP 1009	Stroke	Under development
VRP-1010	Anti-obesity	Under development

5

Marketing (Domestic and international)

Snapshot

- Products: 75+
- Network: 1,500 stockists, 35,000 chemists, 100,000 doctors
- Global presence: 60 nations
- Team: 700 members

Domestic business

Venus' product spaces are marked by relatively low competition. The Company's domestic marketing network comprise 650 members supported by a robust network (1,200 stockists, 30,000 chemists and 75,000 doctors). The Company's domestic operations are spread across India.

The field staff reporting system was automated to catalyse decision-making, supported by a trained 22-member distribution and marketing support team. The Company's fully automated supply chain network helped deliver goods within 48 hours to any part of India. The in-house software (SPINE) maintained online vigilance across all distributors' stock and sales.

To strengthen the Venus image in the neuro, ICU, gynaecology and surgery segments, four committees were constituted, blending technical staff from the corporate office and senior marketing managers from the field, aimed at establishing Venus research products, creating need-based marketing strategies and ensuring their implementation at the field level.

Additionally, Venus is eyeing the following segments – nephrology, urology, pulmotherapy, neonatology, paediatrics, physician, ENT specialists, diabetologists, psychiatrists and reconstructive plastic, orthopedic and general surgery, among others.

The Company plans to grow in the above mentioned segments and double its field presence every year for the next four years; four new products (two Venus research products and two import substitutes) are in the pipeline.

The Distribution and Marketing Support Department manages distribution activities, provides logistic support to field staff and acts as an information centre for sales-related information for the field staff – making it the backbone for domestic marketing.

Passion OncoBiz, a special marketing cell aimed at offering affordable life-saving medicines to Indian masses, comprises two sections: strategic-tie ups and institutions.

The strategic tie-up section develops and establishes strategic tie-ups with leading Indian pharmaceuticals companies. Its important clients comprise Elder Pharmaceuticals Ltd, Shreya Life Science Pvt. Ltd, Bharat Serums and Vaccines Ltd, IPCA Laboratories Ltd, Lupin Ltd, Glenmark Pharmaceuticals Ltd, Intas Biopharmaceuticals Ltd, Piramal Healthcare Ltd, Indoco Remedies Ltd and Jagsonpal Pharmaceuticals Ltd. The institution section markets the Company's products to Indian government/semi-government hospitals.

The Company publishes a half-yearly magazine 'Passion OncoBiz' focused on cancer and its treatment.

International business

The International Business Department comprises a 50-member market team, facilitated by the Company's 60-nation global footprint spanning Africa, the Middle-East, the Asia-Pacific, CIS, Europe and Latin American countries in only five years.

The team promotes 52 products globally and launched 36 products in the international market. It helped file 594 product dossiers in semi-regulated nations, 259 of which were registered; 70% of the registered products contributed to the Company's revenues.

The department, associated with eight overseas marketing offices, actively participates in overseas tenders with local distributors' assistance. The team facilitates the Company's participation in CphI Trade fairs and other product-promotional international conferences. The Company created a special team 'PMT-IB', to meet promotional needs for its product penetration in the international market.

The Company's research products are widely present in global markets – Ampucare is registered in 17 countries, Sulbactomax is registered in 16 countries, Potentox is registered in five countries and Immunox-V in seven countries.

The Company has strategic alliances with companies like Pharma Chemie (the Netherlands), Mili Health Care (Ukraine), Cell Pharma (Germany), Ranbaxy (South Africa), Wenzel Healthcare (Switzerland), Nawakarma (Sri Lanka) and Massoud Pharma (Syria), among others.

Highlights 2009-10

- Launched two research-based products
- Launched 10 products in the domestic and global markets
- Established a presence across seven-eight new nations
- Reduced dependence on marketing partners from 90% to 30% across three years

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Intellectual capital

Snapshot

- Team size: 1,375 members

Overview

Human assets are the most dynamic of resources for any organisation. The Company's human capital comprised 1,375 professionally-qualified, dedicated and committed members. The team is driven by target achievement, discipline, creativity, innovation, loyalty, hard work and service. The Company's human resource policies aimed at developing an empowered, dedicated and motivated workforce preserving the Company's market-leadership.

Recruitment: The Company recruits most employees at the entry stage. Through the employee referral platform, existing employees were encouraged to suggest candidates followed by screening for aptitude, attitude and skill. Home-grown management is preferred wherein recruitments largely happen at the lower level; senior positions are manned with internal promotions only – showing a clear career path for new recruits and creating loyalty to the Company.

The Company institutionalised the Venus Service Commission (VSC) as an independent body for impartial consideration on all service matters of the organisation having the final authority in all people-related issues. This unit is responsible for recruitment and vertical and lateral movement within the organisation.

The key functions of the VSC include the following:

- Forming various service cadres and an associated panel for executing the organisation's service matters
- Developing methods of recruitment and procedures to be followed for appointment, promotion and transfer from one service to another
- Planning a workforce strategy aligning the Company's needs of building a strong human resource and responsible for the promotional growth of the entire team

Training: The Company's training philosophy is 'Each one understanding one and teach one'. Trainings are provided at various levels with the aim of refining existing employee skills and knowledge. Employees' attributes and skills required for overall personality development and technical competencies are honed through these processes.

External training: To encourage staff members to obtain various research degrees and to refresh their understanding of the subject by participating in various national and international conferences/ seminars/ workshops

One PhD and one M Phil degree was awarded to staff members under different collaborations. Besides, 15 staff members attended three international conferences, seven national conferences, two workshops and delivered six posters and a talk in these conferences.

Venus Medicine Research Centre provided training to 36 M Pharm, 2 M. Tech Biotechnology, 10 MSc. Molecular Biology from various academic institutes and contributed to a better understanding of research and career building.

Internal training: Internal Training Program was initiated with the aim of refining existing skills and knowledge of participants from different departments and of developing our resources as leaders of tomorrow. This training program was designed and imparted by HRM training cell to Second line in command of Departments.

Tutors and Trainee Programme: The 'Venus Institute of Management' initiative launched the Tutors and Trainee Programme 2008 for key people of organisation with the objective of providing a platform for continuous learning. It also ensures the transmission of experience and methods specific to the Company from seniors to the juniors, enabling the organisation to develop and preserve its internal expertise.

The T&T programme was successfully organised for two years, covering all head of departments and Unit III key executives – a total of 100 participants. This programme is to continue in the current year (2010 -11) session from August '10 covering the next Fortune members of the Company.

"Departmental training (Mini T&T)": To develop and sustain a highly motivated and empowered team for realisation of self progressive society dream

Under this unique training concept, all departments invest in internal training. This program is conducted on quarterly basis for about two-three hours. The program comprises meditation, general lecture, inspirational topic-based lecture, feedback-exam and an intellect-testing game. This in-house training concept imbibes not only department-oriented training fundamentals but also provides amateur trainers confidence and a better grasp on their subject.

Self learning: The Company encourages its team members to participate in challenging projects through cross-functional teams – an opportunity to demonstrate their technical competence and team spirit. It also allows the Company to hand-pick the next generation leaders for diverse operational functions.

Infrastructure

The Company practices a policy of providing the best working infrastructure and environment which induces high performance from its team members. The Company provides well-designed work stations with the most advanced IT systems. Besides, the Company's internal websites, Enjoy Innovation and Venus ERP, provide real-time updated organisational information to the Venus team. It set up a canteen providing quality food to members at a subsidised rate and transportation facilities to its team members.

Social schemes

The Company instituted various employee welfare schemes for its team members, including the marriage policy, education policy, shagun policy and the policy for condolence events in which the Company extends financial assistance to the employee or his/her family members as per the terms of the scheme.

Awards

The Company rewards high-performing employees; marketing personnel were offered target-related incentives and schemes in addition to salary – appreciating the efforts of the team and motivating them to excel over the coming years. At the Annual Day, the Company recognises the Best Employee, Best in-Discipline, Best New- comer and Best Team, among others.

Venus as a nation

Venus constitution

The Company, to be a globally admired organisation, has well laid vision and mission statements which lay the foundation for each of its activities. Our Company Vision depicts the statement 'We Shall build Venus as a Nation'. Every nation is run with some defined laws, rules and regulations. Keeping this in view, it is of utmost importance that all its acts, policies and procedures are enshrined in its defined constitution which may become a document for the generations to follow.

The document is likely to be dedicated to this nation in the coming years and contain the preamble and chapters on all aspects.

VENUS army– "Organisation is supreme and not the individual"

Venus Army's motto "Organisation is Supreme, not the Individual" highlights the true strength of our organisation – the strength that lies within each and every employee as a soldier.

Venus Army, on the completion of its two successful years of establishment, celebrated its Second Army Day on 27th December, 2009 with great enthusiasm and fanfare. The core members of Venus Army performed an energy audit on the premises, with the objective of bringing our organisation a prosperous future of clean, abundant, reliable and affordable energy.

Venus museum

The 'Venus Museum' enshrines documents, presentation files, slides and other information. It records the Company's legacy for the benefit of existing and prospective members.

Venus' emblem

On July 28, 2009, the 'Venus Logo' was renamed 'Venus Emblem' depicting an elated man expressing joy and expressing the Company's products, services, aspirations, ethics and values. The pyramid in the emblem represents employee energy.

Venus song

Venus Song was adopted under the banner of the Venus Constitution in 2009. This song enshrines the Company's core values. Every organisational function/event begins with the recital of this song.

Fortune 500

Venus Fortune 500, a ten year project (2008-2018) will remain as a continuous process for identifying and ranking the next top 50 entrants to the Fortune 500 camp of dedicated and talented employees every year.

Highlights, 2009-10

- Conducted 1,682 person-hours of training
- Invested ₹10.2 million in various training programmes for the team
- Formed 20 committees for taking care of different departmental projects

Investment in training

(₹million)

	2008-09	2009-10
Training cost	13.5	10.2

Declining attrition

2005-06	2006-07	2007-08	2008-09	2009-10
16%	13%	11%	9%	8%

BUSINESS OPERATIONS

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Information technology

Snapshot

- IT team: 22 members
- IT investment: ₹39.19 million (over three years ending 2009-10)

Overview

Information technology plays a pivotal role in a knowledge-driven industry, converging data from diverse sources and processing it into critical information. The Company invested in cutting-edge technology for its IT systems in keeping with increasing business complexity and growing scale. It reinforced its competent IT and communication team to upgrade the system software, communication equipment knowhow and application software, reducing outsourcing.

Venus's unique state-of-the-art software (SPINE) fulfils all FDA requirements. The software facilitates automation, locational integration and provisions. Besides, the Company's marketing field operation is also automated via SPINE; pan-India distributor sales and stock information is monitored in real time; the field staff operations are connected through SPINE to enhance productivity. Based on the client-server model, it centralises data storage and processing with distributed data entry system to minimise duplication, manual errors and reconciliation.

Niche

- Open source technology strengthened integrity, security and portability
- Fully automatic PLC-controlled equipment was installed at all plants, integrated with SPINE through an in-house designed supervisory control and data acquisition (SCADA) system. SPINE captured data from every machine, processed the same and highlighted important production and productivity data (batch wise production, machine working hours, output per machine, machine breakdown and efficiency, among others)

An auto bar-code identification and pallet identification system monitored materials pan-India.

BUSINESS OPERATIONS

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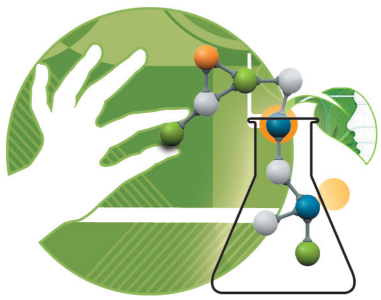
Internal audit and control

The Company introduced an integrated internal control system in line with the nature and size of the business. The internal auditors ensured that the Company complied with all statutory requirements and implementation of corporate policies. Within departments, the monthly audit reports were discussed to bridge discrepancies if noted. To look after the various development projects (including human resource development), 20 committees were formed in 2009-10. The minutes of the monthly committees meetings were delivered to the management to acquaint them with the plans and developments. Increasing productivity and accuracy was achieved through a new ERP.

Suggestions by the statutory auditors, the Audit Committee of the Board and above mentioned committees were taken into account.



A helping hand

VENUS REINFORCED SAFETY, HEALTH AND ENVIRONMENT PROTECTION THROUGH A MINIMISED IMPACT OF ITS ACTIVITIES AND PRODUCTS ON THE ENVIRONMENT AND HIGH WORKPLACE SAFETY.

Safety and health

Venus maintains the highest safety and health standards. The Company received the ISO 14001:2004 (for environment management) and OHSAS 18001:1999 (for safety and health) certifications, vindicating its international benchmarks; each team member was trained to maintain these standards. The Company was awarded the Haryana Safety and Welfare Award by the Haryana Industrial Safety Council for the least number of accidents for the second consecutive year (2007-08). The Company completed all its major expansion projects without a single accident. The Company constituted a 12-member dedicated SHE committee.

Safety training: The Company ensures that every team member is capable of handling emergency situations at all times. It organises regular classroom and practical training through government-approved agencies. The SHE Committee provided three training sessions on first-aid administering to its core members for handling all emergencies.

Evacuation plan: The Company's safety programs are based on emergency evacuation plans. The team is kept informed about updated documents; the facilities are well indicated with assembly points.

Fire equipment: The Company's facilities are equipped with sophisticated fire fighting infrastructure. It conducted five mock drills and trained upto 150 members at its facilities during the year under review. Its critical areas (general warehouses and finished goods warehouses) possess smoke sensors with multiple alarm systems.

Environment

The Company is committed to comply with all applicable legal environment requirements. The Company does not generate harmful and chemical wastes; it possesses a full-fledged effluent treatment plant to process plant waste. The waste water is recycled for in-complex gardening.

All operating practices are based on the principle of efficient resource (material and energy) utilisation. The Company substitutes hazardous materials and recycles resources to the extent possible.

The Company maintains a garden of different shrubs and decorative plants at its manufacturing units. The Company encourages its team and visitors to plant trees in the surrounding areas; more than 800 trees were planted in the five years leading to 2009-10. The Company established a herbal garden at its Baddi facility (Unit II) with a variety of medicinal plants for ayurvedic use.

Socially responsible citizen

Venus extended its activities to provide inclusive growth for the communities proximate to its manufacturing facilities. The Company funded activities related to healthcare and infrastructure creation comprising the following:

Healthcare awareness

- **Anaemia-free India:** The Company conducted four campaigns between April and July 2009 in which free samples for a week's course were provided to around 8,000 anaemic patients.
- **Meningitis Day campaign:** The Company observed World Meningitis Day on April 24, 2010, in which general public awareness campaigns were conducted all across India.

Social security measures

The Company created a number of welfare schemes for employee benefit comprising the following:

Marriage policy: This assists all employees either in their own or their sisters'/daughters' weddings.

Education policy: This funds the higher study programmes of employees and their children.

Training and sponsorships

Venus Medicine Research Centre trained 36 members in M. Pharm, two M. Tech Biotechnology and 10 MSc. Molecular Biology in various academic institutes, contributing to a better understanding of research and career building.

Analysis of our financial statements

The Company registered reasonable growth in business but profitability was depressed. This was largely owing to interest payment to FCCB holders, increase in the rate of Minimum Alternate Tax (MAT) and depreciation, which impacted the Company's bottomline.

Profit and loss account

Revenue

The Company's net sales increased 17.93% from ₹2,645.15 million in 2008-09 to ₹3,119.30 million in 2009-10. This was largely owing to the launch of new products and entry into new geographies during the period under review. Moreover, products launched in 2008-09 and deepened reach in existing geographies contributed to the revenue growth.

The domestic market accounts for a lion's share of the revenue basket at 68.01% in 2009-10 (72.67% in 2008-09). Revenue from the domestic market grew 10.36% from ₹1,922.29 million in 2008-09 to ₹2,121.44 million in 2009-10 – largely on account of new products launched in India and deeper market penetration. Exports grew 38% from ₹722.85 million in 2008-09 to ₹997.86 million in 2009-10 – largely on account of entering into new geographies.

Highs and lows

Highs	Lows
Revenue grew 17.93%	Expenses increased 18.61%
EBIDTA grew 15.55%	Interest liability increased 49.49%
Cash profit grew 7.28%	Profit after tax declined 9.85%
	Earning per share declined 10.04%

Cost analysis

The Company's total cost increased 18.61% from ₹2,002 million in 2008-09 to ₹2,374.49 million in 2009-10, following enhanced operations. Total operating cost, as a proportion of net sales, stood at 76.12% in 2009-10 against 75.69% in 2008-09.

Material cost: This cost increase was a result of enhanced production and widening of the Company's product range (especially research-based products). Further, cost-push inflation also contributed to the increase in material cost in 2009-10. The material cost, as a proportion of net sales, declined from 79.21% in 2008-09 to 76.73% in 2009-10, reflecting efficient resource utilisation and value-addition to the materials used.

Manufacturing cost: The increase in manufacturing expenses was consequent to the increase in the operational scale. Despite a sizeable increase in absolute costs, its proportion in the total cost remained at the previous year's level, indicating manufacturing efficiency and stringent cost discipline.

Employee expenses: The increase in the wage bill is primarily owed to two reasons 1) increase in the team size – the Company added 25 members in 2009-10, and 2) annual salary increase. Efficiency of the workforce is

Break up of key cost components

	2009-10		2008-09		Y-o-y growth
	Amount (₹ in million)	Proportion of total operating cost (%)	Amount (₹ in million)	Proportion of total operating cost (%)	(%)
Material consumed	1,822.00	76.73	1,585.69	79.21	14.90
Manufacturing expenses	41.68	1.76	35.14	1.75	18.61
Employee expenses	150.51	6.34	112.06	5.60	34.31
Other expenses	249.52	10.50	191.70	9.57	30.16
R&D expenses	110.78	4.67	77.41	3.87	43.11
TOTAL	2,374.49	100.00	2,002.00	100.00	

The Company ploughed back ₹380.75 million of operational surplus in 2009-10 as against ₹425.65 million in 2008-09.

reflected in an increase in average revenue per person from ₹1.96 million in 2008-09 to ₹2.27 million in 2009-10.

Other expenses: This head includes the administrative, selling and distribution expenses. The administrative expenses increased marginally, while the selling and distribution expenses increased significantly in line with the Company's effort for an expansive reach in the domestic and international markets.

R&D expenses: R&D expenses increased more than 40% over the previous year's level, largely owing to the Company's research thrust. This increase was largely owing to an increase in the team size and material used in the development of new products.

Margins

While the Company received global recognition for its research efforts, its operations were marginally depressed. This resulted in a drop in the EBIDTA margin from 24.38% in 2008-09 to 23.91% in 2009-10. Net profit margin declined from 17.20% in 2008-09 to 13.15% in 2009-10 – a drop of about 425 bps – on account of payment of interest to FCCB holders, increase in MAT rate and depreciation.

Balance sheet

Capital employed

The capital employed in the business increased 20% from ₹2,784.50 million as on March 31, 2009 to ₹3,358.66 million as on March 31, 2010. This was largely owing to an increase in reserves and debt portfolio. The Company's return on capital employed (ROCE) moderated from 25.03% in 2008-09 to 20.48% in 2009-10, following a ₹524.41-million capex in 2009-10, the impact of which will be progressively reflected in the coming years.

Net worth

Shareholders' funds (net worth) increased 27% from ₹1,408.62 million as on March 31, 2009 to ₹1,788.97 million as on March 31, 2010, attributed to an increase in reserves and surplus arising out of surplus plough-back. Consequently, book value per share strengthened from ₹166.63 as on March 31, 2009 to ₹211.13 as on March 31, 2010.

Equity capital: The Company's equity capital comprised 8,473,291 equity shares of ₹10 each. The promoters held 25.41% of the Company as on March 31, 2010.

Reserve and surplus: Reserves represent zero-cost funds, aggregating over the years and representing a buffer against contingencies and for initiating growth initiatives. Reserves and surplus increased 27.27% from ₹1,347.28 million as on March 31, 2009 to ₹1,714.73 million as on

Highs and lows

Highs	Lows
Book value per share increased 5.10%	Return on net worth declined 28.99%
Debt-equity ratio improved 9.68%	Return on capital employed declined 18.18%

Sources of fund

	As on March 31, 2010		As on March 31, 2009		Y-o-y change
	Amount (₹ in million)	Percentage of the total	Amount (₹ in million)	Percentage of the total	(%)
Equity capital	84.73	2.51	84.53	3.01	0.24
Share application money	0.19	0.01	0.20	0.01	(5.53)
Reserves and surplus	1,714.73	50.89	1,347.28	47.98	27.27
Debt funds	1,493.90	44.34	1,315.95	46.87	13.52
Deferred tax liability	75.79	2.26	59.93	2.13	26.45
Total	3,369.32	100.00	2,807.89	100.00	

Patents and IPR accounted for more than 30% of the net block as on March 31, 2010 – the Company added ₹401.72 million to this asset category in 2009-10

Application of funds

	As on March 31, 2010		As on March 31, 2009		Y-o-y change
	Amount (₹ in million)	Percentage of the total	Amount (₹ in million)	Percentage of the total	(%)
Fixed assets	2,108.36	62.58	1,701.70	60.60	23.90
Capital work-in-progress	8.59	0.25	8.57	0.31	0.19
Investments	247.89	7.36	247.89	8.83	-
Net current assets	993.81	29.50	826.33	29.43	20.27
Miscellaneous expenditure	10.67	0.31	23.40	0.83	(54.38)
Total	3,369.32	100.00	2807.89		

March 31, 2010. The Company ploughed back ₹380.75 million of operational surplus in 2009-10 as against ₹425.65 million in 2008-09. Free reserves comprised 100% of the reserve balance, providing a robust foundation for growth.

External funds

The Company's reliance on external funds increased from ₹1,315.95 million as on March 31, 2009 to ₹1,493.90 million as on March 31, 2010. This increase was largely owing to term loans and working capital arrangements with banks. The secured loan portfolio increased from ₹698.06 million as on March 31, 2009 to ₹916.65 million as on March 31, 2010. Unsecured loans declined from ₹617.89 million as on March 31, 2009 to ₹577.25 million as on March 31, 2010, owing to the partial retirement of FCCBs. The increase in debt was accompanied by an equal increase in net worth. As a result, the debt-equity ratio strengthened from 0.93 as on March 31, 2009 to 0.84 as on March 31, 2010.

Interest outflow increased 49% from ₹93.35 million in 2008-09 to ₹139.55 million in 2009-10 due to interest payment to FCCB holders and some additional debt taken during the year under review.

Fixed assets

The Company's gross block represents its competitive edge in terms of scalability. Over the years, the Company invested continuously to create a sizeable asset base. The Company invested ₹524.41 million into its gross block in 2009-10 against ₹580.98 million in 2008-09. This investment was largely for the automation of these facilities. Patents and IPR accounted for more than 30% of the net block as on March 31, 2010 – the Company added ₹401.72 million to this asset category in 2009-10 owing to patent approvals received during the year. Other key additions were made to the building, computer and IT-related asset classes.

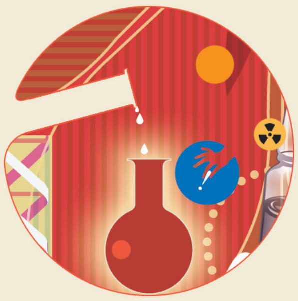
The Company provided depreciation in line with the Straight Line Method. In 2009-10, the provision for depreciation stood at ₹116.87 million against ₹59.64 million in 2008-09. This increase was largely on account of the significant investment in the gross block.

Investments

The investment portfolio comprised the Company's investment in its subsidiary Venus Pharma GmbH.

Working capital

Dispersed operations make it imperative for the Company to efficiently manage daily operations. Net current assets increased from ₹826.33 million as on March 31, 2009 to ₹993.81 million as on March 31, 2010. Net current assets, as a proportion of capital employed, increased marginally from 29.43% as on March 31, 2009 to 29.50% as on March 31, 2010.



Derisking the business

"Building wealth is a process of managing risk, not ignoring it." Jon Duncan

Every business is marked by risks, some within and some beyond control. Risk is an expression of the uncertainty about events and the possible outcomes that could have a material impact on the performance and prospects of a company. As a responsible corporate, it is the endeavour of the management to minimise the risk inherent in the business with a view to maximise returns from any business situation.

Venus's risk mitigation policy is a comprehensive and integrated risk management framework that comprises a clear understanding of strategy, policy and initiatives, prudential norms, structured reporting and control. This approach ensures that the risk management discipline is centrally initiated by the senior management but prudently decentralised across the organisation, percolating to managers at various organisational levels, helping them mitigate risks at the transactional level.

This proactive system and process review across all business functions projects an accurate image of the organisation's position; it also facilitates the proactive arrest of any anomaly. The consistent implementation of this framework is stringently monitored, supplemented by audits conducted by the Company; the periodic reports of which are regularly reviewed by the senior management.

Consequently, at Venus, from the various available options, only those business decisions are taken that balance risk and reward; this ensures that the Company's revenue generating initiatives are consistent with the risks taken.

❶ Capability to develop and launch novel therapeutic solutions may be limited

- The Company, over the years, developed first-time products to fill the gap between critical ailments and available therapies.
- The Company's team targets the launch of at least two new products annually; in 2009-10, it launched Ampucare (received the best innovation award) and Mebatic (a first-time product in India).
- The Company is working on a robust product pipeline of about 22 unique solutions.
- The Company created a cell within the R&D team to identify ailments with no complete therapeutic solution.
- The Company derived nearly 35% of its revenue in 2009-10 from products launched in the preceding three years (including 2009-10).

❷ Growing competition in the pharmaceutical space could impact profitability and business sustenance

- The Company is present in a niche injectables space that requires high knowledge, an entry barrier for many new players; it is among only 10 injectables manufacturers in India.
- The Company is present in complex therapeutic segments like oncology, which requires dedicated facilities and sizeable investments, reducing competition.
- The Company developed unique products through complex technologies; it received product patents for some of its products while for some, the patent application was at advanced approval stages.
- The Company followed cost-reducing strategies, improving margins.

❸ Operating with conventional technology could impair creative capability

- The Company mastered the Chemical Vector Mediated Compatibility (CVMC) technology through which incompatible molecules of a therapeutic segment were combined without adverse impact on the patient, emerging as the only company in the world to do so.

- The Company's team extended the frontier of nano-technology by becoming the first to develop a wound healing product using this technology.

- The Company, in the NDDS space, developed an injectable with combined properties of controlled and sustained release, a first in the Indian pharmaceutical sector.

❹ Operational inefficiency (whenever that happened) could affect production and quality

- The Company invested significantly in enhancing capacity and automation.

- The Company's facilities were accredited with EU GMP (valid for Europe, South Africa and Canada) and another 13 international GMPs.

- The Company entered into an out-licensing agreement with a renowned global South Korean pharmaceutical company; the products are to be supplied from the Company's Baddi facilities.

❺ Inconsistent quality could lead to client attrition and business closure

- The Company is in the infusion space (the dosage goes directly into the patient's bloodstream) where consistently high product quality cannot be compromised.

- The Company's dedicated quality control and quality assurance team constantly check quality conformance.

- The Company conducts an audit of facilities and encourages audits by external agencies, clients and regulatory authorities.

- The Company's analytical laboratory team performs tests across all stages in the operations cycle, from raw materials and ingredients to work-in-process and finished products.

- The Company maintains adequate systems for quality conformance through process validation, self-inspection, in-process testing, stability studies, vendor development and audits, handling complaints, failures and deviations and training, among others.

❻ Inability to effectively market products could impact growth and profitability

- The Company's marketing team comprises over 700 professionals.

- The Company's robust marketing network comprises 41 distributors, 1,500 stockists, 35,000 chemists and 100,000 doctors; besides, its marketing tie-ups with leading Indian pharmaceutical corporates provides a wider product reach.

- The Company has a wide global footprint across 60 nations; exports comprised 31.99% of revenues in 2009-10.

- The Company entered into an out-licensing agreement with a Korean pharmaceutical company to generate adequate returns for patented products; it is at an advanced stage of discussion with other global pharmaceutical companies for other out-licensing agreements.

❼ Inability to attract and retain intellectual capital could impact business growth

- The Company has strong human capital of 1,375 experts. It follows a sound people management policy including recruitment, retention and nurturing, resulting in reduced attrition from 16% in 2005-06 to 8% in 2009-10.

- The Company earned global recognition, strengthening brand recall and attracting talent.

- The Company provided training to team members to grow their learning curve.

- The Company provided amenities like loans for marriage, medical treatment and education to employees.

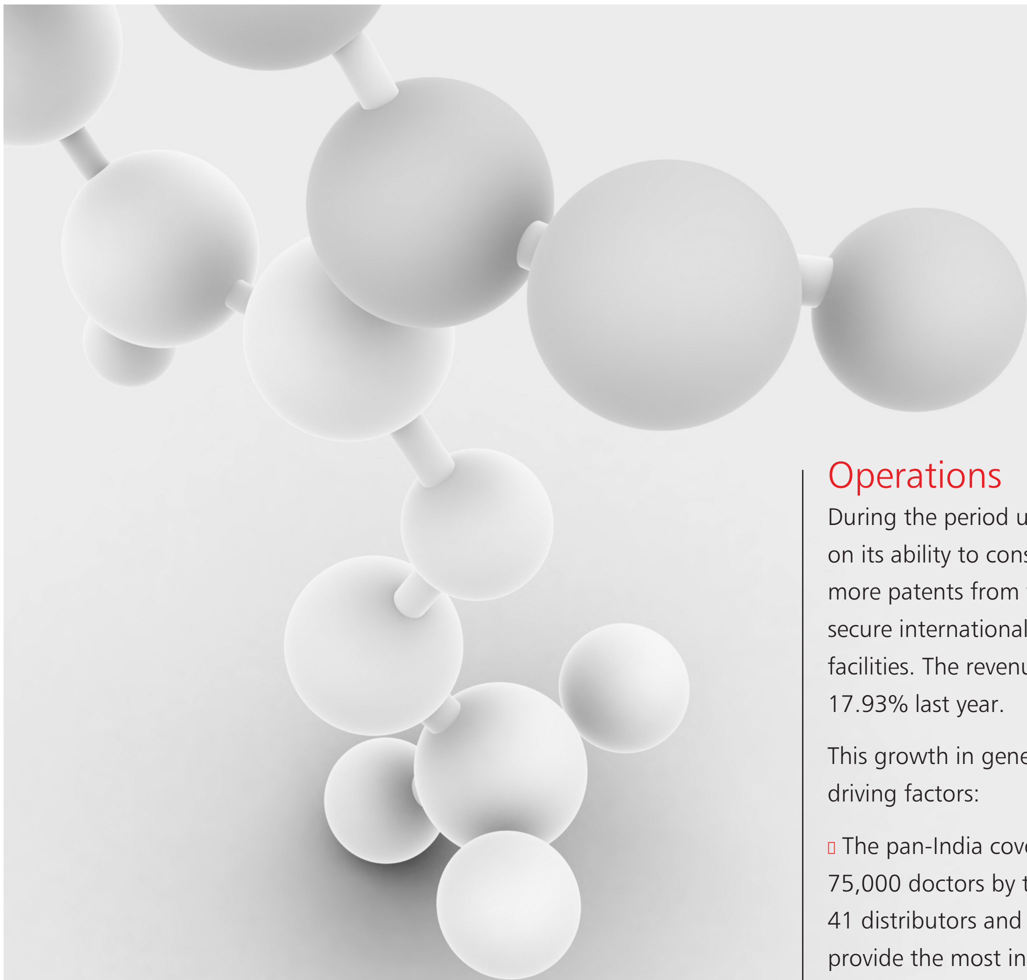
❽ Inadequate fund flow for operating and capex activities could dent growth

- The Company's free reserves stood at ₹1,714.73 million as on March 31, 2010.

- The Company strengthened its debt-equity ratio from 0.93 as on March 31, 2009 to 0.84 as on March 31, 2010.

- The Company enjoyed working capital facilities from four banks; it utilised 94% of the sanctioned limit, creating an adequate buffer to meet working capital requirements in case of a spike in scale.

Directors' Report



To the esteemed shareholders

of Venus Remedies Limited,

It gives us great pleasure to present the 21st annual report together with audited statement of accounts for the year ended March 31, 2010

Financial highlights

(₹ in millions)

	2009-10	2008-09
Sales & Other Income	3,120.46	2,647.57
Operating Surplus	745.97	645.57
Finance Charges	139.55	93.35
Depreciation	116.87	59.64
Profit before Tax	489.54	492.57
Provision for Tax	79.04	37.25
Profit After Tax (PAT)	410.49	455.32
Provision for Dividend	29.74	29.67
Profit Transferred to General Reserve	250.00	250.00

Operations

During the period under review, the Company has capitalised on its ability to constantly develop innovative products, add more patents from various countries to its vast IPR basket and secure international GMP accreditations for its manufacturing facilities. The revenue recorded a growth of approximately 17.93% last year.

This growth in general can be attributed to the following driving factors:

- The pan-India coverage and recognition of Venus among 75,000 doctors by the giant network of 650 field personnels, 41 distributors and 1,200 stockists covering 30,000 chemists, provide the most innovative products in the market.
- Creation of history in the Indian pharmaceutical industry with the introduction of MEBATIC in the product basket, which is a research product of the Company.
- Market authorisation granted for Meropenem in Portugal (EU).
- Launching 7 new speciality products during the year
- Greater market penetration for research products, launched by the Company

Management discussion and analysis

A detailed report on the management discussion and analysis is provided as a separate section in the annual report.

Dividend

The Board has recommended a dividend @ 30% (₹ 3/- per share) for its shareholders for the year 2009 -10

Fixed deposits

Your Company has not accepted any fixed deposits within the meaning of Section 58A of the Companies Act, 1956, and the rules made there-under.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The prescribed particulars as required under section 217(2)(e) of the Companies Act, 1956 read with Companies (disclosure of particulars in the Board of Directors' report) rules, 1988, are set out in the annexure forming a part of this report.

Disclosures under SEBI (employees stock option scheme and employees stock purchase scheme) guidelines, 1999

The particulars are set out in the annexure forming a part of this report.

Particulars of employees

The particulars of the employees are covered as contemplated by section 217(2A) of the Companies Act, 1956 and the Companies (particulars of employees) rules, 1975 are as per annexure forming a part of this report.

Directors' responsibility statement

Your Directors pursuant to section 217(2AA) of the Companies Act, 1956 state as follows:

(i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that 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 or loss of the Company for that period;

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

(iv) that the Directors had prepared the annual accounts on a going concern basis.

Directors

Mr. Jagdish Chander, Mr. Peeyush Jain and Mr. Ashutosh Jain retire at the ensuing Annual General Meeting and have offered themselves for re-appointment. The details of the appointment are mentioned in the notice of the meeting.

Auditors

The statutory auditors, M/S. J. K. Jain & Associates retire at the forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment. The Audit Committee has also recommended their re-appointment. The notes to the accounts referred to in the auditor's report are self explanatory and therefore do not require further explanation.

Corporate governance

Your Company believes that Good Corporate Governance Practices are an essential part of a growing business strategy and has been ensuring due compliance of the requirements of Clause 49 of the Listing Agreement. The initiatives taken by your Company for ensuring transparency in all dealings has further strengthened its governance practices. One of these was the introduction of the Model Code for Insider Trading for the concerned, which has been religiously followed by all the concerned personnel. Also, a Model Code of Conduct, as applicable to Directors and Senior Management personnel, has been put in place by your Company. The details of the other necessary compliance are encoded in separate report on Corporate Governance annexed hereto.

Audit committee

The audit committee, comprising of two independent Directors and the Managing Director met on regular basis to review the financial performance of the Company. The Company had been operating under complete ERP environment which has been migrated to newer and most advanced version of ERP namely "SPINE". The committee reviews the adequacy of Internal Controls from time to time.

Acknowledgements

The Board takes this opportunity to express its gratitudes towards the dedicated services rendered by its employees at all levels and also acknowledge the support and wise counsel extended to us by the analysts, bankers, government agencies, shareholders and investors at large, the advisers on our panel, all concerned regulatory authorities, our business associates, suppliers, the medical fraternity, patients and last but not the least, our shareholders' families for their constant faith, support and guidance .

For and on behalf of the Board of Directors

Place: Panchkula (Pawan Chaudhary)
Date: 31.07.2010 *Chairman & Managing Director*

Information pursuant to the Companies (Disclosure of Particulars in the report of Board of Directors) rules, 1988

1. Conservation of energy

A. During the year, an investment of approx. ₹ 32 lacs was made for adopting the following Energy conservation measures :

i) Steps taken during the year for energy conservation

1. The Central Air Conditioning System of Warehouse – I in Unit-II is connected with high efficiency chiller machine of the plant and old outdated air cooled condensing unit of air conditioning had been disconnected, which were consuming lot of energy. A big saving 12 units per hours, means 288 units per day.

2. The raw water system have been put in automation resulting to save electricity and avoid wastage of water. Saving 40-50 units electricity per day.

3. The 4 heavy load DG Sets have been synchronised in auto mode due to which only required capacity of Diesel generator will be utilised and unnecessary running of DG Set at very lower load will be avoided, resulting in a minimum saving of HSD fuel 250-300 LH per day at unit-II.

4. Replacement of heavy wattage luminaries with high efficiency 5-6 watt LED lights.

5. Central UPS installed in place of independent small UPS in Unit-I & Unit-II.

6. The old outdated Air Conditioning unit of I.T. Block Unit-I have been disconnected. A new chilled water based system installed in place of old high electricity consuming machine resulting in a saving of 12 units per hour means 120 Units per day.

7. The Turbine base exhaust systems were installed in place of electricity operated heavy exhaust fans.

8. The high efficiency water coolers were installed in place of old technology water coolers saving approximately 30 units per day.

9. M/s Power Guard Systems an approved energy Consultant from B.E.E has analyzed data on various electrical mechanical and electronic equipments and machines installed at unit-I and Unit-II, The various steps have been taken up to save electricity, fuel and optimising the usage of equipments, like replacement old refrigeration system.

This represents the Company's earnest effort to save the planet from CO_2 emission and reduce cost of electricity and fuel.

B. Impact of above measures for reduction of energy consumption and consequent impact on the cost of production of goods:

A saving of approximately 25% on average energy costs have been ensured through above measures taken by the Company during the year.

C. Total energy consumption and energy consumption per unit of production :

Form A

(₹ in Millions)

A. Power and Fuel Consumption:	2009-10	2008-09
1 a) Electricity Purchased		
Units	20,81,765	21,28,703
Total amount (₹)	1,09,32,690	1,09,63,683
Rate/Unit (₹)	5.25	5.15
b) Own Generation		
(i) Through D.G. Set		
Units	6,76,471	4,66,427
Total amount (₹)	59,28,067	52,22,600
Rate/Unit (₹)	8.76	11.20
ii) through steam turbine/generator	Nil	Nil
2 Coal consumption	Nil	Nil
3. Furnace oil & LDO		
Quantity (Ltr.)	1,89,264	1,13,400
Total amount (₹)	49,09,581	29,48,403
Average Rate (₹ / Unit)	25.94	26.00
4. Other/Internal Generation	Nil	Nil

B. Consumption per unit of Production:There are no specific standards as the consumption per unit depends on the product mix.

2. Technology absorption

Form B

Research and Development

Specific areas in which R & D carried out by

Company:

a. Research is a critical thrust area for us because it is the foundation upon which our strategy of wealth creation, penetration in multiple markets, new products and quality products stands. Department of Scientific & Industrial Research (DSIR),Govt of India approved R & D Center which known by Venus Medicine Research Centre (VMRC) has been set up with an investment of $6 million, and spreads over 1,00,000 sq. feet area with world class infrastructure.

Modern Research Infrastructure

- 8 dedicated Pilot Plants for sterile products handling
- Well Developed Animal House approved by Committee for the Purpose of Control and Supervision on Experiments on Animals (CPCSEA)
- Current Team of 40 Scientists & supporting staff
- 9 High-tech Testing Laboratories of International standard following cGLP
- Well Equipped E-Library

The R & D Centre is working on developing formulations in the oncology segments, Broad spectrum antibiotics and NSAIDs.

The Major area of Research work includes:

1) NDDS (Novel Drug Delivery System):

Development of nanotechnology based, sustained released and targeted delivery formulations with NDDS to reduce Adverse drug reaction and side effects in therapeutic

2) Formulation Development

F&D deals with development of non infringing formulations to diffuse the impact of generic competition, revitalise established brands, fill gaps in product pipelines, and enhance patient compliance. This along with strong Regulatory team helps in CTD development and to be the first generic in leading markets.

3) Process Development and Technology Transfer

Facilities exist to transfer technology from lab to pilot plant to manufacturing locations worldwide ,through technology transfer cell.

4) Analytical Research Division

ARD is fully equipped to develop methods for novel formulations, taking challenges of analytical development and to support team in drug designing.

5) Chemical and Stability Testing Division

Known as Quality Control of VMRC, this department focuses on the best quality of Products by conducting stability as per ICH guidelines. Its objective is to provide timely, cost effective, validated analytical services for research, enabling Venus to meet international quality and regulatory requirements.

6) Pre-Clinical Division

PCD handles successfully all Pre-Clinical Trials, Toxicological studies under GLP environment. Vet Pathologists assist PCD team in preparing requisite disease model in vivo by ensuring compliance to OECD guidelines.

7)Natural Product Research

NPRL specialises in screening natural products, drug development as per pharmacopeial and medicine standards.

8) ORS: Office of Research Support

This wing enables to bridge the gap between research and marketing. They interact with field force, conduct SMEs, train marketing teams, reply to queries raised by PMT team and based on feedback design experiments for value addition of research products.

Venus Clinical Research Services

VCRS accelerates the delivery of safe and effective therapeutics to the patients and is involved in Phase-I, II, III, IV and BA/ BE studies monitoring, as per GCP for its research products.

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

- With the approval of VMRC from DSIR the Company can now avail the weighted tax deduction of 200% on its R & D expenses alongwith complete exemption of duties on import of materials / equipments and machines for R&D purpose
- Grant of patents for its research products
- Commercialisation of new products
- Modification of existing manufacturing processes for some of the products and significant savings in cost of production
- Modification of existing manufacturing processes to reduce the time cycle
- More Patents filings for protection of Intellectual Property generated during R&D

c. Future plan of action

VMRC is going to be GLP and NABL accredited in coming year. This recognition will put Venus amongst the list of a few selected Pharmaceutical Companies having International standards of R&D. Commercialisation of new products for which the products are under trials at development stage.

The R&D products of the Company would be its "key" to enter the regulated market, where it plans to 'Out-License' them. Developing new techniques for cost saving and enhancing the Product Basket of the Company are part and parcel of R&D agenda.

The R&D team would be tied up with the following projects :

- Building strong capabilities to deliver product and process innovations
- Conducting Clinical Trials for Research Products
- Developing new formulations from In-licensed Technologies and bring them to commercial launch
- Conduct Multi-Country Clinical Trials for getting registrations abroad for Research Products
- Undertaking Validation batches for developing CTD Dossiers for regulated
- Partnering the medical fraternity

The Annual spending on research would be kept incremental in proportion to the increase in the Sales as per the Company's plans.

(₹ in Millions)

Particulars	2009-10	2008-09
a) Capital Expenditure	362.40	308.77
b) Recurring Expenditure	110.78	77.41
c) Total	473.19	386.18
d) Total R&D expenditure as percentage to turnover	15.17%	14.60%

Technology absorption adaptation and Innovation

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

Technology Absorption and adaptation:

Technology transfer cell

The rapid growth of the Venus will continue to increase the need for additional product pipe line. In an effort to meet this demand ,technology transfer cell in VMRC examines the critical barriers to smooth technology transfer along the entire scale-up process. Starting with licensing agreements right up to the other end of the scale with final hand-overs of technology to big pharma all the in licensing is being handled by competent team members. The cell offers a road map for improving every step in the scale-up process.

In Licensing

ii) Venus has in licensed a Novel Aminoglycoside (a new antibiotic) with Patent Rights from Innovator Company in China.

iii) In licensed technology for Solid Tumor Detection from University of Illinois, Chicago, US which would help in early detection and staging of solid tumors using conventional modes. Venus has developed Formulation for above Technology: Protected by IPR.

iv) Joint Research with NIPER for development of Sustained Release Formulations.

Important innovations

1) Developed medicines based on Medical Transcription Knowledge

2) Developed 8 Novel antibiotic combinations as empiric therapy to treat mixed multi bacterial infections causing Life Threatening Diseases for the 1st Time Globally

3) Sustained Release NSAID Formulation in injectable form

4) Nano Technology Based Formulations for treatment of Arthritic disorders

5) Nano emulsion for treatment and prevention of acne and related disorders

6) Successfully developed solvent system to overcome drug and disease induced toxicities

v) Benefits derived as a result of the above efforts e. g. product development, import, substitutions etc.

a) Continuous up gradation and adoption of new technologies has benefited the Company in the form of better production process, better yields, better quality of end products and cost reduction

b) Commercial Launch of new products from New manufacturing facilities of the Company

c) Strengthening of Company's Product Basket for attracting top MNCs for collaborating for specialised products manufacturing with Venus.

d) Supply of high Quality, research products with great potential to Strategic partners

vi) Import of Technology

The Company has not imported any technology during the financial year under review.

FORM C

3. Foreign exchange earnings and outgo

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

Exports is one of the key growth driver for the Company. The Company had approx. 31.99% of its turnover from Exports last year of the sales. Hence, concrete steps have been taken to lay a strong foundation for the same. The planned activities of the Company have already created sufficient infrastructure to enable the Company to bring more and more countries within its export network.

The major initiatives which shall enhance the exports may be listed as follows :

1) The Company is present in 5 continents and 60 nations across the globe

2) The Company is having its 8 marketing offices in various countries including US and Germany and is having its distributors in CIS, Asia-Pacific, Middle East, Africa, LAC & Europe.

3) The Company is promoting 52 products across the globe & so far have launched 36 products in International Market.

4) Constant additions of cGMP certifications from various countries for the Company's manufacturing facilities.

5) 594 product dossiers in Semi-Regulated countries, out of which 259 have been registered and remaining are on the verge of registration.

6) Through business alliances and strategic tie ups with world pharma leaders both national and international, the Company is all set to enter new markets.

7) More investment to gain the entry in international markets in the form of dossiers, ,Multi country clinical trials, patent filing ,regular participation in world pharmaceutical meets such as participating in CphI, Trade fairs & other

International Conference for product promotions and movement of the International Business Department personnel around the globe for putting agreements into place after final negotiations.

8) The Company's Wholly Owned Subsidiary, Venus Pharma GmbH, is spanning its wings in Europe, North American, West African and Middle East, MENA market.

		Currency	Current Year	Previous year
A.	Total foreign exchange earned	US$	19880323	13705870
		€	651085	54079
B.	Total foreign exchange used			
i)	On import of raw materials/spares and capital goods	US$	5452332	4660415
		€	56633	49436
		CHF	–	22000
		£	–	3150
		¥	–	1208600
ii)	Expenditure in foreign currency for:			
	Salary/Incentives	US$	31450	24222
	Traveling	US$	23900	4082
		€	NIL	909
		£	5200	NIL
Regulatory Fee for patent/product & plant registration/export registration		US$	1756140	2767880
		€	76700	259440
		¥	680020	1416800
		£	NIL	1035
Bank charges		US$	NIL	5500
Exhibition Expenses		US$	1180	1950
		€	45234	NIL
Remittance on account of Dividend		US$	1614	2286

	Currency	Current Year	Previous year
Subscription	US$	3966	1134
Commission	US$	183750	NIL
Director's sitting Fee	€	76	NIL

DISCLOSURES UNDER SEBI (EMPLOYEES STOCK OPTION SCHEME AND EMPLOYEES STOCK PURCHASE SCHEME) GUIDELINES, 1999

The following are the particulars with the regard to the ESOS during the year under consideration:

Options granted	1,00,000
The pricing formula	₹ 10/- per share for cash at par
Options vested	25,000*
Options exercised	18,866*
Total number of shares arising out of options	On exercise of the options, one option will result into one share, i. e. total 1,00,000 shares will arise out of 1,00,000 options
Options Lapsed	6,134*
Variation in terms of Options	Nil*
Money realised by exercise of Options	INR 1,88,660
Total number of Options in force	1,00,000
Options granted to	
a. Senior Managerial Personnel	
	Designation No of. Shares
	C.O.O.(Domestic Operations) 2520
	C.G.M (Commercial) 3000
	C.G.M. (Domestic Operation) 800
	G.M (R.A./LIAISON) 2045
	D.G.M.(STUD) 1940
	G.M.(VPG) 1188
	G.M.(Technical) 1200
	D.G.M (I.T. & COMM.) 1474
	D.G.M.(Administration) 504
b. any other employee who receives a grant in one year of option amounting to 5% or more of option granted during that year	Nil
c. identified employees who were granted option during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil
Diluted earnings per share pursuant to issue of shares on exercise of options calculated in accordance with International Accounting Standard (IAS) 33	Nil

*Fourth and last installment of one Fourth of the 1,00,000 shares i.e. 25,000 shares were offered under the ESOS on October 1st, 2009 after the expiry of vesting period.

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended upto date

S.no	PARTICULARS	DETAILS AS ON 31.03.2010
I)	MR. PAWAN CHAUDHARY	
1.	Designation of Employee	Chairman & Managing Director
2.	Remuneration Received (Including Perks)	INR 43,03,168
3.	Nature of Employment	Contractual
4.	Other terms and conditions (As per Board resolution)	In addition to the salary payable, he is also entitled to perquisites and allowances like House Rent Allowance, reimbursement of water, electricity, gas, furnishings, medical reimbursement, leave travel concession once in a year with family, medical insurance etc. and such other allowances as may be agreed to by the Board, subject to a maximum of overall salary.
		In addition to the above, he is also entitled to the following:
		1.Contribution to Provident Fund as per Rules of the Company;
		2.Gratuity at a rate not exceeding half month's salary for each year of completed service;
		3.One car with driver with operating and maintenance expenses for official use;
		4.Encashment of leave as per Rules of the Company
5.	Nature of duties	Take all decisions / actions for achieving the objectives of the Company.
6.	Qualifications & Experience	B.COM, L.LB, F.C.A
7.	Date of commencement of employment	Since inception
8.	Age	46 Years
9.	Last Employment held	N.A
10.	% of equity shares held as on 31.3.2010	13.95%

S.no	PARTICULARS	DETAILS AS ON 31.03.2010
I)	MRS. MANU CHAUDHARY	
1.	Designation of Employee	Joint Managing Director
2.	Remuneration Received	INR 27,60,000
3.	Nature of Employment	Contractual
4.	Other terms and conditions (As per Board resolution)	In addition to the salary payable above, she is also entitled to perquisites and allowances like House Rent Allowance, reimbursement of water, electricity, gas, furnishings, Medical reimbursement, leave travel concession once in a year with family, medical insurance etc. and such other allowances as may be agreed to by the Board, subject to a maximum of overall salary.
		In addition to the above, she is also entitled to the following:
		1.Contribution to Provident Fund as per Rules of the Company;
		2. Gratuity at a rate not exceeding half month's salary for each year of completed service;
		3, One car with driver with operating and maintenance expenses for official use;
		4. Encashment of leave as per Rules of the Company.
5.	Nature of duties	Executive Director – Head of Venus Medicine Research centre (R&D Wing)
6.	Qualifications & Experience	M.Sc. M.Phil (Genetics), PH.D. In Business Administration
7.	Date of commencement of employment	April 26, 1992
8.	Age	41 Years
9.	Last Employment held	N. A.
10.	% of equity shares held as on 31.3.2010	11.46%

For and on behalf of the Board of Directors

Place: Panchkula
Date: 31.07.2010

(Pawan Chaudhary)
Chairman & Managing Director

Corporate Governance Report

(As required under Clause 49 of the Listing Agreements entered into the Stock Exchanges)

For Venus, good Corporate Governance means to create an organisation which adopts the best practices to see that the Company operates not only within the regulatory framework, but is also guided by broader business ethics. The idea is to ensure good conscience, transparency, integrity and openness which would lead to accountability of the people in charge of the Company and bring benefits to investors, customers, creditors, employees and the society at large.

1. Board of Directors

A. Composition, category, attendance and a number of other directorships of the Directors are furnished below

As of March 31, 2010, the Board comprised 8 members. The composition category of Directors and directorships as held in other companies by the Directors on the Board of that Company

Name of Director	Category of Director	Number of outside Directorships in Indian public companies	Number of Board Committee other than Venus Remedies Limited in Which Chairman/Member
Mr. Pawan Chaudhary (Chairman cum Managing Director)	Promoter, Wholetime	Sunev Pharma Solutions Ltd	Nil
Dr. (Mrs) Manu Chaudhary (Joint Managing Director)	Promoter, Wholetime	Sunev Pharma Solutions Ltd	Nil
Mr. Peeyush Jain (Dy. Managing Director)	Wholetime	Nil	Nil
Mr. Ashutosh (Executive Director)	Wholetime	Sunev Pharma Solutions Ltd	Nil
Mr. Jagdish Chander	Independent Non-Executive	Nil	Nil
Mr. Hari Pal Verma	Independent Non-Executive	Nil	Nil
Dr. S. K. Chadha	Independent Non-Executive	Nil	Nil
Dr. Gilbert Wenzel	Independent Non-Executive	Nil	Nil

B. Details of Board meetings held during the year

Serial number	Date	Board strength	Number of Directors present
1.	30/04/2009	10	6
2.	30/07/2009	10	7
3.	21/08/2009	9*	6
4.	31/10/2009	8*	7
5.	16/01/2010	8	8

* Dr. Anil Gulati, and Mr. R..K. Chaudhary both the Non-executive directors resigned from the Board on August 17, 2009 and September 26, 2009 respectively.

C. Attendance of Directors at Board meetings and at the last Annual General Meeting

Director	Number of Board meetings held	Number of Board meetings attended	Attendance at last AGM
Mr. Pawan Chaudhary (Chairman & Managing Director)	5	5	Yes
Mrs. Manu Chaudhary (Joint Managing Director)	5	5	No
Mr. Peeyush Jain (Dy. Managing Director)	5	5	Yes
Mr. Ashutosh Jain (Executive Director)	5	5	Yes
Mr. Jagdish Chander	5	5	Yes
Mr. Hari Pal Verma	5	4	No
Dr. S. K. Chadha	5	4	No
Dr. Gilbert Wenzel	5	1	No

E. Remuneration Committee

The Remuneration Committee comprised Mr. Jagdish Chander, Mr. Hari Pal Verma and Dr. S. K. Chadha. Mr. Jagdish Chander is the Chairman of the Committee. The role of the said Committee is to fix the remunerations of the managerial personnel.

F. Remuneration of Directors

Name of Director	Salary	Sitting fee	Perquisites	Superannuation	PF	Commission	Total
Mr. Pawan Chaudhary (Chairman & Managing Director)	4,140,000	Nil	163,198	Nil	Nil	Nil	4,303,168
Mrs. Manu Chaudhary (Joint Managing Director)	2,760,000	Nil	Nil	Nil	Nil	Nil	2,760,000
Mr. Peeyush Jain (Dy. Managing Director)	1,380,000	Nil	54,986	Nil	Nil	Nil	1,434,986
Mr. Ashtosh Jain (Executive Director,)	1,104,000	Nil	Nil	Nil	Nil	Nil	1,104,000
Mr. Jagdish Chander	Nil	48,500	Nil	Nil	Nil	Nil	48,500
Mr. Hari Pal Verma	Nil	28,500	Nil	Nil	Nil	Nil	28,500
Dr. S. K. Chadha	Nil	35,000	Nil	Nil	Nil	Nil	35,000
Dr. Gilbert Wenzel	Nil	4,971	Nil	Nil	Nil	Nil	4,971

None of the Non-Executive Directors were holding any shares or convertible instruments in the Company.

The Non-Executive Directors are paid only sitting fee for attending the Board/Committee meetings.

2. Audit Committee

The Audit Committee performs the following functions

a) Overseeing the Company's financial process and disclosure of financial information to ensure that the financial statement is correct.

b) Recommending the appointment and removal of external auditor, fixation of audit fee and approval for payment of any services.

c) Reviewing with the management annual financial statement before submission to the Board.

d) Reviewing with the management and external and internal auditors, the adequacy of internal control system.

e) Reviewing the adequacy of internal audit function.

f) Discussing with internal auditors any significant finding and follow up on such issues.

g) Discussing with external auditors before the audit commences on the nature and scope of the audit, as well as having post-audit discussion to ascertain any area of concern.

h) Reviewing the Company's financial and risk management policies

i) Examining reasons for substantial default in the payment to depositors, debenture holders, shareholders and creditors, if any.

Composition

The Committee comprised three Directors. The Committee is headed by a Non-Executive Independent Director.

Details of Audit Committee meetings held during the year

Sl.	Date	Committee strength	Number of members present
1.	29/04/2009	3	3
2.	30/07/2009	3	3
3.	21/08/2009	3	3
4.	31/10/2009	3	3
5.	16/01/2010	3	3

Attendance at Audit Committee meetings

Director	Number of meetings held	Number of meetings attended
Mr. Jagdish Chander	5	5
Dr. S. K. Chadha	5	5
Mr. Pawan Chaudhary	5	5

3. Code of Conduct for Directors

The Company also put into operation, in terms of SEBI guidelines, a Code of Insider Trading and the same was duly complied by everyone concerned.

4. Share Transfer and Shareholders' Grievance Committee

It comprised three members headed by the Non-Executive Director

Terms of Reference

- To approve transfer, transmission, sub-division and issue of duplicate shares/debentures and for redressal of investor complaints on all matters
- Name of the Non-Executive Director heading the Committee: Mr. Jagdish Chander
- Name and designation of compliance officer: Ms. Nidhi Singla, Company Secretary
- Details of shareholders complaints received, solved, not solved and pending share transfers:
There was no complaint pending as on 31st March, 2010. A total of 17 complaints were received for the period 1-4-2009 to 31-3-2010 All complaints were redressed under the supervision of the Committee, no complaint was outstanding as on 31st March, 2010
- All the valid share transfer requests received during the above period were duly attended to and processed in time. There were no valid requests pending for share transfers as on 31st March, 2010.

5. General meeting

Details of General meetings held in last three years

Financial year	Meeting	Date	Time	Location
2006-07	AGM	24/09/07	10.00 am	Bal Bhawan, Sector- 23, Chandigarh
2007-08	AGM	22/09/08	10.00 am	Bal Bhawan, Sector- 23, Chandigarh
2008-09	AGM	30/09/09	10.00 am	Bal Bhawan, Sector- 23, Chandigarh

- Special resolutions put through postal ballot last year - Nil
- Items proposed to be conducted through postal ballot this year - Nil

6. Means of communication

a) Publication of quarterly results:
Wide publicity is given in print media.

b) Management discussion and analysis:
Published as a part of the annual report under Director's report

c) Shareholders' information section:
Published as part of annual report under Corporate Governance Report

d) Company Website :
The Company has its own websites viz. www.venusremedies.com, www.venusmedicineresearchcentre.com, www.venuspharma.de where information relating to financial results, launch of new results and official releases to the news agencies are made available.

e) Information to stock exchange:
All the information about the material developments in the Company is informed to stock exchanges where the shares of the Company are listed.

7. Disclosures

a) There are no materially significant related party transactions made by the Company with its Promoters, Directors or Management, their relatives, its subsidiaries etc that may have potential conflict with the interest of the Company at large. Transactions with related parties during the period are disclosed in Note No. B-8 of Schedule V to the Accounts.

b) Details of non-compliance by the Company, penalties and strictures imposed on the Company by Stock Exchanges/SEBI/statutory authorities on matters related to Capital Markets during the last three years:

During the last three years no penalty or stricture has been imposed on the Company by Stock Exchanges/SEBI/Statutory authorities on matters related to Capital Markets.

8. Disclosure of the compliance with adoption/non-adoption of the non-mandatory requirements as per Annexure ID

1. The Board - Adopted
2. Remuneration Committee – Adopted
3. Shareholder Rights - Not adopted
4. Audit Qualifications - Adopted (The financial statements are unqualified)
5. Training of Board Members - Adopted
6. Mechanism for evaluating non-executive Board Members - Not Adopted
7. Whistle Blower Policy - Adopted

9. General shareholders information :

A. AGM details :

Date	:	September 27,2010
Venue	:	Bal Bhawan, Sector- 23, Chandigarh
Time	:	10 A.M.
Book Closure Dates	:	From September 25, 2010 to September 30th, 2010 (both days inclusive)

B. Financial calendar

Financial year of the Company	:	1st April 2010 to 31st March 2011
First quarter results	:	On or before July 31, 2010
Second quarter results	:	On or before October 31, 2010
Third quarter results	:	On or before January 31, 2011
Fourth Quarter results	:	On or before April 30, 2011

C. Share transfer system

The Company appointed Link Intime India P Ltd (formerly known as Intime Spectrum Registry Ltd) as Registrar and Share Transfer Agents.

D. Registered office

SCO 857, 2nd Floor, Cabin No. 10, NAC Manimajra, Chandigarh

E. Corporate office

51-52, Ind. Area, Ph.-I, Panchkula (Haryana)
E.mail : corpsec @venusremedies.com, info @vensuremedies.com

F. Plant Locations

Unit-I Plot 51-52, Industrial Area, Phase-I, Panchkula-134 113, India

Unit-II: Hill Top Industrial Estate, Jharmajri EPIP, Phase-I (Extn.), Village- Bhatoli Kalan, Baddi (H.P), India- 173 205

G. E-mail – Investor Grievance

investorgrievance@venusremedies.com

H. R & TA

Link Intime India P Ltd. (formerly known as Intime Spectrum Registry Ltd.), A-40, 2nd Floor,Naraina Ind. Area, Phase-II, New Delhi, India 110 028
E-mail: delhi@linkintime.co.in
Phone: 011-41410592, Fax: 011-41410591

I. Dividend payment date

The Board of Directors at its meeting held on July 31, 2010, recommended 30% (₹ 3/- per share) dividend for the year 31st March 2010, if approved by the shareholders at the ensuing Annual General Meeting to be held on September 27, 2010, would be paid on or by October 25, 2010.

J. Status of dematerialisation of shares as on 31st March, 2010

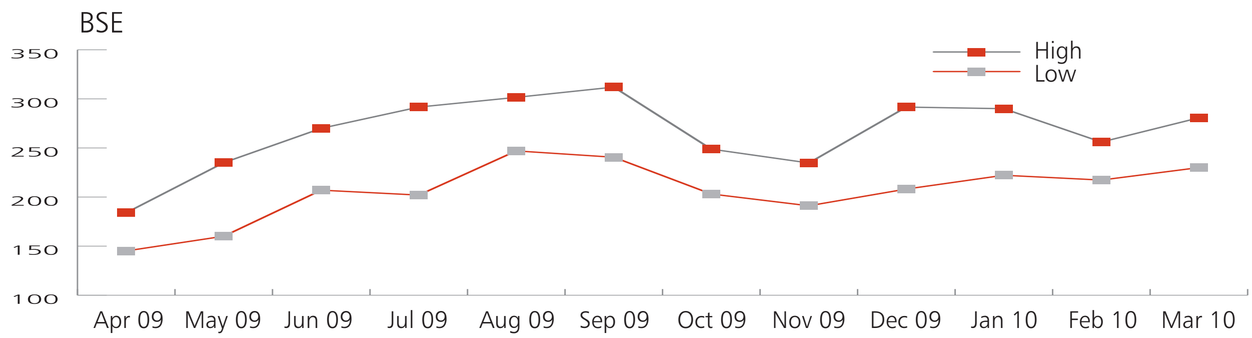
Mode	Number of shares	Percentage
DEMAT	7,928,278	93.57
PHYSICAL	544,813	6.43

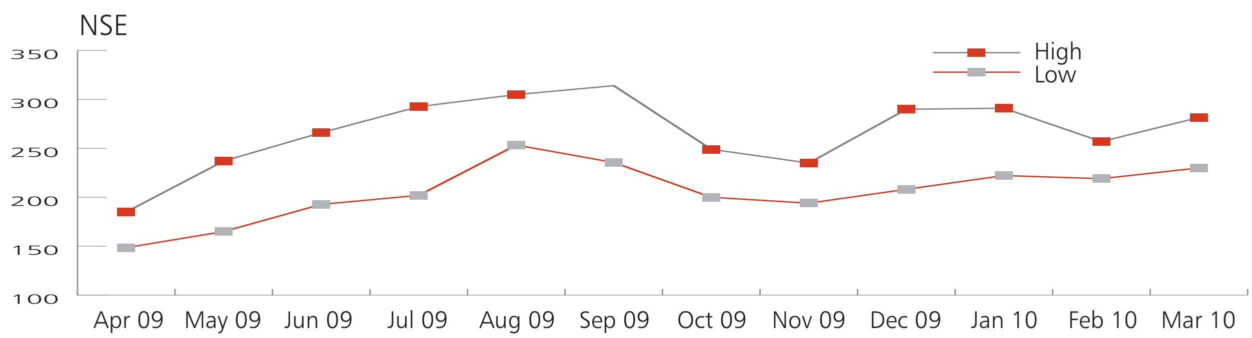
K. Listing on stock exchanges

The Company's securities are listed on the following stock exchanges

Place	Address
Mumbai	The Bombay Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 023 Scrip Code: 526953
Mumbai	The National Stock Exchange of India Limited 5th Floor, Exchange Plaza, Bandar (E), Mumbai Scrip Code: VENUSREM

L. Market price data (high/low) during each month in the year 2009-10 on the Bombay Stock Exchange





M. Distribution of shareholding as on 31st March, 2010

Shareholding of nominal value of (₹)	Shareholder		Share amount	
	number	%age	₹	%age
Upto-2,500	7,558	80.67	6,377,520	7.53
2,501- 5,000	854	9.12	3,377,530	3.99
5,001 to 10,000	473	5.05	3,859,520	4.56
10,001 to 20,000	241	2.57	3,555,890	4.20
20,001 to 30,000	77	0.82	1,967,300	2.32
30,001 to 40,000	42	0.45	1,522,910	1.80
40,001 to 50,000	29	0.31	1,348,940	1.59
50,001 to 100,000	49	0.52	3,530,030	4.17
100,001 and above	46	0.49	59,191,270	69.86
Total	9,369	100	84,730,910	100

10. Depository services

The shares of the Company are traded in compulsory demat mode.

The National Securities Depository Limited
Trade World, 4th Floor, A Wing Kamala Mills Compound
Senapati Bapat Marg, Lower Parel, Mumbai 400 013
E-Mail: info@nsdl.co.in, Website: www.nsdl.co.in

The Central Depository Services (India) Limited
17th Floor, Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001
Website: www.centraldepository.com

11. Nomination facility

Shareholders holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956 are requested to submit the prescribed form to the Company.

12. Outstanding GDRs/ADRs/warrants or any convertible instruments, conversion date and likely impact on equity

The Company did not issue GDRs/ADRs. The Company had issued 12,000,000 Zero Coupon Fully Convertible Foreign Currency Convertible Bonds (FCCBs) of US$ 10,000 each in 2006. As per the Settlement Agreement with the bondholders the Company had made the repayment of the US$2,000,000 to the bondholders on March 31,2010 and the conversion price amended and reinstated as ₹364 per share. In case of conversion, the paid-up equity share capital was estimated to go up. Further, the Company has an Employees Stock Option Scheme. As per the Scheme, the Company granted 100,000 options to the permanent employees and each option was convertible into one equity share at a price of ₹10 each i.e. at par. These options were to be exercised to the extent of 25% each year in 2006-07, 2007-08, 2008-09 and 2009-10. During the year, 18,866 options were exercised. In all these respective years, the paid-up capital have, on exercise of options, increased by equity shares allotted.

13. Management's discussion and analysis

The Directors' Report covers the management's discussion and analysis of the performance and outlook. The Report also covers future projections in the current environment

CEO Certificate

To the Board of Directors,

I, Pawan Chaudhary, CEO & Managing Director, certify that :

(a) I have reviewed financial statements and the cash flow statement for the year ended March 31, 2010, and that to the best of my knowledge and belief :

(i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) I have indicated to the Auditors and the Audit Committee that:

(i) there has not been any significant changes in internal control over financial reporting during the year under reference;

(ii) there has not been any significant changes in accounting policies during the year requiring disclosure in the notes to the financial statements;

(iii) and there has not been any instances during the year of significant fraud of which we had become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: Panchkula
Date: 31.07.2010

(Pawan Chaudhary)
CEO and Managing Director

Auditors certificate on Corporate Governance

To the Members of the Board,
Venus Remedies Limited

We have examined the compliance of conditions of Corporate Governance by Venus Remedies Limited for the year ended 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said company, with Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination has been limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us by the Directors and the Management, we certify that the Company has complied with the conditions of corporate governance stipulated in Clause 49 of the above mentioned Listing Agreement.

Based on the certificate received from Share Transfer Agent and the minutes of the Share Transfer and Shareholders' Grievance Committee, we state that no investor grievance is pending for a period exceeding six months.

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

For J.K. Jain & Associates
Chartered Accountants
Firm Registration No. 004025N

(J. K. Jain)
Partner
Membership No. 083140

Panchkula
Date: 31.07.2010

Auditors' Report

To
The Members of
VENUS REMEDIES LIMITED
PANCHKULA

1. We have examined the attached Balance Sheet of **M/s Venus Remedies Limited** as at 31st March 2010, Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We have conducted our audit in accordance with auditing standards generally accepted in India. These 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 the Management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) order, 2004 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.

4. Further to our comments in the Annexure referred to in Paragraph (3) above, we report that:-

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

   ii) In our opinion, proper Books of Accounts as required by law have been kept by the company so far as it appears from our examination of those books:

   iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement referred to in this Report are in agreement with the Books of Accounts.

   iv) In our opinion, the said Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the requirements of the accounting standards referred to in Sub Section (3C) of Section 211 of the Companies Act, 1956 except otherwise stated in the Notes to the Accounts.

   v) Pursuant to the provisions of sub section (1) (g) of section 274 of the Companies Act 1956, we report as under :-

   On the basis of confirmations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a Director of the company in terms of Clause (g) of sub section (1) of section 274 of the Companies Act, 1956.

   vi) In our opinion and to the best to our information and according to the explanation given to us, the said statements of account read together with the Significant Accounting Policies and Notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view.

      a) in the case of the Balance Sheet of the state of affairs of the company as at 31st March, 2010,

      b) in the case of Profit & Loss Account of the Profit for the year ended on that date and

      c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For **J.K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

J.K. Jain
Partner
Membership No. 083140

Place: Panchkula
Date: July 31, 2010

Annexure to the Auditors' Report

(Referred to in Para (3) of our report of even date)

i) a) The company has maintained proper records showing full particulars including quantitative detail & situation of fixed assets.

b) According to information and explanations given to us, the company has a system of physical verification of all its fixed assets once in a year, which in our opinion is reasonable having regard to the size of the company and the nature of its assets. No serious discrepancies were noticed on such verification.

c) During the year company has not disposed off any substantial/ major part of fixed assets.

ii) a) As explained to us, the stock of stores, spare parts, raw material and finished goods have been physically verified by the management at regular intervals during the year .

b) In our opinion and according to the information & explanations given to us, the procedure of physical verification of stocks followed by the management are reasonable & adequate in relation to the size of the company and the nature of its business.

c) In our opinion & according to the information & explanations given to us and on the basis of our examination of the records of inventory, the company is maintaining proper records of its inventory. The discrepancies noticed on physical verification of stock of store, spare parts, raw material and finished goods were not significant in relation to the operation of the company and the same have been properly dealt with in the books of accounts.

iii) According to the information and explanation given to us, the company has not granted / taken any loan, secured or unsecured to / from the companies, firm & other parties listed in the register maintained under section 301 of the Companies Act, 1956.

iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and its nature of business for purchase of stores, raw materials including components, plant & machinery, equipment and other assets and for the sale of goods.

v) In respect of transactions to be entered in the register maintained in pursuance of section 301 of the Companies Act, 1956 :-

a) To the best of our knowledge and belief and according to the information and explanations given to us, company doesn't have any transaction that needed to be entered into the register.

b) According to the information and explanations given to us, there is no transactions exceeding ₹ 5,00,000/- (Rupees five lacs only).

vi) The company has not accepted any public deposits during the previous year.

vii) In our opinion and to the best of our knowledge & belief, internal audit system followed by the management is commensurate with the size of the company and nature of its business.

viii) The Company is required to maintain cost records under section 209 (1) (d) of the Companies Act, 1956 for the products of the company and according to the information & explanations given to us, the company has maintained the records as prescribed by the Central Government but we have not carried out the examination of these records.

ix) a) According to the information & explanations given to us, and the records of the company examined by us, the company has been regular in depositing undisputed statutory dues of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess, Fringe Benefit Tax, Labour Welfare Fund, Investor Education Protection Fund and other statutory dues applicable to it. We are informed that there are no undisputed statutory dues as at the year end outstanding for a period of more than six months from the date they became payable.

There were no dues on account of cess under section 441A of the Companies Act, 1956, since the date from which the aforesaid Section comes into force has not yet been notified by the Central Government.

x) The company does not have any accumulated losses as at the end of the financial year March 31, 2010.

xi) According to the records of the company examined by us and the information and explanation given to us, the company during the year has not defaulted in repayment of dues to financial institution or banks.

xii) According to the information & explanations given to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii) The provisions of any special statute as specified under paragraph 4 of the Order are not applicable to the Company.

xiii) In our opinion and according to the information and explanations given to us the company has maintained proper records of the transactions relating to dealing in shares, securities & other investments & also entries have been made therein timely. Also all the shares, securities etc. have been held by the company in its own name.

xiv) In our opinion and according to the information & explanations given to us, the company has not given any guarantee during the year for loans taken by others from banks or financial institutions.

xv) In our opinion and according to the explanations given to us, the term loans taken during the year have been applied for the purpose for which they were obtained.

xvi) According to the information & explanations given to us and on overall examination of the balance sheet of the company, we report that short term funds have not been used to finance long term investments and vice versa.

xvii) During the year the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

xviii) During the year since the company has not raised any debentures, paragraph 4 of the Order is not applicable.

xix) During the year since the company has not raised any money by way of public issue, paragraph 4 (xx) of the order is not applicable.

xx) Based upon the audit procedures performed and information & explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit for the year ended March 31, 2010.

For **J.K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

J.K. Jain
Partner
Membership No. 083140

Place: Panchkula
Date: July 31, 2010

Balance Sheet As on March 31, 2010

(Amount in ₹)

Particulars	Schedule	As on 31.03.2010	As on 31.03.2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	84,919,570	84,730,910
Reserves & Surplus	B	1,714,726,690	1,347,280,023
		1,799,646,260	**1,432,010,933**
Loan Funds			
Secured Loans	C	916,652,042	698,061,391
Unsecured Loans	D	577,251,325	617,890,978
		1,493,903,367	**1,315,952,369**
Deferred Tax Liability		75,776,366	59,925,204
Grand Total		**3,369,325,993**	**2,807,888,506**
APPLICATION OF FUNDS			
Fixed Assets	E		
Gross Block		2,390,753,776	1,867,221,061
Less: Depreciation		282,394,890	165,520,705
Net Block		2,108,358,886	1,701,700,356
Add : Capital Work-in-Progress		7,331,528	8,416,801
Add : Capital Work-in-Progress (R&D Block)		1,259,278	158,646
		2,116,949,692	**1,710,275,803**
Investments	F	247,892,262	247,892,262
Current Assets, Loans & Advances			
Inventories	G	619,416,908	445,766,585
Sundry Debtors	H	319,310,970	309,237,953
Cash & Bank Balances	I	20,037,378	12,898,388
Loans & Advances	J	259,693,183	237,663,842
		1,218,458,439	**1,005,566,768**
Less : Current Liabilities & Provisions			
Current Liabilities	K	92,837,376	87,535,372
Provisions	L	131,808,853	91,701,633
		224,646,229	**179,237,005**
Net Current Assets		**993,812,210**	**826,329,763**
Miscellaneous Expenditure	M	10,671,828	23,390,678
(To the extent not written off or adjusted)			
Grand Total		**3,369,325,993**	**2,807,888,506**
Significant Accounting Policies & Notes on Accounts	V		

Auditors' Report

In terms of our separate report of even date annexed hereto.

For **J.K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

For and on behalf of the Board of Directors

(J.K. Jain)
Partner
Membership No. 083140

(Peeyush Jain)
Deputy Managing Director

(Pawan Chaudhary)
Chairman cum Managing Director

Place: Panchkula
Dated: July 31, 2010

(Nidhi Singla)
Company Secretary

(Ajeet Kapoor)
AGM (Accounts)

Profit and Loss Account For the period ended March 31, 2010

(Amount in ₹)

Particulars	Schedule	As on 31.03.2010	As on 31.03.2009
INCOME			
Sales & Other Income	N	3,120,460,373	2,647,570,056
Total (A)		**3,120,460,373**	**2,647,570,056**
EXPENDITURE			
Cost of Material Consumed	O	1,822,004,399	1,585,693,091
Manufacturing Expenses	P	76,581,104	64,540,062
Administration & Other Expenses	Q	91,052,829	79,810,326
Financial Expenses	R	139,553,538	93,352,091
Selling & Distribution Expenses	S	261,351,152	180,423,136
Research and Development Expenses	T	110,783,541	77,409,419
Misc. Expenditure written off	U	12,718,850	14,127,349
Total (B)		**2,514,045,413**	**2,095,355,474**
PROFIT			
Profit before Depreciation (A-B)		606,414,960	552,214,583
Depreciation	E	116,874,185	59,644,558
Profit after Depreciation but before Tax		**489,540,776**	**492,570,025**
Less: Provision for Taxation			
- Current Tax		83,197,455	55,808,184
- Deferred Tax		15,851,163	18,107,831
- Fringe Benefit Tax		-	3,335,000
Add: MAT Credit Entitlement		20,000,000	40,000,000
Profit after Depreciation & Tax		**410,492,158**	**455,319,010**
Less : Provision for Dividend		25,419,273	25,359,669
Less : Provision for Tax on Dividend		4,320,005	4,309,876
Profit After Dividend		**380,752,880**	**425,649,465**
Add : Balance brought forward from Previous year		485,577,069	309,927,602
Balance available for Appropriation		**866,329,949**	**735,577,067**
APPROPRIATION			
Transferred to General Reserve		250,000,000	250,000,000
Profit carried to Balance sheet		616,329,949	485,577,067
Earning per share (equity share)			
Nominal value ₹ 10/- each			
Basic		48.45	53.86
Diluted		48.45	53.86
Significant Accounting Policies & Notes on Accounts	V		

Auditors' Report

In terms of our separate report of even date annexed hereto.

For **J.K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

For and on behalf of the Board of Directors

(J.K. Jain)
Partner
Membership No. 083140

(Peeyush Jain)
Deputy Managing Director

(Pawan Chaudhary)
Chairman cum Managing Director

Place: Panchkula
Dated: July 31, 2010

(Nidhi Singla)
Company Secretary

(Ajeet Kapoor)
AGM (Accounts)

Schedules forming part of the Balance Sheet & Profit and Loss Account

(Amount in ₹)

	As on 31.03.2010	As on 31.03.2009
Schedule – A SHARE CAPITAL		
Authorised Capital		
12000000 Equity shares of ₹ 10/- each (Previous year 12000000 Equity Shares of ₹ 10/- each)	120,000,000	120,000,000
Issued, Subscribed and Paid-up		
8473291 Equity Shares of ₹ 10/- each fully paid up (Previous year 8453423 Equity Shares)	84,732,910	84,534,230
Less : 200 Equity Shares Forfeited	(2,000)	(2,000)
Add : Share Application Money	188,660	198,680
Total	**84,919,570**	**84,730,910**

	As on 31.03.2010	As on 31.03.2009
Schedule – B RESERVES & SURPLUS		
General Reserves	827,296,741	523,346,271
Add : MAT Credit Entitlement of Previous Year	-	69,064,276
ADD : Additions During the Year	250,000,000	250,000,000
Total	**1,077,296,741**	**842,410,547**
Profit & Loss Account	616,329,949	485,577,067
Employees Stock Options Outstanding	21,100,000	21,100,000
Less : Deferred Employees Compensation	-	1,807,591
	21,100,000	**19,292,409**
Total	**1,714,726,690**	**1,347,280,023**

	As on 31.03.2010	As on 31.03.2009
Schedule – C SECURED LOANS		
Corporate Loans	113,691,796	165,385,597
(Secured by mortgage of fixed, current assets of the Company & personal guarantee of the Directors)		
Term Loan	227,693,296	109,886,071
(Secured by mortgage of fixed, current assets of the Company & personal guarantee of the Directors)		
From Others	4,100,387	4,215,649
(Secured by hypothecation of vehicle)		
Working Capital Loan From Banks	571,166,563	418,574,074
(Secured by hypothecation of current assets of the company & second charge on fixed assets & further secured by personal guarantee of Directors)		
Total	**916,652,042**	**698,061,391**

	As on 31.03.2010	As on 31.03.2009
Schedule – D UNSECURED LOANS		
Security from stockists	24,276,325	490,978
Foreign Currency Convertible Bonds	552,975,000	617,400,000
Total	**577,251,325**	**617,890,978**

Schedules forming part of the Balance Sheet & Profit and Loss Account

(Amount in ₹)

Schedule – E FIXED ASSETS

Particulars	GROSS BLOCK					DEPRECIATION				NET BLOCK	
	Balance as on 01.04.2009	Additions	Sale/W/Off/	Total Cost 31.03.2010	Rate %age	Depreciation Upto 31.03.2009	Depreciation for the year	Total Depreciation 31.03.2010	written Off	As on 31.03.2010	As on 31.03.2009
R & D Pilot Plant	51,630,146	–	–	51,630,146	4.75	2,903,380	2,452,432	5,355,812	–	46,274,334	48,726,766
Building	370,087,125	27,508,435	–	397,595,560	3.34	18,224,522	12,376,635	30,601,157	–	366,994,403	351,862,603
Building R & D	107,597,607	6,045,644	–	113,643,251	3.34	8,391,990	3,603,802	11,995,792	–	101,647,459	99,205,617
Computer, IT and Communication Equipment	55,614,730	21,713,877	–	77,328,607	16.21	24,800,095	9,102,337	33,902,432	–	43,426,175	30,814,635
DG Set	8,353,329	234,501	–	8,587,830	13.91	2,847,181	1,181,020	4,028,201	–	4,559,629	5,506,148
Electrical Installation	27,471,164	4,862,665	–	32,333,829	4.75	5,727,625	1,306,748	7,034,373	–	25,299,456	21,743,539
Furniture & Fixture	25,801,076	3,285,711	–	29,086,787	6.33	6,427,420	1,640,603	8,068,023	–	21,018,764	19,373,656
Lab Equipment	30,703,845	5,215,565	–	35,919,410	7.07	7,046,935	2,214,589	9,261,524	–	26,657,886	23,656,910
Land	13,523,062	–	–	13,523,062	–	–	–	–	–	13,523,062	13,523,062
Misc. Fixed Assets	21,914,875	5,385,063	–	27,299,938	4.75	4,364,362	1,042,203	5,406,565	–	21,893,373	17,550,513
Office Equipment/ Security Eqp.	8,187,159	4,482,197	–	12,669,356	7.07	3,127,177	590,556	3,717,733	–	8,951,623	5,059,982
Patents /IPR/Technology	434,747,313	401,728,061	–	836,475,374	–	–	–	–	45,905,147	790,570,227	434,747,313
Plant & Machinery	519,079,156	15,856,804	–	534,935,960	4.75	40,172,614	24,676,895	64,849,509	–	470,086,451	478,906,542
Pollution Control Equipment	19,499,791	2,925,865	–	22,425,656	4.75	1,046,823	986,143	2,032,966	–	20,392,690	18,452,968
R&D Equipment	144,440,860	18,557,468	–	162,998,328	4.75	31,522,821	7,024,836	38,547,657	–	124,450,671	112,918,039
Vehicle	28,569,824	6,608,158	877,300	34,300,682	9.50	8,917,762	2,770,237	11,687,999	–	22,612,683	19,652,062
Total	1,867,221,062	524,410,014	877,300	2,390,753,776	-	165,520,707	70,969,036	236,489,743	45,905,147	2,108,358,886	1,701,700,356
Previous Year	1,313,995,248	580,976,922	27,751,109	1,867,221,061		121,190,106	44,330,599	165,520,705		1,701,700,356	1,192,805,142

	As on 31.03.2010	As on 31.03.2009
Schedule – F INVESTMENTS		
Unquoted:		
Investment in WOS- Venus Pharma GmbH	247,892,262	247,892,262
Total	**247,892,262**	**247,892,262**
Schedule – G INVENTORIES		
(As taken, valued and certified by Management)		
Raw Material and Packing Material	310,675,644	198,560,010
Work - in – Progress	134,365,175	109,230,502
Finished goods	163,967,891	127,238,570
Consumable	1,040,751	1,133,897
Store & Spares	1,539,675	2,160,342
Printing & Stationery	1,220,505	904,078
Material In Transit	6,607,267	6,539,186
Total	**619,416,908**	**445,766,585**
Schedule – H SUNDRY DEBTORS		
(Unsecured but considered good)		
- Outstanding for a period exceeding 6 months	908,011	1,043,480
- Others	318,402,959	308,194,473
Total	**319,310,970**	**309,237,953**

(Amount in ₹)

	As on 31.03.2010	As on 31.03.2009
Schedule – I CASH & BANK BALANCE		
Cash in Hand	609,400	275,569
Balance with Scheduled Banks		
- In Current Accounts	10,546,413	6,885,919
- In Fixed Deposits Accounts	8,790,000	5,644,235
- In Public Account (Refund A/c)	91,565	92,665
Total	**20,037,378**	**12,898,388**
Schedule – J LOANS & ADVANCES		
(Unsecured but considered good)		
Advances recoverable in cash or in kind or for value to be received	165,303,246	125,115,951
Loans to Staff	8,031,150	2,209,534
Security deposits	1,321,695	993,711
Balances with central Excise	913,221	280,370
MAT Credit Previous Years	64,123,870	69,064,276
MAT Credit Current Year	20,000,000	40,000,000
Total	**259,693,183**	**237,663,842**
Schedule – K CURRENT LIABILITIES		
Sundry Creditors	47,994,039	41,688,514
Creditors for Capital Goods	7,955,848	12,982,293
Other Liabilities	29,941,851	26,585,144
Creditors for Expenses & Provisions	6,945,638	6,279,421
Total	**92,837,376**	**87,535,372**
Schedule – L PROVISIONS		
Provision for Dividend	25,419,273	25,359,669
Provision for Taxation on Dividend	4,320,005	4,309,876
Provision for Taxation	83,197,455	46,348,777
Provision for Retirement Benefit	11,815,760	8,442,221
Provision for M.I.T.	6,607,267	6,539,186
Provision for Excise Duty on Finished Goods	442,280	586,151
Provision for Expenses	6,813	115,753
Total	**131,808,853**	**91,701,633**
Schedule – M MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary expenses (Public issue expenses)	-	50,100
Research & Development	7,168,975	14,326,948
Marketing seed Capital (Marketing) Expenditure	1,138,990	4,285,904
FCCB issue Expenses	2,363,863	4,727,726
Total	**10,671,828**	**23,390,678**

Schedules forming part of the Balance Sheet & Profit and Loss Account

(Amount in ₹)

	As on 31.03.2010	As on 31.03.2009
Schedule – N SALES & OTHER INCOME		
Sales	3,119,301,973	2,645,148,926
Other Income	1,158,400	2,421,130
Total	**3,120,460,373**	**2,647,570,056**

	As on 31.03.2010	As on 31.03.2009
Schedule – O COST OF MATERIAL CONSUMED		
Opening Stock	198,560,010	118,768,710
Add : Purchases	1,995,984,027	1,747,720,270
	2,194,544,037	1,866,488,980
Less : Closing Stock	310,675,644	198,560,010
Total A	**1,883,868,393**	**1,667,928,970**
Add / (less) increase / (decrease) in inventory		
Closing Stock		
Finished Goods	163,967,891	127,238,570
Work In Progress	134,365,175	109,230,502
Total	**298,333,066**	**236,469,072**
Opening Stock		
Finished Goods	127,238,570	74,241,058
Work In Progress	109,230,502	79,992,135
Total	**236,469,072**	**154,233,193**
Increase / Decrease In Inventory (B)	**61,863,994**	**82,235,879**
Total (A - B)	**1,822,004,399**	**1,585,693,091**

	As on 31.03.2010	As on 31.03.2009
Schedule – P MANUFACTURING EXPENSES		
Power & Fuel	16,380,231	15,678,195
Consumables	7,449,734	5,923,827
Repair & Maintenance		
- Building	2,682,514	2,035,142
- Electrical	1,657,263	1,235,484
- Plant & Machinery	5,146,153	3,010,658
Salary & Other benefits	34,900,941	29,399,839
Other Manufacturing Expenses	8,364,268	7,256,917
Total	**76,581,104**	**64,540,062**

(Amount in ₹)

	As on 31.03.2010	As on 31.03.2009
Schedule – Q ADMINISTRATIVE & OTHER EXPENSES		
Rent	122,880	79,260
Rates, Fee & Taxes	632,162	335,511
Insurance	911,465	931,431
Salary and other benefits	37,713,169	29,943,014
Legal and Professional Expenses	4,528,748	5,235,041
Postage, Telex & Telegram	457,919	598,438
Printing & Stationery	6,020,957	5,493,564
Telephone Expenses	2,705,375	2,363,792
Employees Compensation Expenses	1,930,528	2,069,378
Travelling & Conveyance:		
- Staff	2,981,565	2,534,007
- Directors	1,209,846	798,942
- Others	1,037,963	916,477
Running, Repair & Maintenance :		
- Vehicles	4,811,574	4,615,627
- Computer	1,041,435	1,019,078
- Others	762,349	1,385,079
Auditors' Fees	979,225	851,500
Directors Remuneration	7,005,067	6,016,915
Other Administrative Expenses	9,854,051	8,452,546
Other Corporate Expenses	6,346,550	6,170,726
Total	**91,052,829**	**79,810,326**

Schedule – R FINANCE EXPENSES		
Interest & other charges on Term Loans	33,233,771	32,548,093
Interest & other charges on Working Capital Loans	62,551,892	43,003,484
Interest to Others	29,877,474	749,615
Exchange Fluctuation	5,453,786	9,111,213
Bank charges	8,436,615	7,939,686
Total	**139,553,538**	**93,352,091**

Schedule – S SELLING & DISTRIBUTION EXPENSES		
Salary and other benefit	75,969,471	50,649,630
Discount / Commission	53,230,428	37,557,271
Other Selling Expenses	30,407,946	15,929,279
Advertisement & Sales Promotion	30,009,575	16,660,352
Sample Distribution	19,126,676	14,047,826
Incentive to Field Force	15,208,925	10,090,033
Travelling and conveyance Field Staff (Incl. Hotel)	33,162,929	31,281,808
Excise Duty	4,235,202	4,206,937
Total	**261,351,152**	**180,423,136**

Schedules forming part of the Balance Sheet & Profit and Loss Account

(Amount in ₹)

	As on 31.03.2010	As on 31.03.2009
Schedule – T RESEARCH AND DEVELOPMENT EXPENSES		
Remuneration of R & D staff	30,562,448	20,378,466
R & D Expenses	29,434,743	16,919,220
Material used for Development of new products	43,130,100	34,905,563
R & D Consumables	7,656,250	5,206,170
Total	110,783,541	77,409,419

	As on 31.03.2010	As on 31.03.2009
Schedule – U MISCELLANEOUS EXPENDITURE WRITTEN OFF		
Preliminary / Public Issue Expenses	50,100	50,100
FCCB issue Expenses	2,363,863	2,363,863
Research & Development written off	7,157,973	7,932,339
Seed Capital Marketing written off	3,146,914	3,781,047
Total	12,718,850	14,127,349

Schedule – V SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A) SIGNIFICANT ACCOUNTING POLICIES

I) Accounting Concepts

The accounts are prepared under the historical cost convention and on the basis of going concern. All expenses and incomes to the extent ascertainable are accounted for on mercantile basis unless otherwise stated.

II) Fixed Assets

Fixed Assets are stated at historical cost (including expenses incurred on putting them in use less depreciation).

III) Depreciation

Depreciation has been provided on straight-line-method, on single shift basis at the rates specified in the schedule XIV of the Companies Act, 1956.

IV) Inventories

The inventories are valued in accordance, with the revised Accounting Standard-2 "(AS-2)" Valuation of Inventories" and the revised " Guidance Note on Accounting Treatment for Excise Duty" issued by the Institute of Chartered Accountants of India. According the method of valuation adopted are as under :-

a) Stock Raw Material and Packing Material :- At cost price

b) Stock of Work in Progress :- At material cost plus apportioned manufacturing overheads.

c) Stock of Finished Goods :- At material cost plus apportioned manufacturing overheads plus excise duty and other costs incurred in bringing the inventories to their present location and condition or Net Realisable value whichever is lower.

d) Spares and consumable :- At cost.

V) Investments

a) Long term investments are stated at cost of acquisition, provision for diminution is made only to recognise a decline other than temporary, if any, in the value of investments.

b) Current investments are carried at lower of cost and fair market value.

c) Dividends are accounted for as and when received.

VI) Retirement Benefits

a) A short term employees benefits are recognised as an expenses at the undiscounted amount in the profit and loss accounts of the year in which the related is rendered.

b) Post employees and other long term employees benefits are recognised as an expense in the profit and loss account for the year in which the employees has rendered services. The expenses is recognised at the present value of the amount payable determined using actuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to profit and loss account.

c) In respect of Employees Stock Option, the excess of fair price on the date of grant over the exercise price is recognised as deferred compensation cost amortised over period.

VII) Revenue Recognition

Sales of goods and services are recognised upon passage of the title to the customer, which generally coincides with the delivery. Sale is net of sale returns but includes excise duty.

VIII) Research and Development Costs

a) Capital Expenditure on assets for research and development is included in cost of fixed assets.

b) The revenue expenditure incurred on research & development up to research phase comprising cost of materials consumed, salary & wages and other related costs, as identified have been charged to Profit & Loss account and expenditure on development phase in which the activity converts the results to a marketable product doesn't result in to any intangible assets so expenses incurred are not capitalised but otherwise charged to Profit & Loss account in accordance with as -26 (Accounting Standard on Intangible Assets).

IX) Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of fixed assets are capitalised as part of costs of such assets till such time as the assets is ready for its intended use. All other borrowing costs are recognised as an expense in the period in which incurred.

X) Translation of Foreign Exchange Transactions

a) Foreign exchange transactions in respect of import payments are stated at the exchange rate prevailing at the time of transaction and variation, if any, accounted for on the date of payment is squared during the same accounting year.

b) Monetary items denominated in foreign currencies remaining unsettled at the year end if not covered by forward exchange contracts are translated at year end rates.

c) Any income / expense arising from foreign currency transactions is dealt in the profit and loss account for the year except in cases where they relate to acquisition of fixed assets in which case they are adjusted in the carrying cost of such assets.

XI) Income Tax

a) Current Tax : Provision is made for income tax based on the liability as computed after taking credit for allowance and exemptions. Adjustments in books are made only after the completion of the assessment.

b) Deferred Tax : Consequent to the Accounting Standard 22 "Accounting for taxes on income" the differences that result between the profit offered for income tax and the profit as per the financial statement are identified and thereafter a deferred tax liability is recorded for timing differences, namely the differences that originate is one accounting period and reverse in another. The tax effect is calculated on the accumulated timing difference at the end of an accounting period based on prevailing enacted regulations. Deferred tax assets are recognised only if there is reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective carrying value at each balance sheet date.

c) MAT : Minimum Alternative Tax payable under the provisions of the income tax Act, 1961 is recognised as an asset in the year in which credit becomes eligible and is set off in the year in which the Company becomes liable to pay income taxes at the enacted tax rates and shall be reversed in the year in which it lapses.

XII) Amortisation of Intangible Assets and Miscellaneous Expenditure

a) Public issue expenses, Bond issue expenses and preliminary expenses are amortised over a period of five years.

b) Seed Marketing Expenses incurred during the year are written off equally in the subsequent five years. Seed marketing expenses comprises of expenses relating to marketing and launching of new products, development of new products, development of new market and area, the benefits of which in the option of the opinion of the management, will accrue to the company over the next five years.

c) Expenses relating to Patents & Trademarks are written off in ten subsequent years.

XIII) Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in management are recognised when there is present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

XIV) Impairment of Assets

An assets is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the profit & loss account in the year in which an assets is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount. Accounting policies not specially referred to are consistent with generally accepted accounting principals.

XV) Forward Exchange Contract

A company may enter into a forward exchange contract or another financial Instrument that is in substance a forward exchange contract, Which are not intended for trading or speculation purposes, to establish the amount of the reporting currency required or available at the settlement date of the traction. As per AS-11 (R) any premiums or discount at the inception of such a forward exchange contract are amortised over the life of the contract and exchange difference on such contracts are recognised in the statement of profit or loss in the reporting period.

XVI) In accordance with the guidance notes of the ICAI, the company has recognised minimum alternative tax of ₹ 2 crores related to the current year and ₹ 4 crores pertaining to the previous year as assets during the year.

B) NOTES ON ACCOUNTS

1. The figures for the year have been re-grouped / re-arranged / re-cast wherever necessary to make it comparable.

2. Director's Remuneration *(Amount in ₹)*

	Current Year	Previous Year
Salary (Gross)	93,84,000	77,16,000
Perquisites including Allowances	2,64,096	4,53,415
Sitting Fee	1,16,971	97,500
	9,765,067	82,66,915

3. Auditor's Remuneration *(Amount in ₹)*

	Current Year	Previous Year
Statutory Audit Fees	4,90,000	4,25,000
Tax Audit Fee	85,000	75,000
Management Matters	3,45,000	3,00,000
Add : Service tax	59,225	51,500
Total	9,79,225	8,51,500

4. A sum of ₹ 82,998 (Previous Year ₹ NIL) (Maximum outstanding during the year ₹ 4,18,055/-. Previous year ₹ 5,68,030/) is due from Directors of the company being imprest for Travelling, conveyance and other charges.

5. Fixed deposits with banks of ₹ 87,90,000.00 (previous year ₹ 56,44,235) as pledged as Margin Money with banks.

6. Expenses includes ₹ 76,100/- (P/Y ₹ 1,79,630-) as expenses relating to previous years.

7. Income includes ₹ 600/- (P/Y ₹ NIL) as income related to previous year.

8. Disclosure as required by AS-18 (Related Party) issued by ICAI.

Related Party	Relationship	Nature of Transaction	Amount of Transaction
Venus Pharma GmbH	Wholly owned Subsidiary Company	Investment in Share Capital Share Application Money	₹ 25,97,57,051
		Purchases	₹ 4,34,41,218
		Commission	₹ 37,2,742
Mr. Pawan Chaudhary	Chairman cum Managing Director	Remuneration Paid	₹ 41,40,000
Mrs. Manu Chaudhary	Joint Managing Director	Remuneration Paid	₹ 27,60,000
Mr. Peeyush Jain	Deputy Managing Director	Remuneration Paid	₹ 13,80,000
Mr. Ashutosh Jain	Executive Director	Remuneration Paid	₹ 11,04,000
Sunev Pharma Solutions	Mr Pawan Chaudhary	Loan accepted	₹ 2,30,00,000
	Common director	Interest paid	₹ 15,92,548
		Purchases	₹ 97,69,617

Schedule – V SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

9. **Earning Per Share (EPS)**

	Current Year	Previous Year
PAT	₹ 41,04,92,158	₹ 45,53,19,010
Weighted Average Number of Ordinary Shares	84,73,091 shares	84,53,223 Shares
Basic / diluted EPS	₹ 48.45	₹ 53.86

10. The company has carried on making investments in its Intellectual Property Rights Wealth. In result of the IPR Investments in previous years company has got patents of its Research products like Salbactomax, Potentox, Tobracef, Aceclofenac in many countries.This year company has filed many patents in different Countries for its Research products and has successfully out licensed salbactomax to a Korean company. The Company has got Market Authorisation from Portugal and added one more product to its high potency research product basket called Mebatic. To maintain the quality standard and further improvement in quality of products, company is making investment for automisation of its existing Plant & Machinery, Equipments and other quality instruments. In result of huge past and present investment in R&D Pilot Plant and equipments, the R&D wing of the company is day by day giving new products to the company and has also got approval from Department of Scientific & Industrial Research, New Delhi under Section 35 (2AB) of Income Tax Act, 1961. This will enhance the financial benefits to company and further accelerate the R & D efforts & activities of the company.

11. The company operates only in one business segment viz. "Pharmaceutical Formulation" and is engaged in manufacturing and trading of medicines. Since in the opinion of management, the inherent nature of activities engaged by the company are governed by the same set of risks and rewards, so these have been grouped and identified as a single segment in accordance with the Accounting Standard on Segment Reporting (AS-17) issued by ICAI.

12. In the opinion of the board, and to the best of their knowledge and belief, the value on realisation of the current assets, loans & advance shown in the Balance Sheet in the ordinary course of business will be at least equal to the amount at which they are stated in the Balance Sheet and provision for all known and determined liabilities has been made.

13. The wholly Owned Subsidiary "Venus Pharma GmbH" was operated at Werne, Germany, Accordingly, the Balance sheet of Wholly Owned Subsidiary has been consolidated along with the Present Company in accordance with the Accounting Standard on Consolidated Financial Statement" (AS-21).

14. The Company and the bondholders had arrived at an agreement for settlement of FCCBs of US$ 14 million (Including interest of US$ 2 million). According to the agreement US$ 9 million was to be paid in cash and US$ 5 million was to be rollover for a period of 5 years. As per the convenience of both the parties US$ 9 million has been paid. The company has also received approval of Reserve Bank of India for the rollover of FCCBs of US$ 5 million for a period of five years. With this, the entire issue of FCCB has been fully and finally settled with the FCCB holders.

15. Some of suppliers of material have been identified as small scale industrial undertaking on the basis of information available with the company. However none of these parties has an outstanding credit balance exceeding ₹ 1,00,000.00 as on 31.03.2010.

16. **Contingent Liabilities:** (Not provided for in the books of accounts

	Current Year	Previous Year
a) Letter of Credit / Bank Guarantees-Inland	423.01 Lacs	219.90 Lacs
b) Bank Guarantee Foreign	73.42 Lacs	6.25 Lacs
c) Letter of Credit Foreign	248.74 Lacs	257.12 Lacs

17. During the year, the company has undertaken a review of all fixed assets in line with the requirements of AS-28 on "Impairment of Assets" issued by the Institute of Chartered Accountant of India. Based on such review, no provision for impairment is required to be recognised for the year.

18. The figures in the Balance Sheet and Profit & Loss Account for the year have been rounded off to nearest multiple of ₹.

19. The company has provided for gratuity and leave encashment as per valuation which was done as required under accounting standard (AS-15) "accounting for retirement benefits".

20. Additional information pursuant to the provision of paragraph 3, 4C & 4D of Part II of schedule VI of the Companies Act, 1956. (as certified by the management)

		2009-10	2008-09
i)	Licensed Capacity	N.A.	N.A
ii)	Installed Capacity (as certified by management)		
	Anti Cancer Injectables	45 Lacs p.a	45 Lacs p.a
	Dry powder Lyophilized Injectables	10 Lacs p.a.	10 Lacs p.a
	Dry powder Injectables	240 Lacs p.a.	240 Lacs p.a
	Dry powder Carbapenem Injectables	75 Lacs. p.a.	75 Lacs. p.a
	SVPS (Ampoules)	125 Lacs p.a.	125 Lacs p.a
	SVPS (VIALS)	125 Lacs p.a.	125 Lacs p.a
	Harmones Injectable	60 Lacs p.a	60 Lacs p.a
	Injections in Prefilled Syringes	30 Lacs p.a	30 Lacs p.a
	LVPS (I/V Fluids)	75 Lacs p.a	75 Lacs p.a

iii) Production, Sales and closing Stock of Finished goods for the year 2009-10

Sl. No.	Group	Unit	Year	Prod/Per Qty	Opening Stock Qty	Opening Stock Value	Closing Stock Qty	Closing Stock Value	Sales Qty	Sales Value
1.	I.V Fluids	NOS	2009-10	4,681,452	148,888	5,920,826	212,348	11,191,531	4,617,992	337,293,438
			2008-09	4,511,248	110,884	4,104,028	148,888	5,920,826	4,473,244	267,260,378
2.	Anti- Cancer	NOS	2009-10	448,706	50,000	18,503,925	67,324	24,482,920	431,382	853,609,472
			2008-09	310,317	89,683	12,737,046	50,000	18,503,925	350,000	567,958,535
3.	Dry Powders	NOS	2009-10	10,855,174	951,228	77,223,000	1,018,453	78,478,421	10,787,949	1,115,329,358
			2008-09	10,383,693	1,456,999	44,021,635	951,228	77,223,000	10,889,464	1,321,537,824
4.	S.V.P(Injections/	NOS	2009-10	8,218,060	671,374	15,512,487	1,017,664	34,384,234	7,871,770	393,711,779
	Amp/PFS)		2008-09	7,322,673	872,085	6,823,033	671,374	15,512,487	7,523,384	366,366,387
5.	Others	NOS	2009-10	12,488,046	692,901	10,078,332	697,969	15,430,785	12,482,978	396,556,324
			2008-09	4,946,100	584,783	6,555,317	692,901	10,078,332	4,837,982	122,025,802
	Total		2009-10	36,691,438	2,514,391	127,238,570	3,013,758	163,967,891	36,192,071	3,096,500,371
			2008-09	27,474,030	3,114,434	74,241,059	2,514,391	127,238,570	28,074,074	2,645,148,926

iv) Detail of Raw Material Consumption

Sl. No.	Particulars	2009-10 Quantity (in Kgs)	2009-10 Value (in ₹)	2008-09 Quantity (in Kgs)	2008-09 Value (in ₹)
1.	Anti – Biotics/Anti –Bacterial	10,050.40	121,725,113	9,347.47	119,514,102
2.	Anti- Inflammatory/Analgesics	12,313.68	49,526,953	11,559.97	47,644,976
3.	Osmotic Diuretics	142,105.02	52,658,790	131,578.72	50,657,807
4.	Anti –Blood Coagulant	1,829.07	17,692,696	1,749.97	15,622,000
5.	Cephalosporins/FDC	46,134.90	630,854,687	42,633.81	620,492,463
6.	Carbapenem	458.19	114,311,062	433.69	116,643,941
7.	Anti- Cancer	38.37	150,091,087	35.99	147,989,634
8.	Other Material	–	246,448,221	–	127,448,885
9.	Packing Material	–	438,695,790	–	339,679,280
		212,929.63	1,822,004,399	197,339.62	1,585,693,091

Schedule – V SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Particulars	Currency	Current Year	Previous Year
v) CIF Value of Imports			
Raw Material	₹	253,596,045	219,809,489
Capital Goods	₹	6,344,746	11,221,870
vi) Expenditure in Foreign Currency			
Salary/Incentive	US$	31,450	24,222
Travelling	US$	23,900	4,082
	€	Nil	909
	£	5,200	Nil
Regulatory Fee for patent/Product & Plant Registration /Export registration	US$	1,756,140	2,767,880
	€	76,700	259,440
	¥	680,020	1,416,800
	£	Nil	1,035
Bank charges	US$	Nil	5,500
Exhibition Expenses	US$	1,,180	1,950
	€	45,234	Nil
Remittance on account of Dividend	US$	1,614	2,286
Subscription	US$	3,966	1,134
Commission	US$	183,750	Nil
Directors Sitting Fee	€	76	Nil
vii) Earning in Foreign Exchange			
Value of Export	US$	19,880,323	13,705,870
	€	651,085	54,079

viii) Research & Development

	Current Year	Previous Year
a) Capital Expenditure	₹ 362,403,112	₹ 308,774,165
b) Revenue Expenditure	₹ 110,783,541	₹ 77,409,418

Auditors' Report

In terms of our separate report of even date annexed hereto.

For **J.K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

For and on behalf of the Board of Directors

(J.K. Jain)
Partner
Membership No. 083140

(Peeyush Jain)
Deputy Managing Director

(Pawan Chaudhary)
Chairman cum Managing Director

Place: Panchkula
Dated: July 31, 2010

(Nidhi Singla)
Company Secretary

(Ajeet Kapoor)
AGM (Accounts)

Balance Sheet Abstract and Company's General Business Profile

As per Schedule VI, Part IV of the Companies Act, 1956

I. Registration Details

Registration No.	9705	State Code	53
Balance Sheet Date	31 (Date) 03 (Month) 2010 (Year)		

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

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	199

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

Total Liabilities	3369326	Total Assets	3369326
Sources of Funds			
Paid–up Capital	0084920 *	Reserves & Surplus	1714727 **
**Includes Advance against Share Capital*		***Includes Deferred Tax Liability & Deferred Employee Compensation Fund against ESOS*	
Secured Loans	0916652	Unsecured Loans	0577251
Application of Funds			
Net Fixed Assets	2108359	Investments	0247892
Net Current Assets	0993812	Misc. Expenditure (Net)	0010672
Accumulated Losses	NIL		

IV. Performance of the Company *(Amount in ₹ Thousands)*

Turnover *(including other income)*	3120460	Total Expenditure	2514045
Profit/Loss before Tax	0489541	Profit/Loss after Tax	0410492
Earning per share in ₹	48.45	Dividend Rate (%)	30

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

ITC Code No. (ITC Code)	NOT APPLICABLE
Product Description	PHARMACEUTICAL FORMULATIONS

Auditors' Report

In terms of our separate report of even date annexed hereto.

For **J.K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

For and on behalf of the Board of Directors

(J.K. Jain)
Partner
Membership No. 083140

(Peeyush Jain)
Deputy Managing Director

(Pawan Chaudhary)
Chairman cum Managing Director

Place: Panchkula
Dated: July 31, 2010

(Nidhi Singla)
Company Secretary

(Ajeet Kapoor)
AGM (Accounts)

Cash Flow Statement For the period ended March 31, 2010

(Amount in ₹ thousand)

Particulars	2009-10	2008-09
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax & extraordinary items	489,541	492,570
Adjustment for Depreciation	116,874	59,644
Adjustment for FBT	–	(3,335)
Expenses Amortised	12,719	14,127
Adjustment for excess mat tfd. to General Reserve of previous years	(15,114)	–
Interest Received	(83)	(332)
Deferred Employee Compensations	1,808	1,726
Operating Profit before working capital changes	**605,745**	**564,400**
Adjustments for increase /decrease in Current Assets	(205,753)	(265,493)
Decrease / Increase in Current Liabilities/ Provisions	(47,528)	(89,538)
Net Cash Flow from Operating Activities (A)	**352,465**	**209,369**
B) CASH FLOW FROM INVESTMENT ACTIVITIES		
Sale/Purchase of Fixed Assets Including		
Capitalisation of Expenses(NET)	(523,533)	(568,539)
Increase/ Decrease in Capital work in progress	(15)	5,757
Sale/Purchase of Investment	–	(3,197)
Interest Received	83	332
Net Cash Flow from Investing Activities (B)	**(523,465)**	**(565,647)**
C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	189	199
Proceeds from Long Term Borrowing(Net)	25,359	198,344
Proceeds from Short term Borrowing(Net)	152,592	160,117
Net Cash from Financing Activities (C)	**178,140**	**358,660**
Net Increase in Cash & Cash Equivalents (A+B+C)	**7,139**	**2,382**
Cash & Cash Equivalents as at 31.03.2010	**20,037**	–
Cash & Cash Equivalents as at 31.03.2009	–	**12,898**

Auditors' Report

In terms of our separate report of even date annexed hereto.

For **J.K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

(J.K. Jain)
Partner
Membership No. 083140

Place: Panchkula
Dated: July 31, 2010

For and on behalf of the Board of Directors

(Peeyush Jain)
Deputy Managing Director

(Pawan Chaudhary)
Chairman cum Managing Director

(Nidhi Singla)
Company Secretary

(Ajeet Kapoor)
AGM (Accounts)

Auditors' Certificate

We have verified the above Cash Flow Statement of M/s. Venus Remedies Limited for the year ended on 31st March, 2010 from the books and records maintained by the Company and have found it in accordance therewith.

For **J. K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

(J. K. Jain)
Partner
Membership No. 083140

Place : Panchkula
Date : July 31, 2010

To
The members of
VENUS PHARMA GmbH

It gives us great pleasure to present the fifth annual report of the Company together with the Audited Statement of Accounts for the year ended March 31, 2010.

Financial highlights

(Amount in € Thousands)

Particulars	2009-10	2008-09
Sales and Other Income	1472.89	1023.55
Operating Deficit	(174.50)	(114.47)
Finance Charges	18.96	2.88
Depreciation	129.18	116.42
Net Loss in Operations	(322.64)	(233.76)

Operations

Venus Pharma GmbH, the wholly-owned subsidiary of Venus, India has a EU-GMP manufacturing facility located in the heart of Germany with a vision to enhance Global presence of the parent Company. It has world-class quality assurance and quality control laboratories. The Company provides, manufacturing, logistics, and quality-control support and was a high capacity warehouse which handles the logistical needs of storage and distribution of goods for various clients under controlled conditions to whole of the Europe. It is engaged in the out-licensing of CTD, site variation projects, marketing associates, testing and batch release for Europe, warehousing and logistical support

Some of the major highlights are as follows :

A) Received marketing authorisation for its product Meropenem, a carbapenem injection from the EU country, Portugal

B) Provided full coordination and support in establishing anti-cancer and anti-infective markets in the European Union

C) Developed a CTD dossier for patented research product Sulbactomax, ready to enter European and regulated markets

D) Provided all possible guidance and technical support in the registration of 3 CTD dossiers filed in Europe by Venus India, 2 are in process

E) Promoted research products in Syria and Wes-African countries, thereby playing a major role in brand-building

F) Developed two CTD dossiers for Docetaxel and Topotecan for big European companies.

G) Provided all support and arrangements to ensure successful participation at CPhI-2009 in Madrid and various international meets by the Company.

Management discussion and analysis

Industry structure and development: Overview

Germany is the third-largest pharmaceutical market in the world and the largest in Europe.

As per the report of "German Pharma Sector Analysis" most of the growth in the sector will be driven by new and innovative product launches and increasing exports to the Asian and Eastern European markets. At present, exports dominate the overall market and the same trend is expected to continue in the future as well. The country's pharmaceutical market is estimated to have generated revenues of over € 23 Billion (US$ 32.2 Billion) in 2009, and a consistent and strong growth is anticipated in the market for the next few years.

Opportunities

Germany is one of the largest pharmaceutical markets in the world. Most of the pharma companies in Germany are focused on research, which has led the country to become one of the most advanced pharma markets in the world.

Venus Pharma GmbH is the primary centre for the European business of Venus in 27 EU and EEA and Gulf countries. This German Unit, backed up by quality-innovative products from EU GMP approved units, over 341 patent applications globally and about 550 product registration dossiers filed throughout the world and has the perfect time to take off. With this long leap Venus is currently among the only three EU-GMP manufacturers of Carbapenem Antibiotics in the World, capable of marketing this drug in Europe.

Threats

In the opinion of the management, the Company does not foresee any immediate threat to its plans. The Company is working with the vision to enhance the global presence of the parent company in a planned manner.

Segment-wise performance:

The sales and other income increased by 43.90% in comparison with 2008-09 while the manufacturing expenses reduced by around 28.66%. Overall, the Company improved its financial performance. It is providing full coordination and support in establishing anti-cancer and anti-infective markets in European Union .

Venus Pharma GmbH is spanning its wings in European, North American, West African and Middle Eastern markets. It has already received marketing authorisation of Meropenem, a carbapenem injection, in a European Union country, through the registration in Portugal.

Directors

Mr. Pawan Chaudhary, Chairman and Managing Director, represents the present Board of Directors of the Company that includes Mrs. Manu Chaudhary as Joint Managing Director, Mr. Peeyush Jain as Deputy Managing Director, Mr. Ashutosh Jain as Executive Director and Chief Executive Officer .

Auditors

The Statutory Auditors, M/s J.K. Jain & Associates, who are also Statutory Auditors for the parent company, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. The notes to the accounts referred to in the Auditor's Report are self explanatory and therefore do not require further explanation.

For and on behalf of Board of Directors
For **VENUS PHARMA GmbH**

Place: Panchkula — **(Pawan Chaudhary)**
Date: July 31, 2010 — Chairman cum Managing Director

Auditors' Report

To
The Members of
VENUS PHARMA GmbH

1. We have examined and audited the attached Balance Sheet of **VENUS PHARMA GmbH** which is wholly owned subsidiary of Venus Remedies as on 31st March 2010, and also the Profit & Loss Account for the year ended on 31st March 2010 annexed thereto. These financial statements are the responsibility of the company's Management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We have conducted our audit in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standard Board which are generally accepted in Germany. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the Management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. Further to our comments in the Annexure referred to in Paragraph (2) above, we report that:-

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

   ii) In our opinion, proper Books of Accounts as required by law have been kept by the company so far as it appears from our examination of those books:

   iii) The Balance Sheet and Profit & Loss Account and referred to in this Report are in agreement with the Books of Account.

   iv) In our opinion, the said Balance Sheet and Profit & Loss Account dealt with by this report comply with the requirements of International Accounting Standards except otherwise stated in the Notes to the Accounts.

   v) In our opinion and to the best to our information and according to the explanation given to us, the said statements of account read together with the Significant Accounting Policies and Notes thereon give a true and fair view.

      a) in the case of the Balance Sheet of the state of affairs of the company as at 31st March, 2010

      b) in the case of Profit & Loss Account of the loss of the company for the year ended on 31st March, 2010

For **J.K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

J.K. Jain
Partner
Membership No. 083140

Place: Panchkula
Date: July 31, 2010

Balance Sheet As on March 31, 2010

Particulars	Schedule	As on 31.03.2010		As on 31.03.2009	
		Amount in €	Amount in ₹	Amount in €	Amount in ₹
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	A	4,292,795	259,757,051	4,292,795	290,214,434
Reserves & Surplus			9,275,263	–	–
		4,292,795	269,032,314	4,292,795	290,214,434
Loan Funds		–	–	–	–
Grand Total		**4,292,795**	**269,032,314**	**4,292,795**	**290,214,434**
APPLICATION OF FUNDS					
Fixed Assets	B				
Gross Block		3,599,038	217,777,781	3,388,667	229,090,822
Less: Depreciation		515,070	31,166,896	385,885	26,087,755
Net Block		**3,083,968**	**186,610,885**	**3,002,782**	**203,003,067**
Current Assets, Loans & Advances					
Prepaid Expenses		8,491	513,804	9,667	653,518
Loans & Advances		944	57,150	8,117	548,716
Sundry Debtors	C	230,092	13,922,843	302,300	20,436,977
Cash & Bank Balances	D	65,164	3,943,067	44,688	3,021,134
		304,691	**18,436,863**	**364,771**	**246,603,455**
Less : Current Liabilities & Provisions					
Current Liabilities	E	725,786	43,917,314	382,042	25,827,979
Net Current Assets		**(421,095)**	**(25,480,450)**	**(17,272)**	**(1,167,634)**
Miscellaneous Expenditure					
(To the extent not written off or adjusted)	F				
- Profit & Loss Account		1,629,923	107,901,879	1,307,285	88,379,002
		1,629,923	107,901,879	1,307,285	88,379,002
Grand Total		**4,292,795**	**269,032,314**	**4,292,795**	**290,214,434**
Significant Accounting Policies & Notes on Accounts	M				

Auditors' Report

In terms of our separate report of even date annexed hereto.

For **J.K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

For and on behalf of the Board of Directors

(J.K. Jain)
Partner
Membership No. 083140

(Pawan Chaudhary)
Chairman cum Managing Director

(Ashutosh Jain)
Chief Operating Officer

Place: Panchkula
Dated: July 31, 2010

Profit and Loss Account For the period ended March 31, 2010

Particulars	Schedule	As on 31.03.2010		As on 31.03.2009	
		Amount in €	Amount in ₹	Amount in €	Amount in ₹
INCOME					
Sales & Other Income.	G	1,472,890	89,124,601	1,023,545	69,196,790
Total (A)		**1,472,890**	**89,124,601**	**1,023,545**	**69,196,790**
EXPENDITURE					
Cost of Material Consumed	H	959,359	58,050,796	315,144	21,305,340
Manufacturing Expenses	I	424,852	25,707,818	595,536	40,261,244
Selling & Distribution Expenses	J	99,895	6,044,675	67,627	4,572,000
Administration & other Expenses	K	163,278	9,879,899	159,704	10,796,912
Financial Expenses	L	18,958	1,147,147	2,877	194,482
Total (B)		**1,666,342**	**100,830,336**	**1,140,888**	**77,129,978**
Profit (Loss) before Depreciation (A-B)		**(193,452)**	**(11,705,735)**	**(117,343)**	**(7,933,183)**
Depreciation		129,187	7,817,127	116,416	7,870,293
Profit after Depreciation but before tax		**(322,639)**	**(19,522,861)**	**(233,761)**	**(15,803,477)**
Provision for Taxation		–	–	–	–
Profit after Depreciation & tax		**(322,639)**	**(19,522,861)**	**(233,761)**	**(15,803,477)**
Balance Available for Appropriation		(322,639)	(19,522,861)	(233,761)	(15,803,477)
APPROPRIATION					
Transferred to General Reserve		–	–	–	–
Add : Previous Year Profit or Loss		(1,307,284)	(88,379,018)	(1,073,523)	(72,575,542)
Profit / Loss carried to Balance Sheet		(1,629,923)	(107,901,879)	(1,307,284)	(88,379,018)
Significant Accounting Policies & Notes on Accounts	M				

Auditors' Report

In terms of our separate report of even date annexed hereto.

For **J.K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

For and on behalf of the Board of Directors

(J.K. Jain)
Partner
Membership No. 083140

(Pawan Chaudhary)
Chairman cum Managing Director

(Ashutosh Jain)
Chief Operating Officer

Place: Panchkula
Dated: July 31, 2010

Schedules forming part of the Balance Sheet & Profit and Loss Account

Particulars	As on 31.03.2010		As on 31.03.2009	
	Amount in €	Amount in ₹	Amount in €	Amount in ₹
Schedule – A SHARE CAPITAL				
Authorised Capital	25,000	1,512,750	25,000	1,690,125
Issued, Subscribed and Paid-up	25,000	1,512,750	25,000	1,690,125
Share Application Money				
- Venus Remedies Limited	4,267,795	258,244,301	4,267,795	288,524,309
Total	4,292,795	259,757,051	4,292,795	290,214,434

Schedule – B FIXED ASSETS (Amount in €)

	GROSS BLOCK					DEPRECIATION			NET BLOCK	
Particulars	As on 01.04.2009	Addition during the year	Sales during the year	As on 31.03.2010	Rate %	Upto 31.03.2009	For the year	Total upto 31.03.2010	As on 31.03.2010	As on 31.03.2009
Land	279,865	–	–	279,865	–	–	–	–	279,865	279,865
Building	2,653,982	–	–	2,653,982	3.00	265,398	79,618	345,016	2,308,966	2,388,584
Business Premises	56,400	–	–	56,400	10.00	16,089	5,640	21,729	34,671	40,311
Out Door Facilities	111,458	–	–	111,458	6.67	24,769	7,434	32,203	79,255	86,689
Plant & Machinery	220,000	1,000	–	221,000	7.69	56,410	16,929	73,339	147,661	163,590
Plant & Equip- I	4,794	3,930	–	8,724	33.33	1,325	1,638	2,963	5,761	3,469
Plant & Equip- II	1,675	–	–	1,675	10.00	600	168	768	907	1,076
Plant & Equip- III	1,375	–	–	1,375	20.00	504	275	779	596	871
Plant & Equip- IV	10,900	1,795	–	12,695	12.50	2,271	1,530	3,801	8,894	8,629
Warehouse Equipment -I	924	–	–	924	9.09	246	84	330	594	678
Warehouse Equipment -II	23,484	–	–	23,484	6.67	3,878	1,566	5,444	18,037	19,603
Computer	3,200	–	–	3,200	33.00	3,200	–	3,200	–	–
Miscellaneous Fixed Assets	9,009	67	–	9,076	20.00	7,867	410	8,277	799	1,142
Office Equipment / F& F	11,601	–	–	11,601	10.00	3,325	1,160	4,485	7,116	8,276
Intellectual Property Rights	–	203,580	–	203,580	20.00	–	12,735	12,735	190,845	–
Total	3,388,667	210,371	–	3,599,038		385,885	129,186	515,070	3,083,968	3,002,782
Previous Year	3,375,952	12,715	–	3,388,667		269,466	116,416	385,885	3,002,782	3,106,485

Schedule – B FIXED ASSETS (Amount in ₹)

	GROSS BLOCK					DEPRECIATION			NET BLOCK	
Particulars	As on 01.04.2009	Addition during the year	Sales during the year	As on 31.03.2010	Rate %	Upto 31.03.2009	For the year	Total upto 31.03.2010	As on 31.03.2010	As on 31.03.2009
Land	16,934,631	–	–	16,934,631	–	–	–	–	16,934,631	18,920,273
Building	160,592,457	–	–	160,592,457	3.00	16,059,233	4,817,774	20,877,007	139,715,450	161,480,190
Business Premises	3,412,764	–	–	3,412,764	10.00	973,545	341,276	1,314,822	2,097,942	2,725,225
Out Door Facilities	6,744,324	–	–	6,744,324	6.67	1,498,772	449,846	1,948,619	4,795,705	5,860,610
Plant & Machinery	13,312,200	60,510	–	13,372,710	7.69	3,413,369	1,024,374	4,437,743	8,934,967	11,059,502
Plant & Equip- I	290,085	237,774	–	527,859	33.33	80,165	99,085	179,251	348,608	234,522
Plant & Equip- II	101,354	–	–	101,354	10.00	36,306	10,135	46,441	54,913	72,709
Plant & Equip- III	83,201	–	–	83,201	20.00	30,497	16,640	47,137	36,064	58,884
Plant & Equip- IV	659,558	108,615		768,173	12.50	137,417	92,580	229,997	538,176	583,363
Warehouse Equipment -I	55,911	–	–	55,911	9.09	14,885	5,082	19,968	35,943	45,837
Warehouse Equipment -II	1,421,017	–	–	1,421,017	6.67	234,658	94,782	329,440	1,091,574	1,325,464
Computer	193,632	–	–	193,632	33.00	193,632	–	193,632	–	–
Miscellaneous Fixed Assets	545,135	4,067	–	549,202	20.00	476,032	24,822	500,855	48,347	77,206
Office Equipment / F& F	701,947	–	–	701,947	10.00	201,196	70,195	271,390	430,556	559,292
Intellectual Property Rights	–	12,318,599	–	12,318,599	20.00	–	770,595	770,595	11,548,004	–
Total	205,048,215	12,729,566	–	217,777,781		23,349,708	7,817,186	31,166,896	186,610,885	203,003,067
Previous Year	228,231,235	859,587	–	229,090,822		18,217,249	7,870,507	26,087,756	203,003,067	210,013,918

Schedules forming part of the Balance Sheet & Profit and Loss Account

Particulars	As on 31.03.2010		As on 31.03.2009	
	Amount in €	Amount in ₹	Amount in €	Amount in ₹
Schedule – C SUNDRY DEBTORS				
(Unsecured but considered good)				
- Outstanding for a period exceeding six months	–	–	–	–
- Others Debtors	230,092	13,922,843	302,300	20,436,977
Total	**230,092**	**13,922,843**	**302,300**	**20,436,977**
Schedule – D CASH & BANK BALANCE				
Cash in Hand	365	22,079	2,331	157,585
Stadtsparkassee – Werne	64,799	3,920,988	42,357	2,863,548
Total	**65,164**	**3,943,067**	**44,688**	**3,021,133**
Schedule – E CURRENT LIABILITIES				
Sundry Creditors	644,944	39,025,574	365,347	24,699,285
Vat Payable on Sales	9,240	559,095	14,095	952,922
Other Liabilities	71,602	4,332,645	2,600	175,773
Total	**725,786**	**43,917,314**	**382,042**	**25,827,980**
Schedule – F MISCELLANEOUS EXPENDITURE				
(To the extend not written off or adjusted)				
Preliminary Expenses	–	–	–	–
Profit and Loss Account	1,629,923	107,901,879	1,307,285	88,379,002
Total	**1,629,923**	**107,901,879**	**1,307,285**	**88,379,002**
Schedule – G SALES & OTHER INCOME				
Sales	1,465,084	88,652,241	1,008,798	68,199,782
Other Income	7,806	472,360	14,748	997,008
Total	**1,472,890**	**89,124,601**	**1,023,546**	**69,196,790**
Schedule – H COST OF MATERIAL CONSUMED				
Trading Purchase	959,359	58,050,796	315,144	21,305,340
Total	**959,359**	**58,050,796**	**315,144**	**21,305,340**
Schedule – I MANUFACTURING EXPENSES				
Insurance	7,031	425,431	9,592	648,460
Salary & Other Benefits	321,075	19,428,269	466,147	31,513,876
Electricity & Water Expenses	14,180	858,006	29,749	2,011,214
Trashing Cost	2,094	126,678	4,302	290,808
Freight Inwards	31,663	1,915,898	4,106	277,586
Heating Gas Expenses	19,438	1,176,164	36,426	2,462,607
Repair & Maintenance				
- Plant & Machinery	701	42,416	5,258	355,445
- Building	1,176	71,183	4,141	279,930
- Lab	5,816	351,926	608	41,104
Lab Consumables	12,852	777,702	16,066	1,086,108
Washing Expenses	660	39,918	2,604	176,013
Production Consumables	8,168	494,226	16,539	1,118,092
Total	**424,852**	**25,707,818**	**595,536**	**40,261,244**
Schedule – J SELLING & DISTRIBUTION EXPENSES				
CPHI Expenses	29,442	1,781,514	30,252	2,045,157
Advertisement Expenses	2,212	133,861	2,214	149,677
Travelling & Conveyance	14,962	905,358	19,147	1,294,436
Business Promotion Expenses	331	20,000	238	16,089
Other Selling Expenses	52,949	3,203,943	15,777	1,066,641
Total	**99,895**	**6,044,675**	**67,627**	**4,572,000**

Particulars	As on 31.03.2010		As on 31.03.2009	
	Amount in €	Amount in ₹	Amount in €	Amount in ₹
Schedule – K ADMINISTRATIVE & OTHER EXPENSES				
Legal & Professional Charges	42,566	2,575,666	59,767	4,040,569
Postage, Telex & Telegrams	769	46,502	1,339	90,523
Printing & Stationery	4,615	279,281	3,793	256,404
Car Leasing Expenses	11,436	691,963	11,436	773,098
Telephone Expenses	9,057	548,039	8,450	571,277
Entertainment Expenses	2,937	177,700	2,834	191,605
Security	289	17,492	2,327	157,339
Rent for Equipment	6,225	376,703	7,542	509,888
Rate Fees & Taxes	8,516	515,289	11,730	792,988
Vehicle Running & Maintenance	11,832	715,939	11,338	766,494
Repair & Maintenance – Computer	375	22,677	231	15,592
Repair & Maintenance – Others	2,872	173,773	1,067	72,168
Inspection Charges	2,332	141,129	4,697	317,520
Land Tax	17,250	1,043,753	17,363	1,173,851
Software	8,400	508,284	11,600	784,221
Subscription Expenses	252	15,223	174	11,768
Staff Welfare Expenses	1,100	66,564	869	58,756
Exchange Fluctuation	–	–	152	10,305
Prior Period Expenses	21,092	1,276,277	–	–
Audit Fee	2,910	176,108	2,844	192,242
Other Administrative Expenses	8,454	511,536	152	10,302
Total	**163,278**	**9,879,899**	**159,704**	**10,796,912**

Particulars	As on 31.03.2010		As on 31.03.2009	
	Amount in €	Amount in ₹	Amount in €	Amount in ₹
Schedule – L FINANCIAL EXPENSES				
Bank Charges	15,335	927,894	2,551	172,474
Interest Paid	3,623	219,253	326	22,008
Total	**18,958**	**1,147,147**	**2,877**	**194,482**

Schedule – M SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A) SIGNIFICANT ACCOUNTING POLICIES

I) Accounting Concepts

The accounts are prepared under the historical cost convention and on the basis of going concern. All expenses and incomes to the extent ascertainable are accounted for on mercantile basis unless otherwise state.

II) Fixed Assets

Fixed Assets are stated at historical cost (including expenses incurred on putting them to use) less accumulated depreciation and any accumulated impairment losses.

III) Depreciation

Depreciation amount of an asset is allocated on a systematic basis over the useful life of the asset. Impairment is recognised in accordance with IAS–36 'Impairment of Assets'.

IV) Inventories

a) Stock of Work in Process: - At material cost plus apportioned manufacturing overheads.

b) Stock of Finished Goods: - At material cost plus apportioned manufacturing overheads and other costs incurred in bringing the inventories to their present location and condition or Net realisable value whichever is lower.

c) Spares and Consumable – At Cost

V) Revenue Recognition

Sale of goods and services are recognised when significant risks & rewards of ownership are transferred to the buyer which generally coincides with the delivery. It is measured at the fair value of the consideration received or receivable. Sale is net of sale returns.

VI) Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of fixed assets are capitalised as part of cost of such assets till such time as the asset is ready for its intended use. All other borrowing costs are recognised as an expense in the period in which incurred.

VII) Translation of Foreign Exchange Transactions

a) Foreign currency monetary items are translated using the closing rate;

b) Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

c) Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

VIII) Amortisation of Intangible Assets And Miscellaneous Expenditure

As per IAS 38 An Entity assesses whether the useful life of an intangible asset is finite or infinite; the useful life is infinite if there is no foreseeable limit to the period over which the asset is expected to generate net cash flows. The depreciable amount of an intangible asset with a finite life is amortised on a systematic basis over its useful life. An intangible asset with an indefinite useful life is not amortised, but is tested for impairment at least annually. Impairment of intangible asset is recognised in accordance with IAS 36 "Impairment of Assets".

The gain or loss on derecognition of an intangible asset is the difference between the net disposal proceeds, if any and the carrying amount of the item. The gain or loss is recognised in profit or loss.

IX) Provisions, Contingent Liabilities And Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

X) Impairment of Assets

An Asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

XI) Related Party Disclosures

The related party disclosures like nature of relationship, information about transaction and outstanding balances with related parties, compensation of key Management personnel etc. are reported in accordance with IAS 24.

XII) Accounting policies not specifically referred to are consistent with generally accepted accounting principles.

B) NOTES ON ACCOUNTS

1. The company is wholly owned subsidiary of Venus Remedies Limited Panchkula, India. The entire share capital is from the parent company.
2. In the opinion of the Board, and to the best of their knowledge and belief the value on realisation of the current assets, loans & advances shown in the Balance Sheet in the ordinary course of business will be at least equal to the amount at which they are stated in the Balance Sheet and provision for all known and determined liabilities has been made.
3. The Related party disclosure as required by IAS-24 (Related Party) issued by IASB.

Related Party	Relationship	Nature of Translation	Amount of Translation
Venus Remedies Limited	Parent Company	Trading Purchase Incl. CTD	€ 947398

4. In the books of Subsidiary Company a sum of € 21,092 is recorded as Prior Period Expenses Previous year it was ₹ NIL
5. **Contingent Liabilities:** NIL

   The figures in the Balance Sheet and Profit & Loss Account for the year have been translated from € to ₹ at closing rate of 1€ = ₹ 60.51 as on 31.03.2010 for the purpose of conversion and is also rounded off to nearest multiple of ₹.

Auditors' Report

In terms of our separate report of even date annexed hereto.

For **J.K. Jain & Associates**
Chartered Accountants
Firm registration No. 004025N

For and on behalf of the Board of Directors

(J.K. Jain)
Partner
Membership No. 083140

(Pawan Chaudhary)
Chairman cum Managing Director

(Ashutosh Jain)
Chief Operating Officer

Place: Panchkula
Dated: July 31, 2010

Cash Flow Statement For the period ended March 31, 2010

Particulars	2009-10		2008-09	
	Amount in €	Amount in ₹ thousands	Amount in €	Amount in ₹ thousands
A) CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax & extraordinary items	(322,639)	(19,523)	(233,762)	(15,803)
Adjustment for Depreciation	129,187	5,079	116,416	7,870
Expenses Amortised	–	–	–	–
Extraordinary Expenses	–	9,275	–	–
Loss on sale of fixed asset	–	–	–	–
Investment Written off	–	–	–	–
Deferred employee compensation	–	–	–	–
Operating Profit before working capital changes	(193,452)	(5,168)	(117,346)	(7,933)
Adjustments for increase /decrease in Current Assets	80,555	7,145	(134,067)	(9,938)
Decrease / Increase in Current Liabilities/ Provisions	343,744	18,089	243,149	17,091
Extraordinary Items	–	–	3	(3,778)
Net Cash Flow from Operating Activities (A)	230,847	20,066	(8,260)	(4,558)
B) CASH FLOW FROM INVESTMENT ACTIVITIES				
Sale/Purchase of Fixed Assets Including	–	–	–	–
Capitalisation of Expenses(NET)	(210,371)	11,313	(12,716)	(16,727)
Increase/ Decrease in Capital work in progress	–	–	–	–
Sale/Purchase of Investment	–	–	–	–
Interest Received	–	–	–	–
Net Cash Flow from Investing Activities (B)	(210,371)	11,313	(12,716)	(16,727)
C) CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Issue of Share Capital	–	–	–	–
(Share application money)	–	(30,457)	52,828	23,499
Proceeds from Long Term Borrowing(Net)	–	–	–	–
Proceeds from Short term Borrowing(Net)	–	–	–	–
Interim Dividend (including Dividend Tax)	–	–	–	–
Net Cash from Financing Activities (C)	–	(30,457)	52,828	23,499
Net Increase in Cash & Cash Equivalents (A+B+C)	20,476	922	31,852	2,215
Cash & Cash Equivalents as at 31.03.2010	65,164	3,943	–	–
Cash & Cash Equivalents as at 31.03.2009	–	–	44,688	3,021

Auditors' Report

In terms of our separate report of even date annexed hereto.

For **J.K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

For and on behalf of the Board of Directors

(J.K. Jain)
Partner
Membership No. 083140

(Pawan Chaudhary)
Chairman cum Managing Director

(Ashutosh Jain)
Chief Operating Officer

Place: Panchkula
Dated: July 31, 2010

Auditors' Certificate

We have verified the above Cash Flow Statement of M/s. Venus Pharma GmbH for the year ended on 31st March, 2010 from the books and records maintained by the Company and have found it in accordance therewith.

For **J. K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

(J. K. Jain)
Partner
Membership No. 083140

Place : Panchkula
Date : July 31, 2010

Consolidated Auditors' Report

Auditor's Report on Consolidated Financial Statements of Venus Remedies Limited and its wholly owned Subsidiary Venus Pharma GmbH.

The Board of Directors
VENUS REMEDIES LIMITED
PANCHKULA

1. We have examined and audited the attached Consolidated Balance Sheet of **M/s Venus Remedies Limited** and its wholly owned subsidiary Venus Pharma GmbH as at 31st March 2010, and also the consolidated Profit & Loss Account and the consolidated Cash Flow Statement for the year ended on the date annexed thereto. These financial statements are the responsibility of the company's Management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We have conducted audit of Venus Remedies Limited in accordance with auditing standards generally accepted in India and also we have conducted audit of subsidiary, Venus Pharma GmbH according to generally accepted audit standards in Germany i.e "International Accounting Standards". These 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 the Management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiary included in the consolidated financial statements.

4. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiary, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;

   a) in the case of the Consolidated Balance Sheet of the consolidated state of affairs of the company and its subsidiary as at 31st March, 2010,

   b) in the case of Consolidated Profit & Loss Account, of the Consolidated Profit of the company and its subsidiary for the year then ended and

   c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flow of the company and its subsidiary for the year then ended.

For **J.K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

J.K. Jain
Partner
Membership No. 083140

Place: Panchkula
Date: July 31, 2010

Consolidated Balance Sheet As on March 31, 2010

(Amount in ₹)

Particulars	Schedule	As on 31.03.2010	As on 31.03.2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	84,919,570	84,730,910
Reserves & Surplus	B	1,626,897,525	1,301,223,206
		1,711,817,095	**1,385,954,116**
Loan Funds			
Secured Loans	C	916,652,043	698,061,391
Unsecured Loans	D	577,251,325	617,890,978
		1,493,903,368	**1,315,952,369**
Deferred Tax Liability		75,662,546	59,925,204
Grand Total		**3,281,383,009**	**2,761,831,689**
APPLICATION OF FUNDS			
Fixed Assets	E		
Gross Block		2,608,531,557	2,096,311,894
Less: Depreciation		313,561,786	191,608,460
Net Block		2,294,969,771	1,904,703,434
Add : Capital Work-in-Progress		7,331,528	8,416,801
Add : Capital Work-in-Progress (R&D Block)		1,259,278	158,646
		2,303,560,577	**1,913,278,881**
Investments	F	-	
Current Assets, Loans & Advances			
Inventories	G	619,416,908	445,766,585
Sundry Debtors	H	282,979,813	329,674,920
Cash & Bank Balances	I	23,980,445	15,919,521
Loans & Advances	J	260,264,137	238,866,088
		1,186,641,303	**1,030,227,113**
Less : Current Liabilities & Provisions			
Current Liabilities	K	98,420,518	113,363,351
Provisions	L	121,070,183	91,701,633
		219,490,701	**205,064,984**
Net Current Assets		**967,150,602**	**825,162,130**
Miscellaneous Expenditure	M	10,671,828	23,390,678
(To the extent not written off or adjusted)			
Grand Total		**3,281,383,009**	**2,761,831,689**
Significant Accounting Policies & Notes on Accounts	V		

Auditors' Report

In terms of our separate report of even date annexed hereto.

For **J.K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

For and on behalf of the Board of Directors

(J.K. Jain)
Partner
Membership No. 083140

(Peeyush Jain)
Deputy Managing Director

(Pawan Chaudhary)
Chairman cum Managing Director

Place: Panchkula
Dated: July 31, 2010

(Nidhi Singla)
Company Secretary

(Ajeet Kapoor)
AGM (Accounts)

VENUS
Enjoy Innovations

Consolidated Profit and Loss Account For the period ended March 31, 2010

(Amount in ₹)

Particulars	Schedule	As on 31.03.2010	As on 31.03.2009
INCOME			
Sales & Other Income.	N	3,146,116,228	2,695,461,506
Total (A)		**3,146,116,228**	**2,695,461,506**
EXPENDITURE			
Cost of Material Consumed	O	1,823,100,884	1,585,693,088
Manufacturing Expenses	P	102,288,922	104,801,301
Administration & Other Expenses	Q	100,932,728	90,607,238
Financial Expenses	R	140,700,685	93,546,573
Selling & Distribution Expenses	S	267,114,316	184,995,136
Research and Development Expenses	T	110,783,541	77,409,419
Misc. Expenditure written off	U	12,718,850	14,127,349
Total (B)		**2,557,639,925**	**2,151,180,104**
PROFIT			
Profit before Depreciation (A-B)		**588,476,302**	**544,281,402**
Depreciation	E	124,691,312	67,514,851
Profit after Depreciation but before Tax		**463,784,990**	**476,766,551**
Less:Provision for Taxation			
- Current Tax		72,458,784	55,808,184
- Deferred Tax		15,737,342	18,107,831
- Fringe Benefit Tax		-	3,335,000
Add: MAT Credit Entitlement		20,000,000	40,000,000
Profit after Depreciation & Tax		**395,588,864**	**439,515,536**
Less : Provision for Dividend		25,419,273	25,359,669
Less : Provision for Tax on Dividend		4,320,005	4,309,876
Profit After Dividend		**365,849,586**	**409,845,991**
Add : Balance brought forward from Previous year		397,198,051	237,352,060
Balance available for Appropriation		**763,047,637**	**647,198,051**
APPROPRIATION			
Transferred to General Reserve		250,000,000	250,000,000
Profit Carried to Balance Sheet		513,047,637	397,198,051
Earning per share (equity share)			
Nominal value ₹ 10/- each			
Basic		46.69	51.99
Significant Accounting Policies & Notes on Accounts	V		

Auditors' Report

In terms of our separate report of even date annexed hereto.

For **J.K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

For and on behalf of the Board of Directors

(J.K. Jain)
Partner
Membership No. 083140

(Peeyush Jain)
Deputy Managing Director

(Pawan Chaudhary)
Chairman cum Managing Director

Place: Panchkula
Dated: July 31, 2010

(Nidhi Singla)
Company Secretary

(Ajeet Kapoor)
AGM (Accounts)

Schedules forming part of the Consolidated Balance Sheet & Profit and Loss Account

(Amount in ₹)

	As on 31.03.2010	As on 31.03.2009
Schedule – A SHARE CAPITAL		
Authorised Capital		
12000000 Equity shares of ₹ 10/- each (Previous year 12000000 Equity Shares of ₹ 10/- each)	121,512,750	121,690,125
Issued, Subscribed and Paid-up		
8473291 Equity Shares of ₹ 10/- each fully paid up (Previous year 8453423 Equity Shares)	84,732,910	84,534,230
Less : 200 Equity Shares Forfeited	(2,000)	(2,000)
Add : Share Application Money	188,660	198,680
Total	**84,919,570**	**84,730,910**

	As on 31.03.2010	As on 31.03.2009
Schedule – B RESERVES & SURPLUS		
General Reserves	827,296,741	523,346,271
Add : MAT Credit Entitlement of Previous Year	-	69,064,276
ADD : Additions During the Year	250,000,000	250,000,000
Exchange Fluctuation Reserve	15,453,147	42,322,199
Total	**1,092,749,888**	**884,732,746**
Profit & Loss Account	513,047,637	397,198,051
Employees Stock Options Outstanding	21,100,000	21,100,000
Less : Deferred Employees Compensation		(1,807,591)
	21,100,000	**19,292,409**
Total	**1,626,897,525**	**1,301,223,206**

	As on 31.03.2010	As on 31.03.2009
Schedule – C SECURED LOANS		
Corporate Loans	113,691,796	165,385,597
(Secured by mortgage of fixed, current assets of the Company & personal guarantee of the Directors)		
Term Loan	227,693,296	109,886,071
(Secured by mortgage of fixed, current assets of the Company & personal guarantee of the Directors)		
From Others	4,100,387	4,215,649
(Secured by hypothecation of vehicle)		
Working Capital Loan From Banks	571,166,563	418,574,074
(Secured by hypothecation of current assets of the company & second charge on fixed assets & further secured by personal guarantee of the Directors)		
Total	**916,652,043**	**698,061,391**

	As on 31.03.2010	As on 31.03.2009
Schedule – D UNSECURED LOANS		
Security from stockists	24,276,325	490,978
Foreign Currency Convertible Bonds	552,975,000	617,400,000
Total	**577,251,325**	**617,890,978**

Schedules forming part of the Consolidated Balance Sheet & Profit and Loss Account

(Amount in ₹)

Schedule – E FIXED ASSETS – PARENT COMPANY (Amount in ₹)

	GROSS BLOCK					DEPRECIATION				NET BLOCK	
Particulars	Balance as on 01.04.2009	Additions	Sale/W/Off/	Total Cost 31.03.2010	Rate %age	Depreciation Upto 31.03.2009	Depreciation for the year	Total Depreciation 31.03.2010	written Off	As on 31.03.2010	As on 31.03.2009
R & D Pilot Plant	51,630,146	–	–	51,630,146	4.75	2,903,380	2,452,432	5,355,812	–	46,274,334	48,726,766
Building	370,087,125	27,508,435	–	397,595,560	3.34	18,224,522	12,376,635	30,601,157	–	366,994,403	351,862,603
Building R & D	107,597,607	6,045,644	–	113,643,251	3.34	8,391,990	3,603,802	11,995,792	–	101,647,459	99,205,617
Computer, IT and Communication Equipment	55,614,730	21,713,877	–	77,328,607	16.21	24,800,095	9,102,337	33,902,432	–	43,426,175	30,814,635
DG Set	8,353,329	234,501	–	8,587,830	13.91	2,847,181	1,181,020	4,028,201	–	4,559,629	5,506,148
Electrical Installation	27,471,164	4,862,665	–	32,333,829	4.75	5,727,625	1,306,748	7,034,373	–	25,299,456	21,743,539
Furniture & Fixture	25,801,076	3,285,711	–	29,086,787	6.33	6,427,420	1,640,603	8,068,023	–	21,018,764	19,373,656
Lab Equipment	30,703,845	5,215,565	–	35,919,410	7.07	7,046,935	2,214,589	9,261,524	–	26,657,886	23,656,910
Land	13,523,062	–	–	13,523,062	–	–	–	–	–	13,523,062	13,523,062
Misc. Fixed Assets	21,914,875	5,385,063	–	27,299,938	4.75	4,364,362	1,042,203	5,406,565	–	21,893,373	17,550,513
Office Equipment/ Security Equipment	8,187,159	4,482,197	–	12,669,356	7.07	3,127,177	590,556	3,717,733	–	8,951,623	5,059,982
Patents /IPR/Technology	434,747,313	401,728,061	–	836,475,374	–	–	–	–	45,905,147	790,570,227	434,747,313
Plant & Machinery	519,079,156	15,856,804	–	534,935,960	4.75	40,172,614	24,676,895	64,849,509	–	470,086,451	478,906,542
Pollution Control Equipment	19,499,791	2,925,865	–	22,425,656	4.75	1,046,823	986,143	2,032,966	–	20,392,690	18,452,968
R&D Equipment	144,440,860	18,557,468	–	162,998,328	4.75	31,522,821	7,024,836	38,547,657	–	124,450,671	112,918,039
Vehicle	28,569,824	6,608,158	877,300	34,300,682	9.50	8,917,762	2,770,237	11,687,999	–	22,612,683	19,652,062
Total	**1,867,221,062**	**524,410,014**	**877,300**	**2,390,753,776**	**-**	**165,520,707**	**70,969,036**	**236,489,743**	**45,905,147**	**2,108,358,885**	**1,701,700,356**
Previous Year	1,313,995,248	580,976,922	27,751,109	1,867,221,061		121,190,106	44,330,599	165,520,705		1,701,700,356	1,192,805,142

Schedule – E FIXED ASSETS – SUBSIDIARY COMPANY (Amount in ₹)

	GROSS BLOCK					DEPRECIATION			NET BLOCK	
Particulars	As on 01.04.2009	Addition during the year	Sales during the year	As on 31.03.2010	Rate %	Upto 31.03.2009	For the year	Total upto 31.03.2010	As on 31.03.2010	As on 31.03.2009
Land	16,934,631	–	–	16,934,631	–	–	–	–	16,934,631	18,920,273
Building	160,592,457	–	–	160,592,457	3.00	16,059,233	4,817,774	20,877,007	139,715,450	161,480,190
Business Premises	3,412,764	–	–	3,412,764	10.00	973,545	341,276	1,314,822	2,097,942	2,725,225
Out Door Facilities	6,744,324	–	–	6,744,324	6.67	1,498,772	449,846	1,948,619	4,795,705	5,860,610
Plant & Machinery	13,312,200	60,510	–	13,372,710	7.69	3,413,369	1,024,374	4,437,743	8,934,967	11,059,502
Plant & Equip- I	290,085	237,774	–	527,859	33.00	80,165	99,085	179,251	348,608	234,522
Plant & Equip- II	101,354	–	–	101,354	10.00	36,306	10,135	46,441	54,913	72,709
Plant & Equip- III	83,201	–	–	83,201	20.00	30,497	16,640	47,137	36,064	58,884
Plant & Equip- IV	659,558	108,615	–	768,173	12.50	137,417	92,580	229,997	538,176	583,363
Warehouse Equipment -I	55,911	–	–	55,911	9.09	14,885	5,082	19,968	35,943	45,837
Warehouse Equipment -II	1,421,017	–	–	1,421,017	6.67	234,658	94,782	329,440	1,091,574	1,325,464
Computer	193,632	–	–	193,632	33.00	193,632	–	193,632	–	–
Miscellaneous Fixed Assets	545,135	4,067	–	549,202	20.00	476,032	24,822	500,855	48,347	77,206
Office Equipment / F& F	701,947	–	–	701,947	10.00	201,196	70,195	271,390	430,556	559,292
Intellectual Property Rights	–	12,318,599	–	12,318,599	20.00	–	770,595	770,595	11,548,004	–
Total	**205,048,215**	**12,729,566**	**–**	**217,777,781**		**23,349,708**	**7,817,186**	**31,166,896**	**186,610,885**	**203,003,067**
Previous Year	228,231,235	859,587	–	229,090,822		18,217,249	7,870,507	26,087,756	203,003,067	210,013,918

Schedules forming part of the Consolidated Balance Sheet & Profit and Loss Account

(Amount in ₹)

	As on 31.03.2010	As on 31.03.2009
Schedule – G INVENTORIES		
(As taken, valued and certified by Management)		
Raw Material and Packing Material	310,675,644	198,560,010
Work - in – Progress	134,365,175	109,230,502
Finished goods	163,967,891	127,238,570
Consumable	1,040,751	1,133,897
Store & Spares	1,539,675	2,160,342
Printing & Stationery	1,220,505	904,078
Material In Transit	6,607,267	6,539,186
Total	**619,416,908**	**445,766,585**
Schedule – H SUNDRY DEBTORS		
(Unsecured but considered good)		
- Outstanding for a period exceeding 6 months	908,011	1,043,480
- Others	282,071,802	328,631,440
Total	**282,979,813**	**329,674,920**
Schedule – I CASH & BANK BALANCE		
Cash in Hand	631,479	433,154
Balance with Scheduled Banks	-	
- In Current Accounts	10,546,413	9,749,467
- In Fixed Deposits Accounts	8,790,000	5,644,235
- In Public Account (Refund A/c)	91,565	92,665
Stadtsparkassee – Werne	3,920,988	
Total	**23,980,445**	**15,919,521**
Schedule – J LOANS & ADVANCES		
(Unsecured but considered good)		
Advances recoverable in cash or in kind or for value to be received	165,874,200	126,318,197
Loans to Staff	8,031,150	2,209,534
Security deposits	1,321,695	993,711
Balances with central Excise	913,221	280,370
MAT Credit Previous Years	64,123,870	69,064,276
MAT Credit Current Year	20,000,000	40,000,000
Total	**260,264,137**	**238,866,088**
Schedule – K CURRENT LIABILITIES		
Sundry Creditors	48,685,440	66,387,798
Creditors for Capital Goods	7,955,848	12,982,293
Vat Payable on sales	559,095	952,922
Other Liabilities	34,274,496	26,760,917
Creditors for Expenses & Provisions	6,945,638	6,279,421
Total	**98,420,518**	**113,363,351**
Schedule – L PROVISIONS		
Provision for Dividend	25,419,273	25,359,669
Provision for Taxation on Dividend	4,320,005	4,309,876
Provision for Taxation	72,458,784	46,348,777
Provision for Retirement Benefit	11,815,760	8,442,221
Provision for M.I.T.	6,607,267	6,539,186
Provision for Excise Duty on Finished Goods	442,280	586,151
Provision for Expenses	6,813	115,753
Total	**121,070,183**	**91,701,633**

VENUS
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Schedules forming part of the Consolidated Balance Sheet & Profit and Loss Account

(Amount in ₹)

	As on 31.03.2010	As on 31.03.2009
Schedule – M MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary expenses (Public issue expenses)	-	50,100
Research & Development	7,168,975	14,326,948
Marketing seed Capital (Marketing) Expenditure	1,138,990	4,285,904
FCCB issue Expenses	2,363,863	4,727,726
Total	10,671,828	23,390,678
Schedule – N SALES & OTHER INCOME		
Sales	3,144,485,468	2,692,043,368
Other Income	1,630,760	3,418,138
Total	3,146,116,228	2,695,461,506
Schedule – O COST OF MATERIAL CONSUMED		
Opening Stock	198,560,010	118,768,710
Add : Purchases	1,997,080,512	1,740,181,197
	2,195,640,522	1,858,949,907
Less : Closing Stock	310,675,644	191,020,940
Total A	**1,884,964,878**	**1,667,928,967**
Add / (Less) Increase / (Decrease) In Inventory		
Closing Stock		
Finished Goods	163,967,891	127,238,570
Work In Progress	134,365,175	109,230,502
Total	**298,333,066**	**236,469,072**
Opening Stock		
Finished Goods	127,238,570	74,241,058
Work In Progress	109,230,502	79,992,135
Total	**236,469,072**	**154,233,193**
Increase / Decrease In Inventory (B)	**61,863,994**	**82,235,879**
Total (A - B)	**1,823,100,884**	**1,585,693,088**
Schedule – P MANUFACTURING EXPENSES		
Power & Fuel	17,238,237	20,152,015
Consumables	8,721,663	8,128,027
Repair & Maintenance		
- Building	2,753,697	2,315,071
- Electrical	1,657,263	1,235,484
- Plant & Machinery	5,188,569	3,366,104
- Lab	351,926	41,095
Salary & Other benefits	54,329,210	60,913,715
Other Manufacturing Expenses	12,048,358	8,649,790
Total	**102,288,922**	**104,801,301**

(Amount in ₹)

	As on 31.03.2010	As on 31.03.2009
Schedule – Q ADMINISTRATIVE & OTHER EXPENSES		
Rent	499,583	589,148
Rates, Fee & Taxes	1,147,451	2,302,350
Insurance	911,465	931,431
Salary and other benefits	37,713,169	29,943,014
Legal and Professional Expenses	7,104,414	9,275,610
Postage, Telex & Telegram	504,421	688,961
Printing & Stationery	6,300,239	5,749,969
Telephone Expenses	3,253,414	2,935,070
Employees Compensation Expenses	1,930,528	2,069,378
Travelling & Conveyance:		
- Staff	2,981,565	2,534,007
- Directors	1,209,846	798,942
- Others	1,037,963	916,477
Running, Repair & Maintenance :		
- Vehicles	5,527,513	6,155,219
- Computer	1,064,111	1,818,891
- Others	936,122	1,457,246
Auditors' Fees	1,155,333	1,043,742
Directors Remuneration	7,005,067	6,016,915
Other Administrative Expenses	13,012,473	9,210,142
Prior Period Expenses	1,276,277	–
Other Corporate Expenses	6,361,773	6,170,726
Total	**100,932,728**	**90,607,238**
Schedule – R FINANCE EXPENSES		
Interest & other charges on Term Loans	33,233,771	32,548,093
Interest & other charges on Working Capital Loans	62,551,892	43,003,484
Interest to Others	30,096,727	771,623
Exchange Fluctuation	5,453,786	9,111,213
Bank charges	9,364,509	8,112,160
Total	**140,700,685**	**93,546,573**
Schedule – S SELLING & DISTRIBUTION EXPENSES		
Salary and other benefit	75,969,471	50,649,630
Discount / Commission	52,948,916	37,598,279
Other Selling Expenses	33,611,889	16,954,912
Advertisement & Sales Promotion	31,944,950	18,855,185
Sample Distribution	19,126,676	14,047,826
Incentive to Field Force	15,208,925	10,090,033
Travelling and conveyance Field Staff (Incl. Hotel)	34,068,287	32,592,334
Excise Duty	4,235,202	4,206,937
Total	**267,114,316**	**184,995,136**
Schedule – T RESEARCH AND DEVELOPMENT EXPENSES		
Remuneration of R & D staff	30,562,448	20,378,466
R & D Expenses	29,434,743	16,919,220
Material used for Development of new products	43,130,100	34,905,563
R & D Consumables	7,656,250	5,206,170
Total	**110,783,541**	**77,409,419**

Schedules forming part of the Consolidated Balance Sheet & Profit and Loss Account

(Amount in ₹)

	As on 31.03.2010	As on 31.03.2009
Schedule – U MISCELLANEOUS EXPENDITURE WRITTEN OFF		
Preliminary / Public Issue Expenses	50,100	50,100
FCCB issue Expenses	2,363,863	2,363,863
Research & Development written off	7,157,973	7,932,339
Seed Capital Marketing written off	3,146,914	3,781,047
Total	12,718,850	14,127,349

Schedule – V SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A) SIGNIFICANT ACCOUNTING POLICIES

I) The consolidated financial statements relate to Venus Remedies Limited ('the Company') and its subsidiary "Venus Pharma GmbH" ('the Subsidiary'). The consolidated financial statements have been prepared on the following basis:

a) The financial statements of the Company and its subsidiary company are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard(AS)21-"Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

b) In case of foreign subsidiary, being non-integral foreign operations, revenue items and assets and liabilities are consolidated at the closing rate prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the exchange fluctuation reserve.

c) The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as Goodwill or Capital Reserve as the case may be.

d) The difference between the proceeds from disposal of investment in a subsidiary and the carrying amount of its assets less liabilities as of the date of disposal is recognised in the consolidated statement of Profit and loss account as the profit or loss on disposal of investment in subsidiary.

e) Minority interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to share holders of the company.

f) In case of associated companies where the company directly or indirectly through subsidiaries holds more than 20% of equity, Investments in associates are accounted for using equity method in accordance with accounting Standard (AS) 23-"Accounting for investments in associates in consolidated financial statements "issued by the Institute of Chartered Accountants of India.

g) The Company accounts for its share in the change in the net assets of the associates, post acquisition, after eliminating unrealized profits and losses resulting from transactions between the Company and its associated to the extent of its share, through its profit and loss account to the extent such change is attributable to the associated' profit and loss account and through its reserves for the balance, based on available information.

h) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

2. Investment other than in subsidiaries and associates have been accounted as per Accounting Standard (AS-3) on "Accounting for Investments".

3. Other significant accounting policies
These are set out under "Significant Accounting Policies" as given in the Unconsolidated Financial Statements of Venus Remedies Limited and its subsidiary.

B) CONSOLIDATED NOTES ON ACCOUNTS

1. The figures for the previous year have been re-grouped / re-arranged / re-cast wherever necessary to make it comparable in the books of parent company and subsidiary company.

2. Director's Remuneration
In the books of Parent company

(Amount in ₹)

	Current Year	Previous Year
Salary (Gross)	93,84,000	77,16,000
Perquisites including Allowances	2,64,096	4,53,415
Sitting Fee	1,16,971	97,500
	97,65,067	82,66,915

Schedule – V SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

3. Auditor's Remuneration *(Amount in ₹)*

	Current Year	Previous Year
Statutory Audit Fees	4,90,000	4,25,000
Tax Audit Fee	85,000	75,000
Management Matters	3,45,000	3,00,000
Add : Service tax	59,225	51,500
Total	**9,79,225**	**8,51,500**

4. In the books of Parent company a sum of ₹ 82,998 (Previous Year ₹ NIL). Maximum outstanding during the year ₹ 4,18,055/- (Previous year ₹ 5,68,030/-) is due from Directors of the company being imprest for travelling, conveyance and other charges.

5. In parent company Fixed deposits with banks of ₹ 87,90,000.00 (previous year ₹ 56,44,235) are pledged as Margin Money with banks.

6. In the books of Parent company Expenses includes ₹ 76,100/- (P/Y ₹ 1,79,630-) as expenses relating to previous years.

7. In the books of Parent company Income includes ₹ 600/- (P/Y ₹ NIL) as income related to previous year.

8. In the books of Subsidiary Company a sum of € 21,092 is recorded as Prior Period Expenses as it was not recorded in previous year due to some clerical mistake.

9. a) In the Parent company disclosure as required by AS-18 (Related Party) issued by ICAI.

Related Party	Relationship	Nature of Transaction	Amount of Transaction
Mr. Pawan Chaudhary	Chairman cum Managing Director	Remuneration Paid	₹ 41,40,000
Mrs. Manu Chaudhary	Joint Managing Director	Remuneration Paid	₹ 27,60,000
Mr. Peeyush Jain	Deputy Managing Director	Remuneration Paid	₹ 13,80,000
Mr. Ashutosh Jain	Executive Director	Remuneration Paid	₹ 11,04,000
Sunev Pharma Solutions	Mr Pawan Chaudhary	Loan accepted	₹ 2,30,00,000
	Common director	Interest paid	₹ 15,92,548
		Purchases	₹ 97,69,617

10. The Parent company has carried on making investments in its Intellectual Property Rights Wealth. In result of the IPR Investments in previous years company has got patents of its Research products like Salbactomax, Potentox, Tobracef, Aceclofenac in many countries. This year company has filed many patents in different Countries for its Research products and has successfully out licensed salbactomax to a Korean company. The Company has got Market Authorization from Portugal and added one more product to its high potency research product basket called Mebatic. To maintain the quality standard and further improvement in quality of products, company is making investment for automisation of its existing Plant & Machinery, Equipments and other quality instruments. In result of huge past and present investment in R&D Pilot Plant and equipments, the R&D wing of the company is day by day giving new products to the company and has also got approval from Department of Scientific & Industrial Research, New Delhi under Section 35(2AB) of Income tax Act 1961. This will enhance the financial benefits to company and further accelerate the R & D efforts & activities of the company.

11. The Parent company operates only in one business segment viz. "Pharmaceutical Formulation" and is engaged in manufacturing and trading of medicines. Since in the opinion of management, the inherent nature of activities engaged by the company are governed by the same set of risks and rewards, so these have been grouped and identified as a single segment in accordance with the Accounting Standard on Segment Reporting (AS-17) issued by ICAI.

12. In the opinion of the board, and to the best of their knowledge and belief, the value on realisation of the current assets, loans & advance shown in the Balance Sheet in the ordinary course of business will be at least equal to the amount at which they are stated in the Balance Sheet and provision for all known and determined liabilities has been made.

13. The wholly Owned Subsidiary "Venus Pharma GmbH" was operated at Werne, Germany, Accordingly, the Balance Sheet of Wholly Owned Subsidiary has been consolidated along with the Present Company in accordance with the Accounting Standard on Consolidated Financial Statement" (AS-21).

14. The Parent Company and their bondholders had arrived at an agreement for settlement of FCCBs of US$ 14 million

Schedule – V SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

(Including interest of US$ 2 million). According to the agreement US$ 9 million was to be paid in cash and US$ 5 million was to be rollover for a period of 5 years. As per the convenience of both the parties US$ 9 million has been paid. The company has also received approval of Reserve Bank of India for the rollover of FCCBs of US$ 5 million for a period of five years. With this, the entire issue of FCCB has been fully and finally settled with the FCCB holders.

15. Some of suppliers of material have been identified as small scale industrial undertaking on the basis of information available with the company. However none of these parties has an outstanding credit balance exceeding ₹ 1,00,000.00 as on 31.03.2010.

16. **Contingent Liabilities:** (Not provided for in the books of accounts of Parent Company)

		Current Year	Previous Year
a)	Letter of Credit / Bank Guarantees-Inland	423.01 Lacs	219.90 Lacs
b)	Bank Guarantee Foreign	73.42 Lacs	6.25 Lacs
c)	Letter of Credit Foreign	248.74 Lacs	257.12 Lac

17. During the year, both the parent & subsidiary company has undertaken a review of all fixed assets in line with the requirements of AS-28 on "Impairment of Assets" issued by the Institute of Chartered Accountant of India. Based on such review, no provision for impairment is required to be recognised for the year.

18. The figures in the Balance Sheet and Profit & Loss Account for the year have been rounded off to nearest multiple of ₹.

19. In the books, Parent company has provided for gratuity and leave encashment as per valuation which was done as required under accounting standard (AS-15) "accounting for retirement benefits". Whereas in subsidiary the Employee law prevailing in the state are complied with.

20. For Parent company Additional information pursuant to the provision of paragraph 3, 4C & 4D of Part II of schedule VI of the Companies Act, 1956. (as certified by the management)

		2009-10	2008-09
i)	Licensed Capacity	N.A.	N.A
ii)	Installed Capacity (as certified by management)		
	Anti Cancer Injectables	45 Lacs p.a	45 Lacs p.a
	Dry powder Lyophilized Injectables	10 Lacs p.a.	10 Lacs p.a
	Dry powder Injectables	240 Lacs p.a.	240 Lacs p.a
	Dry powder Carbapenem Injectables	75 Lacs. p.a.	75 Lacs. p.a
	SVPS (Ampoules)	125 Lacs p.a.	125 Lacs p.a
	SVPS (VIALS)	125 Lacs p.a.	125 Lacs p.a
	Harmones Injectable	60 Lacs p.a	60 Lacs p.a
	Injections in Prefilled Syringes	30 Lacs p.a	30 Lacs p.a
	LVPS (I/V Fluids)	75 Lacs p.a	75 Lacs p.a

iii) **Detail of Production / purchases , Sales and Closing Stock for the year 2009-10**

Sl. No.	Group	Unit	Year	Prod/Per Qty	Opening Stock Qty	Opening Stock Value	Closing Stock Qty	Closing Stock Value	Sales Qty	Sales Value
1.	I.V Fluids	NOS	2009-10	4,681,452	148,888	5,920,826	212,348	11,191,531	4,617,992	337,293,438
			2008-09	4,511,248	110,884	4,104,028	148,888	5,920,826	4,473,244	267,260,378
2.	Anti- Cancer	NOS	2009-10	448,706	50,000	18,503,925	67,324	24,482,920	431,382	853,609,472
			2008-09	310,317	89,683	12,737,046	50,000	18,503,925	350,000	567,958,535
3.	Dry Powders	NOS	2009-10	10,855,174	951,228	77,223,000	1,018,453	78,478,421	10,787,949	1,115,329,358
			2008-09	10,383,693	1,456,999	44,021,635	951,228	77,223,000	10,889,464	1,321,537,824
4.	S.V.P (Injections/ Amp/PFS)	NOS	2009-10	8,218,060	671,374	15,512,487	1,017,664	34,384,234	7,871,770	393,711,779
			2008-09	7,322,673	872,085	6,823,033	671,374	15,512,487	7,523,384	366,366,387
5.	Others	NOS	2009-10	12,488,046	692,901	10,078,332	697,969	15,430,785	12,482,978	396,556,324
			2008-09	4,946,100	584,783	6,555,317	692,901	10,078,332	4,837,982	122,025,802
	Total		**2009-10**	**36,691,438**	**2,514,391**	**127,238,570**	**3,013,758**	**163,967,891**	**36,192,071**	**3,096,500,371**
			2008-09	**27,474,030**	**3,114,434**	**74,241,059**	**2,514,391**	**127,238,570**	**28,074,074**	**2,645,148,926**

Schedule – V SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

iv) Detail of Raw Material Consumption

Sl. No.	Particulars	2009-10		2008-09	
		Quantity (in Kgs)	Value (in ₹)	Quantity (in Kgs)	Value (in ₹)
1.	Anti – Biotics/Anti –Bacterial	10,050.40	121,725,113	9,347.47	119,514,102
2.	Anti- Inflammatory/Analgesics	12,313.68	49,526,953	11,559.97	47,644,976
3.	Osmotic Diuretics	142,105.02	52,658,790	131,578.72	50,657,807
4.	Anti –Blood Coagulant	1,829.07	17,692,696	1,749.97	15,622,000
5.	Cephalosporins/FDC	46,134.90	630,854,687	42,633.81	620,492,463
6.	Carbapenem	458.19	114,311,062	433.69	116,643,941
7.	Anti- Cancer	38.37	150,091,087	35.99	147,989,634
8.	Other Material	–	246,448,221	–	127,448,885
9.	Packing Material	–	438,695,790	–	339,679,280
		212,929.63	1,822,004,399	197,339.62	1,585,693,088

v) CIF Value of Imports

Particulars	Currency	Current Year	Previous Year
Raw Material	₹	253,596,045	219,809,489
Capital Goods	₹	6,344,746	11,221,870

vi) Expenditure in Foreign Currency

Particulars	Currency	Current Year	Previous Year
Salary/Incentive	US$	31450	24222
Travelling	US$	23900	4082
	€	Nil	909
	£	5200	Nil
Regulatory Fee for patent/Product & Plant	US$	1756140	2767880
Registration /Export registration	€	76700	259440
	¥	680020	1416800
	£	Nil	1035
Bank charges	US$	Nil	5500
Exhibition Expenses	US$	1180	1950
	€	45234	Nil
Remittance on account of Dividend	US$	1614	2286
Subscription	US$	3966	1134
Commission	US$	183750	Nil
Directors Sitting Fee	€	76	Nil

vii) Earning in Foreign Exchange

Particulars	Currency	Current Year	Previous Year
Value of Export	US$	19,880,323	13,705,870
	€	651,085	54,079

viii) Research & Development

	Current Year	Previous Year
a) Capital Expenditure	₹ 362,403,112	₹ 308,774,165
b) Revenue Expenditure	₹ 110,783,541	₹ 77,409,418

Auditors' Report
In terms of our separate report of even date annexed hereto.

For **J.K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

For and on behalf of the Board of Directors

(J.K. Jain)
Partner
Membership No. 083140

(Peeyush Jain)
Deputy Managing Director

(Pawan Chaudhary)
Chairman cum Managing Director

Place: Panchkula
Dated: July 31, 2010

(Nidhi Singla)
Company Secretary

(Ajeet Kapoor)
AGM (Accounts)

Consolidated Balance Sheet Abstract and Company's General Business Profile

As per Schedule VI, Part IV of the Companies Act, 1956

I. Registration Details

Registration No.	9705	State Code	53
Balance Sheet Date	31 (Date) 03 (Month) 2010 (Year)		

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

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	199

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

Total Liabilities	3281383	Total Assets	3281383

Sources of Funds

Paid–up Capital	0084920 *	Reserves & Surplus	1626898 **
Secured Loans	0916652	Unsecured Loans	0577251

*Includes Advance against Share Capital

**Includes Deferred Tax Liability & Deferred Employee Compensation Fund against ESOS

Application of Funds

Net Fixed Assets	2294970	Investments	0000000
Net Current Assets	0967151	Misc. Expenditure (Net)	0010672
Accumulated Losses	NIL		

IV. Performance of the Company *(Amount in ₹ Thousands)*

Turnover *(including other income)*	3146116	Total Expenditure	2557640
Profit/Loss before Tax	0463785	Profit/Loss after Tax	0395589
Earning per share in ₹	46.69	Dividend Rate (%)	30

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

ITC Code No. (ITC Code)	NOT APPLICABLE
Product Description	PHARMACEUTICAL FORMULATIONS

Auditors' Report

In terms of our separate report of even date annexed hereto.

For **J.K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

For and on behalf of the Board of Directors

(J.K. Jain)
Partner
Membership No. 083140

(Peeyush Jain)
Deputy Managing Director

(Pawan Chaudhary)
Chairman cum Managing Director

Place: Panchkula
Dated: July 31, 2010

(Nidhi Singla)
Company Secretary

(Ajeet Kapoor)
AGM (Accounts)

Consolidated Cash Flow Statement For the period ended March 31, 2010

(Amount in ₹ thousand)

Particulars	2009-10	2008-09
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax & extraordinary items	463,785	476,767
Adjustment for Depreciation	124,691	52,201
Adjustment for FBT	–	(3,335)
Expenses Amortised	12,719	14,127
Adjustment for excess mat tfd. to General Reserve of previous years	(15,114)	
Interest Received	(83)	(332)
Deferred Employee Compensations	1,808	1,726
Operating Profit before working capital changes	**587,806**	**541,154**
Adjustments for increase /decrease in Current Assets	(148,353)	(275,431)
Decrease / Increase in Current Liabilities/ Provisions	(122,622)	(72,447)
Extraordinary Items		(3,778)
Net Cash Flow from Operating Activities (A)	**316,831**	**189,498**
B) CASH FLOW FROM INVESTMENT ACTIVITIES		
Sale/Purchase of Fixed Assets Including		
Capitalisation of Expenses (NET)	(512,220)	(569,952)
Increase/ Decrease in Capital work in progress	(15)	5,757
Sale/Purchase of Investment	–	–
Interest Received	83	332
Net Cash Flow from Investing Activities (B)	**(512,152)**	**(563,863)**
C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	189	199
Proceeds from Long Term Borrowing(Net)	25,359	198,344
Proceeds from Short term Borrowing(Net)	152,592	160,117
Exchange Fluctuation	25,241	20,301
Net Cash from Financing Activities (C)	**203,381**	**378,961**
Net Increase in Cash & Cash Equivalents (A+B+C)	**8,060**	**4,596**
Cash & Cash Equivalents as at 31.03.2010	**23,980**	**–**
Cash & Cash Equivalents as at 31.03.2009	**–**	**15,920**

Auditors' Report

In terms of our separate report of even date annexed hereto.

For **J.K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

For and on behalf of the Board of Directors

(J.K. Jain)
Partner
Membership No. 083140

(Peeyush Jain)
Deputy Managing Director

(Pawan Chaudhary)
Chairman cum Managing Director

Place: Panchkula
Dated: July 31, 2010

(Nidhi Singla)
Company Secretary

(Ajeet Kapoor)
AGM (Accounts)

Auditors' Certificate

We have verified the above Cash Flow Statement of M/s. Venus Remedies Limited for the year ended on 31st March, 2010 from the books and records maintained by the Company and have found it in accordance therewith.

For **J. K. Jain & Associates**
Chartered Accountants
Firm Registration No. 004025N

(J. K. Jain)
Partner
Membership No. 083140

Place : Panchkula
Date : July 31, 2010