



FREDUN PHARMACEUTICALS LIMITED

**22ND ANNUAL REPORT
2008-2009**

FREDUN PHARMACEUTICALS LIMITED

1. **BOARD OF DIRECTORS**
 - Dr. (Mrs) Daulat N. Medhora
Chairperson cum Joint
Managing Director
 - Mr. Nariman B. Medhora
Managing Director
 - Late Mr. Rustam S. Tirandaz (upto 27.01.09)
 - Dr. Aspi N. Raimalwala
 - Mr. Fredun N. Medhora
2. **AUDITORS**
 - V. D. Khandekar and Co.
Chartered Accountants
101. Bhagirati Niwas,
Bhawani Shankar Road,
Dadar (W), Mumbai-400028
3. **BANKERS**
 - Bank of Baroda
IDBI Bank
Dena Bank
4. **FACTORY**
 - 14,15,16, Zorabian Industrial Complex,
Veoor, Palghar (East) -401404
District- Thane.
5. **REGISTRAR & TRANSFER
AGENTS & CUSTODIAN
OF SHARES**
 - Purva Sharegistry Pvt. Ltd.
33, Printing House,
28-D, Police Court Lane,
Behind old Handloom House. Fort.
Mumbai - 400001
6. **REGISTERED OFFICE**
 - 26, Manoj Industrial Premises
G.D. Ambekar Marg, Wadala
Mumbai -400031.

FREDUN PHARMACEUTICALS LIMITED

Registered Office : 26, Manoj Industrial Premises, G.D. Ambekar Marg,
Wadala, Mumbai – 400 031.

NOTICE

Notice is hereby given that the 22nd Annual **General Meeting** of the members of FREDUN PHARMACEUTICALS LIMITED will be held on Wednesday the 30th September 2009 at 11.00 a.m. at Mumbai Marathi Granthasangrahalay , 172 Mumbai Marathi Granthasangrahalay Marg, Naigaon, Mumbai- 400 014 to transact the following business:

ORDINARY BUSINESS :

1. To consider, approve and adopt the audited accounts, the Balance Sheet for 31st March 2009 and Profit and Loss Account for the year ended on that date and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Aspi Raimalwala who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

4. To consider and if thought fit, to pass with or without modifications the following Resolution as an Ordinary Resolution :

“RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions , if any, of The Companies Act, 1956 Dr. C.K. Shah who was appointed as an Additional Director of the Company and who ceases to hold the office as per the provisions of Section 260 of The Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the company has received a notice in writing proposing his candidature for the office of the Director as per the provisions of Section 257 of The companies Act, 1956 be and is hereby appointed as the Director of the company , liable to retire by rotation.”

5. To consider and if thought fit , to pass with or without modifications the following Resolution as an Ordinary Resolution :

“RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions , if any, of The Companies Act, 1956 Mr. P.R. Ramaswamy who was appointed as an Additional Director of the Company and who ceases to hold the office as per the provisions of Section 260 of The Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the company has received a notice in writing proposing his candidature for the office of the Director as per the provisions of Section 257 of The companies Act, 1956 be and is hereby appointed as the Director of the company , liable to retire by rotation.”

6. To consider and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution.

“RESOLVED THAT” in accordance with the provisions of Section 269,198,309,310 and Schedule XIII and other applicable provisions, if any, the Company hereby approves the re-appointment of Mr. Nariman Medhora as the Managing Director of the Company for the period of 5 years i.e. from 1st day of January 2010 upto 31st day of December 2014 upon such terms and conditions including remuneration as set out below:

- a) Salary : At the Rate of Rs. 30,000/- per month.
- b) Perquisites :

CATEGORY – A

- i) Housing : The expenditure incurred by the Company on hiring unfurnished accommodation subject to less than 60% of the salary.
- ii) Electricity Gas etc at the place of residence : The Company shall pay and or reimburse all the expenses for gas and electricity at the residence up to the limit of Rs. 36,000/- p.a.
- iii) Medical Expenses : The Company shall Pay and/ or reimburse all expenses incurred for himself and for his family subject to the ceiling of one month’s salary in a year or three months salary over the period of three years , subject to taxability as per Income Tax Act 1961.
- iv) Leave Travel Concession : The Company shall Pay and / or reimburse Travel Expenses incurred, while on leave, for himself and his family, once in a year in accordance with any rules specified by the Company, subject to taxability.
- v) Club Fees : The Company shall pay fees of clubs (excluding admission and life membership fees) subject to the maximum of two clubs.
- vi) Personal Accident Insurance : The Company shall take out a Personal Accident Insurance in the name of Mr. Nariman B. Medhora making himself and his nominees the beneficiary for an amount, the premium of which shall not exceed Rs. 4000/- per annum.

Note: For the purpose of perquisites stated herein above, family means the spouse, the dependent children and the dependent parents of the Managing Director.

CATEGORY- B

- i) The Company shall contribute for him to Provident Fund in accordance with Rules and Regulations of the Company. Such contributions will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-tax Act.
- ii) Gratuity at a rate not exceeding half a month salary for each completed year of service.

CATEGORY C :

- i) Motor Car : The company shall provide a cost free use of a Company owned and maintained chauffeur driven car on full time basis.
- ii) Telephone : The Company shall provide cost free use of telephone facilities at the residence (however the personal long distance trunks calls/STD/ISD calls to be borne and reimbursed by Mr. Nariman B. Medhora to the Company.

The provision of car and telephone will not be considered as perquisite.

- 1) The terms and conditions of the appointment of the Managing Director may be altered and varied from time to time by the Board as the Board of Directors may consider necessary and deem fit, so as not to exceed the limits prescribed in part II of Schedule XIII of the Companies Act, 1956 or any statutory modification or re-enactments thereof.
 - 2) Notwithstanding, where in any financial year during the currency of tenure of the Managing Director, the Company has no profits or are inadequate, it may continue to pay him remuneration by way of salary and perquisites as above, as minimum remuneration, subject to schedule XIII of The Companies Act, 1956.
 - 3) The Managing Director shall be entitled to leave in accordance with rules of the Company. Leave accumulated but not availed of at the time of leaving the services of the Company on any grounds shall be allowed to be encashed. This will not be considered as a perquisite.
 - 4) The appointment of Mr. Nariman Medhora as the Managing Director may be terminable by either party by giving Two months notice in writing.
 - 5) Disputes between the Company and the Managing Director or with the heirs or with the legal representatives may be settled by Arbitration under the INDIAN ARBITRATION ACT, 1940.
 - 6) Apart from the aforesaid remuneration, the Managing Director shall also be entitled to reimbursement of entertainment and other expenses actually incurred by him in the course of and for the purpose of the Company's business.
 - 7) The Managing Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or committee thereof.
 - 8) The Managing Director shall not become interested or otherwise concerned directly or through his wife or through his minor children in any selling agency of the Company except with the consent of the Company as per the provisions of the law in force as applicable to the Company.
7. To consider and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution.

“RESOLVED THAT” in accordance with the provisions of Section 269, 198, 309, 310 and Schedule XIII and other applicable provisions, if any, the Company hereby approves the re-appointment of Dr. (Mrs.) D. N. Medhora as the Jt. Managing Director of the Company for the period of 5 years i.e. from 1st day of January 2010 upto 31st day of December 2014 upon such terms and conditions including remuneration as set out below:

- a) Salary : At the Rate of Rs. 30,000/- per month.
- b) Perquisites :

CATEGORY – A

- i) Housing : The expenditure incurred by the company on hiring unfurnished accommodation subject to less than 60% of the salary.
- ii) Electricity Gas etc at the place of residence : The company shall pay and or reimburse all the expenses for gas and electricity at the residence up to the limit of Rs. 36,000/- p.a.

- iii) Medical Expenses : The Company shall Pay and/ or reimburse all expenses incurred for herself and for her family subject to the ceiling of one month's salary in a year or three months salary over the period of three years , subject to taxability as per Income Tax Act 1961.
- iv) Leave Travel Concession : The Company shall Pay and / or reimburse Travel Expenses incurred, while on leave, for herself and her family, once in a year in accordance with any rules specified by the Company, subject to taxability.
- v) Club Fees : The company shall pay fees of clubs (excluding admission and life membership fees) subject to the maximum of two clubs.
- vi) Personal Accident Insurance : The company shall take out a personal Accident Insurance in the name of Dr(Mrs). D.N. Medhora making herself and her nominees the beneficiary for an amount, the premium of which shall not exceed Rs. 4000/- per annum.

Note: For the purpose of perquisites stated herein above, family means the spouse, the dependent children and the dependent parents of the Jt. Managing Director.

CATEGORY- B

- i) The Company shall contribute for her to Provident Fund in accordance with Rules and Regulations of the Company. Such contributions will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-tax Act.
- ii) Gratuity at a rate not exceeding half a month salary for each completed year of service.

CATEGORY C :

- i) Motor Car : The company shall provide a cost free use of a company owned and maintained chauffeur driven car on full time basis.
- ii) Telephone : The company shall provide cost free use of telephone facilities at the residence (however the personal long distance trunks calls/STD/ISD calls to be borne and reimbursed by Dr (Mrs). D.N. Medhora to the company.

The provision of car and telephone will not be considered as perquisite.

- 1) The terms and conditions of the appointment of the Jt. Managing Director may be altered and varied from time to time by the Board as the Board of directors may consider necessary and deem fit, so as not to exceed the limits prescribed in part II of Schedule XIII of the Companies Act, 1956 or any statutory modification or re-enactments thereof.
- 2) Notwithstanding, where in any financial year during the currency of tenure of the Jt. Managing Director, the Company has no profits or are inadequate, it may continue to pay her remuneration by way of salary and perquisites as above, as minimum remuneration, subject to schedule XIII of the Companies Act, 1956.
- 3) The Jt. Managing Director shall be entitled to leave in accordance with rules of the Company. Leave accumulated but not availed of at the time of leaving the services of the Company on any grounds shall be allowed to be encashed. This will not be considered as a perquisite.

- 4) The appointment of Dr(Mrs) D.N. Medhora as the Jt. Managing Director may be terminable by either party by giving Two months notice in writing.
 - 5) Disputes between the Company and the Jt. Managing Director or with the her heirs or with the legal representatives may be settled by Arbitration under the INDIAN ARBITRATION ACT,1940.
 - 6) Apart from the aforesaid remuneration, the Jt. Managing Director shall also be entitled to reimbursement of entertainment and other expenses actually incurred by her in the course of and for the purpose of the Company's business.
 - 7) The Jt. Managing Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or committee thereof.
 - 8) The Jt. Managing Director shall not become interested or otherwise concerned directly or through her husband or through her minor children in any selling agency of the company except with the consent of the Company as per the provisions of the law in force as applicable to the Company.
8. To consider and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution.

“RESOLVED THAT” in accordance with the provisions of Section 269,198,309,310 and Schedule XIII and other applicable provisions, if any, the Company hereby approves the appointment of Mr. Fredun Medhora as the Whole Time Director of the Company for the period of 5 years i.e. from 1st day of September 2009 upto 31st day of August 2014 upon such terms and conditions including remuneration as set out below:

- a) Salary : At the Rate of Rs. 30,000/- per month.
- b) Perquisites :

CATEGORY – A

- i) Medical Expenses : The Company shall Pay and/ or reimburse all expenses incurred for himself and for this family subject to Rs. 10,000/- per year, subject to taxability as per Income Tax Act 1961.
- ii) Leave Travel Concession : The Company shall Pay and / or reimburse Travel Expenses incurred, while on leave, for himself and his family, once in a year in accordance with any rules specified by the Company, but the amount should not exceed Rs.15,000/- per year subject to taxability.

Note: For the purpose of perquisites stated herein above, family means the spouse, the dependent children and the dependent parents of the Whole Time Director.

CATEGORY- B

- i) The Company shall contribute for him to Provident Fund in accordance with Rules and Regulations of the Company. Such contributions will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-tax Act.
- ii) Gratuity at a rate not exceeding half a month salary for each completed year of service.

- 1) The terms and conditions of the appointment of the Whole Time Director may be altered and varied from time to time by the Board as the Board of directors may consider necessary and deem fit, so as not to exceed the limits prescribed in part II of Schedule XIII of the Companies Act, 1956 or any statutory modification or re-enactments thereof.
- 2) Notwithstanding, where in any financial year during the currency of tenure of the Whole Time Director, the Company has no profits or are inadequate, it may continue to pay him remuneration by way of salary and perquisites as above, as minimum remuneration, subject to schedule XIII of the Companies Act, 1956.
- 3) The Whole Time Director shall be entitled to leave in accordance with rules of the Company. Leave accumulated but not availed of at the time of leaving the services of the Company on any grounds shall be allowed to be encashed. This will not be considered as a perquisite.
- 4) The appointment of Mr. Fredun Medhora as the Whole Time Director may be terminable by either party by giving Two months notice in writing.
- 5) Disputes between the Company and the Whole Time Director or with the heirs or with the legal representatives may be settled by Arbitration under the INDIAN ARBITRATION ACT, 1940.
- 6) Apart from the aforesaid remuneration, the Whole Time Director shall also be entitled to reimbursement of entertainment and other expenses actually incurred by him in the course of and for the purpose of the Company's business.
- 7) The Whole Time Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or committee thereof.
- 8) The Whole Time Director shall not become interested or otherwise concerned directly or through his wife or through his minor children in any selling agency of the company except with the consent of the Company as per the provisions of the law in force as applicable to the Company.

By Order of the Board

For Fredun Pharmaceuticals Limited

Nariman Medhora
Managing Director

Place : Mumbai

Date : 30th June 2009

Registered Office:

26, Manoj Industrial Premises, G.D. Ambekar Marg,
Wadala, Mumbai – 400 031.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY, A PROXY FORM TO BE EFFECTIVE MUST BE LODGED WITH THE REGISTERED OFFICE OF THE COMPANY ATLEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
 2. *Members attending the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall. Attendance at the Annual General Meeting will not be allowed without production of the attendance slip duly signed.*
 3. The Register of Members and Share Transfer Books of the Company will remain closed from 24th September 2009 to 30th September 2009 both days inclusive for the purpose of the Annual General Meeting.
 4. Members seeking any information with regard to accounts are requested to write to the Company early so as to enable the Management to keep the information ready.
 5. An Explanatory statement related to the special business is annexed herewith.
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ANNEXURE TO NOTICE :

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

Item No 4 & 5

Dr. C. K. Shah and Mr. P.R. Ramaswamy have been appointed as the Additional Directors of the Company w.e.f. 15th September 2009 and they will hold the office until the ensuing Annual General Meeting. The Company has already received necessary notices in writing from some of the members of the Company proposing the candidatures of Dr. C. K. Shah and Mr. P.R. Ramaswamy for the office of the Directors of the Company as the provisions of Section 257 of The Companies Act, 1956 along with the requisite deposit amounts.

Your Directors recommend the aforesaid resolutions under item no 4 and 5 of the notice for your approval.

Dr. C. K. Shah and Mr. P.R. Ramaswamy are deemed to be concerned in the respective resolutions pertaining to their respective appointments. None of the other Directors of the Company is in any way concerned or interested in the said resolutions.

Item No 6 & 7

The Board of Directors of the Company have decided to re-appoint Mr. Nariman Medhora and Dr(Mrs).D.N. Medhora as the Managing Director and Jt. Managing Director respectively of the Company with effect from 1st January 2010 for the period of 5 years on salary and monetary benefits for the period of five years i.e. from 1st day of January 2010 upto 31st day of December 2014 .

The draft agreements to be entered into between the Company and Mr.Nariman Medhora and Dr (Mrs). D. N. Medhora and the remuneration to be paid on their appointments, are placed for the approval of the Members.

The total remuneration payable to Mr. Nariman Medhora and Dr(Mrs).D. N. Medhora shall be subject to the provisions of Schedule XIII of The Companies Act, 1956.

The copy of the draft agreements to be entered into by the Company with Mr. Nariman Medhora and Dr(Mrs).D. N. Medhora is open for inspection by Members at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working days except Saturday and Holidays.

Mr. Nariman Medhora and Dr(Mrs). D. N Medhora are interested in the resolution pertaining to their respective appointments and Mr. Fredun Medhora is also interested in the resolutions related to the re-appointments of Mr. N.B. Medhora and Dr(Mrs).D.N. Medhora as they are related to him . No other Director is interested in these Resolutions.

The resolutions are set out at item No. 6 & 7 of the accompanying notice and accordingly the Board recommends the same for the approval of the Shareholders.

Item No. 8

The Board of Directors of the Company have decided to appoint Mr. Fredun Medhora as the Whole Time Director of the Company on salary and monetary benefits with effect from 1st September 2009 for the period of 5 years i.e. from 1st day of September 2009 upto 31st day of August , 2014.

The draft agreement to be entered into between the Company and Mr. Fredun Medhora and the remuneration to be paid on his appointment, is placed for the approval of the Members.

The total remuneration payable to Mr. Fredun Medhora shall be subject to the provisions of Schedule XIII of The Companies Act, 1956.

The copy of the draft agreement to be entered into by the Company with Mr. Fredun Medhora is open for inspection by Members at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working days except Saturday and Holidays.

Mr. Fredun Medhora himself is interested in the Resolution to the extent of the remuneration payable to him as well as Mr. Nariman Medhora and Dr.(Mrs.) D. N Medhora are also interested in the resolution of Mr. Fredun Medhora as they are related to him . No other Director is interested in this Resolution.

The resolution is set out at item No. 8 of the accompanying notice and accordingly the Board recommends the same for the approval of the Shareholders.

By Order of the Board
For Fredun Pharmaceuticals Limited

Nariman Medhora
Managing Director

Place : Mumbai
Date : 30th June 2009

Registered Office:
26, Manoj Industrial Premises, G.D. Ambekar Marg,
Wadala, Mumbai – 400 031.

REPORT OF THE BOARD OF DIRECTORS

To,
The Members
Fredun Pharmaceuticals Limited

Yours Directors are pleased to present the 22nd Annual Report of your Company together with the Audited statement of Accounts for the financial year ended 31st March, 2009

1. FINANCIAL RESULTS:

	Financial Year	
	2008-09 (Rs.In Lacs)	2007-08 (Rs.In Lacs)
(i) Turnover of sales & Other Income	416.05	481.26
(ii) Total Expenditure	349.20	426.64
(iii) Profits (+) Loss (-) before Depreciation & Amortisation	66.85	54.62
(iv) Amortisation of Deferred revenue expenditure	--	--
(v) Profits (+) Loss(-) before Depreciation	66.85	54.62
(vi) Interest	33.00	24.49
(vii) Depreciation	22.29	20.18
(viii) Profit (+) / Loss (-) before extra- ordinary/ exceptional items	11.56	9.95
(ix) Extra- ordinary / Exceptional Items	(0.60)	(2.87)
(x) Profit (+) / Loss (-) before Tax	10.96	7.08
(xi) Less: Provision for Taxation (Current Tax) & (deferred tax)	4.76	(1.45)
(xii) Profit (+) / Loss (-) after tax	6.20	8.53
(xiii) Profit (+) / Loss (-) of Previous Year	22.88	14.35
(xiv) Net Profit (+) / Net Loss (-)	29.08	22.88
Proposed preference Dividend	4.00	--
Net profit	25.08	22.88

2. **DIVIDEND:** To conserve the resources, your Directors have decided not to recommend any dividend on the Equity shares of the Company, however, as per the terms of the issue of Preference shares, the dividend on preference shares is required to be considered and the necessary provision for the dividend has been made. However the dividend has not been recommended and declared.
3. **OPERATIONS AND FUTURE OUTLOOK:** During the financial year ended 31st March 2009 the sales turnover of the company was to the extent of Rs. 416.05 lacs as against Rs. 481.26 lacs in the previous year. The profit before depreciation was Rs. 33.85 Lacs as against Rs. 30.13 Lacs in the previous year, and the net profit for the year of Rs. 6.20 lacs was carried to the Balance Sheet.

The Turnover for the current year was slightly less compared to the last year, however your Company is on the growth path as it has good export orders on hand. The outlook for the year seems to be promising.

4. AUDITORS: The Members are requested to appoint the Auditors for the current year and to fix their remuneration. The Company's retiring Auditors M/s V.D.Khandeker and Co. Chartered Accounts retire at the forthcoming Annual General Meeting and are eligible for reappointment.

5. DIRECTORS :

Mr. Aspi Raimalwala a Director of the Company retires by rotation at the ensuing Annual General Meeting and offers himself for re-appointment as per the Articles of Association.

The Board of Directors of the Company have decided to appoint Dr. C. K. Shah and Mr. P.R. Ramaswamy as the Directors of the Company who are liable to retire by rotation subject to the approval of the members at the ensuing Annual General Meeting.

The Board of Directors of the Company have decided to reappoint Mr. N.B Medhora and Dr (Mrs) D.N. Medhora as the Managing Director and Joint Managing Director of the Company respectively.

The Board of Directors of the Company has decided to appoint Mr. Fredun Medhora as the Whole Time Director of the Company.

During the year under review Mr. Rustam S. Tirandaz a Director of the Company expired on 27th January 2009. The Directors express their sorrowful feelings, sentiments and shock at the unfortunate demise of Mr Rustam .S. Tirandaz. The Society, business community and the Company in particular have suffered an irreparable loss in his death.

The Board of Directors place on record their warm and sincere appreciation of the active services, wise counsel and able guidance rendered by Late Mr. Rustam Tirandaz over a long period during his tenure as the Director of the Company.

6. RESONSIBILITY STATEMENT PURSUANT SECTION 217(2AA) OF THE COMPANIES ACT, 1956

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby confirms.

1. In the preparation of the Annual Account, the applicable Accounting Standards have been followed.
2. The Company has selected and applied such Accounting Policy consistently and judgments and estimates are made in a reasonable and prudent manner so as to give true and fair view of the state of affairs of the Company as at the end of financial year and **profit of the Company** for that year.
3. Proper and sufficient care has been taken for maintenance of Accounting Records in accordance with the provision of the Act for safeguarding the Assets of the Company and for preventing /detecting fraud and other Irregularities.
4. The Annual Accounts are prepared on a going concern basis.

7. STATUTORY INFORMATION:

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING & OUTGO

Information in accordance with the provision of section 217 (10) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1998 regarding conservation of energy, technology absorption and foreign exchange earning and outgo is given below:

a. CONSERVATION OF ENERGY

During the financial year the Company was constantly striving to reduce dependency on non-renewable sources of energy and all possible efforts were made to ensure optimum conservation of energy at the factory. These measures included :

- Continuous watch being kept on energy utilization.
- In- house energy audit conducted at regular intervals.
- Regular maintenance of the machineries.

b. TECHNOLOGY ABSORPTION AND INNOVATION

The Company follows continuous process of upgradation and adaptation of technological information through the visits of various consultants and the Research and Development Department keeps itself abreast of the technical and scientific development and innovation relating to the Company's line of products.

No specific expenditure on R and D has been incurred, as expenditure on R and D is treated as an integral part of the manufacturing process.

No technology has been imported. The indigenous technology available is continuously being updated to improve the overall performance of the Company.

c. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earned Rs. 1,66,32,217/-

Foreign Exchange Outgo Rs. Nil

8. PERSONNEL: The employee relations during the year under review remained cordial. There are no employees who are in receipt of emoluments in excess of the limits prescribed under Section 217(2A) of the Companies Act 1956 during the year ended 31st March 2009.

9. ACKNOWLEDGEMENT: Your Directors take this opportunity to place on record their appreciation of the valuable support and co-operation received from various Government Officials, Bankers, Agents, Dealers, Customers, Suppliers, Distributors, Business Associates, Employees and Shareholders for their unfailing support and continued association with the Company.

By order of the Board

For Fredun Pharmaceuticals limited

Place : Mumbai
Date : 30th June 2009

Dr. (Mrs.) D. N. Medhora
Chairperson-cum-joint-Managing Director

AUDITOR'S REPORT**TO THE MEMBERS OF FREDUN PHARMACEUTICALS LIMITED,**

We have audited the attached Balance sheet of FREDUN PHARMACEUTICALS LIMITED, as on 31st March, 2009 and also the Profit & Loss Account 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

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

- i) We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- ii) In our opinion, the company has kept proper books of account as required by law so far as appears from our examination of the books.
- iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- iv) *The Company has not complied with Accounting Standard- 28 relating to impairment of assets issued by The Institute of Chartered Accountant of India and hence its impact on the profit/loss for the year cannot be quantified*
- v) *The amount of leave encashment is accounted for only on cash basis and not as per Accounting Standard-15.*
- vi) In our opinion, the Balance Sheet and Profit & Loss Account of the Company dealt with by this report, generally comply with the accounting standards, except stated above, referred to in section 211(3C) of the Companies Act, 1956 to the extent these are applicable to the company.
- vii) On the basis of written representations received from the directors, as on 31st March, 2009 and taken on record the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- viii) Subject to above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the schedules and note no. 14 & 15 give the information required by the Companies Act, 1956, in the manner so required and true and fair view in conformity with the accounting principles generally accepted in India:
 - ◆ In the case of the Balance Sheet of the state of affairs of the company as at 31st March, 2009.
 - ◆ In the case of the Profit and Loss Account, of the Profit for the year ended on 31st March, 2009.
 - ◆ In the case of the Cash Flow Statement, of the Cash Flows for the year ended on 31st March, 2009.

For **V.D.KHANDEKAR & CO**
Chartered Accountants

PLACE : MUMBAI
DATE : 30-06-2009

(**V.D.KHANDEKAR**)
Proprietor

Annexure referred to in Paragraph 1 of our audit report of even date.

- (i)
 - (a) The company is in the process of updating records showing the full particulars of fixed assets including quantitative particulars and details about situation of fixed assets.
 - (b) The management of the company has physically verified fixed asset, at reasonable intervals. The discrepancies observed during the physical verification have not been material and have been suitably dealt with in the books of accounts.
 - (c) There has been no sale of substantial part of fixed assets to affect going concern status of the company.
- (ii)
 - (a) The management has physically verified all the inventories at reasonable intervals of time during the period under report.
 - (b) In our opinion, the procedures for physical verification of inventory followed by the management are reasonable and adequate, having regard to the size of the Company and the nature of its business.
 - (c) The Company has maintained proper records of inventory. The discrepancies observed during the physical verification have not been material and have been suitably dealt with in the books of account.
- (iii)
 - (a) During the year under audit the Company has not obtained secured or unsecured loans from companies, firms or other parties covered under registrar maintained under Section 301 of the Companies Act, 1956.
 - (b) As per the information and explanations given to us the Company has not granted any loans to parties mentioned in the register u/s. 301 of the Companies Act, 1956.
- (iv) There is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods. There is no continuing failure to correct major weaknesses in the internal control.
- (v) According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 during the year to be entered in the registrar required to be maintained under that section. Accordingly, commenting on the transaction made in pursuance of such contracts or arrangements does not arise.
- (vi) According to the information and explanations given to us, the Company has not accepted deposits from public and therefore the provisions of section 58A & 58AA of the companies act, 1956 and rules there under are not applicable.
- (vii) The Company does not have an internal audit system commensurate with its size and nature of its business.
- (viii) We have been informed that the Central Government has not prescribed maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956.
- (ix) According to information and explanations given to us, the Company has been generally regular in depositing Provident Fund, Income Tax Deducted at source and that the employees' state insurance act is not applicable to Company. In respect of Central Excise the Company

has filed appeals before CEGAT in respect of the excise demand and penalty amounting to Rs. 2,47,984/- for the period 1998-99,1999-00 & 2000-01.

- (x) The Company has not incurred any cash losses in the year under report or in the immediately preceding financial year.
- (xi) Repayment of installments and payment of interest on Term loan are generally in Time. However, in some cases delays are observed.
- (xii) On the basis of information and explanation given to us, the Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information & explanation given to us the Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore the provision of clause 4 (xiv) of the Companies (Auditor's Report) order 2003 are not applicable to the company.
- (xiv) According to information and explanation given to us the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xv) The Company obtained Term Loans of Rs.102.40 lacs for purchase of machineries. During the year the Company Has purchased machinery of Rs.63.61 lacs. The balance Term Loan of Rs.38.79 lacs has been utilized for purchase of other Fixed Assets.
- (xvi) In our opinion and according to the information and explanation given to us, the term loans taken by the Company have been applied for the purpose for which they are raised.
- (xvii) According to the information and explanation given to us, the Company has not issued debentures during the year under audit and hence, the question of price being prejudicial to the interest of the Company does not arise.
- (xviii) The Company has not made preferential allotment of shares during the period and accordingly the question of price being prejudicial to the interest of the Company does not arise.
- (xix) The provisions of any Special Statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund / Societies are not applicable to the Company.
- (xx) The Company has not raised monies on public issue during the period and accordingly the question of end use of monies raised does not arise.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **V.D.KHANDEKAR & CO**
Chartered Accountants

PLACE : MUMBAI
DATE : 30-06-2009

(V.D.KHANDEKAR)
Proprietor

BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedule	As at 31st March 2009 (Rs.)	As at 31st March 2008 (Rs.)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	26,245,500	26,245,500
Reserves & Surplus	2	4,544,988	5,167,107
Loan Funds			
Secured Loans	3	23,776,678	12,942,352
Unsecured Loans	4	<u>1,834,857</u>	<u>54,131</u>
		25,611,535	12,996,483
Deferred Tax Liability			
		<u>4,208,578</u>	<u>3,912,345</u>
		60,610,601	48,321,435
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	81,985,276	70,919,182
Less Depreciation		<u>30,111,175</u>	<u>27,040,266</u>
Net Block		51,874,101	43,878,916
Current Assets, Loans and Advances			
Inventories		7,886,927	8,942,890
Sundry Debtors		6,880,520	8,712,646
Cash and Bank Balances		1,799,390	1,298,180
Loans, Advances and Deposits		<u>9,926,826</u>	<u>7,532,806</u>
		26,493,663	26,486,522
Less: Current Liabilities and Provisions:			
Current Liabilities	7	15,677,847	20,484,352
Provision For Gratuity		1,148,462	1,148,462
Provision for Proposed Dividend		400,000	—
Provision for Outstanding Exp.		58,549	164,121
Provision For Taxation (Current)		<u>562,395</u>	<u>382,203</u>
		17,847,253	22,179,138
Net Current Assets		8,646,410	4,307,384
Miscellaneous Expenditure		<u>90,090</u>	<u>135,135</u>
Profit & Loss		60,610,601	48,321,435
Notes on Accounts	12		

The Schedules referred to above and the notes thereon form an intergral part of the accounts.
This is the balance sheet referred to
in our report of even date

For V.D. KHANDEKAR & CO.
Chartered Accountants

By order of the Board of Directors
(Dr.) Mrs. Daulat N. Medhora
Chairperson cum Joint Managing Director

(V.D. KHANDEKAR)
Proprietor

Nariman B. Medhora
Managing Director

Place : Mumbai
Date: 30.06.2009

Place : Mumbai
Date: 30.06.2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST, MARCH 2009.

	Schedule	As at 31st March 2009 (Rs.)	As at 31st March 2008 (Rs.)
INCOME			
Sales	8	40,010,140	46,765,766
Other Income	9	1,594,783	1,360,347
		41,604,923	48,126,113
EXPENDITURE			
Manufacturing and other Expenses	10	34,920,065	42,664,556
Interest and Finance Charges	11	<u>3,300,098</u>	<u>2,449,031</u>
		38,220,163	45,113,587
PROFIT BEFORE DEPRECIATION		3,384,760	3,012,526
Depreciation		2,229,118	2,017,711
PROFIT/(LOSS) FOR THE YEAR		1,155,642	994,815
Prior period adjustments		(59,547)	(286,700)
		1,096,095	708,115
Provision For Taxation			
Current -		180,192	123,742
Deferred -		<u>296,233</u>	<u>(268,320)</u>
		476,425	(144,578)
PROFIT AFTER TAX		619,670	852,693
Balance Brought Forward From Previous Year		<u>2,288,350</u>	<u>1,435,657</u>
		2,908,020	2,288,350
APPROPRIATIONS			
Proposed Dividend		400,000	-
Profit and Loss Account carried forward		<u>2,508,020</u>	<u>2,288,350</u>
		2,908,020	2,288,350
Notes on account	12		

The Schedule referred to above and the notes thereon form an integral part of the accounts.

For V.D. KHANDEKAR & CO.
Chartered Accountants

By order of the Board of Directors
(Dr.) Mrs. Daulat N. Medhora
Chairperson cum Joint Managing Director

(V.D. KHANDEKAR)
Proprietor

Nariman B. Medhora
Managing Director

Place : Mumbai
Date: 30.06.2009

Place : Mumbai
Date: 30.06.2009

SCHEDULE TO ACCOUNTS

	Asat 31st March 2009 (Rs.)	Asat 31st March 2008 (Rs.)
SCHEDULES 1:		
SHARE CAPITAL		
Authorised		
27,00,000 Equity Shares of Rs 10/- each	<u>27,000,000</u>	<u>27,000,000</u>
ISSUED, SUBSCRIBED AND PAID-UP		
23,52,400 Equity Shares of Rs.10/- each (P.Y.23,52,400)	23,524,000	23,524,000
Add : Forfeited Shares	221,500	221,500
25,000 8% Cumulative Redeemable Preference Share of Rs.100/- each	<u>2,500,000</u>	<u>2,500,000</u>
	<u>26,245,500</u>	<u>26,245,500</u>

(of the above shares 77,500 equity shares are allotted as fully paid up pursuant to a contract without payment being received in cash)

SCHEDULE 2:**RESERVES & SURPLUS**

Revaluation Reserve	2,036,969	2,878,760
Profit & Loss A/c	2,508,019	2,288,347
	<u>4,544,988</u>	<u>5,167,107</u>

SCHEDULE 3:**SECURED LOANS****Term loans**

From Bank of Baroda-Cash-Credit	—	2,184,251
From Bank of Baroda-Current A/c	—	96,488
From Bank of Baroda-Term Loan	6,041,704	8,424,689
From Bank of Baroda-Packing Credit	3,475,000	1,747,458
From Bank of Baroda-FBDL/FBP	4,331,301	489,466
From IDBI Bank - Term Loan	6,000,000	—
From IDBI Bank - Current A/c	136,609	—
From Reliance Capital Ltd -Term Loan	<u>3,792,064</u>	<u>—</u>
	<u>23,776,678</u>	<u>12,942,352</u>

- Notes: 1. Cash Credits from Bank of Baroda is secured by hypothecation of stock -in-trade, consumable stores, spares, book debts, etc and by personal guarantees of two directors of the company.
2. The Term Loan from Bank of Baroda is secured by equitable mortgage of factory unit and hypothecation of machinery .
3. Out of the Term Loan from bank installment & interest due within one year are Rs. 2380800/- and Rs. NIL-respectively. (P.Y. 2380800/- and, 95,191/-)
4. The Term Loan from IDBI Bank is secured by equitable mortgage of office premises and by personal guarantees of two directors of the company.
5. The Term Loan from Reliance Capital Ltd. is secured by equitable mortgage of Air Handling Unit & Rapid Grinder Machine.

SCHEDULE 4:**UNSECURED LOANS****Short term loans:**

From Banks	1,459,401	—
From Directors	<u>375,456</u>	<u>54,131</u>
	<u>1,834,857</u>	<u>54,131</u>

Unsecured loan from Citibank is guaranteed by two directors personally and loan from Kotak Mahindra Bank is guaranteed by one director personally. Further unsecured over draft is guaranteed by two directors personally.

FREDUN PHARMACEUTICALS LIMITED
(01.04.2008 To 31.03.2009)

SCHEDULE 5 : Fixed Assets

STATEMENT OF DEPRECIATION AS PER COMPANIES ACT 1956 FOR THE YEAR 2008-2009

A.Y. 2009-10

F.Y. 2008-09

Name of the Assets	GROSSBLOCK			DEPRECIATION				NETBLOCK		
	Cost as at 01.04.2008	Additions/ Adjustments	Dedn.	COST as at 31.03.2009	Upto 31.03.2008	For The Year	Deductin/ Adjustment	UPTO 31.03.2009 RS.	AS AT 31.03.2009 RS.	AS AT 31.03.2008 RS.
Freehold land	5208000	27279	—	5235279	—	—	—	—	5235279	5208000
Building - Factory	20817532	3827630	—	24645162	5690443	754006	—	6444449	18200713	15127089
Office Premises	6730140	—	—	6730140	540716	109701	—	650417	6079723	6189424
Plant & Machinery	29580306	6038485	—	35618791	15342445	1603002	—	16945447	18673344	14237861
Electrical Installation	2441538	309107	—	2750645	1201349	119597	—	1320946	1429699	1240189
Electrical Fittings	962643	13760	—	976403	470752	41102	—	511854	464549	491891
Lab Glassware Apparatus & Factory Equipments	1416291	—	—	1416291	712949	62994	—	775943	640348	703342
Furniture/Office Equipment	2722038	343645	—	3065683	2684368	171241	—	2855609	210074	37670
Office Equipment	129543	—	—	129543	16686	6153	—	22839	106704	112857
Computer	907953	503066	—	1411019	377358	199993	—	577351	833668	530595
Motor Car / Vehicle	3200	3120	—	6320	3200	3120	—	6320	—	—
GRAND TOTAL	70919184	11066092	—	81985276	27040266	3070909	—	30111175	51874101	43878918
PREVIOUS YEAR	70527852	391332	—	70919184	24068011	3087341	115086	27040266	43878918	46459841

*** ADDITIONS ARE NET OFF OF VAT & EXCISE

SCHEDULE TO ACCOUNTS

	Asat 31st March 2009 (Rs.)	Asat 31st March 2008 (Rs.)
SCHEDULE 6:		
CURRENT ASSETS, LOANS AND ADVANCES		
A) CURRENT ASSETS		
Inventories		
(As taken, valued and certified by the Managing Director)		
Stock in trade (At Cost)		
Raw material	3,161,947	3,010,821
Packing material	3,957,578	3,726,240
Finished goods	722,280	344,006
Materials under process	<u>45,122</u>	<u>1,861,823</u>
	7,886,927	8,942,890
Sundry Debtors		
(Unsecured - considered good)		
Due for more than six months	487,128	
Other debts	<u>6,393,392</u>	<u>8,712,646</u>
	6,880,520	8,712,646
Cash & Bank balances		
Cash on hand	1,124,541	792,131
with scheduled bank:		
In current account	249,054	10,451
Margin with BOB	425,795	475,598
In fixed deposit account		
Margin With Barclays Bank	<u>—</u>	<u>20,000</u>
	1,799,390	1,298,180
B) Loans And Advances And Deposits		
(Unsecured - considered good)		
Advance recoverable in cash or in kind or for value to be received	3,889,243	3,180,597
Deposit with government authorities and others	478,690	239,100
Advance Tax - TDS & FBT	1,209,198	883,141
Balance with Central Excise	<u>4,349,695</u>	<u>3,229,968</u>
	9,926,826	7,532,806
	26,493,663	26,486,522

SCHEDULE TO ACCOUNTS

	Asat 31st March 2009 (Rs.)	Asat 31st March 2008 (Rs.)
SCHEDULE 7:		
A) CURRENT LIABILITIES		
Sundry Creditors		
For Capital Goods	2,168,247	—
For Goods	5,020,364	11,615,864
For Expenses	1,618,213	1,372,058
For Others	6,871,023	7,496,430
	<u>15,677,847</u>	<u>20,484,352</u>
B) Provision:		
Provision for Gratuity	1,148,462	1,148,462
Provision for Outstanding exp	58,549	164,121
Provision for Taxation (Current)	562,395	382,203
	<u>1,769,406</u>	<u>1,694,786</u>
SCHEDULE 8:		
SALE		
Finished goods	27,305,988	32,454,272
Conversion charges	12,704,152	14,311,494
	<u>40,010,140</u>	<u>46,765,766</u>
SCHEDULE 9:		
OTHER INCOME		
Interest (Gross)	56,469	19,770
(Tax deducted at source Rs.4165/-)P.Y.Rs.759/-		
DEPB Licence sale and provision	1,218,773	681,071
Foreign Exchange Gain/loss	319,541	—
Sundry Creditors W/back	—	305,531
Sample & Products dev. Chgs	—	353,975.00
	<u>1,594,783</u>	<u>1,360,347</u>
SCHEDULE 10:		
MANUFACTURING AND OTHER EXPENSES		
Raw materials consumption and other expenses:		
Raw material consumed		
Opening stocks	3,010,821	5,501,474
Add: Purchases	<u>10,069,648</u>	<u>10,909,508</u>
	13,080,469	16,410,982
Less : Closing stock	<u>3,161,947</u>	<u>3,010,821</u>
	<u>9,918,522</u>	<u>13,400,161</u>
Traded Goods purchase	670,840	—

SCHEDULE TO ACCOUNTS

	Asat 31st March 2009 (Rs.)	Asat 31st March 2008 (Rs.)
Schedule 10 Contd....		
Excise duty	190,063	236,229
Custom Duty	202,835	—
Sales Tax on Purchases	324,385	284,952
Stores & Spares	506,618	947,546
Packing expenses	4,978,968	8,178,693
Power & fuel	2,129,613	4,056,659
Laboratory Chemical	100,313	152,309
Labour charges	207,176	1,300,949
Testing charges	89,100	325,869
Factory Maintenance	185,452	455,172
Transportation Inward	52,292	110,673
Freight Inward	13,730	1,212
Clearing & Forwarding Inward	16,365	12,056
Art Work expenses	11,300	119,595
Fire Safty Expenses	17,880	18,690
Repair & Maintenance of :		
Building	13,996	95,225
Machinery	33,876	103,259
Other Assets	493,175	584,893
	<u>541,047</u>	<u>783,377</u>
ADD/(LESS)		
DECREASE (INCREASE) IN		
Finished/Process/Traded stocks		
Opening Stocks		
Finished goods	1,861,823	1,209,594
Materials under process	344,006	1,778,907
	<u>2,205,829</u>	<u>2,988,501</u>
Less: Closing Stocks		
Finished goods	722,280	344,006
Materials under process	45,122	1,861,823
	<u>767,402</u>	<u>2,205,829</u>
	<u>1,438,427</u>	<u>782,672</u>
	<u>1,438,427</u>	<u>782,672</u>
	<u>21,594,926</u>	<u>31,166,814</u>
Employee's Remuneration and Benefits:		
Salaries Wages and bonus	7,861,195	6,410,378
Medical Expenses	65,332	68,906
Welfare Expenses	223,113	253,449
Labour Welfare Fund	5,610	4,716
Employer's Contribution to PF	285,456	280,805
	<u>8,440,706</u>	<u>7,015,254</u>

SCHEDULE TO ACCOUNTS

	Asat 31st March 2009 (Rs.)	Asat 31st March 2008 (Rs.)
Schedule 10 Contd..		
Selling and Distribution expenses:		
Sample Expenses	16,175	6,719
Sales Promotion	479,243	31,717
Freight & Transportation	380,900	854,348
Clearing & Forwarding	229,953	221,465
Advertisement	61,524	60,047
Octroi Duty	—	900
Brokerage & Commission	216,942	264,500
Discount	37,266	41
	<u>1,422,003</u>	<u>1,439,737</u>
Administration and other expenses:		
Office expenses	24,048	23,549
Security Charges	381,485	362,700
Insurance	161,106	206,594
Rent (Paid to Director 114000/-)	115,100	114,000
Rates & taxes	157,122	276,342
Service Tax on Transport	5,751	462
Motor Vehicles and Conveyance Expenses	230,331	201,484
Legal & Professional Fees	453,571	405,684
Printing & Stationary	205,660	194,006
Travelling (including Director's Local travelling Rs.84,176/- (P.Y.Rs.,6,289/-) Foreign travelling Rs.538,603/=(P.Y.Rs NIL/-)	659,819	10,348
Communication Expenses	535,353	510,950
Electricity Charges	154,213	123,594
Hire Charges	5,974	—
Donations	3,753	2,552
Exchange rate difference	—	274,371
Director's Sitting fees	3,300	3,000
Product Registration Charges	68,870	25,600
Agency Expenses	71,400	32,169
Deferred Revenue expenses written off	45,045	45,045
Sundry Debtors w/off	8,852	—
Penalty	2,000	3,000
Miscellaneous expenses w/off	—	5
Miscellaneous expenses	97,577	153,996
	<u>3,390,330</u>	<u>2,969,451</u>

SCHEDULE TO ACCOUNTS

	Asat 31st March 2009 (Rs.)	Asat 31st March 2008 (Rs.)
Schedule 10 Contd..		
Auditor's Remuneration:		
For Audit fees	40,000	40,000
For Tax Audit Fees	12,500	12,500
For VAT Audit Fees	12,500	12,500
For Certification work	7,100	2,550
For Taxation Work	—	1,750
For Out of Pocket Expense	—	4,000
	<u>72,100</u>	<u>73,300</u>
	<u>34,920,065</u>	<u>42,664,556</u>

SCHEDULE 11:**INTEREST AND FINANCE CHARGES**

1) Banks	2,166,475	2,165,944
2) Other's / Directors (includes Rs.Nil paid to Directors P.Y.Rs. NIL	574,320	2,467
3) Other Finance charges	<u>559,303</u>	<u>280,620</u>
	<u>3,300,098</u>	<u>2,449,031</u>

SCHEDULE 12:**NOTES ON ACCOUNTS****1. Significant Accounting policies:****Basis of Accounting**

The accounts of the Company are prepared under the historical cost convention and in accordance with the applicable accounting standards except where otherwise stated. For recognition of income and expenditure mercantile system of accounting is followed.

Revenue recognition

Sales & conversion charges are inclusive of excise duty, packing and forwarding charges and sales tax. Revenues from the sale of goods are recognized upon passage of title to the customer which generally coincides with their delivery.

Fixed assets

Fixed assets are shown at cost less depreciation except that the land, building and Plant & Machinery which were revalued are shown at revalued figures and depreciation adjusted accordingly.

Depreciation

Depreciation on Fixed Assets has been provided on straight line method at the rates and on the basis prescribed in schedule XIV of the companies act, 1956.

Export Incentives

The benefits under DEPB scheme are accounted on accrual basis in the year of export.

Foreign currency transaction

Transactions arising in foreign currencies during the year are converted at the rate ruling on the transaction dates. All exchange differences arising from conversion are included in the profit and loss account.

Inventories

- a) Raw materials are valued at cost on FIFO basis.
- b) Packing Materials are valued at cost on FIFO basis.
- c) Work in Progress is valued at cost on FIFO basis.
- d) Finished goods are valued at cost on FIFO basis.

Contingent Liabilities

Contingent liabilities are disclosed by way of notes on accounts.

Taxes on Income

Deferred tax is recognised subject to the consideration of prudence on timing differences, being the difference between taxable income & accounting income that originate in one period & are capable of reversal in one or more subsequent periods.

Retirement Benefits

Provident fund is administered through Regional Provident Fund commissioner. The accruing liability towards Gratuity is calculated according to actuarial valuation and fully provided upto 31st March, 2009. However encashment of leave to staff is accounted on cash basis.

Special Capital Incentive:

The Special capital incentive towards Plant & Machinery due from Development Corporation of Konkan Ltd., has been reduced from the fixed assets.

Segment Reporting:

The Company has identified that its operating segments are its primary segments. The analysis of geographical segments is based on the areas in which the customers of the Company are located & that the geographical segments are considered as secondary segments.

2. Additional information pursuant to schedule VI to the Companies Act, 1956 is given to the extent applicable to the Company.
3. Provision for Taxation for Current Year is made as per Section 115 JB of the Income Tax Act, 1961. Further, as per Accounting Standard-22 issued by ICAI, liability for deferred taxation has been created under the head Provision for Taxation. Provision for Fringe Benefit Tax has also been made in accounts under the head Provision for Taxation – Current.
4. In the opinion of the board of directors the provision for depreciation and all known liabilities are adequate and are not in excess of the amounts considered reasonably necessary.
5. In the opinion of the board of directors, the current assets, loans and advance are of the value stated if realized in the ordinary course of business.
6. The Company has provided for depreciation on straight line method at the rate specified in schedule XIV of the Companies Act, 1956.
7. Balances of sundry debtors, sundry creditors, loans and advances, whether receivable or payable are subject to confirmation.
8. The liability under VAT and set off have been accounted for on the basis of working prepared by the Company.
9. Contingent liabilities not provided for:
 - A. Outstanding Bank Guarantees Rs. 792,000/- /- (P.Y. Rs. 1,70,300/-)
 - B. Excise Demand of Rs. 2,47,984/- (P.Y. Rs. 2,47,984/-)

10. Salaries, wages and bonus included salary (gross) paid to managing director Rs 3,60,000/- (P.Y Rs 3,60,000/-) and Joint Managing Director –Rs 3,60,000/- (P. Y Rs 3,60,000/-).
11. In the opinion of the directors, in view of meager profits and smallness of operations, a qualified Company Secretary even though required Company cannot afford one at present. However the Company has retained the services of a qualified Company Secretary on a professional basis.
12. In accordance with the requirement for disclosure of amounts due to SSI Units the Company has not compiled the list of its sundry creditors who satisfy this criterion. Subject to this the information relating to payment overdue to SSI Units cannot be computed.
13. Information given in accordance with Accounting Standard -18 on Related Party Disclosures issued by ICAI.
- a) Names of Related Parties: -
Key Management Personnel-
- Mr. N.B.Medhora
Dr. (Mrs.) D.N.Medhora
Mr.Rustom S. Tirandaz (Expired on 27.01.2009)
Dr. Aspi N. Raimalwala
Business Organizations controlled by key management personnel or their relatives-
Fredna Enterprises
Vacations Pvt. Ltd
Fredun Healthcare Pvt. Ltd.
- b) There are no transactions with enterprises owned by managerial personal or their relatives.
14. No provision has been made in the accounts for the cess under the Companies Act 1956.
15. The position of appeals filed before Central Excise Authority is as below :

PERIOD	AMOUNT (Rs.)	ISSUE	Authority	STATUS
June 1998	58300/-	Non- admissibility of SSI benefit.	Customs, Excise & Service Tax Appellate Tribunal West Zonal Bench	Stay Granted
Jan 2000 to Aug 2000	189684/-	Lower rate applied for clearance to Institutions.	Customs, Excise & Service Tax Appellate Tribunal West Zonal Bench	Stay Granted

16. Land, Building, Plant and Machinery, Furniture and Office Equipments have been revalued by management during the Financial year 2004-2005 by independent valuer. The relevant details are as under:

Assets	Book Value (Rs.)	Revalued Amount (Rs.)	Year of Revaluation F.Y.	Increase (Rs.)	Accumulated Depreciation (Rs.)
Land	16,67,950	52,08,000	2004-2005	35,40,050	NIL
Building(Factory)	97,33,551	1,63,44,078	2004-2005	66,10,527	28,45,173
Plant and Machinery	1,38,65,792	1,65,92,058	2004-2005	27,26,266	46,09,868
Electrical Installation	10,34,391	13,23,777	2004-2005	2,89,386	54,984
Electrical Fittings	5,56,518	6,14,711	2004-2005	58,193	11,056
Lab Glassware Apparatus & Equipments	7,54,428	8,69,454	2004-2005	1,15,026	21,856
Furniture and Office Equipments	22,87,306	(9,88,282)	2004-2005	(12,99,024)	NIL

The accumulated depreciation also includes depreciation on revaluation made in the F.Y. 1998-99.

17. Information given in accordance with the requirements of Accounting Standard – 17 on Segment Reporting issued by the ICAI.

The Company is operating in only one segment i.e. Pharmaceutical Formulations

The geographical segment is considered as secondary segment

The financial results relate to mainly manufacture of pharmaceutical products. In accordance with Accounting Standard (AS)–17 financial results of Jobwork segment (conversion charges) are not shown separately. Since, the same are less than limit for separate disclosure.

Geographical Segments

The Company primarily operates in India & therefore the geographical segment is divided into Indian & Overseas markets.

Gross Sales	Rs in Lakhs
India	101.35
Overseas	171.71
Total	273.06

18. In calculating Basic & Diluted Earnings Per Share:

	2008-09	2007-08
a) Numerator used: Profit after Tax	Rs.6,19,670	Rs. 8,52,693
b) Denominator used: Number of Equity shares	23,52,400	23,52,400
Basic Earning Per Share	0.26	0.36
Diluted Earning Per Share	0.26	0.36

19. Additional information required under Schedule VI of the Companies Act, 1956**1 Capacity and Production**

Product	Units	Qty Installed Capacity	Actual production	
			Total	For Sale
Tablets	.000 Nos	450000 (450000)	264619 (3,95,596)	106328 (1,22,722)
Capsules	.000 Nos	150000 (150000)	21704 (70,703)	1700 (341)
Dry Syrup	Kgs	90000 (90000)	— (198)	— (198)

2 Sale of finished Goods

Product	Units	Qty	Value Rs.
Tablets	.000 Nos	1,01,278 (1,25,085)	2,56,08,538 (2,89,21,320)
Capsules	.000 Nos	1,700 (641)	5,73,187 (8,23,297)
Dry Syrup	Kgs	— (199)	— (1,25,394)
Others	Kgs	— (—)	11,24,263 (25,84,261)

3 Stock of Finished Goods

Product	Opening Stock		Closing Stock	
	Quantity (000 Nos)	Value (in Rs)	Quantity (000 Nos)	Value (in Rs)
Tablets	770 (3,133)	3,44,006 (15,99,408)	5,330 (770)	7,22,280 (3,44,006)
Capsules	0 (300)	0 (1,79,499)	0 0	0 0
Dry Syrup	— (—)	— (—)	— (—)	— (—)
Others	— (—)	— (—)	— (—)	— (—)

4. Raw Material consumed during the year

	Quantity (in Kgs.)	Value (in Rs.)
Griseofulvin I.P.	202.040 (386.530)	657646.83 (918123.96)
Albendazole I.P.	888.000 (0)	677474.53 (0)
Ciprohepatadamine HCL,IP/BP/USP	124.000 (105.422)	377008.74 (413660.24)
Clarithromycin IP	19.310 (323.910)	206717.08 (1325107.31)
Ibuprofen IP	1073.820 (1300.080)	522090.25 (648199.88)
Nifedipine I.P.	2358.000 (108.300)	2446431.6 (124478.03)
Metformine Hcl	1520.33 (350.000)	283595.13 (52725.05)
Cefixine Trihydrate USP	98.708 (1.980)	1424458.70 (42759.09)
Gelatine Capsules	7808500 (2791900)	603974.43 (154909.32)
Atorvastatin Calcium Crystalline	12.190 (0.810)	229512.24 (26825)
Glebeclamide.	80.267 (424.718)	153021.18 (732198.34)
Dextromethorphan Hydrobromide IP	88.122 (0)	677270.44 (0)
Paracetamol IP	2903.388 (5707.766)	392197.31 (1014455.55)
Others		1267123.54 (7946719.23)
TOTAL		99,18,522.00

5 Value of Imported & Indigenous Raw Materials & Spare Parts consumed & Percentage thereof:

	Total Value Consumption (in Rs.)	Indigenous Value (in Rs.)	Imported Value (in Rs.)	Percentage of Imported	Consumption Indigenous
1 Raw Materials	99,18,522	99,18,522	—	—	100%
2 Spare Parts	5,06,618	5,06,618	—	—	100%

6 Value of Import of CIF basis

Raw Materials

2008-2009**2007-2008**

—

—

7 Expenditure in Foreign Currency**2009-2008****2007-2008**

(Rs)

(Rs)

Travelling

—

—

Others

6,70,332

19,814

8 Earnings in Foreign Currency**2008-2009****2007-2008**

(Rs)

(Rs)

Export of goods on FOB basis

1,66,32,217

1,48,05,712

20. Figures for the previous year have been regrouped and rearranged wherever necessary.**For V.D. KHANDEKAR & CO.**

Chartered Accountants

By order of the Board of Directors

(Dr.) Mrs.Daulat N.Medhora

Chairperson cum Joint Managing Director

(V.D. KHANDEKAR)

Proprietor

Nariman B.Medhora

Managing Director

PLACE : MUMBAI

DATE: 30.06.2009

PLACE : MUMBAI

DATE: 30.06.2009

Information pursuant Part IV of Schedule VI of Companies Act, 1956

Balance Sheet Abstract & Company's General Profile

I. Registration Details

Registration No.	43662	State Code 11
Balance Sheet Date	31.03.2009	

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

Public Issue	Right Issue
Nil	Nil
Bonus Issue	Private Placement
Nil	Nil

III. Position of mobilisation & Deployment of funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets
60611	60611
Sources of Funds	Reserves & Surplus
	4545
Paid up Capital	
26245	
Secured Loans	Unsecured Loans
23777	1835
Investments	
NIL	
Misc. Expenditure	
90	

IV. Performance of Company

Turnover Total	Expenditure
41605	40509
Profit/ Loss Before Tax	Profit / Loss After Tax
1096	620
Earning Per Share (in Rs.)	Dividend @ (in%)
0.26	Nil

V. Generic names of Principal Products/Services of the Company

(As per Monetary Terms)

Product Description

Pharmaceuticals

Formulations

By Order of the Board of Directors

Place: Mumbai
Date: 30.06.2009

(Dr.) Mrs. Daulat N. Medhora
Chairperson cum Joint Managing
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

	(RS. IN LACS) 2008-2009	(RS. IN LACS) 2007-2008
A) CASH FLOW OPERATING ACTIVITIES:		
NET PROFIT BEFORE TAXATION	11.56	9.95
ADJUSTMENTS FOR :		
DEPRECIATION	22.29	20.18
MISC. EXPENDITURE W/OFF (INCREASE/DECREASE)	0.00	-
PROVISION FOR TAXATION – CURRENT	(1.80)	(1.24)
PROPOSED DIVIDEND	(4.00)	-
PRIOR PERIOD ADJUSTMENTS	<u>(0.60)</u>	<u>16.07</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	27.45	26.02
ADJUSTMENTS FOR:		
INCREASE / DECREASE IN INVENTORY	10.56	27.13
INCREASE / DECREASE IN DEBTORS	18.32	(0.48)
INCREASE / DECREASE IN LOANS & ADVANCES	(23.94)	(33.53)
INCREASE / DECREASE IN CURRENT LIABILITIES	(43.32)	40.68
INCREASE / DECREASE IN MISCELLANEOUS EXP	<u>0.45</u>	<u>0.45</u>
CASH GENERATED FROM OPERATIONS	<u>(10.48)</u>	<u>60.27</u>
B) CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS	(110.66)	(3.91)
DECREASE IN FIXED ASSETS	0.00	0.00
DECREASE IN INVESTMENTS	<u>0.00</u>	<u>(3.91)</u>
	<u>(121.14)</u>	<u>56.36</u>
C) CASH FLOW FROM FINANCIAL ACTIVITIES		
INCREASE IN PAID UP SHARE CAPITAL	0	0
INCREASE / DECREASE IN LOANS	<u>126.15</u>	<u>(50.53)</u>
NET INCREASE / DECREASE IN CASH	5.01	(5.83)
OPENING CASH & BANK BALANCE	<u>12.98</u>	<u>7.15</u>
CLOSING CASH & BANK BALANCE	<u>17.99</u>	<u>12.98</u>

FOR FREDUN PHARMACEUTICALS LTD

MR. NARIMAN B. MEDHORA
(MANAGING DIRECTOR)

(DR.) MRS. DAULAT N. MEDHORA
(CHAIR PERSON CUM JOINT MANGING DIRECTOR)

MUMBAI
DATE: 30.06.2009

AUDITORS' CERTIFICATE

THE ABOVE CASH FLOW STATEMENT HAS BEEN COMPILED FROM AND IS BASED ON THE AUDITED ACCOUNTS OF FREDUN PHARMACEUTICALS LIMITED FOR THE YEAR ENDED 31ST MARCH 2009 REPORTED UPON BY US ON 30.06.2009. THIS STATEMENT HAS BEEN PREPARED PURSUANT TO CLAUSE 32 OF LISTING AGREEMENTS WITH STOCK EXCHANGES.

FOR V.D. KHANDEKAR & CO
CHARTERED ACCOUNTANTS

PLACE: MUMBAI
DATE: 30.06.2009

(V.D. KHANDEKAR)
PROPRIETOR

FREDUN PHARMACEUTICALS LIMITED

Registered office: 26, Manoj Industrial Premises,
G.D. Ambekar Marg, Wadala, Mumbai- 400 031.

PROXY FORM

Reg. Folio No. _____ No. of shares Held _____

_____ I/We _____

_____ being a membership of FREDUN PHARMACEUTICALS LIMITED

hereby appoint _____

_____ of _____ or failing

him/her _____ of _____

_____ as my / our proxy to vote for me/us on my/our

behalf at the **TWENTY SECOND ANNUAL GENERAL MEETING** of the Company to be held on Wednesday the **30th September 2009** at **11-00 a.m.** at Mumbai Marathi Granthasangrahalay, 172, Mumbai Marathi Granthasangrahalay Marg, Naigaon, Mumbai - 400 014.

Signed this _____ day of September 2009 Signature _____

Note: This form duly complied stamped and must be deposited at Registered Office of the Company; no later than 48 hours before the meeting.

FREDUN PHARMACEUTICALS LIMITED

Registered office: 26, Manoj Industrial Premises,
G.D. Ambekar Marg, Wadala, Mumbai- 400 031.

ATTENDENCE SLIP

(To be handed over at the reception)

Twenty Second Annual General Meeting on 30th September 2009 at 11.00 a.m.

I, hereby record by presence at Twenty Second Annual General Meeting of the Company held at Mumbai Marathi Granthasangrahalay, 172, Mumbai Marathi Granthasangrahalay Marg, Naigaon, Mumbai - 400 014.

Full Name of the Member (in BLOCK LETTERS) _____

_____ Reg. Folio No. _____

No. Shares held _____

Full Name of Proxy (in BLOCK LETTERS) _____

Members / Proxy's Signature.

Note:

1. Shareholder/Proxy holders are requested to bring this attendance slip with them duly complied and signed, when they come to the meeting and hand them over at reception.

BOOK POST

If undelivered please return to:

FREDUN PHARMACEUTICALS LIMITED

26, Manoj Industrial Premises, G. D. Ambedkar Marg,
Wadala, Mumbai - 400 031. (India)