Many QUESTIONS answered

Orchid Chemicals & Pharmaceuticals Limited

Annual Report 2009-10

Forward looking statement

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

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

Contents

About us 2

Financial highlights 4

Business realities, 2009-10 6

Business transfer agreement 8

Management discussion and analysis 22

Drivers of excellence 25

Finance review 28

Managing business uncertainties 31

Corporate information 33

Directors' report 34

Corporate governance 49

Financial section 65

on strategy.
on demerger.
on competitiveness.
on growth.
on product mix.
on profitability.
on derisking.

About us

Orchid Chemicals & Pharmaceuticals Ltd., ranks among India's top 15 pharmaceutical players.

- Orchid is a vertically integrated player spanning the entire pharmaceutical value chain from discovery to delivery with established credentials in research, manufacturing and marketing.
- Orchid enjoys a multi-therapeutic presence across segments like anti-infectives, anti-inflammatory, anti-oxidants, anti-ulcerants, CNS (central nervous system), CVS (cardio vascular segment), nutraceuticals and other oral and sterile products. Its pharmaceutical solutions include active pharmaceutical ingredients (API), finished dosage forms, drug discovery, novel drug delivery systems and CRAMS services. It enjoys a global presence across 70+ countries through alliances and partnerships with globally reputed corporates.
- Orchid is headquartered in Chennai (India) with a multi-nation manufacturing presence: two API complexes (Alathur and Aurangabad), three formulation manufacturing facilities (Irungattukottai and Alathur) and two R&D centers (Sholinganallur and IKKT) and one API manufacturing facility in China (joint venture).
- Orchid's state-of-the-art product development and manufacturing facilities are certified by cGMP, cGLP, ISO and OHSAS. They have received quality endorsements from global regulatory authorities like US FDA, UK MHRA, EDQM, PMDA, DMA, MCC and TGA, reflecting a compliance with stringent global standards. Its R&D units are certified by the National GLP Authority of India.

Vision

To become an integrated pharmaceutical corporation of global scale and standing, with comprehensive coverage from discovery to delivery.

Promoters' holding
26%
as on March 31, 2010

Foreign holding
12%
as on March 31, 2010

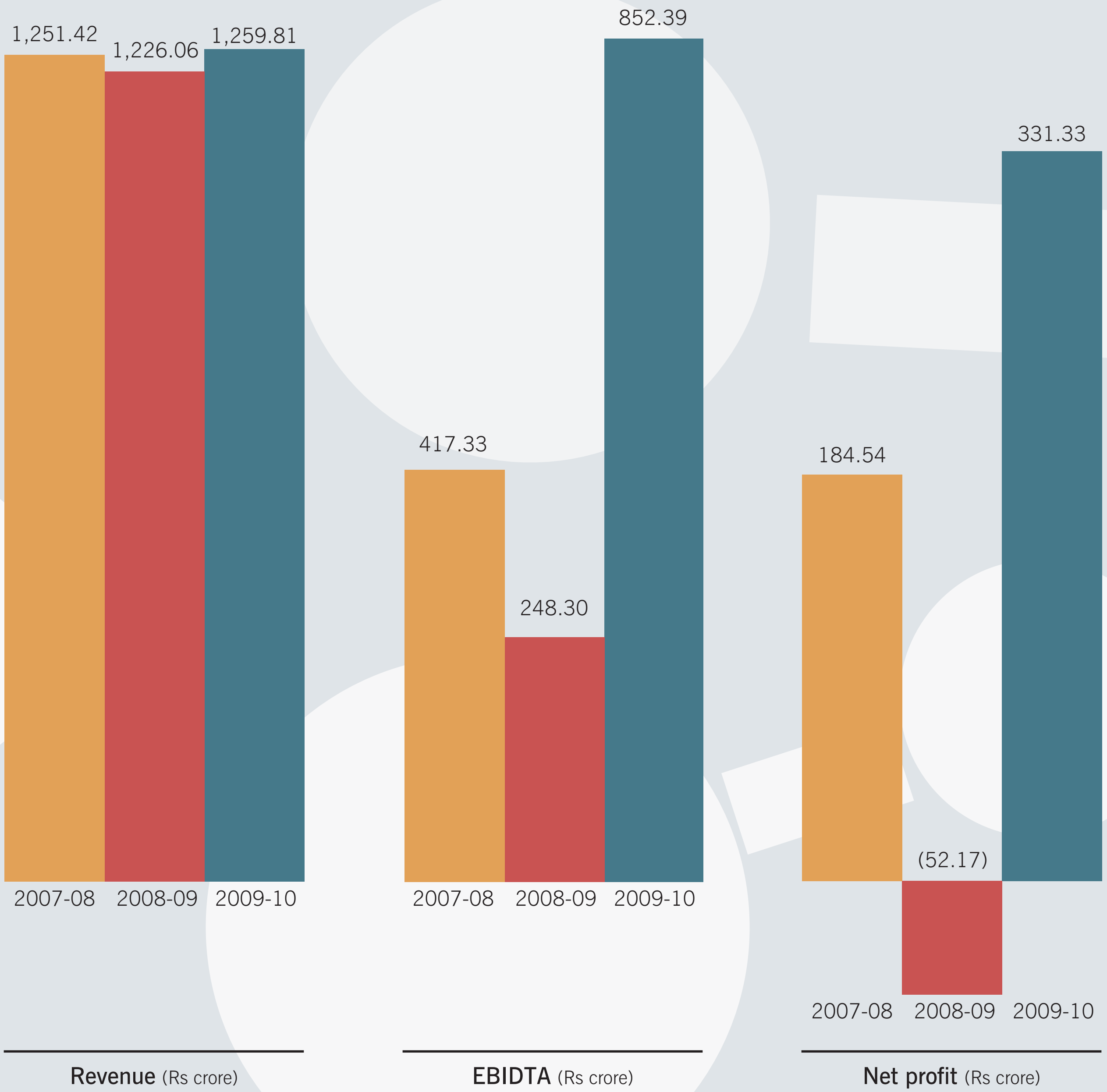
Team size
3,700
as on March 31, 2010

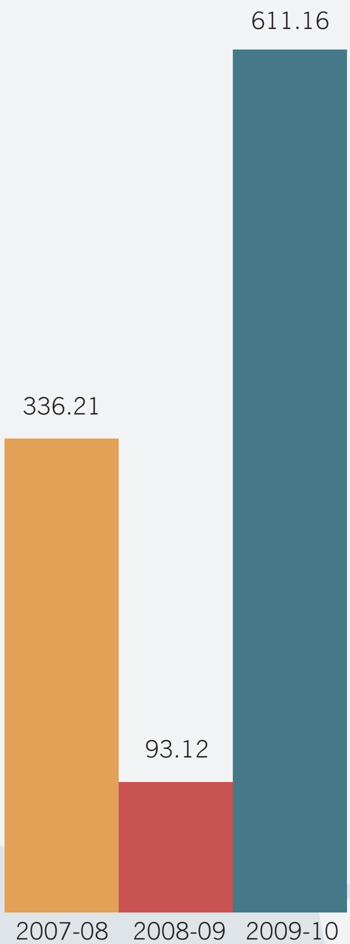
Shareholders' funds
Rs 980 crore
as on March 31, 2010

Capital employed
Rs 2,813 crore
as on March 31, 2010

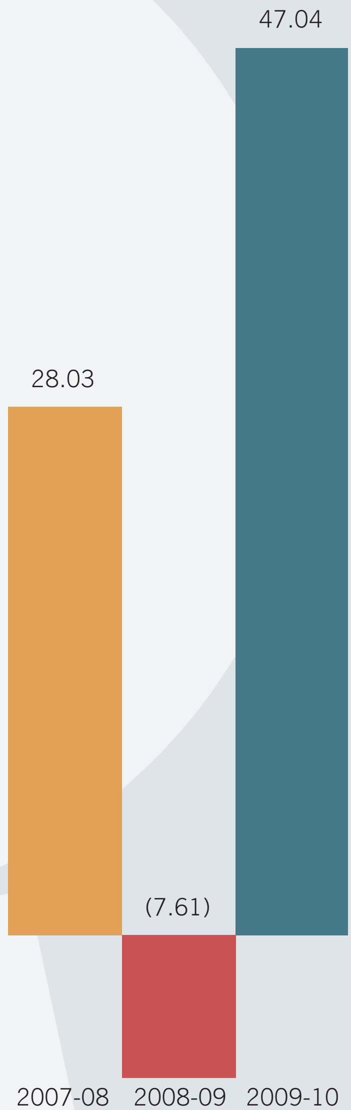
Market capitalisation
Rs 1,087 crore
as on March 31, 2010

Financial highlights





Cash profit (Rs crore)



Earning per share (Rs)

Book value per share (Rs)

Business realities, 2009-10

Board room

- Entered into a business transfer agreement with Hospira Healthcare India Private Limited, a subsidiary of Hospira, Inc. USA., to transfer its generic injectable finished-dosage form pharmaceuticals business for around US$400 million; the transaction was closed on March 29, 2010
- Repaid debt of around Rs 1,400 crore in March 2010

R&D

- Received US FDA approval for Tazobactam-Piperacillin with a 180-day exclusivity. Orchid cashed in on this opportunity and utilised a significant portion of the manufacturing capacity to cater to the US market.
- Received approval from US FDA for 23 products including 4 tentative approvals in US market and 6 approvals from European regulatory authorities.
- Filed for 8 Para IV FTF applications with the US FDA
- Filed cumulative 36 ANDAs with the US FDA (23 in the non penicillin, non cephalosporin (NPNC) segment and 13 in the oral cephalosporin segment)
- Filed cumulative 18 marketing authorisations in the EU (12 in the oral cephalosporin segment and 6 in the NPNC segment).

Awards and recognitions

- Honoured with the Facility of the Year Award 2009 (Regional Excellence Category) by ISPE, Interphex and Pharmaceutical Processing magazine for the carbapenem API manufacturing facility located in Aurangabad (Maharashtra)
- Presented with the TERI Corporate Award for Environmental Excellence 2009 by the Hon'ble President of India, Smt. Pratibha Patil
- Awarded the Certificate of Merit for Excellence in Management of Safety, Health & Environment (SHE) for 2008 by the Indian Chemical Council (ICC)
- Recognised by the Tamil Nadu Government with the Award for Corporate Social Responsibility for 2008-09 for outstanding social responsibility initiatives

Metric	Growth	2008-09	2009-10
Revenue growth	2%	Rs 1226.06 crore	Rs 1259.81 crore
EBIDTA growth*	243%	Rs 248.31 crore	Rs 852.39 crore
PAT growth*	735%	Rs (52.17) crore	Rs 331.34 crore
Cash profit growth*	556%	Rs 93.12 crore	Rs 611.16 crore

*Profit on Sale of injectable business amounting to Rs 1015.30 crore has been considered for FY 2009-10.

Business transfer agreement.

In 2009-10, Orchid sold its generic injectable formulations business for around US$400 million to Hospira, a generics injectable major. The agreement covered the sale of assets, products, product pipeline and team to manage the transferred assets.

Assets

Orchid sold its betalactam antibiotics formulations manufacturing complex (comprising the cephalosporin, penicillin and carbapenems facilities) and a pharmaceutical research & development facility at Irungattukottai, Chennai.

Products

Orchid transferred its ten-product generics injectable product portfolio - seven cephalosporins (Cefazolin, Ceftriaxone, Cefepime, Cefoxitin, Cefotaxime, Cefuroxime and Ceftiofur), Tazobactam-Piperacillin (penicillin category) and two carbapenems (Imipenem and Meropenem).

ANDAs / Dossiers

Orchid transferred 24 ANDAs (16 for cephalosporins, 5 for penicillin and 3 for carbapenems) and 12 Dossiers (9 for cephalosporins, 1 for penicillin and 2 for carbapenems).

People

Orchid transferred about 450 employees, dedicated to the development and production of sterile betalactam antibiotic formulations, to Hospira.

Why was this business transfer necessary?

A:

Having capitalised on the product life-cycle pertaining to cephalosporin and penicillin products, it was a prudent decision to monetise these assets and bring down the balance sheet leverage in a non-dilutive way. This business transfer will catalyse the growth journey of the Company, enhancing shareholder value.

What circumstances made this business transfer the best alternative?

A:

Having commenced our manufacturing journey with APIs and integrating forward into formulations, our business model was organically built with an emphasis on creating niche products. Our capital expenditure plan ran concurrently with product launches and other expansions. This model was mostly funded out of debt putting stress on the balance sheet. Our debt grew from Rs 1,029 crore (as on March 31, 2006) to around Rs 2,985 crore (as on March 29, 2010) and the debt-equity ratio climbed from 1.3 to 4.4 while liquidity was squeezed on account of payback delays from existing products and the product pipeline.

In the generic formulations segment, every product has a life-cycle. Hence, it is important to capitalise on a generic opportunity in the first-wave of patent expiry. Having derived value from generic launches in the cephalosporin injections and penicillin injections space and with no major products going off-patent in these segments going forward, these assets would not generate significant growth in numbers. So, it made immense business sense to monetise these assets and reduce the debt burden.

Can you explain the genesis of this transaction leading to debt repayment?

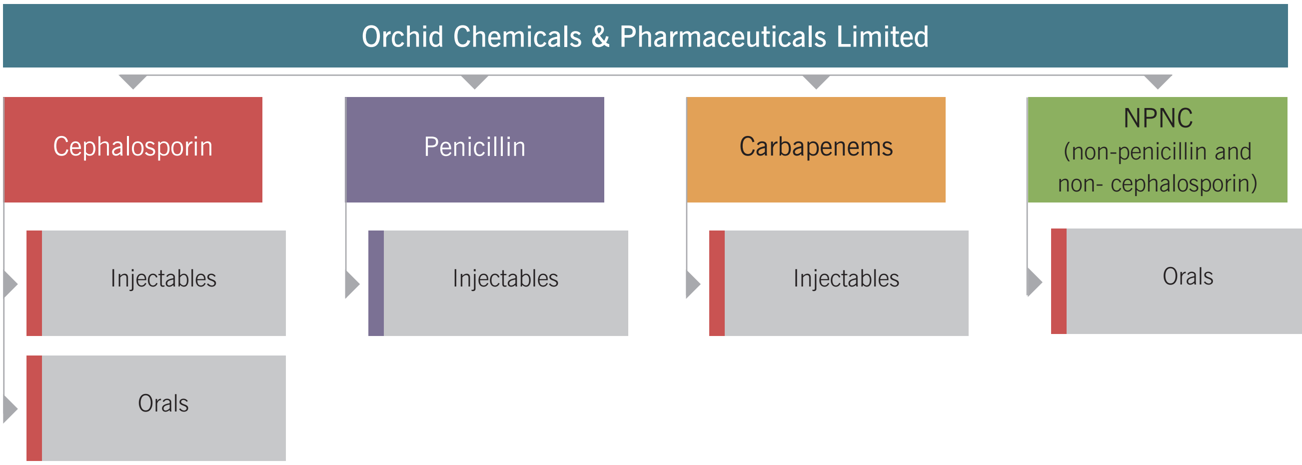
A:

Before the transfer of the injectable formulations business to Hospira, we were invoicing about US$ 90 million (injectable generic formulations sales) with an EBIDTA component of around US$40 million. This included an API component of US$40 million with an EBIDTA of US$15 million. This would mean that the net reduction in topline would be US$50 million with reduction in EBIDTA of US$25 million. Looking at this from a business point: did it make sense to have around US$ 300 million in long term debt to make this incremental US$25 million in EBIDTA that would anyway be eroded by interest outflow? Did it make sense to claim that we were growing the business when in reality there was no way we could use our internal accruals to fund growth? Through this business transfer we monetised our portion of profit share of US$ 25 million in EBIDTA, which would anyway have shrunk as competition increased in each of our products. Following the business transfer agreement, we repaid around Rs 1,400 crore of loans using the sale proceeds which significantly de-leveraged our balance sheet and also brought our various financial ratios under control.

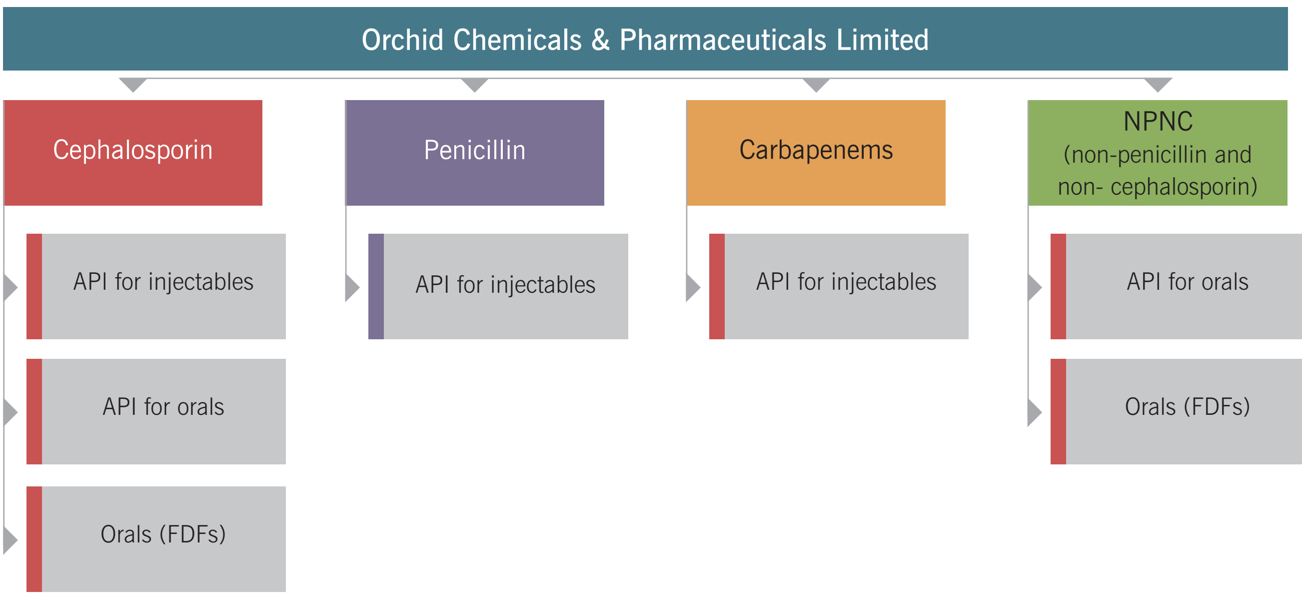
How will the business transfer improve the Company's financials?

A: We had a debt of around Rs 2,600 crore against a net worth of Rs 670 crore as on March 31, 2009. The deal size of around Rs 1,800 crore generated about Rs 1,500 crore in cash (after taxes, operating working capital and a component kept in an escrow account). We retired around Rs 1,400 crore of debt immediately from the proceeds. Concurrently, our shareholders' funds increased to about Rs 1,000 crore and our debt declined to around Rs 1,300 crore, reducing an estimated Rs 150 crore in interest costs in 2010-11. So the sale helped right-size our balance sheet in a non-dilutive manner and enhanced our liquidity to be able to embark on our second growth journey.

What was.



What is.



- Our eight facilities will manufacture APIs for injections and orals, oral antibiotic formulations and non-penicillin, non-cephalosporin (NPNC) formulation products.
- We possess two API sites (in India) and one in China (through JV), one oral generic formulations facility for advanced markets, two formulations facilities for emerging markets
- We possess R&D and drug discovery facilities with global regulatory approvals.
- API supplies to Hospira for the manufacture of antibiotic injectables will continue
- API supplies to emerging and regulated markets will continue
- Marketing finished dosage forms of cephalosporin orals and NPNC products will continue

Was it a good deal for Orchid?

A:

The valuation of the deal was extremely attractive. What we created in four years from scratch was valued at around US$400 million. Following the deal, we retained 80% of our assets, 90% of our people and 83% of our business. Now, we can create more niche business verticals, which will add strong value to our financials.

- **Asset valuation:** We monetised assets of US$120 million (book value) for US$400 million.
- **Revenue basis:** The units we sold contributed about US$ 90 million (gross revenue) in 2009-10. This included an API component of US$ 40 million leaving a revenue decline of US$ 50 million. Hence, we received an excellent sales valuation of US$ 400 million.

How did Orchid manage team morale after losing 450 members?

A:

Even as 450 of our employees were transferred to Hospira, we maintained business continuity in an excellent manner. No employee was retrenched. Following the deal, we detailed to all our employees the business strategy of our Company for the medium-term and emphasised how each employee can contribute to the Company's growth – thus motivating the team. With our long-term API supply contract with Hospira in place, we expect that interaction with our ex-colleagues will continue.

Shareholders are concerned that the Company sold its growth drivers.

A:

We must put this fear at rest. We prudently disinvested business segments where growth would have anyway slowed on account of the product life-cycle and genericisation. Also, as mentioned earlier, this segment represents only around 17% of our total business. Our generic oral formulations journey comprising Para-IV and FTF products is evolving and with a strong product basket spread across the regulated and emerging markets, we will be replicating the strong growth that we achieved in the injectable antibiotic segment.

How is Orchid plugging the revenue loss?

A:

There are multiple ways we are plugging this revenue decline:

- We enjoy an exclusive ten-year API supply contract for molecules transferred to Hospira. This will assure us of a high API capacity utilisation across product groups.
- We will also scale our API business in the emerging and regulated markets further
- The approvals of the carbapenem products in 2010 and the consequent API supply ramp-up to Hospira would add to our revenues.
- Additional supply agreements for certain niche product delivery mechanisms are being discussed with a few major generic companies, which augur well for us.

These initiatives will not only help plug the revenue loss but will grow the topline base further.

The increased focus on APIs over formulations could reduce margins.

A: Our sales mix in the short term will be significantly altered in favour of APIs over formulations. What was a formulations-API mix of 59:41 (2009-10) is expected to become around 70:30 in favour of API in 2010-11. Since the API supply contracts entered into with Hospira and other innovators have been worked on predetermined volumes and prices, we are confident of maintaining strong margins going forward.

So is Orchid evolving into an API company?

A: We are what we always were – a company possessing inherent strengths in identifying niche opportunities, where strong value can be created through science and technology and where market shares and exclusive positions can be made possible by design. Examples of successful implementation of this concept include products such as Cefoxitin, Cefepime, Tazobactam-Piperacillin. To explain this further, we operate in the antibiotic products segment where once a product emerges from patent protection, there is no exclusivity or Para IV status possible. In this challenging space, we created exclusivity in some products by design – by identifying and manufacturing products where we are still the only global manufacturer (other than the innovator) for several quarters due to the complexity presented in their development. For instance, we are likely to be among the first set of global manufacturers of Meropenem and Imipenem APIs for the two large regulated continents (US and EU). Our focus is to be in the right place at the right time, thereby creating the right value – be it in APIs or finished dosage forms.

Shareholders are curious to understand the Company's growth, going forward.

A: Our strategy is segregated into short and medium-term business drivers.

Growth strategy

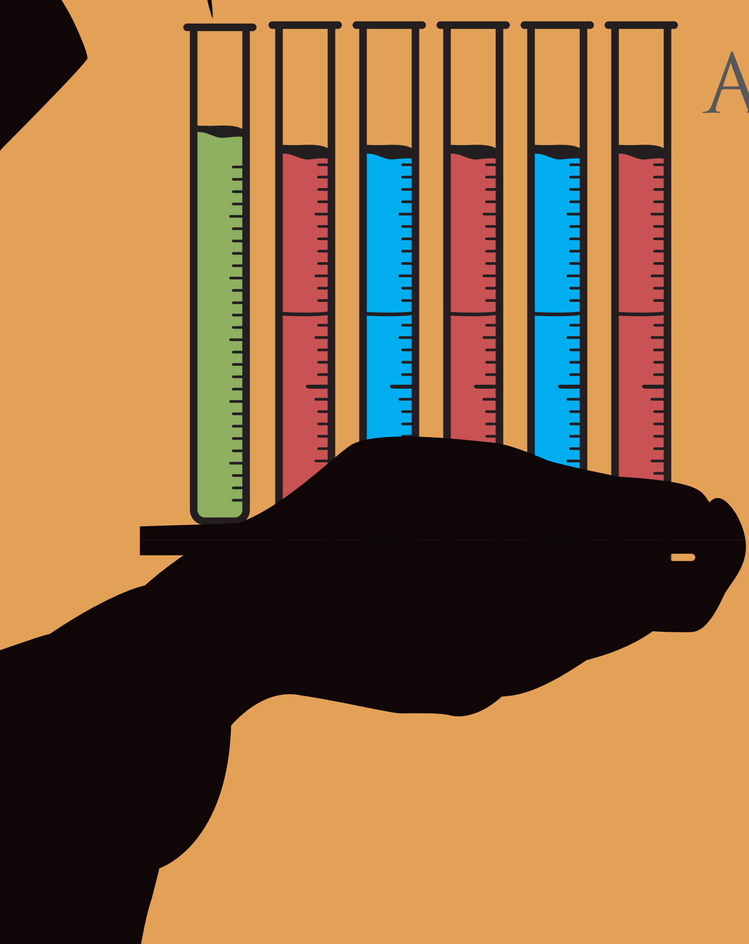
Short-term	Medium-term
Strengthen existing business – APIs/Oral Cephalosporins	New niche initiatives / product segments – inorganic strategies

What are the company's short-term drivers?

A: In 2010-11, we will cater to the injectable API needs of Hospira and other global innovators in addition to our regular API sales in the emerging and regulated markets. Also, we are marketing 10 products in the oral cephalosporins segment and five products in the NPNC segment. We are creating additional cephalosporin capacities and widening our geographical presence in Europe, the US and Japan.

We have always focused on identifying and commercialising niche opportunities and working on a partnership model to market our products in the regulated markets. We are now creating our own front-end marketing base in regulated markets, which will help us maximise and internalise value. Acquisitions of front-end marketing companies possessing infrastructure, people, product registrations and approvals are our target. The result: fill the product pipeline in regulated markets (where we do not have our own marketing arm) with our own molecules, and in-licensed products (from other companies as well). This front-end strategy will help us retain profits otherwise shared with partners and strengthen our product basket. Towards this strategy, we entered into an agreement to acquire a US-based generic marketing company Karalex Pharma, LLC. This front-end marketing arm will enable end-to-end coverage capability from product development to sales in the US.

What is the deal with Karalex Pharma, LLC about?



A: We entered into an agreement to acquire US-based generics marketing company Karalex Pharma LLC, in an all-cash deal to establish our front-end presence in generic sales and marketing. Karalex Pharma, a generics pharmaceutical marketing company, was established in 2007 focused on marketing and sales services to US classes of trade for developers and manufacturers of generic pharmaceuticals. The principals of Karalex Pharma have a collective experience of launching over 100 generic pharmaceutical products in the US with a combined value in excess of US$1 billion.

This acquisition will pave the way for synergistic returns from our generic pharmaceuticals pipeline comprising first-to-file and Para-IV products, among others.

What are the medium-term drivers for the Company?

A: We expect to double our sales base in the next three years through the following initiatives:

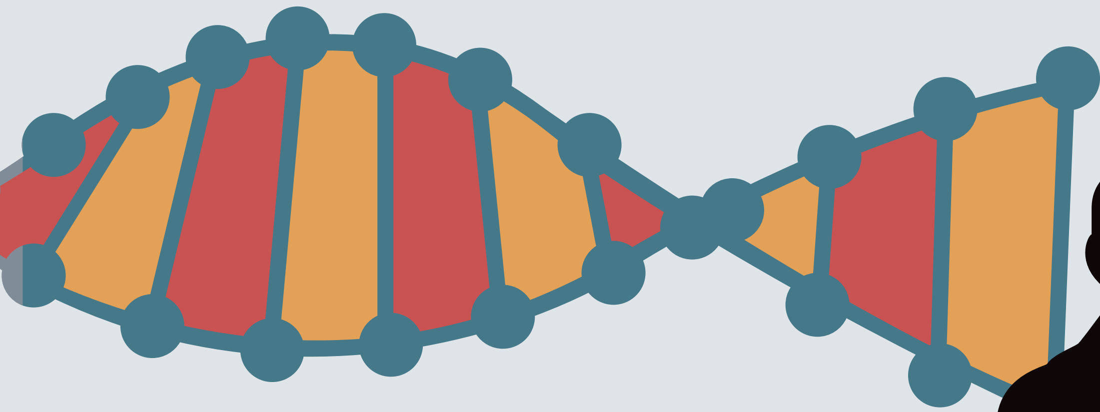
A focus on the non-penicillin non-cephalosporin (NPNC) segment where we possess a rich basket of over 73 products spanning diverse therapeutic segments. We possess marketing alliances in the US and Europe with four prominent players - Actavis, North Star, Stada (Dava) and Alvogen - for 31 NPNC products with a combined market opportunity of over US$50 billion. Over the next three years, we will launch more than 20 products in the US market.

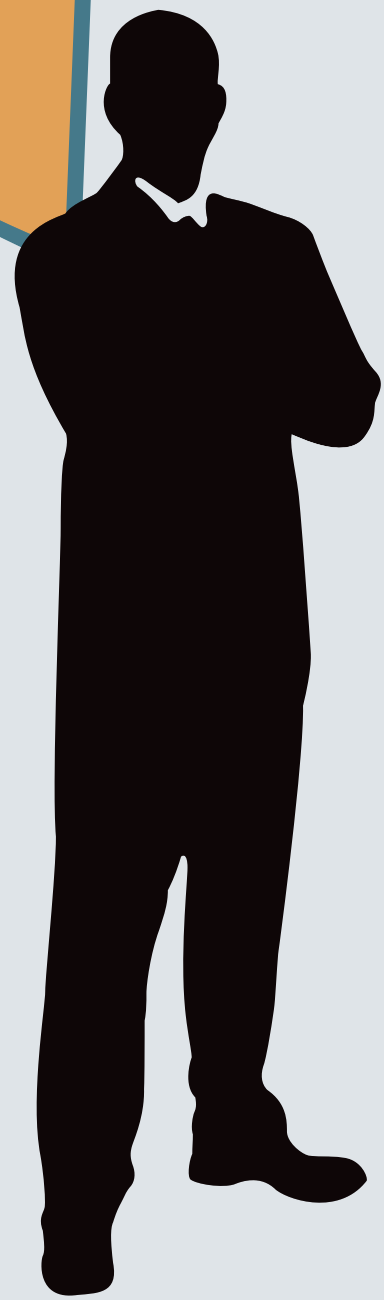
We will also capitalise on Para IV opportunities; our eight Para IV FTF filings provide a strong revenue potential.

Going ahead, we are working on niche product areas, which have limited global competition and strong revenue visibility. These product segments will power the growth journey of our Company and provide a strong platform for a well-diversified product portfolio.

The Company expects to increase capacities even as it has not cleared all its debt. Where will the additional funds come from?

A: We do not need to invest further in our existing infrastructure and business model. Our current base is capable of yielding strong double-digit growth based on current products and arrangements. We envisage that we will need to invest in acquisitions and new niche product segments. Our inorganic strategy is focused on acquiring front-end marketing outfits in the regulated markets, which will not involve large capital outlay. For the new product segments, we do not envisage heavy investments. Going forward, we will generate strong and positive cash flow which will be used for investments in capital expenditure.





What is your principal message to shareholders?

A: We recognise that our market capitalisation was impacted following the sale of a small part of our business. This is not the end of the road for our Company. We have now embarked on robust growth comprising short-term and medium-term drivers. We have taken adequate caution and have factored possible product approval delays, capex requirements and impending FCCB payments into our business plan. We are confident of delivering strong double-digit growth going forward.

As a first step, we have tried to answer questions that our stakeholders may have on our operations, strategies, growth plans and, of course, the deal with Hospira. We have detailed how this deal has impacted our balance sheet positively and how we propose to build on our strong growth engines.

We have always focused on identifying and capitalising on niche product / market opportunities and will continue to do so in a manner that delivers sustainable value to our stakeholders.

Management discussion and analysis

Global economy overview

The International Monetary Fund has projected that global growth will recover from a negative 0.8% in 2009 to 3.9% in 2010 and 4.3% in 2011, driven by fiscal support, enhanced consumer confidence and strong emerging market recovery.

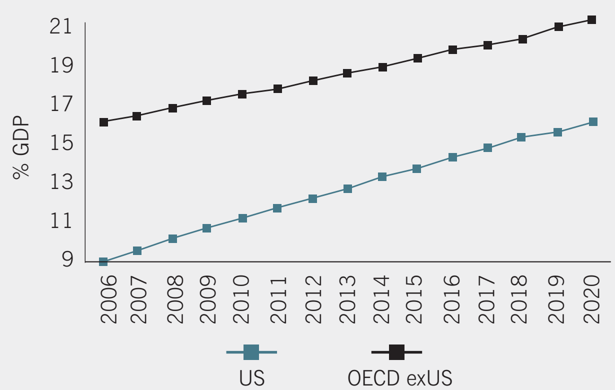
Global pharmaceutical overview

The global pharmaceutical market is passing through a transformation. With newer areas of medical needs emerging and disease incidence increasing in developed and developing nations, new opportunities are emerging. E-7 countries like Brazil, China, India, Indonesia, Mexico, Russia and Turkey are becoming more prosperous with their real gross domestic product projected to treble in 13 years. Consequently, E-7 countries could account for around a fifth of global pharma sales.

The global pharmaceutical market grew 4.8% in 2008, 7% in 2009 and a projected 4-6% in 2010. IMS Health Today indicates that the global pharmaceutical market is expected to grow nearly US$300 billion over five years to US$1.1 trillion, catalysed by the annual new molecular introduction of 30-35 products over the next five years.

The US sales of ethical pharmaceuticals and insulins through retail and non-retail channels grew 5.1% to US$300.3 billion in 2009 (source: IMS Health Today) compared with 1.8% in 2008. It is also estimated that by 2020, the OECD (excluding US) will spend 16% of its GDP on healthcare, while this will be around 21 percent in the US, putting the size of the combined market at around US$10 trillion (Source: *Price WaterhouseCoopers*).

Figure and health expenditure as a percentage of GDP is increasing rapidly in OECD countries



Global population is projected to rise from around 6.6 billion to 7.6 billion in 2020 with about 719.4 million people (9.4%) at or above 65 years. It is estimated that four in five of those above 75 years will consume at least one prescription product, while 36% will consume four or more.

Global generic market

The global generic market generated US$83 billion in audited sales for 2009, registering a growth of 7.7% for 12 months ending September 2009 compared with 3.6% in 2008. By 2014, the global generic market is estimated to be at US$129.3 billion, driven by a five-year CAGR of 9% (Source: IMS Health).

This is a challenging time for the generic pharmaceutical sector marked by an increasing need to control costs, widen applications and manage shrinking margins. However, several blockbuster pharmaceutical brands are going off-patent and opening up for generics manufacture and this activity is likely to be centred around China, India, Eastern Europe and Brazil.

In the US$59-billion global generics market (developed countries only), the US accounts for 42%, five major European markets for 23% and Japan for 6%.

US generics market

The US is one of the world's largest generic markets with estimated generic sales of around US$34 billion as compared with global generic sales of US$83 billion in 2009 (Source: BCC Research). The use of generic products, including branded generics, continued to rise; they represented 57% of all dispensed prescriptions in the US in 2004 and increased to 75%. The total number of generic prescriptions dispensed increased 5.9% in 2009, while the number of branded prescriptions dispensed declined 7.6% (Source: IMS), as generic drugs saved US$734 billion for the American healthcare system over the last decade.

The proposed budgetary request of US$51.5 million for the FDA's Office of Generic Drugs (OGD), an increase of US$10 million over last year's budget, will reduce delays in the delivery of affordable generics to consumers. For every 2% increase in generics utilisation, the nation's Medicaid program can save an additional US$1 billion annually (Source: GPhA).

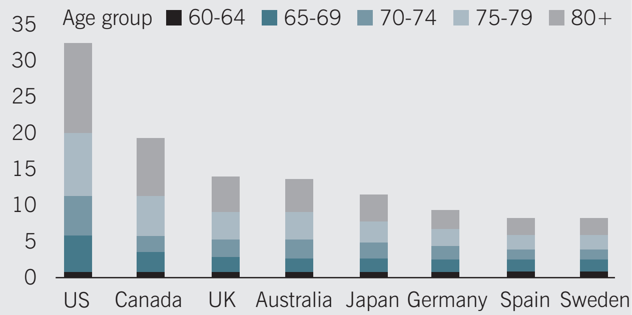
The US generics drug market is expected to grow at a 10% CAGR across 2009-12. Although generics account for 72% of the total US pharmaceutical market, they account for only 17% of total sales. However, the generics market more than tripled since 2000, catalysed by low price, increasing ageing population, high number of uninsured individuals and increasing per capita drugs consumption.

European generics market

Europe has entered an era of ageing population and increasing healthcare costs. Generic drug usage grew over branded originator medicines as they provide safe access, effective high-quality medicines and a 20-80% price advantage over branded originators. Generics are among Europe's most competitive sectors, accounting for almost 50% of all dispensed medicines and contributing to annual savings of Euros 25 to 30 billion (Source: *European Generic Medicines Association*). With over 700 generic companies in Europe, the market is uniquely poised to provide affordable and quality medicines. The outlook is optimistic as most EU members are yet to maximise the savings potential from generic medicines.

Ageing populations, increasing healthcare costs

The populations of E7 countries are ageing faster than those in G7 countries (UK, US, France, Germany, Italy, Japan and Canada). By 2020, it is estimated that around 338 million people in E7 countries will be over 65 as compared with 152.8 million people from G7, reflecting the potential for pharmaceutical markets in developing nations. As the global population ages, demand for better healthcare will increase. In Spain and Sweden, average healthcare spending for an 80-year old patient is twice than that of a patient (50-64 years) in developing countries.



Source: *Lawrence Kotkoff & Christia Hagist*

Indian economy overview

The Central Statistical Organisation (CSO) indicated that gross domestic product (GDP) expanded 7.4% in 2009-10 aganist 6.7% in 2008-09. India's GDP at purchasing power parity was around US$ 3,548 billion in 2009, making it the world's fourth largest economy after United States of America, China and Japan [Source: *CIA World Fact Book]*.

Indian pharmaceutical industry

The Indian pharmaceutical industry ranks third by production volume, accounting for around 10% of the world's pharmaceutical output [Source: Ministry of State for Chemicals and Fertilisers, Government of India]. However, India's pharmaceutical industry ranks only 14th by value and accounts for a mere 1.5% by value in the global pharmaceutical industry.

Globally, the Indian pharmaceutical market ranks fourth in terms of generic production and 17th in terms of export value of bulk actives and dosage forms. India's pharmaceutical products are exported to more than 200 countries including the highly regulated markets of the US, West Europe, Japan and Australia.

Indian firms won 138 approvals from a total of 483 generics approved by the US FDA in 2009, constituting about 31% of the abbreviated new drug applications (ANDAs) approved by US FDA (regulator of the world's largest pharma market). India has over 100 manufacturing facilities approved by the US FDA, the largest outside the US.

The Indian pharmaceutical market, estimated at over Rs 100,000 crore (US$20 billion), is determined to flourish in this growing environment. The Indian pharmaceutical market is expected to grow to US$40 billion by 2015, reporting a compounded annual growth rate of nearly 14% (source: Mckinsey). The domestic market, growing at almost 10-14 per cent, will expand to US$20-24 billion by 2015; exports and contract manufacturing, growing at 10 per cent annually, are expected to be around US$8-10 billion by 2020.

The Indian pharmaceutical industry also witnessed major tie-ups and/or acquisitions by multi-national pharmaceutical giants. Major innovator companies are now looking to tie up with Indian companies for the manufacture of their genericised molecules in view of low production cost. On the other hand, these innovator companies are also tying up with Indian companies for research and development and drug discovery projects in view of talent available in India at a reasonable cost.

India – preferred destination

CRAMS business is expected to grow from US$4 billion in 2007 to US$10 billion in 2015. This segment's growth is driven by the divestment of plants by owner companies owing to low capacity utilisation, resulting in enhanced outsourcing. Besides, a number of emerging biopharma/biotech companies do not possess any production capacities and would rather outsource while retaining marketing rights. The resulting cost advantage has made India a preferred destination for contract research and clinical trials for developed markets.

The Indian clinical trials market in 2009 was worth US$320 million and by 2012, is expected to reach US$630 million. The market grew at a 34% CAGR for five years leading to 2009 (Source: Research and Market). A clinical trial conducted in India costs 50-60 per cent lower than in the developed markets. Despite the advantage, India contributes only 1.5 per cent of global patient enrolment and 2 per cent of the clinical trial volume, a scenario that could now improve.

India participates in 7% of the global Phase III trials and 3.2% in the Phase II trials with industry sponsorship. India stands second in Asia (after Japan) in the number of industry-sponsored Phase II and III trials (Source: *Business Standard*, 10th August, 2009).

Drivers of excellence

Integrated value chain

Typically, pharmaceutical companies focus on some or all of the following clusters: active pharmaceutical ingredients (APIs), branded generics, regulated generics, custom research and manufacturing services (CRAMS) especially related to new drug products, novel drug delivery systems (NDDS) and new chemical entities (NCEs).

The ability to be present in all or most segments is ideal. Orchid commenced operations only as recently as in 1994 and is one of the few, fully-integrated, globally-present Indian pharmaceutical companies across the entire pharmaceutical value chain.

Since the sector is subject to stringent regulation and compliance, integration – from discovery to delivery – holds the key to sustainable growth for pharmaceutical manufacturers. Orchid responded to this challenge through the creation of manufacturing facilities with global regulatory approvals (US FDA, UK MHRA, Australian TGA and South African MCC and PMDA), R&D centers (received global accreditation) and marketing alliances with corporates, distributors and agencies across several countries. The result is Orchid's established ability to produce quality products in a world-class environment adhering to safe manufacturing processes and establish a brand in high-growth countries.

Orchid's multi-tier integration captures all the dimensions of the pharmaceutical value chain.

- **Segments:** APIs to multiple dosage forms
- **Products:** Multi-therapeutic versatility
- **Markets:** Regulated and semi-regulated
- **Value chain:** Drug discovery to drug delivery

The drivers of Orchid's growth comprise the following: focus on niche generics and drug discovery, integration, product versatility, state-of-the-art infrastructure, collaborative partnerships and an empowered organisation.

Orchid's transition across the pharmaceutical value chain

Global API	Domestic formulation	Global generics	CRAMS	NDDS	NCEs

Time, cost, risk and value

Drivers of excellence

Integrated drug discovery

Research and development

Orchid is committed to the discovery of new patented drugs that address unmet therapeutic needs. The Company's R&D initiatives are routed through its wholly-owned subsidiary Orchid Research Laboratories Limited (ORLL). The Company possesses robust drug discovery and development platforms in the areas of anti-infective, anti-inflammatory, anti-cancer, anti-diabetes and metabolic diseases and an R&D infrastructure certified by the National GLP Authority of India for Good Laboratory Compliance (GLP).

ORLL conducts all research activities in-house for drug discovery and development, beginning with the in silico of new compounds or New Chemical Entity (NCE) to validation in an animal model. The Company possesses state-of-the-art laboratories in the areas of molecular modelling, medicinal chemistry, chemical development, analytical development, formulation and in-vitro and in-vivo biology support.

To drive discovery and development, ORLL developed a proprietary product pipeline and collaborates with multi-national companies for discovery of specialist entities to undertake co-discovery and/or co-development projects, as well as provide custom research services.

Infrastructural capabilities

ORLL possesses state-of-the-art medicinal chemistry laboratories benchmarked to international standards covering all key domains involved in end-to-end drug discovery – medicinal chemistry, biology, analytical, formulation, CMC and intellectual property. A state-of-the-art discovery biology centre, facilitates drug screening and development with dedicated labs for in-vitro and in-vivo studies in microbiology, pharmacology, toxicology, including DMPK and ADME studies as well as regulatory toxicology studies essential for IND and IMPD filings of new drugs.

Sophisticated equipment and modern bioinformatics software provide an edge to Orchid's drug discovery division. The Company's biology centre comprises a world-class animal house for breeding animals along with immuno-deficient and transgenic ones. The animal house is registered with the Control and Supervision of Experiments on Animals (CPCSEA) and monitored by Institutional Animal Ethics Committee (IAEC). Orchid possesses global scale competencies to synthesise molecules from milligram to gram and kilogram quantities, supporting pre-clinical or clinical studies.

Knowledge capabilities

ORLL has over 130 scientists dedicated to drug discovery. It possesses a unique bank of over 3,000 clinical isolates, which positions it distinctly in the field of discovery of novel antibiotic drugs. The Company developed globally competitive discovery knowledge platforms and an ability to specialise in any kind of chemistry reinforced by innovative drug design and SAR platforms. The Company's ability to scale chemical development in a technologically efficient and cost-effective manner is an added advantage. The biological knowledge base and inherent molecular biology capabilities in ORLL's bio-technology domain facilitate key cell-based studies for a more insightful biological evaluation of NCEs.

Business dynamics

ORLL possesses the ability to take a molecule seamlessly from discovery through various pre-clinical phases to human clinical studies. Given its infrastructure and competencies in innovative medicinal chemistry and biology, ORLL is capable of meeting challenging drug discovery. ORLL catalyses multi-therapeutic and multi-lead discovery programs through selective cutting-edge biology and rational drug design concepts with a vast medicinal chemistry and biology capabilities.

Novel Drug Delivery Systems (NDDS)

NDDS provides innovation-driven opportunities that enhance therapeutic efficacy, drug tolerability and patient convenience in existing drugs. ORLL undertakes the development of new dosage forms to enhance the efficacy and safety of existing drugs. These NDDS help develop conventional and novel formulations for NCEs. The Company also envisages collaborative approaches with MNCs and other specialist delivery companies for further studies and eventual commercialisation.

Drivers of excellence

Marketing

Orchid enjoys a presence across several countries (regulated and semi-regulated markets). In view of the differentiated nature of each of these markets with regard to regulations and marketing dynamics, the Company adopted diverse distribution models for each.

Regulated markets	Semi-regulated markets
Market dynamics	*Market dynamics*
Generics are not branded	Generics are branded
Marketing efforts are largely towards the distribution chain, which plays a dominant role in dispensing generic medicines	Marketing efforts largely targeted at doctors who prescribe medicines
Products here are marketed through three channels: group purchasing organisations, hospitals and pharmacies	
Orchid's strategy	*Orchid's strategy*
Pioneered a strategic alliance model with marketing partners who reach out to these trade channels	Establish its own sales office or work through agents or distributors
Network	*Network*
Forged alliances covering several products in multiple dosage forms	Created more than 10 sales offices in several countries across the globe
Presence in regulated markets namely the US, EU, Australia and Japan	Presence across all semi-regulated markets
Results	*Results*
These markets accounted for 49% of the Company's revenue in 2009-10	These markets accounted for 51% of the Company's revenue in 2009-10

To penetrate these markets effectively and efficiently, the Company entered into business-enhancing alliances with companies already present in the respective geographies. These alliances translated into the following advantages:

- Exclusive supply of products to alliance partners, resulting in a larger product throughput and higher capacity utilisation
- Focus on product development and volume growth
- Retention of intellectual property of products sold through marketing alliances
- Recovery of the development and license fee from partners to cover generic development expenses

Generics: The Company tied up with global leaders like Apotex, Actavis and Hospira, for development, manufacture and supply of injectable products in the US, Canada, the EU, CEE, Australia and New Zealand. Subsequent to the sale of generic injectables business to Hospria the contracts with Apotex, Actavis and Hospira for these products have been assigned to Hospria. As regards the oral products, the Company enjoys tie-ups with Dava, Actavis, McKesson and Alvogen for the US, certain countries in EU and other regions.

Consequently, the Company derived significant business from regulated markets in quicker time without investing in its own distribution network. This helped shrink payback and enhance profitability.

Road ahead

Following sale of the injectible business (in cephalosporin, penicillin and carbapenems) to Hospira, Orchid expects to focus on the NPNC segment and launch more than 20 products in regulated markets over the next three years. Orchid also intends to acquire marketing outfits in regulated markets to complete its value chain. The Company will also leverage in licensing opportunities from acquired companies and catalyse its growth.

Finance review

(Rs Lakhs)

	2009-10	2008-09	Growth (%)
Net revenue	125,111	120,772	3.6%
Profit on sale of Injectable business	101,530	–	–
EBIDTA	85,239	24,831	243.3%
PAT	33,134	(5,217)	735.1%
Cash profit	61,116	9,312	556.3%
ROCE (%)	11.8%	(1.5)%	–
RONW (%)	33.8%	(7.8)%	–
EBIDTA margin (%)	68.2%	20.8%	–

Net revenue

The net revenue increased from Rs 120,772 lakhs in 2008-09 to Rs 125,111 lakhs in 2009-10. In 2009-10, API sales declined 7.3% to Rs 49,200 lakhs from Rs 53,100 lakhs in 2008-09 due to an increased focus on formulations. Formulation revenues grew 14.24% from Rs 62,500 lakhs in 2008-09 to Rs 71,400 lakhs in 2009-10 largely due to launches of certain high value products like Tazobactam-Piperacillin. Of the total sales, formulations accounted for 59% in 2009-10 (54% in 2008-09) and APIs accounted for 41% in 2009-10 (46% in 2008-09)

Cost analysis

Total operating cost increased 37.71% to Rs 142,254 lakhs in 2009-10 from Rs 103,328 lakhs in 2008- 09.

Break up of cost components

(Rs Lakhs)

Costs	2009-10	% of total cost	2008-09	% of total cost
Material cost	77,526	54	51,031	49
Manufacturing, selling and other expense	64,728	46	52,297	51
Total	142,254	100	103,328	100

Material cost

The material cost of the Company increased from Rs 51,031 lakhs in 2008-09 to Rs 77,526 lakhs in 2009-10 owing to increase in the cost of certain key raw materials, higher production volumes of key products like Tazobactam–Piperacillin and increased volume penetration in emerging markets. The material cost also grew on account of higher consumption levels related to the injectable formulations business sold to Hospira.

Power and fuel costs

Power and fuel costs were Rs 6,644 lakhs in 2009-10 compared to Rs 7,345 in 2008-09. The reduction was mainly on account of a reduction in furnace oil cost and savings in the use of power across facilities.

Staff costs and welfare expenses

Widening geographic reach, expanding scale of operations, a demand for technical and quality manpower and a one-time cash outflow owing to the labour settlement in our Alathur API facility led to an increase in staff costs from Rs 12,288 lakhs in 2008-09 to Rs 15,929 lakhs in 2009-10.

Research & development costs

An increase in regular operating expenses, regulatory filings and project costs for research and infrastructure programs led to an increase in R&D costs from Rs 4,633 lakhs in 2008-09 to Rs 5,388 lakhs in 2009-10.

Consultancy and professional costs

Consultancy expenses of Rs 7,814 lakhs in 2009-10 as compared to Rs 3,120 in 2008-09 were mainly attributable to the increase in legal expenses pertaining to product filings, including Para IV filings.

Other manufacturing, selling and other expenses

The Other manufacturing and selling expenses stood at Rs 28,953 lakhs in 2009-10 as compared to Rs 24,911 lakhs in 2008-09, mainly on account of the appreciation in the rupee resulting in an exchange rate loss of Rs 6,004 lakhs and the write-off of certain debts to the extent of Rs 3,256 lakhs.

EBIDTA

EBIDTA stood at Rs 85,239 lakhs in 2009-10 as compared to Rs 24,831 lakhs in 2008-09. This growth in EBITDA was mainly aided by the profit of Rs 101,530 lakhs from the sale of the generic injectable formulations business to Hospira, which was completed during the last quarter of the fiscal under review.

Interest and Finance charges

Interest and finance charges increased by 55% from Rs 15,518 lakhs in 2008-09 to Rs 24,123 lakhs in 2009-10 primarily due to a hardening in interest rates and an increase in the debt levels during the year. The increase in finance charges was also on account of prepayment charges paid by the Company on account of prepayment of loans. The average debt cost was 14.5% in 2009-10 as against 11.5% in 2008-09.

Depreciation and amortisation expenses

An increase in the asset base led to a 23% increase in depreciation and amortisation expenses from Rs 12,997 lakhs in 2008-09 to Rs 15,110 lakhs in 2009-10. The impact of the sale of assets relating to the injectable business on the depreciation provision will be visible only in 2010-11, as the deal was completed only in March 2010.

Profit after tax

Profit after tax increased to Rs 33,134 lakhs in 2009-10 as compared to a loss of Rs 5,217 lakhs in 2008-09, mainly aided by the profit on sale of the generic injectable formulations business to Hospira.

Capital employed

The total capital employed declined 17% from Rs 339,645 lakhs as on 31st March, 2009 to Rs 281,294 lakhs as on 31st March 2010, largely owing to the debt repayment in March 2010. The return on capital employed (ROCE) stood at 11.8% in 2009-10 against -1.5% in 2008-09.

Sources of funds

(Rs Lakhs)

	2009-10		2008-09	
Segment	Amount	% of total capital employed	Amount	% of total capital employed
Equity share capital	7,044	2.5	7,044	2.1
Reserves and surplus	90,919	32.3	59,977	17.7
Net worth	97,963	34.8	67,021	19.7
Secured loans	102,176	36.3	169,501	49.9
Unsecured loans	60,774	21.6	90,174	26.5
Deferred tax liability	20,381	7.2	12,949	3.8
Capital employed	281,294	100.0	339,645	100.0

Net worth: The Company's net worth increased 46% from Rs 67,021 lakhs as on 31st March, 2009 to Rs 97,963 lakhs as on 31st March 2010 owing to increased reserves. Return on net worth stood at 33.8% in 2009-10 against -7.8% in 2008-09.

Reserves and surplus: The Company's reserves and surplus grew by 52% from Rs 59,977 lakhs as on 31st March, 2009 to Rs 90,919 lakhs as on 31st March 2010. The increase in the reserves was mainly due to the increase in the share premium account following the buyout of US$19.778 million worth of FCCBs.

External funds: External funds declined 37.36% from Rs 259,675 lakhs as on 31st March 2009 to Rs 162,950 lakhs on 31st March 2010 following debt repayment. External funds comprised secured (63%) and unsecured loans (37%) including Foreign Currency Convertible Bonds. Debt-equity ratio strengthened to 1.6 in 2009-10 as against 3.9 in 2008-09.

Internal control and adequacy

Internal control systems and procedures were designed to assist in identification and management of risks, procedure led verification of all compliances as well as an enhanced control consciousness.

The Company's internal control system provides for adequate documentation of policies, guidelines, authorities and approval procedures covering all functions of the Company. The Company has an adequate system of internal controls commensurate with the size and nature of the business. Your Company continuously monitors all the procedures and has been introducing new systems from time to time. Highlights of the internal control weaknesses and internal audit reports are placed before the audit committee along with the recommendations and responses of the management. The members of the Board deliberate and advise the management on improvements / compliance.

Human resources

As on March 31, 2010 Orchid possessed a 3,700-plus team including scientific and technical personnel as well as employees located across several manufacturing locations and research facilities, corporate, managerial personnel and sales staff. During the year, Orchid transferred about 450 employees dedicated to the development and production of generic injectable formulations to Hospira.

The major thrust of Orchid is its continued investment in human resources. We attracted several senior management talents across business divisions to strengthen our talent pool. Recognising the importance of talent in sustaining global competitiveness, Orchid took a few initiatives including conducting a periodic HR review mechanism to understand the draw backs faced by the employees and to restructure the HR function to align with the business units. The Company encourages a culture of collective learning and knowledge sharing, gathered from multiple seminars, conferences, work shops and symposia among others.

The Company aggressively created knowledge sharing forums with specific development initiatives. The development initiative ODDISY was introduced during the year at Research & Development Centre.

There was a labour unrest at the Company's API facility in 2007, which was brought to a closure during the year under review .In the interim, the management initiated a dialogue which helped close the issue amicably.

Information technology (IT)

In the knowledge-intensive technology-based industry like pharmaceuticals, IT plays a key role in enabling the business to be effective and responsive. IT also ensures seamless connectivity across domains and locations to enhance productivity through integration. Quite a lot of IT policies in the areas like energy conservation, data integrity etc. were automated leading to a lower manual intervention. Orchid continued to incorporate cutting-edge IT developments for high productivity and operational connectivity.

Managing business uncertainties

Risk represents the face of business uncertainty, affecting corporate performance and prospects. The objective is to identify risks as early as possible and initiate suitable measures to mitigate them and limit business losses. The Company's risk management framework comprised a clear understanding of strategies, policies, initiatives, norms, structured reporting and control. The Company ensures that the risk management discipline is centrally initiated by the senior management and progressively decentralised, extending to managers across hierarchies, facilitating risk mitigation at the transactional level.

Consequently, only those business decisions are taken that balance risk and reward, ensuring that the Company's revenue-generating initiatives are consistent with the risks taken thereby ensuring stakeholder value.

1. There is a perception that the asset transfer deal with Hospira could affect sustainability

This perception is largely due to the recent trend of global companies acquiring Indian pharmaceutical companies or their assets, the recent instances being Daiichi-Ranbaxy, Abbott-Piramal and asset/business sale by Wockhardt. As a result, the Orchid-Hospira deal was perceived as a distress sale, while in fact it will trigger the next wave of growth for the Company.

2. The Company was hitherto viewed as an integrated player. The sale of assets may alter the business mix of the Company

The sale of assets to Hospira will alter the product mix in favour of APIs. But this is only for the short-term. The Company will continue to market oral formulations in the regulated, semi-regulated and domestic markets. It has scheduled the launch of more than 20 formulations progressively over the next three years, restoring the sales mix in favour of formulations and helping robust returns.

3. The sale of assets could hamper growth

Revenues and EBIDTA will not be affected due to the business transfer. The assured API volumes for the cephalosporins and penicillin products will cover about 44% of the revenue loss and will be further bridged with the API supply for carbapenems. The Company tied up with other innovators for the supply of APIs, expected to further catalyse growth. Besides, medium-term growth will be derived following the introduction of new products in the non-antibiotics (NPNC) category.

4. Increased dependence on a single therapeutic segment could affect growth

The antibiotics segment generated 80% revenues in 2009-10. Going forward, the Company is diversifying and establishing a strong foothold in the high growth NPNC (non-antibiotics) segments like anti-inflammatory, anti-oxidant, anti-ulcerant, CNS and CVS among others which include Para IV and FTF products. The product launches in these segments over the next five years will considerably derisk the Company from an excessive dependence on any one vertical.

5. Litigation with global pharmaceutical majors could dent profitability.

Orchid selected to grow in the generics business. While it markets products under patents in semi-regulated markets, it launches these products in regulated markets only after they have gone off-patent. The Company develops these generics through non-infringing processes vetted by a strong regulatory team. This institutionalised mechanism has ensured that the Company has not faced a single litigation related to generics launches since inception.

The Company made eight Para IV FTF applications till date. For such applications, the internal IP team and external experts conducted a threadbare analysis of each such case to ensure that the Company had a strong legal standing. The Company recently entered into an agreement for two such filings with the patent holder.

6. Under-utilisation of assets created in the last few years could impact performance and profitability

Over the last four-five years, the Company invested in facilities for prospective products like penicillins, carbapenems and the NPNC segment. But the earnings were largely from the cephalosporins segment, resulting in asset under-utilisation.

The cephalosporin, carbapenems and penicillin injectable facilities were monetised through an asset sale to Hospira, generating a more than four-fold return. The penicillin injectable facility delivered a return in excess of US$40 million in only six months (due to the 180-day exclusivity by the US FDA for Tazobactam-Piperacillin).

The API facilities for cephalosporins and penicillins will generate sizeable returns over the next 10 years in line with the long-term API supply agreement with Hospira. This also holds true for the carbapenem API facility (once Hospira gets the approvals for the products in 2010 and 2011). Supply contracts being discussed with other global players will also help in further asset utilisations.

The NPNC facilities are expected to be fully occupied over going forward following the planned launch of several products. As a result, the Orchid gross block will contribute more comprehensively to the Company's business and profitability growth, going forward.

7. The business sale could result in margins decline

The tilt of the product mix in favour of APIs will marginally impact the EBIDTA margin in the current year. This is a conscious decision by the management in the interest of enhancing long-term shareholder value where the marginal reduction in EBIDTA will be compensated by a robust profit base at the net level. The reduction is not likely to be pronounced as the Company is supplying niche products – in certain products the only API supplier in the world – enabling it to command superior realisations and margins over vanilla APIs. This phase is expected to be short lived due to the proposed launch of a slew of Oral formulations spread across the regulated and emerging markets going forward thereby strengthening profitability.

8. The adverse movement of US Dollar against the rupee against the rupee could dent the Company's profitability.

The Company imports key raw materials which act as a partial hedge. The Company also hedges a part of its net foreign exchange earnings based on periodic cash flow review enabling it to minimise the impact of the strengthening rupee. The emphasis on business expansion and cost management takes such adverse exchange fluctuations in its stride.

Corporate information

Board of Directors

Chairman
Shri R Narayanan

Managing Director
Shri K Raghavendra Rao

Executive Director - Finance
Shri S Krishnan

Directors
Dr M R Girinath
Dr I Seetharam Naidu
Shri Deepak Vaidya
Shri T A Ganesh (IDBI Nominee)
Shri Anil Thadani

Company Secretary

Mrs Bhoomijha Murali

Management Team

Dr B Gopalan	*Executive Director*
Mr Madhusudan Rao	*Chief Operating Officer - Global Generics*
Mr Ashutosh Ojha	*Chief Executive - Domestic Formulations*
Dr R Buchi Reddy	*Senior Vice President - Chemical Development (NPNC)*
Mr S Chandan Kumar	*Senior Vice President - Special Projects*
Mr P N Deshpande	*Senior Vice President - Manufacturing (API)*
Ms Edna Braganza	*Senior Vice President - International Marketing & Procurement*
Mr S Mani	*Senior Vice President - Process Research / SH&E / CSR*
Mr S Nammalvar	*Senior Vice President - Manufacturing (API)*
Mr U P Senthil Kumar	*Senior Vice President - Process Research*
Mr S Sridharan	Senior *Vice President - IT & IE*
Mr Deepak M B Nayyar	*Vice President - Domestic Formulations*
Mr C R Dwarakanath	*Vice President - Corporate Safety, Health & Environment*
Mr Gurmeet Singh	*Vice President - Commercial (API)*
Mr Kakarlapadi V V Raju	*Vice President - Technical Operations*
Mr V S Padalkar	*Vice President - Projects & Maintenance (API)*
Mr K C Pathak	*Vice President - Project Management Office*
Mr M S Rangesh	*Vice President - Human Resources*
Mr Sampath Parthasarathy	*Vice President - Domestic Formulations*
Mr Srinivasa Rao Prerepa	*Vice President - RA & QA (API)*
Mr A Suresh Babu	*Vice President - Corporate Affairs*

Bankers

Allahabad Bank • Bank of Baroda • Bank of India • Canara Bank • Central Bank of India • ICICI Bank Limited • IDBI Bank Limited • Indian Bank • Punjab National Bank • State Bank of Hyderabad • State Bank of India • Union Bank of India

Auditors

Statutory Auditors

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

Cost Auditors

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

Directors' report

Your Directors have pleasure in presenting the 18th Annual Report of your Company along with the audited statement of accounts for the financial year ended March 31, 2010. The Report also includes the consolidated financial statements and the Management's Discussion and Analysis Report in accordance with the guidelines on Corporate Governance. The highlights of the financial results for 2009-10 are given below:

(Rs crore)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Sales and operating income	1249.83	1191.44
Other income	1016.58	22.85
Total expenditure	1422.55	1033.28
Gross profit	843.87	181.00
Interest and finance charges	241.23	155.19
Gross profit after interest but before depreciation and taxation	602.64	25.82
Depreciation	151.10	129.97
Profit / (Loss) from ordinary activities before exceptional items	451.53	(104.15)
Exceptional item	8.52	67.30
Profit / (Loss) before tax	460.05	(36.85)
Provision for taxation		
- Current and deferred tax	128.71	13.72
- Fringe benefit tax	-	1.61
Profit / (Loss) after tax	331.34	(52.17)
Add: Surplus brought forward	28.32	81.57
Surplus available	359.66	29.40
Appropriations:		
- Transfer to general reserve	200.00	--
- Excess provision of dividend for earlier year written back	(2.47)	(9.64)
- Dividend	88.79	9.16
- Tax on distributed profits	14.75	1.56
Balance carried to balance sheet	58.59	28.32

Performance

During 2009-10, your Company achieved a turnover and operating income of Rs 1249.83 crore compared to Rs 1191.44 crore in 2008-09. The other income of Rs 1016.58 crore included consideration arising out of the sale and transfer of the Company's Generic Injectable Formulations Business. The gross earnings before interest, depreciation and taxes stood at Rs 843.87 crore compared to Rs 181.00 crore of last fiscal. After providing for interest expenses of Rs 241.23 crore (Rs 155.19 crore previous fiscal) and depreciation of Rs 151.10 crore (Rs 129.97 crore previous fiscal), the profit before tax of the Company was Rs 460.05 crore, compared to the previous year's loss before tax of Rs 36.85 crore. The net profit after tax stood at Rs 331.34 crore, compared to the net loss after tax of Rs 52.17 crore in the previous fiscal. The profitability figures reflect the impact of adoption of the modified AS 11 accounting treatment and the impact of buyback (and cancellation) of Foreign Currency Convertible Bonds (FCCBs) of the face value of USD 19.778 million of the 2012 Bonds and the sale transaction effected during the last quarter.

Pharmaceuticals business

A highlight of the performance this year was the approval from the US Food and Drug Administration (US FDA) for the Company's Abbreviated New Drug Applications (ANDAs) for Piperacillin and Tazobactam for Injection. The US FDA also determined that Orchid is the 'first applicant' for the products and accordingly granted 180-day generic drug exclusivity, under applicable provisions.

Orchid launched this product in marketing and distribution partnership with Apotex in the US and utilised significant portion of the manufacturing capacity to cater to the US market. Also, the market share of Piperacillin-Tazobactam injections for Europe and ANZ regions too showed good signs of growth during the second part of the fiscal year 2009-10.

In the NPNC (Non-Penicillin, Non-Cephalosporin) segment, the Company geared up to meet the increase in demand by dedicating a separate manufacturing line at the formulations facility. The Company is of the opinion that significant improvement in the manufacturing process and a dedicated manufacturing line supported by higher levels of API manufacturing will lead to the desired results in the ensuing quarters.

Sale and transfer of Sterile Injectable Business

Your Company successfully completed the sale and transfer of the Company's Generic Injectable Formulations Business, including the facility situated at Irungattukottai near Chennai to Hospira Healthcare India Private Limited, a subsidiary of Hospira Inc., USA (Hospira) based on the approval from various Government agencies and the shareholders. The business transfer proposal was built on the existing product development and commercialisation relationship between Hospira and Orchid, which covered several product-market segments.

In order to have financial flexibility and to support new growth opportunities across the value chain, the business transfer was completed by your Company. The transferred business includes the business of development, manufacture and marketing of injectable pharmaceutical products including the product pipeline. Your Company will however be free to conduct the said business in India and Russia & CIS countries.

As part of the transaction Hospira would source the APIs required for its injectibles business from Orchid on a long term basis which would provide revenue assurance to Orchid. Hospira would undertake manufacture of oral cephalosporin formulations for Orchid on a contract basis. Your Company is also expecting growth in various sectors of its operations like core API Business, Oral Formulations Business, other non-injectable formulations products and in the Drug Discovery space.

The transaction paved way for your Company to repay a substantial portion of the long term debt. The Company had repaid loans totalling to around Rs 1355 crore using the said consideration. In addition, the Company will also have enhanced flexibility to grow the retained businesses and pursue new growth opportunities.

Dividend

Your Directors recommend a 100% dividend (Rs 10 per equity share of Rs 10/- each) for the year ended 31st March 2010, subject to the approval of shareholders at the ensuing Annual General Meeting. Under the Income Tax Act, 1961, the receipt of dividend is tax-free in the hands of the shareholders.

Regulatory filings and approvals

In the generic formulations domain, Orchid's cumulative ANDA filings for the US market stood at 36. This includes 8 Para IV FTF (First–To–File) filings. The break-up of the total ANDA filings is: 13 in Cephalosporins segment and 23 in NPNC segment. Few more ANDAs which are in various stages of development are expected to be filed in ensuing quarters.

In the EU region the cumulative count of Marketing Authorisations (MA) filings moved to 18. The break-up of the total MA filings is: 12 in the Cephalosporins segment and 6 in the NPNC segment. Few more dossiers have been lined up for filing during 2010, based on the DCP slots allotted by the respective RMS (Reference Member States) countries in the EU. This is likely to increase the cumulative filing count significantly in the ensuing quarters.

In the API (Active Pharmaceutical Ingredients) domain, Orchid increased its cumulative filings of its US DMF count to 80. The break-up of the total filings is: 29 in the cephalosporin segment, 38 in NPNC segment, 2 in the betalactam segment and 11 in the carbapenems segment. In the European market space, the cumulative filings of COS (Certificate of Suitability) count remained at 20 which includes 13 in cephalosporin segment, 6 in NPNC segment and 1 in the betalactam segment.

Awards

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

- Corporate Social Responsibility (CSR) award by the Government of Tamil Nadu for the year 2008-09.
- G3 – GOOD GREEN GOVERNANCE AWARD - 2010 – Orchid's Alathur facility declared as Runners Up in the Chemical Manufacturing sector. This award is given by SRISHTI PUBLICTIONS P LTD., New Delhi.
- Greentech Safety Award 2010 (Silver Award) in pharmaceutical sector for outstanding achievement in Safety Management given by Greentech Foundation, New Delhi for Orchid's Alathur facility.
- British Safety Council International Safety Award for 2009 given by the British Safety Council for high safety standards.
- Category III TERI Corporate Award for Environmental Excellence 2009 (Special Award) in appreciation of Orchid's efforts for source reduction of pollutants by process transformation from magnesium based dehalogenation process to catalytic dehalogenation process.

Intellectual property

During the year, Orchid continued to accelerate the IPR work on a number of products. The total number of patent applications filed by Orchid in various national and international patent offices so far was 699 (including Process, Formulation, NCE, NDDS, Biotech and Generics). As of March 31, 2010, 415 patent applications have been published while 107 patents have been granted cumulatively.

Foreign Currency Convertible Bonds

Your Company had issued FCCBs during November 2005, which are listed on the Luxembourg Stock Exchange and during February 2007, which are listed on the Singapore Stock Exchange. The

FCCBs due in 2010 are termed 2010 Bonds and those due in 2012 are termed 2012 Bonds.

During the year, your Company has bought back 2012 Bonds to the extent of US$ 19.778 million (aggregating 57.578 million). The total outstanding of 2012 Bonds after the buyback is US$117.422 million. The status of FCCBs is as follows:

Description	2010 Bonds	2012 Bonds
FCCB value	US$ 42.50 Million	US$ 175 Million
Conversion into equity done so far	US$ 22.79 million	Nil
Redemption value (%) of the book value	147.17%	142.77%
FCCBs bought back so far	2.25 million	57.578 million

Employees stock option plan

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

Your Company also formulated a stock option plan viz., Orchid - ESOP 2007 for grant of 5,00,000 options to the employees of subsidiary companies either working in India or overseas, or a Director of the Company (excluding the Promoter Directors). The said scheme was approved by the shareholders at the Annual General Meeting held on July 19, 2007. As of March 31, 2010, your Company did not grant any options under this scheme.

During April 2010, your Company has formulated a stock option plan viz., Orchid - ESOP 2010 for grant of 10,00,000 options to the employees in the grade of General Manager and above, including whole-time directors of the Company (excluding the Promoter Directors). The resolution seeking the approval is placed before the shareholders.

Listing of equity shares

Your Company's equity shares are presently listed on the National Stock Exchange of India Limited (NSE), Bombay Stock Exchange Limited (BSE) and the Madras Stock Exchange Limited (MSE).

Alliances / Acquisitions

Your Company recently entered into an out-licensing and distribution alliance with US-based pharma major Alvogen for marketing 8 of your Company's oral non-antibiotic generic formulations in the US market. Alvogen would source these products from your Company on an exclusive basis and share profits arising from marketing of these products in the US. Through this alliance, your Company is confident of achieving robust additions to its business from the US non-antibiotic generic formulations segment going forward.

Your Company proposes to acquire Karalex Pharma, LLC, a US-based generic marketing and sales services company headquartered in New Jersey, USA through an all-cash deal. The transaction is expected to close by July 2010 subject to customary closing conditions. Through this acquisition, your Company has created a front-end presence in the US market and will be able to reach its generic products to the US customers directly paving the way for synergistic returns from our upcoming and long-term strategic generic pharmaceuticals pipeline comprising key first-to-file and Paragraph-IV products.

Overseas joint ventures

NCPC Orchid Pharmaceuticals Company Limited, China

Your Company's joint venture in China, NCPC Orchid Pharmaceuticals has been engaged in the production, marketing, research and development of cephalosporin bulk and formulation products. The Company has maintained a considerable share for its key injectable Cephalosporin API products in the Chinese markets and continues to perform well. The Joint Venture has made a significant sales turnover of US$ 47.78 million during the year under review.

Diakron Pharmaceuticals Inc., USA

With a view to enter into the drug discovery in the anti-coagulant space Orchid decided to invest in Diakron and presently holds about 42% stake in the Company. As part of the transaction Orchid entered into certain Master Services Agreement among other agreements for development of clinical quantities of API and an extended release formulation with different doses. During the year under review, the manufacture of non-GMP API has been completed and the development of formulation is expected to be completed during the third quarter of this year.

Subsidiaries

Orchid Research Laboratories Limited, India (ORLL)

ORLL continued its research in the anti-infectives, anti-inflammation, anti-cancer and metabolic disorder areas and has achieved progress. Developmental candidates in anti-cancer and anti-inflammation areas have reached the stage of regulatory toxicological & safety studies. In the anti-metabilic disorders area the Company is exploring possibilities of repositioning of a molecule which has multiple efficacy indications. Under the collaborative research program which relates to the anti-infectives area certain NCEs have been designed, synthesised and screened and the Company is confident of making good progress going forward.

Bexel Pharmaceuticals Inc., USA (Bexel)

During the year, Bexel continued its further studies on the lead anti-diabetes molecule BLX-1002. The results of these studies still do not justify out-licensing as an anti-diabetic molecule. However, the molecule has multiple efficacy indications scope for repositioning of the compound in other indications and they are being explored. Certain important studies in this context are being conducted by a reputed overseas research institute in animal models and the initial results are showing promise.

Orchid Pharmaceuticals Inc., USA

Orchid Pharmaceuticals, Inc., is a wholly owned Delaware based subsidiary of the Company and is also the 100% holding company of Orgenus Pharma, Inc. Orgenus has reported a satisfactory year in the US market. The Company continued to support your Company in its current business relationships and also provide the required services with ground operations and regulatory processes. It has also continued to explore new strategic business expansion opportunities for the Company.

Orchid Europe Limited, United Kingdom

The principle activity of your Company's subsidiary in Europe namely Orchid Europe Limited (OEL) is to support the generic foray into the EU market and provision of regulatory support as well as business development support to the parent company. The entity is already active in the field of generics registrations and in identifying business partnerships and is well established on the path of supporting the generics plans of Orchid in Europe.

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

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

Orchid Pharma Japan K K

The Company has made noteworthy progress during the year. Through this subsidiary company the various capabilities which include manufacture and supply of API, formulation and CRAMS capabilities of the parent company Orchid Chemicals & Pharmaceuticals Limited have been presented to various companies in Japan. A major achievement during the fiscal year was obtaining the approval of Pharmaceutical and Medical Devices Agency (PMDA) for Orchid's Alathur facility. On the regulatory front the Company plans to file more DMFs and ANDAs during the year for oral cephalosporin and other products. Discussions with few companies are on and the Company expects to make good progress during this year.

Central Government Approval

Your Company had applied for an approval under Section 212(8) of the Companies Act, 1956 from the Department of Company Affairs, Ministry of Finance seeking exemption from attaching the Annual Report of subsidiary companies with the Annual Report of Orchid and to provide the accounts in the same manner as certified by overseas auditors in the respective countries where the subsidiaries are situated. The statement as required under Section 212 has been prepared on the assumption that the Company would receive the approval and the same is given as part of the consolidated accounts in the report.

The consolidated financial statements of the subsidiaries duly audited are presented along with the accounts of your Company. The annual accounts of subsidiary companies are kept at the Company's registered office and also at the respective registered office of the subsidiaries for inspection and shall be made available to the members seeking such information.

Fixed deposit

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

Directors' Responsibility Statement

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

- That in the preparation of the annual accounts for 2009-10 the applicable accounting standards were followed along with proper explanation relating to material departures, if any.
- That the Directors selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year (31st March 2010) and of the profit or loss of the Company for that period (2009-10).
- That the Directors took proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the Directors prepared the annual accounts for 2009-10 on a going concern basis.

Safety Excellence Journey

Orchid has always been committed to the highest standards of Safety, Health and Environment right from its inception. Significant time, effort and resources are being invested in maintaining a safe work environment. Continuous emphasis is laid on Safety Observations and incident investigations along with timely completion of corrective and preventive actions.

In the last couple of years consistent efforts have been put in identifying and mitigating reactive hazards by thermo-chemical studies in the process safety lab in the R&D Centre. Hazard Identification, Risk Assessment and Risk Reduction have been made as integral part of Process Development and Research so that scaling up is safe.

Corporate Social Responsibility

Community development continues to be the prime focus of your Company's CSR activities. The activities are built over five pillars i.e. Health, Education, Youth Development, Women Empowerment and Community asset creation.

Considerable creative talent was unearthed when a Summer Camp for over 350 rural school children was conducted with an aim to strengthen values such as friendship and teamwork. Certain new initiatives were taken to bring awareness on road safety in the rural areas. A road safety awareness rally was one such initiative in which people from all walks of life participated. Three main activities namely, Mobile health clinic, Eye camp and Medical referral support initiatives continued during the year, due to which more than 1200 people were benefitted.

The women empowerment programmes aimed at improving the awareness level of the women and to create employment opportunities for them. Your Company supports 160 Women self help groups out of which 25 new groups were formed during the year 2009-10.

Micro finance support were given to youth for setting up micro enterprises to address unemployment and with a focus to develop education and skill sets among the youth, as part of youth development initiatives. Focus was also given to Community asset creation.

Conservation of energy

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

Technology absorption

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

Foreign exchange earnings and outgo

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

Particulars of employees

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

Corporate Governance

The spirit of good Corporate Governance remains integral to the Company's corporate philosophy. The Company follows the code of Corporate Governance issued by the stock exchanges for listed companies. For 2009-10 all information relating to Corporate Governance is given in Annexure IV to this Report. A compliance certificate from the statutory auditors is appended to this report. General Shareholders Information is given in Annexure VI.

Directors

Appointment of Shri S Krishnan

Shri S Krishnan has been associated with your Company for over a period of 9 years and was heading the finance function in the last few years. Considering his expertise in the field of finance and other related functions, the Board felt that he may be inducted into the Board of Orchid as an Executive Director to look after the overall day-to-day operations of the Company and affairs concerning, amongst others, finance, corporate communication, mergers and acquisitions opportunities / activities of the Company. Accordingly, Shri S.Krishnan was appointed as Executive Director-Finance with effect from April 28, 2010 for a period of 5 (five) years. Shri S. Krishnan, in addition to his executive responsibilities as a Board member, will also hold the current role of the Chief Financial Officer of the Company. A resolution seeking his appointment as Director is being placed before the shareholders for approval.

Resignation of Dr.C Bhaktavatsala Rao

Dr.C.Bhaktavatsala Rao has been associated with Orchid since its inception as Director and was subsequently appointed as the Deputy Managing Director of the Company with effect from August 19, 1998. In the context of the sale and transfer of the sterile injectables formulations business to Hospira, Dr.C.Bhaktavatsala Rao sought separation from the services / directorship of Orchid as well as from the Boards of all the affiliate companies as of the closing hours of business on March 29, 2010, to head Hospira Healthcare India Pvt. Ltd. as its Managing Director.The Board places on record its appreciation for the varied and substantial contributions made by Dr.C.Bhaktavatsala Rao during his entire tenure.

Change in IDBI Nominee

IDBI Bank Limited withdrew the nomination of Shri S. Jeyakumar and nominated Shri T A Ganesh as its nominee in his place, with effect from May 10, 2010. The Board places on record its appreciation for the contribution made by Shri S Jeyakumar and welcomes Shri T A Ganesh.

Retirement of Directors by rotation

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Shri. Deepak Vaidya and Shri. Anil Thadani retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Auditors

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

Auditor's report

Note No. 30 in the notes on accounts of Schedule 'Q' to the Standalone Financial Statements explains the point referred to in point 5(b) of the Auditor's Report on Standalone accounts.

Cost Audit

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

Acknowledgements

Your Directors are thankful to Bank of India, IDBI Bank Ltd, State Bank of India, Allahabad Bank, Bank of Baroda, Canara Bank, Central Bank of India, ICICI Bank Limited, Indian Bank, Punjab National Bank, State Bank of Hyderabad, Union Bank of India and other public sector and private sector banks and institutions for meeting the long term and working capital needs of the Company's expanding operations and also to the holders of FCCBs and GDRs for their support.

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

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

For and on behalf of the Board

Place: Chennai
Date: May 27, 2010

R Narayanan
Chairman

Statement pursuant to Section 212

of the Companies Act, 1956, relating to subsidiary companies

S. No	Particulars	Orchid Europe Limited United Kingdom		Orgenus Pharmaceuticals Inc., USA		Orchid Pharmaceuticals Inc., USA	
	Financial year of the Subsidiary	Apr - Mar		Apr - Mar		Apr - Mar	
		£	Rs lakhs	$	Rs lakhs	$	Rs lakhs
1	Capital	10000.00	6.73	100000.00	44.57	200100	89.18
2	Reserves	(667867.00)	(449.61)	(79704.00)	(35.52)	(1037)	(0.46)
3	Other Liabilities	815776.00	549.18	179898.00	80.18	3600	1.60
4	Total Liabilities	157909.00	106.30	200194.00	89.23	202663	90.33
5	Total Assets	157909.00	106.30	200194.00	89.23	202663	90.33
6	Details of investment	–	–	–	–	–	–
7	Turnover	210000.00	141.37	722462.00	322.00	–	–
8	Profit /(Loss) before Taxation	12981	8.74	(84438.00)	(37.63)	(141)	(0.06)
9	Provision for Taxation	2690	1.81	1777.00	0.79	–	–
10	Profit /(Loss) after Taxation	10291	6.93	(86215.00)	(38.43)	(141)	(0.06)
11	Proposed Dividend	–	–	–	–	–	–
12	The net aggregate of profit / (loss) for the current period of the Subsidiary so far as it concerns the members of the holding Company						
	a) Dealt with or provided for in the accounts of the holding company		6.93		(35.52)		(0.09)
	b) Not dealt with or provided for in the accounts of the holding company		Nil		Nil		Nil
13	The net aggregate of profit / (loss) for previous financial years of the Subsidiary so far as it concerns the members of the holding company						
	a) Dealt with or provided for in the accounts of the holding company		(427.32)		18.17		6.99
	b) Not dealt with or provided for in the accounts of the holding company		Nil		Nil		Nil

i) Indian equivalent of figures have been arrived at by applying the year end rate 1£ = Rs 67.32, 1 South African Rand = Rs 6.09, 1 Japanese Yen = Re.0.48 and 1US$ = Rs 44.57 and do not form part of the reports of Orchid Europe Limited, Orchid Pharmaceuticals Inc., Bexel Pharmaceuticals Inc., Orchid Pharma Japan K.K. and Orchid Pharmaceuticals SA (Propreitary) Limited

ii) Holding Company's interest is as stated in the Schedule Q Notes to accounts 24(a).

iii) Shares held by the holding company in the subsidiary is as stated in the Schedule E of the audited accounts

Bexel Pharmaceuticals Inc., USA		Orchid Pharma Japan K.K. Japan		Orchid Pharmaceuticals SA (Propreitary) Limited South Africa		Orchid Research Laboratories Ltd., India	
Jan-Dec		Apr - Mar		Mar - Feb		Apr - Mar	
$	Rs lakhs	Jpy	Rs lakhs	South African Rand	Rs lakhs	Rs	Rs lakhs
18374777	8189.64	30000000	144.00	303638	18.49	148766000	1487.66
(24403483)	(10876.63)	(308991)	(1.48)	(263410)	16.04	(659933371)	(6599.33)
6054399	2698.45	179875	0.86	25	–	641534080	6415.34
25693	11.45	29870884	143.38	40252	2.45	130366709	1303.67
25693	11.45	29870884	143.38	40252	2.45	130366709	1303.67
–	–	2720000	13.06	–	–	59908750	599.09
184000.00	82.00	–	–	–	–	814172	8.14
(433872)	(193.38)	2551	0.01	(58415)	(3.56)	(196176817)	(1961.77)
–	–	180000	0.86	–	–	–	–
(433872)	(193.38)	(177449)	(0.85)	(58415)	(3.56)	(196176817)	(1961.77)
–	–	–	–	–	–	–	–
	(193.38)		(0.85)		(3.56)		(1,507.59)
	Nil				Nil		Nil
	(5,591.98)		0.68		(10.72)		(4,637.56)
	Nil		Nil		Nil		Nil

On behalf of the Board

R. Narayanan
Chairman

K. Raghavendra Rao
Managing Director

S.Krishnan
Executive Director-Finance

Dr. I. Seetharam Naidu
Director

Place: Chennai
Date: May 27, 2010

Bhoomijha Murali
GM-Legal & Company Secretary

Annexure to the directors' report

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2010.

Annexure I – Conservation of energy

a) Energy conservation measures taken

The following energy conservation measures were taken in the manufacturing plants:

- Lighting supply was lined up through energy saver transformer in coal fired boiler with out affecting the standard illumination level.
- Optimisation of cooling tower pumps and air cooler fans were achieved by providing Temperature based settings
- Optimisation of solvents and water usage in API process were achieved, resulting in reduction of mother liquor generation and energy saving.
- Air handling system and fresh air systems blower rotations per minute were optimised with standard air changes. This has reduced the power consumption by 10-13%.
- Timers were provided for vessel lamp fittings in production block in order to optimise energy consumption.
- The amount of effluents generated were reduced by converting direct steam purging system in to indirect heating system in methanol column. This has reduced the energy utilised in treating the effluents.
- Optimisation of water for injection level has reduced the energy utilised in treating the effluents.
- The cooling towers were replaced with energy efficient fibre reinforced plastic towers.
- Utilisation of ecology condensate water in utilities has reduced the raw water / reverse osmosis water consumption.
- Utilisation of grid power and wheeling instead of using generated power from captive power plant resulted in reduction of cost/unit by 10%.
- 160W mercury lamps were replaced with energy efficient compact fluorescent lamps in production block, in order to save power.
- Energy cells comprising employees at all levels were formed in each plant. Energy audits were completed in 10 plants, and the audit recommendations were implemented

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

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

- Implementation of feasible energy conservation suggestions selected from employee suggestion scheme with a saving potential of around Rs 70.20 lakhs.
- Reduction of effluent, by reusing the evaporator condensate as the make up water for chiller cooling towers.
- Minimising the usage of energy intensive solvents to reduce the energy consumption.
- Using cooling tower water instead of energy intensive "+10" water for condensing solvents.

- Routine energy audits to avoid the avoidable losses like air, Nitrogen leaks etc.
- Utilisation of spent carbon as fuel in coal fired boiler proposed which will reduce the coal consumption by 10%.
- Utilisation of husk as fuel in coal fired boiler to reduce the coal consumption by 10%.
- Conversion of 160W mercury lamps to 16W LED lamps in street lighting, within the facility area.

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

Due to the various energy conservation activities implemented, mentioned in (a) above, there was a reduction in power consumption by around 4431 units per day and 46 tonnes of steam per day, leading to a saving of around Rs 230 lakhs annually.

Further, the energy conservation measures proposed to be taken up by the Company as mentioned in (b) above are expected to bring in savings of around Rs 380 lakhs annually.

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

	Year ended March 31, 2010	Year ended March 31, 2009
A Power and fuel consumption		
1 Electricity		
a) Purchased		
Unit	81871276	89802147
Total amount (Rs lakhs)	3319.98	3372.83
Rate per unit (Rupees)	4.06	3.76
b) Own generation		
i) Through diesel generator		
Units	9864957	5709853
Units per litre of diesel oil	3.57	3.28
Cost per unit (Rupees)	8.16	9.09
ii) Through furnace oil generator		
Units	13246078	8049144
Units per litre of fuel oil	4.22	4.24
Cost per unit (Rupees)	4.67	5.48
2 Coal		
Quantity (tonnes)	20492.39	15944.20
Total cost (Rs lakhs)	847.43	693.65
Average Rate	4135.32	4350.50
3 Furnace oil		
Quantity (KL)	7641.79	10775.15
Total cost (Rs lakhs)	1631.75	2684.10
Average rate (Rs per KL)	21352.95	24910.06

	Year ended March 31, 2010	Year ended March 31, 2009
4 Others / internal generation		
i) Windmills *		
Quantity (in units)	1680763	1401063
Cost per unit (Rupees)	2.75	2.70
ii) Gas based *		
Quantity (in units)	31668605	38592091
Cost per unit (Rupees)	3.57	2.85
B Consumption per unit of production		
Products with details:		
i) Bulk drugs - Oral & Sterile (in MT)	648	688
Electricity (Rs lakhs per MT)	5.38	5.11
Furnace oil (Rs lakhs per MT)	2.09	3.62
Coal (Rs lakhs per MT)	1.31	1.01
Others	NIL	NIL

ii) Formulations

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

* Units generated are wheeled to our manufacturing facilities

Annexure II - Technology absorption

I. Research and development

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

The Company's areas of research comprise process research, new drug discovery research, pharma research and biotechnology research.

Your Company's R&D has earned research and development relationship and trust from major MNCs through discovery and development activity through collaborative discovery research, CRAMS (Contract Research and Manufacturing Services) for synthesising new molecules required for discovery in betalactams segment, development and bulk manufacturing of intermediates and new APIs, which is under advanced stage of development.

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

- Development of new products and their implementation in our GMP manufacturing location helps in filing the dossiers with respective regulatory agencies for subsequent approvals and business.
- Development of NCE molecules and their scale up in our GMP facility will help in various stages of clinical and toxicology studies.
- CRAMS: Development and manufacturing of structurally diverse molecules belonging to multinationals would not only open up collaboration but also provide a long term relationship. This may also bring in “exclusive long term supplier relationship” with a good business potential.

3. Future plan of action.

It is proposed to continue developing API manufacturing processes for new generic carbapenems, cephalosporins and non-betalactams, which are non-infringing and patentable for the markets under focus. The focus will be on quality, speed, and cost of manufacturing, while keeping safety as a backbone in every process that is optimised and scaled up in plant. Appropriate IP (Intellectual Property) strategies will be taken on the basis of the in-depth analysis of patents, prior arts, etc., and generic development will be built up on this, in addition to the market forecast and product lifecycle in the next few years.

Your Company would continue to strengthen the gained relationship on collaborative discovery as well as synthesis of NCEs on lab scale supporting the drug discovery of MNCs. Your Company would also pursue more CRAMS project for manufacturing new APIs of MNCs under cGMP environment, apart from analytical services.

R&D would continue CMC (Chemistry, Manufacturing and Control) activity to support the in house Drug Discovery and Development to take your Company's proprietary molecules ahead.

Through Biotech R&D, every opportunity to convert chemical process into environmental-friendly and cost-effective biological processes (enzymatic and fermentation) will be taken up. Your Company would continue to promote green chemistry approaches at all stages of its processes.

4. Expenditure on R&D

The R&D outlay was as follows

(Rs lakhs)

		Year ended March 31, 2010	Year ended March 31, 2009
a)	Capital	57.75	812.15
b)	Recurring	5388.49	4633.46
c)	Total	5446.24	5445.61
d)	Total R&D expenditure as a percentage of the total turnover	4.33%	4.53%

II Technology absorption, adaptation and innovation

I. Research and Development

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

Your Company has successfully completed Full Time Equivalent (FTE) project for synthesising NCEs in anti-infectives segment for MNC. Such successful completion meeting the timely requirement of the MNC resulted in many CRAMS projects (some of which were completed), and a new FTE project. These R&D relationships and capability recognition would lead to bringing in new opportunities in the field of R&D and manufacturing.

During this period, your Company has taken up research and development activity to generate manufacturing processes for Cephalosporins, which have not been produced by the Company yet. Your Company has developed manufacturing technologies for several non-betalactams, which includes challenging products/processes/polymorphs and implemented in the manufacturing location in Aurangabad. Several patents have been filed during the year 2009-10.

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

CRAMS project in non-betalactams segment has been successfully completed in manufacturing location with improved R&D technology, meeting the requirements of an MNC, paving way for new CRAMS business opportunity.

To improve the profitability, productivity and meet the additional markets, your Company has continued its development and upgraded the manufacturing process of certain carbapenems. With the forthcoming approvals of certain products, these productivity/cost improvements would significantly strengthen the Company's operations.

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

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

Annexure III - Foreign exchange earnings & outgo.

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

With an emphasis on the regulated generic markets, the Company is focusing in an increasing measure the sale and distribution of APIs and generics in regulated markets including United States, Canada, Europe, Japan and Australia, as applicable.

b) Total foreign exchange earnings and outgo

(Rs lakhs)

	Year ended March 31, 2010	Year ended March 31, 2009
1. Earnings in foreign exchange during the year		
F.O.B value of exports	97,620.36	93,202.59
Export of services (net of TDS)	2,898.43	2,714.89
2. C.I.F. value of imports (on cash basis)		
Raw materials	30,997.50	28,214.51
Capital goods	6,139.16	8,175.49
Spare parts, components and consumables	732.89	5,953.24
3. Expenditure in foreign currency during the year (on cash basis)		
Travelling expenses	162.73	256.23
Interest and bank charges	2,249.71	2,071.04
Consultancy fees	8,463.00	1,899.67
Royalty / technical knowhow	35.91	103.93
Others	3,856.43	3,277.12
4. Dividend remittances in foreign currency during the year		
Net dividend	35.15	105.45
5. Total foreign exchange used (2+3+4)	52,672.48	50,056.68

Annexure IV to the director's report

Corporate governance report

1. Company's Philosophy on Code of Corporate Governance

Orchid believes that a sound Corporate Governance policy drives healthy business growth and is an important instrument of enhancing investor confidence. Orchid has been committed to high standards of Corporate Governance practices since its inception. Good Corporate Governance provides an appropriate framework for the Board and the management to set corporate objectives to enhance shareholder wealth. The Company complies with the Corporate Governance code enshrined in Clause 49 of the Listing Agreement.

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

2. Board of Directors

The Chairman of the Board of Directors is a Non-Executive, Independent Director. The Board as at March 31, 2010 had a composition of one Executive Director and six Non-Executive Directors. Four out of seven Directors are Independent Directors.

Composition and category of Directors as of March 31, 2010 is as follows:

Sl. No.	Name(s) of Director(s)	Category	Number of Directorships held in other Indian companies@	Number of Board Committee memberships held in other companies*
1	Shri R Narayanan	Non-Executive – Independent	11	5
2	Shri K Raghavendra Rao	Promoter and Executive Director	1	None
3	Dr M R Girinath	Non-Executive – Independent	None	None
4	Dr I Seetharam Naidu	Non-Executive – Independent	None	None
5	Shri S Jeyakumar (IDBI Nominee)	Non-Executive – Independent	None	None
6	Shri Deepak Vaidya	Non-Executive	5	5
7	Shri Anil Thadani / Shri Raj Rajkumar is an Alternate Director to Shri Anil Thadani	Non-Executive	1	None

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

* Includes only membership in Audit and Investor Grievance Committee.

None of the directors are related to each other.

Board Meetings

Attendance Record of the Directors

Six Board meetings were held during the year from April 01, 2009 to March 31, 2010. The dates on which the meetings were held are May 12, June 29, July 31, October 30 and December 15 in 2009 and on January 29 in 2010. The attendance records of all Directors are as under:

Name(s) of Director(s)	Number of Board meetings		Last AGM attendance
	Held	Attended	
Shri R Narayanan	6	4	Not Present
Shri K Raghavendra Rao	6	6	Present
Dr C Bhaktavatsala Rao[1]	6	6	Present
Dr M R Girinath	6	6	Not Present
Dr I Seetharam Naidu	6	6	Present
Shri Deepak Vaidya	6	4	Present
Shri S Jeyakumar	6	6*	Not Present
Shri Anil Thadani / Shri Raj Rajkumar	6	4	Not Present

[1] Resigned from the Board with effect from March 29, 2010.

* At the request of IDBI, Ms C Nachiar Devasena attended the meeting held on July 31, 2009 on behalf of Shri S Jeyakumar.

3. Audit Committee

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

a. Review of:

- financial statements before submission to the Board.
- draft financial statements and Auditors' Report (before submission to the Board).
- accounting policies and practices.
- risk management policies and practices.
- compliance with stock exchange and legal requirements concerning financial statements.
- related party transactions.
- the internal control systems and internal audit reports and their compliance thereof
- compliance with accounting standards, and

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

Four meetings were held during the year from April 01, 2009 to March 31, 2010 i.e. on June 29, July 31, October 30 in 2009 and on January 29 in 2010.

The constitution of the Committee and the attendance of each member of the Committee as on March 31, 2010 are given below:

Name	Category	Number of meetings	
		Held	Attended
Shri R Narayanan, Chairman	Non-Executive – Independent	4	2
Dr M R Girinath	Non-Executive – Independent	4	4
Dr I Seetharam Naidu	Non-Executive – Independent	4	4
Shri Deepak Vaidya	Non-Executive	4	3
Shri S Jeyakumar	Non-Executive – Independent	4	3

The Chairman of the Audit Committee, Shri R Narayanan was not present at the Annual General Meeting of the Company held on September 30, 2009.

The Company Secretary is the Secretary of the Audit Committee.

4. Remuneration Committee

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

The Non-Executive Directors are not paid any remuneration except for the sitting fees for attending the Board Meetings /Committee Meetings.

The Remuneration Committee comprised Shri R Narayanan, Chairman, Dr M R Girinath, Dr I Seetharam Naidu, Shri Deepak Vaidya and Shri S Jeyakumar, all Non-Executive Directors. The Committee deals with all elements of remuneration package, stock options, service contracts, etc. of all whole-time directors. Two meetings of Remuneration Committee were held during the year 2009-10 on June 29, 2009 and January 29, 2010. All the directors attended the meetings except Shri R Narayanan who did not attend the meeting held on June 29, 2009.

Details of remuneration paid to Directors for the year 2009-10 are given below:

(Rs lakhs)

Name(s) of Director(s)	Remuneration paid during the year 2009-10			
	Salary	Commission / bonus	Sitting fees	Total
Shri R Narayanan, Chairman	-	-	3.00	3.00
Shri K Raghavendra Rao	176.03	0.10	-	176.13
Dr C Bhaktavatsala Rao[1]	128.52	0.10	-	128.62
Dr M R Girinath	-	-	2.40	2.40
Dr I Seetharam Naidu	-	-	2.40	2.40
Shri Deepak Vaidya	-	-	1.80	1.80
Shri S Jeyakumar, Nominee – IDBI[2]	-	-	2.00	2.00
Shri Anil Thadani / Shri Raj Rajkumar	-	-	0.80	0.80

[1] Resigned from the Board with effect from March 29, 2010

[2] Sitting Fees of Rs 2.00 lakhs paid directly to IDBI Limited.

The shares held by Directors as on March 31, 2010 are given below:

Name(s) of Director(s)	Number of Shares
Shri R Narayanan	23,597
Shri K Raghavendra Rao	69,25,173
Dr M R Girinath	4,80,934
Dr I Seetharam Naidu	3,28,430
Shri Deepak Vaidya	NIL
Shri S Jeyakumar	NIL
Shri Anil Thadani	NIL
Shri Raj Rajkumar	70,000

5. Compensation Committee

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

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

The Compensation Committee comprised of Shri R Narayanan, Shri K Raghavendra Rao and Shri S Jeyakumar and the committee has not met during the year 2009-10.

6. Allotment Committee

The Allotment Committee of the Board was constituted in 2001. The purpose of this committee is to consider allotment of equity shares whenever the need arises. The committee comprises of Shri R Narayanan, Shri K Raghavendra Rao, Dr M R Girinath and Dr I Seetharam Naidu. The committee has not met during the year 2009-10.

7. Share Transfer and Investor's Grievance Committee

The Company's shares are compulsorily traded in dematerialised form. During the year 2009-10, the committee met 12 times to consider the transfers in the physical segment.

Name(s) of Director(s)	Number of meetings	
	Held	Attended
Shri R Narayanan, Chairman	12	8
Shri K Raghavendra Rao	12	12
Dr C Bhaktavatsala Rao[1]	12	12

[1] Resigned from the Board with effect from March 29, 2010.

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

The following table shows the nature of complaints received from shareholders during 2009-10 and 2008-09, all of which have been responded within one month.

Sl. no	Nature of complaints	Received and answered	
		2009-2010	2008-2009
1	Non-receipt of share certificates sent for transfer/bonus shares	2	9
2	Non-receipt of dividend warrants	23	25
3	Complaints from SEBI, Stock exchanges and Government departments	2	6
	TOTAL	27	40

8. Details of Annual/Extraordinary General Meetings

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

Year	AGM / EGM	Location	Special resolutions passed	Date	Time
2009	AGM	Kalaignar Arangam, "Anna Arivalayam", 367-369, Anna Salai, Teynampet, Chennai – 600 018	NIL	September 30, 2009	10.00 AM
2008	AGM	Kalaignar Arangam, "Anna Arivalayam", 367-369, Anna Salai, Teynampet, Chennai – 600 018	1. Reappointment of Deputy Managing Director	September 29, 2008	10.00 AM
2007	AGM	Kamaraj Memorial Hall New No.492, Old No.573, 574-A, Anna Salai, Chennai – 600 006.	1. Reappointment of Managing Director 2. Revision in the salary of Deputy Managing Director 3. Alteration of Articles of Association 4. ORCHID ESOP 99 Scheme – Variation in terms by revising the price 5. Employee stock option scheme – 2007	July 19, 2007	10.30 AM
2007	EGM	Kamaraj Memorial Hall New No.492, Old No.573, 574-A, Anna Salai, Chennai – 600 006.	1. Issue of warrants convertible into equity	February 14, 2007	10.00 AM

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

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

Postal Ballot

The Board of Directors at its meeting held on December 15, 2009 approved the transfer and sale of Generic Injectable Formulations Business of the Company and decided to seek the approval of shareholders for the said transaction by way of postal ballot. For this purpose, the Company appointed Mrs S. Lalitha, MA, FCS, BGL practising Company Secretary, Chennai, as the Scrutiniser to receive the completed Ballot Papers from the Members.

Mrs S Lalitha acted as Scrutiniser for conducting the postal ballot process in a fair and transparent manner. The resolution was approved by the members as an Ordinary Resolution and the postal ballot result in respect of the same was declared by the Chairman on February 01, 2010. Following are the results of the Postal Ballot:

	Particulars	No of postal ballot forms	No of shares
A	Total postal ballot forms received from Shareholders	1143	2,82,60,502
B	No of valid postal ballot forms and shares	1081	2,76,02,021
C	Total Postal Ballots / Votes in favour of the Resolution	967	2,75,83,231
	Percentage of Votes in favour (C/B)		99.93%
D	Total Postal Ballot / Votes against the Resolution	114	18,790
	Percentage of votes against (D/B)		0.07%
E	Invalid Postal Ballots / Votes	62	6,58,481

9. Disclosures

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

10. Means of Communication

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

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

Appended to this Report.

12. CEO / CFO certification

As required under Clause 49 of the Listing Agreement, a Certificate duly signed by CEO, Shri K Raghavendra Rao and Executive Director - Finance, Shri S Krishnan was placed at the meeting of the Board of Directors held on May 27, 2010.

13. Auditors certificate on compliance of conditions of Corporate Governance

Certificate from the Auditors is enclosed along with this Report.

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

1. Chairman's Office

The Company maintains an office for the Chairman at its registered office at 'Orchid Towers', 313, Valluvarkottam High Road, Nungambakkam, Chennai – 600 034, Tamil Nadu, India and also reimburses the expenses incurred in performance of his duties. The roles and offices of Chairman and Chief Executive are separated. The Chairman of the Board is elected by the members of the Board at each meeting of the Board.

2. Audit Committee

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

3. Remuneration Committee

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

4. Independent Directors

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

Number of Companies in which an Individual may become a Director

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

5. Statutory Auditors

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

6. Internal Control

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

7. Shareholders' rights

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

Code of Conduct Certification

The Board of Orchid Chemicals & Pharmaceuticals Limited has laid down a code of conduct for all Board members and senior management. The code of conduct has been posted in the Company's URL namely www.orchidpharma.com. All the Board members and the senior management affirmed compliance to the code for the year 2009-10.

Place: Chennai
Date: May 27, 2010

K.Raghavendra Rao
Managing Director

Auditors' certificate on corporate governance

To The Members of Orchid Chemicals & Pharmaceuticals Limited

We have examined the compliance of conditions of Corporate Governance by Orchid Chemicals & Pharmaceuticals Limited (the Company), for the year ended on 31st March 2010, as stipulated in Clause 49 of the Listing Agreement of the said company with the Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned listing agreement.

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

For SNB Associates
Chartered Accountants
Firm Registration No. 015682N

Place: Chennai
Date: May 27, 2010

B.Mahalingam
Partner
Membership No.210408

Annexure V to Directors' report

Details of Options granted to employees under ORCHID – ESOP 1999 and ESOP 2005 Scheme.

• Options granted	ORCHID – ESOP 1999 Scheme • During 2006-2007, 300,000 options were granted • In the year 2005-2006, 292,075 options were granted • In the year 2003-2004, 307,925 options were granted • In the year 1999-2000, 600,000 options were granted ORCHID – ESOP 2005 Scheme • During 2006-2007, 610,000 options were granted The above Options are convertible into equity shares of Rs 10/- each.
• The pricing formula	The price being the closing price of shares of Orchid on the date on which the options were granted by the Compensation Committee of the Board of Directors. ORCHID – ESOP 1999 Scheme • 2006-2007 - Rs 339.25 * • 2005-2006 - Rs 300.65 • 2003-2004 - Rs 252.00 • 1999-2000 - Rs 243.35 Subsequent to the Bonus Issue, the number of options outstanding and the price were adjusted by the Board. Accordingly, the revised price applicable for the options allotted during various years prior to bonus issue have been revised as follows: • 2005-2006 – Rs 200.44 • 2003-2004 – Rs 168.00 • 1999-2000 – Rs 162.24 * For the options granted during April 2006 at a price of Rs 339.25, the Compensation Committee has revised the price of the options from Rs 339.25 to Rs 193.25 (as per the closing price of Orchid's scrip on August 11, 2006, being the date of Compensation Committee Meeting in which repricing was considered), and the same was approved by the shareholders at the Annual General Meeting held on July 19, 2007. ORCHID – ESOP 2005 Scheme 2006-2007 – Rs 193.25
• Options Vested during the year	Nil under 1999 Scheme Nil under 2005 Scheme
• Options exercised during the year	Nil
• Total no. of shares arising out of Exercise of options	Nil
• Options lapsed	1,685,604 options (915,010 options have lapsed out of the original 1,500,000 options granted and 232,494 options have lapsed out of the options arising out of the adjustment due to bonus issue, under Orchid ESOP 1999 Scheme. 538,100 options have lapsed under Orchid ESOP 2005 Scheme.)

• Variations of terms of Options	**ORCHID ESOP 1999 Scheme** An adjustment in share price/the number of options outstanding was made by the Company in respect of the Employee Stock Options granted but not exercised by the Employees due to the issue of bonus shares during October 2005. Accordingly, the total numbers of options outstanding (so as to be multiplied by 3/2) as well as the price at which each option may be exercised (so as to be multiplied by 2/3) were adjusted. For the 300,000 options granted during April 2006 at a price of Rs 339.25, the Compensation Committee of the Board of Directors revised the price of the options in the interest of the employees, due to the fall in the price of the shares of the Company and accordingly approved a repricing of the options from Rs 339.25 to Rs 193.25 as per the closing price of Orchid at National Stock Exchange on August 11, 2006, and the same was approved by the shareholders at the Annual General Meeting held on July 19, 2007.
• Total no. of options in force	716,789 options are in force.
• Employee wise details of options granted to	
i) Senior Managerial Personnel	No options were granted to Senior Managerial Personnel during the year.
ii) Employees holding 5% or more of the total number of options granted during the year	NIL
iii) Employees who were issued shares equal to or exceeding 1% of the issued capital	NIL
• Consideration received against the no. of shares issued during the year	NIL
• Earnings per share (Diluted)	Rs 37.31
• Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.	The Company has granted the options to the employees on the closing price of shares of Orchid on November 22, 1999, January 20, 2004, April 27, 2005 & April 28, 2006 under ORCHID ESOP-1999 Scheme and on August 11, 2006 under ORCHID ESOP-2005 Scheme and not on the Intrinsic value. Hence, the difference between the employee compensation and the employee compensation cost that shall have been recognised if it had used the fair value of the options, may not be applicable.
• Weighted – average exercise price	The weighted average exercise price (26 weeks preceding the date of grant) was Rs 183.42 for the options granted on November 22, 1999, Rs 199.31 for the options granted on January 20, 2004, Rs 299.30 for the options granted on April 27, 2005 and Rs 282.14 for the options granted on April 28, 2006 under ORCHID ESOP-1999 Scheme and Rs 267.89 for the options granted on August 11, 2006 under ORCHID ESOP-2005 Scheme.

Annexure VI to directors' report

General shareholders' information

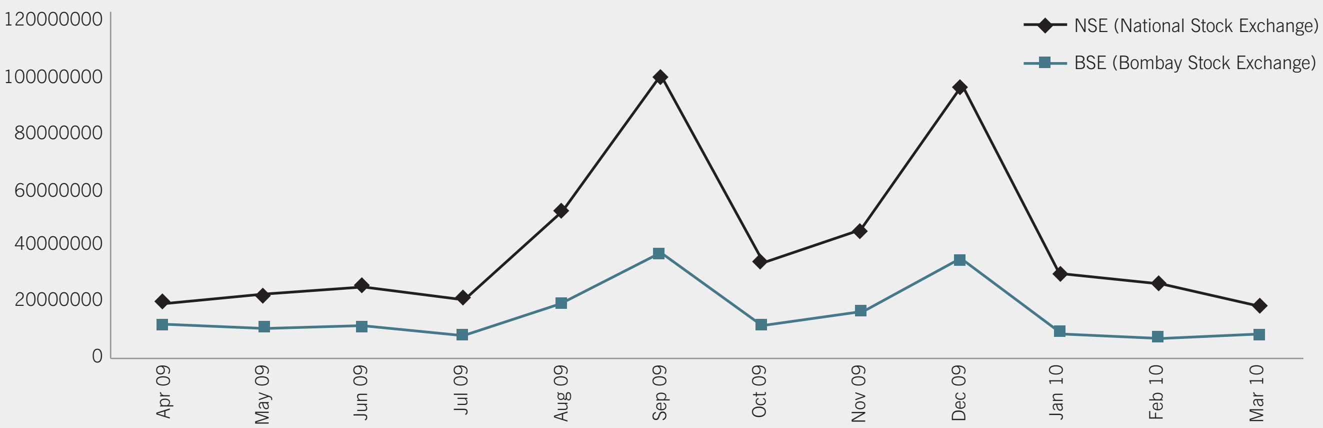
1 Registered Office	:	'Orchid Towers', 313, Valluvar Kottam High Road, Nungambakkam, Chennai - 600 034, Tamil Nadu, India.
2 Date, time and venue of 18th Annual General Meeting (AGM)	:	Wednesday, July 21, 2010, 11.00 am at Sathguru Gnanananda Hall, Narada Gana Sabha, No.314, TTK Road, Chennai - 600 018.
3 Dividend Payment Date for fiscal 2010	:	First week of August 2010 subject to approval of shareholders
4 Dates of book closure	:	July 14, 2010 to July 21, 2010 (both days inclusive)
5 Financial Calendar		
Financial reporting for		
Quarter ending June 30, 2010	:	Second week of August 2010
Quarter ending September 30, 2010	:	Second week of November 2010
Quarter ending December 31, 2010	:	Second week of February 2011
Year ending March 31, 2011	:	Last week of May 2011
6 The equity shares of Rs 10/- each are listed at		Madras Stock Exchange Limited No.30, Second Line Beach Chennai - 600 001, Tamil Nadu, India Tel : 91-44-25228951, Fax : 91-44-25244897
		National Stock Exchange of India Limited "Exchange Plaza", Plot No.C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051, Maharashtra, India Tel : 91-22-26598100, Fax : 91-22-26598120
		Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street Mumbai - 400 001, Maharashtra, India Tel : 91-22-22721233, Fax : 91-22-22721919
7 Foreign Currency Convertible Bonds (FCCBs)		
Aggregating to US$ 42.5 million issued in November 2005 and due November 2010 are listed at	:	Luxembourg Stock Exchange Bourse de Luxembourg BP 165, L-2011 Luxembourg Tel : +352 47 79 36-1; Telefax : +352 47 32 98
Aggregating to US$ 175 million issued in February 2007 and due February 2012 are listed at	:	Singapore Exchange Limited 2 Shenton Way #19-00 SGX Centre 1, Singapore 068804 Tel : (65) 62368888, Fax : (65) 65356994
8 Listing Fees	:	Listing Fees have been paid for all the above Stock Exchanges for 2009-2010 and 2010-2011.

9 Stock Market data

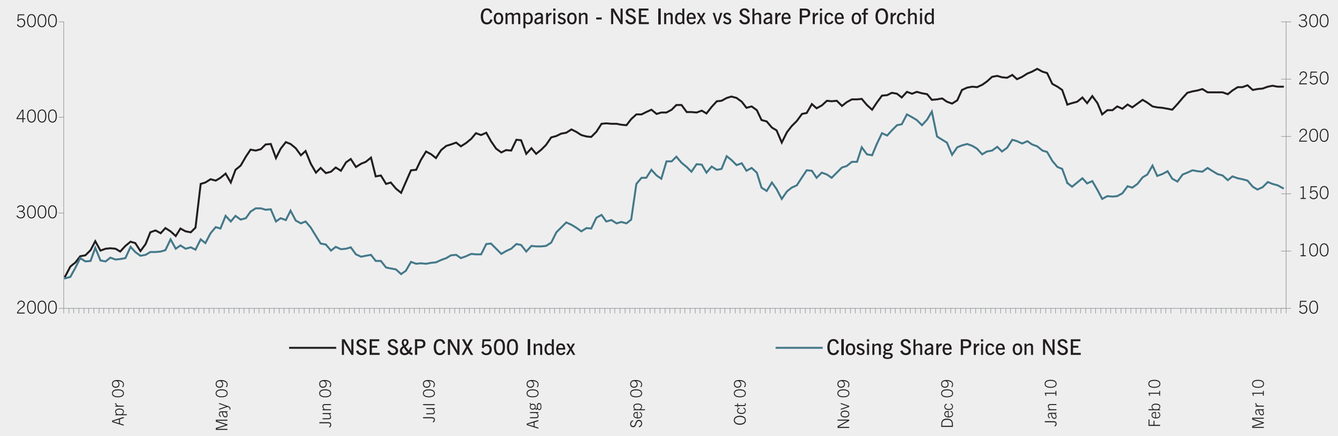
a) Monthly high and low quotations along with the volume of shares traded at NSE and BSE for 2009-2010 are:

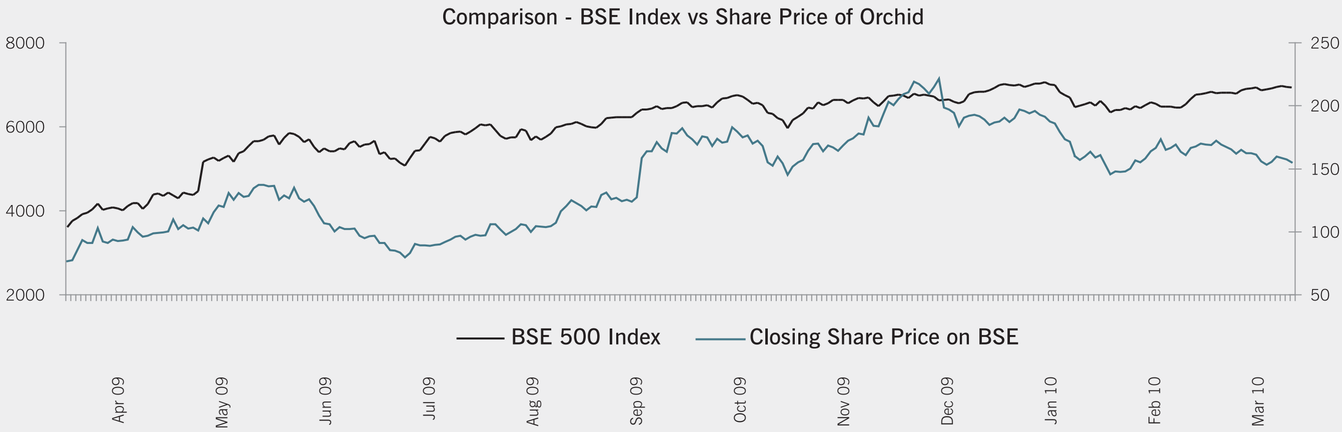
Month	NSE			NSE S&P	BSE			BSE 500
	High (Rs)	Low (Rs)	Volume of Shares (Nos)	CNX 500 Index (Avg)	High (Rs)	Low (Rs)	Volume of Shares (Nos)	Index (Avg)
Apr-09	107.50	74.35	1,96,04,579	2582	107.40	74.50	1,13,49,270	3989
May-09	136.90	97.05	2,15,07,698	3092	136.70	97.50	1,06,44,955	4821
Jun-09	142.00	95.60	2,51,72,631	3572	142.00	95.55	1,10,75,222	5597
Jul-09	99.90	77.85	2,08,65,982	3516	99.90	78.10	83,81,741	5550
Aug-09	127.80	94.30	5,23,19,387	3736	127.90	94.35	1,90,96,507	5879
Sep-09	185.20	112.20	9,98,14,784	3959	185.30	113.00	3,71,50,266	6269
Oct-09	183.80	141.10	3,38,68,535	4071	183.90	144.00	1,08,26,409	6500
Nov-09	194.50	142.00	4,46,74,277	4072	194.00	142.00	1,58,33,276	6481
Dec-09	234.80	179.15	9,56,36,561	4232	239.40	179.10	3,41,58,668	6703
Jan-10	201.95	148.00	2,89,86,678	4366	201.95	147.00	91,03,146	6860
Feb-10	177.00	142.60	2,61,36,191	4113	177.00	143.00	69,07,757	6461
Mar-10	174.90	143.70	1,82,74,528	4278	174.40	151.00	78,30,901	6833
TOTAL			48,68,61,831				18,23,58,118	

b) Graphical representation of Volume of Shares traded of Orchid during April 2009 - March 2010



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





10 Stock Exchange Security Code and other related information

Madras Stock Exchange Limited	OCL
Bombay Stock Exchange Limited	524372
National Stock Exchange of India Limited	ORCHIDCHEM
Luxembourg Stock Exchange	US68572Y2090
Singapore Exchange Limited	XS0287742653
Depository ISIN No.	INE191A01019
Corporate Identification Number (CIN)	L24222TN1992PLC022994

11 Distribution of Shareholding as on :

No of equity shares held	31st March 2010			31st March 2009		
	No of shares	No of Shareholders	% of Shareholders	No of shares	No of Shareholders	% of Shareholders
1-500	67,02,211	65,291	94.31	55,28,064	54,947	94.33
501-1000	17,47,188	2,244	3.24	14,37,197	1,874	3.22
1001-2000	13,25,401	896	1.29	11,25,866	779	1.34,
2001-3000	6,22,133	241	0.35	5,02,953	197	0.34
3001-4000	3,95,128	110	0.16	3,04,109	86	0.15
4001-5000	4,18,701	91	0.13	4,13,920	90	0.15
5001-10000	11,22,395	151	0.22	7,78,362	103	0.18
10001 & above	5,81,08,919	205	0.30	6,03,51,605	167	0.29
TOTAL	7,04,42,076	69,229	100.00	7,04,42,076	58,243	100.00

12 Dematerialisation of Shares

The shares of the Company are in compulsory demat segment and are available for trading in both the depository systems, namely, National Securities Depository Limited and Central Depository Services (India) Limited. Shares dematerialised upto March 31, 2010 are:

No. of Shares	% of Shares	No. of Shareholders	% of Shareholders
70030761	99.42	66,864	96.58

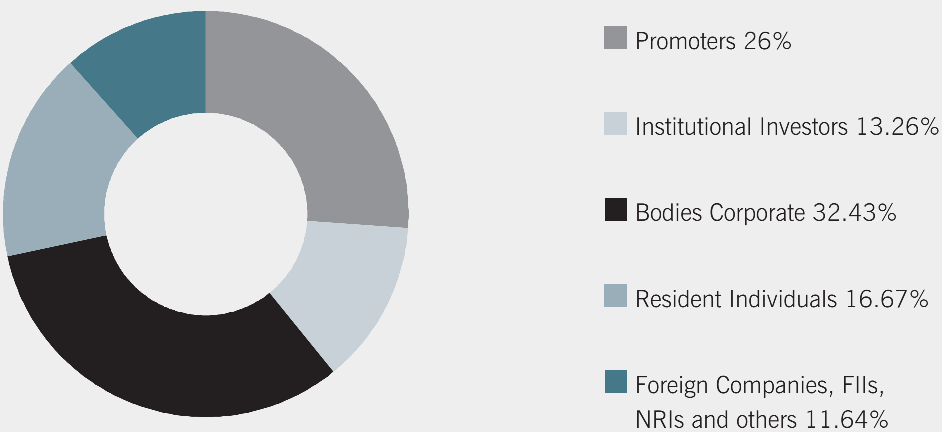
Secretarial Audit

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

13 a) Shareholding Pattern as on March 31, 2010

	Category	No of shares held	Percentage of shareholding
A	**Promoter Holding**		
1	Promoters / Promoter Group		
a)	Indian	1,83,13,616	26.00
b)	Foreign	Nil	Nil
	Sub-Total (1)	1,83,13,616	26.00
B	**Non-Promoter Holding**		
2	Institutional Investors		
a)	Mutual Funds	19,40,178	2.75
b)	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-government Institutions)	73,94,405	10.51
c)	Foreign Institutional Investors (FIIs)	45,65,000	6.48
	Sub-Total (2)	1,38,99,583	19.74
3	Others		
a)	Private Corporate Bodies	2,28,47,716	32.43
b)	Indian Public (Resident Individuals)	1,17,40,725	16.67
c)	Non Resident Indians / Overseas Corporate Bodies	3,98,748	0.56
d)	Foreign Companies	32,41,688	4.60
	Sub Total (3)	3,82,28,877	54.26
	GRAND TOTAL (1+2+3)	**7,04,42,076**	**100.00**

b) Shareholding Pattern Chart



14 Outstanding GDRs/FCCBs and conversion dates

Name of the Instrument	Total Issued	Converted as on 31/03/2010	Bought Back as on 31/03/2010	Outstanding as on 31/03/2010	Likely Conversion Date
a) Foreign Currency Convertible Bonds (FCCBs) (issued during 2005-06)	USD 4,25,00,000 *	USD 2,27,90,000 *	USD 22,50,000 *	USD 1,74,60,000 *	On or before November 03, 2010
b) Foreign Currency Convertible Bonds (FCCBs) (issued during 2006-07)	USD 17,50,00,000 *	NIL	USD 5,75,78,000 *	USD 11,74,22,000 *	On or before February 28, 2012

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

The number of equity shares of the Company as on March 31, 2010 is 7,04,42,076 shares of Rs 10/- each. Out of the above, a portion of the shares have been converted into GDRs, with each GDR represented by an underlying equity share. The number of GDRs outstanding as on March 31, 2010 are 32,26,688.

15 Legal Proceedings

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

16 Share Transfer System

M/s Integrated Enterprises (India) Limited are the Registrar and Share Transfer Agents for servicing activities relating to both physical and electronic segments. The share transfer committee met 12 times during the year 2009-2010.

17 Unclaimed Dividends

Pursuant to Section 205A of the Companies Act, 1956, the unclaimed dividend amounting to Rs 7,55,609 pertaining to the financial year 2001-02 was transferred to the Investor Education and Protection Fund (IEPF) in September 2009.

Unclaimed dividend for the financial year 2002-2003 is due for transfer to IEPF in August 2010.

The dividends for the years from 2002-2003 onwards, which remain unclaimed for seven years will be transferred to Investor Education and Protection Fund established by the Central Government under Section 205C of the Companies Act, 1956 as and when due. Shareholders who have not encashed their dividends for these periods are requested to contact the Company immediately.

18 ECS Mandate

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

19 Plant Locations:

a) Active Pharmaceutical Ingredient Facilities

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

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

b) Formulations (Finished Dosage Form) Facilities

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

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

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

20 Research and Development Centre

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

21 Investor Contacts

a) Corporate Communications & Investor Relations

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

b) Investor Correspondence / Compliance Officer

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

c) Registrar and Share Transfer Agent

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

Auditors' Report

Report of the Auditors to the Members

1. We have audited the attached Balance Sheet of Orchid Chemicals & Pharmaceuticals Limited (the Company) as at 31st March, 2010 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

4. Further to our comments in the Annexure referred to above, we report that:
   a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards as referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
   e. On the basis of written representations received from the directors, as on 31st March 2010, 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 in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

5. a. The Company has made an application to Central Government for approval of the remuneration amounting to Rs 304.74 lakhs paid to the Managing Director and whole time Director as the minimum remuneration payable in case of inadequacy of profit and the approval of the same is still awaited.
   b. Debtors are subject to confirmation. Refer Note No.30 of Schedule 'Q'.

6. Subject to Para 5(a) & (b) above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes thereon, specifically Note No.1 (i) (4) regarding adoption of amended Accounting Standard (AS-11) and the impact on the same on the profit for the year of the Company, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
   i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
   ii. In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
   iii. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **SNB Associates**
Chartered Accountants
Firm Registration No. 015682N

B. Mahalingam
Partner
Membership No.210408

Place: Chennai
Date: May 27, 2010

Annexure to Auditors' Report

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

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. According to the information and explanations given to us, the fixed assets have been physically verified by the Management at regular intervals. In our opinion, the frequency of such physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification as compared to the available records. The Company has disposed of a division during the year. However this does not constitute substantial disposal of fixed assets and hence do not affect the 'going concern'.

2. Physical verification of Inventory has been conducted by the Management at reasonable intervals. The procedures for physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business. The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

3. a. The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

   b. As informed to us, the Company has not granted any loans secured or unsecured loans to companies, firms, or other parties for which entries are required to be made under Section 301 of the Companies Act, 1956.

4. In our opinion and according to the information and explanation given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.

5. In our opinion and according to the information and explanation given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.

   The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices / Joint Venture agreements at the relevant time.

6. The Company has not accepted any deposits from the public.

7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

8. We have broadly reviewed the books of account maintained by the Company, pursuant to the rules made by the Central Government for the maintenance of the Cost Records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

9. The Company is generally regular in depositing undisputed Statutory Dues including Provident fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales-Tax, Wealth-Tax, Service-Tax, Custom duty, Excise duty, Cess and any other statutory dues applicable to it with the appropriate authorities.

10. According to the information and explanations given to us, no undisputed amounts payable in respect of sales-tax, Income-Tax, Wealth Tax, Service Tax, Custom duty, Excise duty and Cess were outstanding at the year end for a period of more than six months from the date they became payable.

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

Name of the Statute	Nature of dues	Period to which the amount relates	Amount Rs in Lakhs	Forum where the dispute is pending
Central Excise Act, 1944	Excise duty	1999-00 to 2001-02	149.06	Customs, Excise and Service Tax Appellate Tribunal, Chennai
		2004-05 to Sep 2009	7.09	Customs, Excise and Service Tax Appellate Tribunal, Chennai
		2004-05 to 2008-09	443.81	Commissioner of Central Excise, Chennai
		April 2008 to Dec 2009	4.65	Assistant Commissioner of Central Excise, Chennai
		Oct 2004 to Sep 2009	131.24	Commissioner of Central Excise, Chennai
		Aug 2005 to Dec 2009	53.03	Joint Commissioner of Central Excise, Chennai
		Sep 2006 to Feb 2010	1327.02	Commissioner of Central Excise, Aurangabad
Finance Act, 1994	Service tax	June 1997 to March 2001	42.26	Assistant Commissioner of Central Excise, Chennai
(Chapter V)		2005-06	70.05	Commissioner of Central Excise, Chennai
		April 2007 to Jan 2010	22.23	Assistant Commissioner of Central Excise, Chennai
		Jan 2008 to Sep 2008	0.83	Commissioner of Central Excise (Appeals), Chennai
Income Tax Act, 1961	Income Tax	AY 1997-98	53.82	Income Tax Appellate Tribunal - Chennai
		AY 1997-98 & 98-99	68.88	Commissioner of Income Tax, Chennai
		AY 2005-06	45.12	Commissioner of Income Tax, Chennai

12. The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and in the immediately preceding financial year.

13. Based on our audit procedures and on the information and explanations given by the management, the Company has defaulted in certain repayments of Principal and Interest to banks as per details given in Note No. 29 of Schedule ‘Q’. The Company does not have any borrowings by way of debentures.

14. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

15. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund/societies.

16. Based on our examination of records and the information and explanations given to us, the Company has not dealt / traded in any shares, securities, debentures and other investments during the year.

17. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

18. The term loans obtained by the Company were applied only for the purposes for which the loans were obtained.

19. According to the Cash Flow Statement and other records examined by us and the information and explanations given to us on an over all basis, the funds raised on short-term basis, prima facie, have not been used during the year for long-term purposes.

20. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956, during the year.

21. The Company did not have any outstanding debentures / bonds during the year for which creation of securities is required.

22. The Company has not raised any money through public issue during the year. The end use of the money raised through Foreign Currency Convertible Bonds in the earlier years has been disclosed and verified.

23. Based on the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **SNB Associates**
Chartered Accountants
Firm Registration No. 015682N

B. Mahalingam
Partner
Membership No.210408

Place: Chennai
Date: May 27, 2010

Balance Sheet as at March 31, 2010

(Rs lakhs)

		Schedule	31.03.2010		31.03.2009	
I	SOURCES OF FUNDS					
A	Shareholders' Funds					
	Share Capital	A		7,044.21		7,044.21
	Reserves and Surplus	B		90,919.28		59,977.30
B	Loan Funds					
	Secured Loans	C		102,175.92		169,500.96
	Unsecured Loans					
	From Banks			-		11,004.01
	Foreign Currency Convertible Bonds (Refer Note 6 of Schedule Q)			60,774.46		79,170.45
C	**Deferred Tax Liability** (Refer Note 19 of Schedule Q)			20,380.94		12,949.20
D	**Foreign currency Monetary item Translation difference Account**			1,761.47		-
	Total			**283,056.28**		**339,646.13**
II	APPLICATION OF FUNDS					
E	**Fixed Assets**	D				
	Gross Block		218,428.73		253,559.21	
	Less: Depreciation		72,087.32		66,924.52	
	Net block		146,341.41		186,634.69	
	Capital Work in Progress		25,143.13		38,815.97	
	Advance for capital items		21,700.53		15,762.66	
				193,185.07		241,213.32
F	**Investments**	E		12,356.52		12,236.81
G	**Foreign currency Monetary item Translation difference Account**			-		8,357.94
H	**Current Assets, Loans and Advances**					
	Inventories	F	40,252.73		74,368.79	
	Sundry Debtors	G	71,623.25		65,903.57	
	Cash and Bank Balances	H	32,490.90		4,152.04	
	Loans and advances	I	28,892.79		15,958.68	
			173,259.67		160,383.08	
I	**Less : Current Liabilities & Provisions**					
	(a) Current Liabilities	J	59,761.57		72,887.73	
	(b) Provisions	K	35,983.41		9,657.29	
				77,514.69		77,838.06
	Total			**283,056.28**		**339,646.13**
	Notes on Accounts	Q				

On behalf of the Board

As per our report of even date
For **SNB Associates**
Chartered Accountants

R. Narayanan
Chairman

K. Raghavendra Rao
Managing Director

B. Mahalingam
Partner

S. Krishnan
Executive Director-Finance

Dr I. Seetharam Naidu
Director

Place: Chennai
Date: May 27, 2010

Bhoomijha Murali
GM-Legal and Company Secretary

Profit and Loss Account for the year ended March 31, 2010

(Rs lakhs)

	Schedule	31.03.2010		31.03.2009	
I INCOME					
Sales & Operating Income	L	125,854.18		120,321.43	
Less: Excise Duty		870.72	124,983.46	1,177.39	119,144.04
Extraordinary income -Profit on sale of undertaking			101,530.29		-
(Refer Note No: 18 of Schedule Q)					
Other Income	M		980.00		9,015.41
			227,493.75	128,159.45	
II EXPENDITURE					
Material Cost	N		77,526.20		51,030.99
Manufacturing, Selling & Other Expenses	O		64,728.47		52,297.47
Interest and Finance charges	P		24,123.31		15,518.60
Depreciation / Amortisation			15,110.38		12,997.21
			181,488.36	131,844.27	
III Profit /(Loss)					
Profit/(Loss) for the year before tax			46,005.39		(3,684.82)
Less: Provision for tax					
Current Taxes		5,439.69		-	
Fringe Benefit Tax		-		161.00	
Deferred Taxes (Refer Note 19 of Schedule Q)		7,431.74	12,871.43	1,371.65	1,532.65
Profit/(Loss) for the year after tax			33,133.96		(5,217.47)
Balance brought forward			2,832.22		8,157.47
Balance Available for Appropriation			**35,966.18**		**2,940.00**
IV Appropriations					
Excess provision of dividend & tax thereon of earlier year written back			(247.35)		(963.71)
Proposed Dividend		8,879.59		915.84	
Tax on proposed dividend		1,474.79	10,354.38	155.65	1,071.49
Transfer to General Reserve			20,000.00		-
Balance carried to Balance Sheet			**5,859.15**		**2,832.22**
V **Earnings Per Share** (Face value of Rs 10 each) before extraordinary item					
Basic (Rs)			(78.82)		(7.61)
Diluted (Rs)			(78.82)		(7.61)
Earnings Per Share (Face value of Rs 10/-each) after extraordinary item					
Basic (Rs)			47.04		
Diluted (Rs)			37.31		
Notes on Accounts	Q				

On behalf of the Board

As per our report of even date
For **SNB Associates**
Chartered Accountants

B. Mahalingam
Partner

R. Narayanan
Chairman

K. Raghavendra Rao
Managing Director

S. Krishnan
Executive Director-Finance

Dr I. Seetharam Naidu
Director

Place: Chennai
Date: May 27, 2010

Bhoomijha Murali
GM-Legal and Company Secretary

Schedules to the Accounts as at March 31, 2010

(Rs lakhs)

		31.03.2010	31.03.2009
SCHEDULE "A" SHARE CAPITAL			
Authorised			
10,00,00,000	(Previous year 10,00,00,000) Equity Shares of Rs 10 each	10,000.00	10,000.00
Issued, Subscribed and Paid-Up			
704,42,076	(Previous year - 704,42,076) Equity Shares of Rs 10 each fully paid.	7,044.21	7,044.21
Of the above:			
1,73,76,940	Equity shares of Rs10 each were allotted as fully paid bonus shares by capitalisation of reserves.		

SCHEDULE "B" RESERVES & SURPLUS

	31.03.2010		31.03.2009	
Capital Reserve				
- Opening Balance	894.68		805.54	
- Additions during the year	-	894.68	89.14	894.68
Securities Premium Account				
- Opening Balance	33,117.35		24,780.45	
- Additions during the year* (Refer Note 6 (c) of Schedule Q)	7,915.05		8,336.90	
		41,032.40		33,117.35
General Reserve				
- Opening Balance	23,133.05		28,480.99	
- Less : Adjustment for AS11	-		(5,347.94)	
- Add : Transfers during the year	20,000.00	43,133.05	-	23,133.05
Surplus in Profit & Loss Account		5,859.15		2,832.22
		90,919.28		**59,977.30**

(*includes Exchange rate gain/(loss) on provision for premium on redemption of FCCB Rs 3584.88 lakhs (Previous year Rs (7414.30) lakhs))

SCHEDULE "C" SECURED LOANS

	31.03.2010	31.03.2009
From Banks		
- Rupee Term Loans	19,997.53	92,064.85
- Foreign Currency Term Loans	23,588.41	24,261.25
- Rupee & Foreign Currency Packing Credit/ Cash credit & Advance against Bills	58,501.11	53,021.00
	102,087.05	169,347.10
Hire Purchase Finance	88.87	153.86
	102,175.92	**169,500.96**

All Rupee Term Loans and Foreign Currency Term Loans from Banks/Financial Institutions are secured by Pari Passu charge by way of joint mortgage on immovable and movable assets situated at Factory premises at SIDCO Industrial Estate, Alathur, MIDC Industrial Area, Aurangabad, SIPCOT Industrial Park, Irungattukottai and R&D premises at Sholinganallur and current assets, subject to prior charges created/ to be created on current assets in favour of bankers and financial institutions for securing working capital borrowings. Total term loans aggregating Rs 24,022 lakhs are additionally secured by personal guarantee of Shri K.Raghavendra Rao, Managing Director of the Company. Packing Credit and

Schedules to the Accounts as at March 31, 2010

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

Hire purchase Loans are secured by the assets acquired through such loans.

SCHEDULE "D" FIXED ASSETS

(Rs lakhs)

SL No.	Asset Description	Gross Block (At Cost)				Depreciation/Amortisation				Written Down Value	
		As at 1.4.2009	Additions during the year	Deletions during the year	As at 31.3.2010	Up to 1.4.2009	For the year	On Deletions	Up to 31.3.2010	As at 31.3.2010	As at 31.3.2009
1	Freehold Land & Site Development@	3,180.04	-	-	3,180.04	-	-	-	-	3,180.04	3,180.04
2	Leasehold Land	2,593.11	680.72	1,174.15	2,099.68	56.08	25.25	29.37	51.96	2,047.72	2,537.03
3	Buildings	39,691.57	3,281.33	12,782.99	30,189.91	3,799.80	1,266.45	1,034.15	4,032.10	26,157.81	35,891.77
4	Plant & Machinery	180,611.01	16,293.06	36,298.70	160,605.37	53,774.82	12,029.88	7,256.24	58,548.46	102,056.91	126,836.19
5	Factory Equipment	1,717.67	151.83	405.25	1,464.25	802.63	141.44	160.76	783.31	680.94	915.04
6	Laboratory Equipment	11,667.70	502.74	2,083.19	10,087.25	2,217.07	574.30	296.16	2,495.21	7,592.04	9,450.63
7	Office Equipment	2,341.17	5.43	224.45	2,122.15	1,160.31	189.40	151.72	1,197.99	924.16	1,180.86
8	Furniture & Fittings	1,774.04	85.22	353.27	1,505.99	618.10	106.56	77.37	647.29	858.70	1,155.94
9	Vehicles	615.93	42.98	92.31	566.60	179.45	55.39	35.83	199.01	367.59	436.48
10	Intangible Assets										
	Acquired										
	Brands & Trademarks *	2,778.16	-	-	2,778.16	2,451.01	115.63	-	2,566.64	211.52	327.15
	Internally Generated										
	DMF & ANDA **	6,588.81	-	2,759.48	3,829.33	1,865.25	606.08	905.98	1,565.35	2,263.98	4,723.56
	Total	**253,559.21**	**21,043.31**	**56,173.79**	**218,428.73**	**66,924.52**	**15,110.38**	**9,947.58**	**72,087.32**	**146,341.41**	**186,634.69**
	Previous Year's Figures	196,056.58	58,617.63	1,115.00	253,559.21	54,675.91	12,997.21	748.60	66,924.52	186,634.69	

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

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

		As at 31.3.2010 Rs lakhs	As at 31.3.2009 Rs lakhs
@	Assets acquired pending for registration in favour of the Company.		
	Freehold Land	59.09	59.09
	Fixed Assets include assets on Hire Purchase (Gross Block)	177.58	306.10

Schedules to the Accounts as at March 31, 2010

(Rs lakhs)

SCHEDULE "E" INVESTMENTS	31.03.2010 Nos	31.03.2010 Rs lakhs	31.03.2009 Nos	31.03.2009 Rs lakhs
(At cost)				
Long Term				
Trade, UnQuoted				
Subsidiary Companies				
Orchid Europe Limited, UK				
Common stock of GBP 1 each fully paid up	10,000	6.42	10,000	6.42
Less : Provision for diminution in value		(6.42)		(6.42)
		-		-
Orchid Pharma Japan K K				
Common stock JPY 50000 each fully paid up	600	122.49	600	122.49
Orchid Pharmaceuticals Inc., USA				
Common stock of US$ 1 each fully paid up	200,000	85.07	200,000	85.07
Less : Provision for diminution in value		(40.21)		(40.21)
		44.86		44.86
Bexel Pharmaceutical Inc.**				
9,999,990 Series A & 48,93,750 Series B Convertible Preferred Stock par value US$ 0.001 per share and 9,001,090 Common stock of par value US$ 0.001 per share	23,894,830	8,883.24	23,894,830	8,883.24
Orchid Pharmaceuticals SA (Proprietary) Limited.South Africa	303,638	17.69	230,033	13.11
10000 shares each fully paid up				
Orchid Research Laboratories Ltd.				
Fully paid up equity shares of Rs 10 each	14,876,600	1,487.66	14,876,600	1,487.66
Less : Provision for diminution in value		(1,487.66)		(1,487.66)
		-		-
		9,068.28		**9,063.70**
Joint Venture Companies				
Diakron Pharmaceuticals, Inc. USA				
Series A Preferred stock representing 42.71% interest	3,528,920	842.82	3,229,859	727.69
NCPC Orchid Pharmaceuticals Company Ltd, China		2,364.24		2,364.24
Common stock representing 50% interest in the Company				
		3,207.06		**3,091.93**
Others				
- Trade, Unquoted				
Sai Regency Power Corporation Pvt.Ltd.				
Fully paid up equity shares of Rs 10 each	450,000	45.00	450,000	45.00
-Non-Trade, Unquoted				
Madras Stock Exchange				
Fully paid up equity shares of Rs 10 each	911,430	23.98	911,430	23.98
MSE Financial services				
Fully paid up equity shares of Rs 10 each	31,936	3.83	31,936	3.83
Non - Trade, Quoted				
Bank of India -				
Fully paid up Equity shares of Rs 10 each	18,600	8.37	18,600	8.37
		81.18		81.18
Total Value of Investments		**12,356.52**		**12,236.81**

Market Value for quoted investment is Rs 63.29 lakhs. (Previous year Rs 40.81 lakhs)

Aggregate value of unquoted investment is Rs 12,348.15 lakhs (Previous year Rs 12,228.44 lakhs)

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

Schedules to the Accounts as at March 31, 2010

(Rs lakhs)

	31.03.2010	31.03.2009
SCHEDULE "F" INVENTORIES (Refer Note 1(f), Schedule "Q")		
Raw materials	9,878.90	15,997.28
Stores and Spare parts	2,331.04	2,532.80
Chemicals and Consumables	927.31	1,001.40
Packing Materials	710.70	1,515.77
Intermediates & WIP	17,566.07	42,669.70
Finished Goods	8,000.51	9,842.02
Traded Goods	838.20	809.82
	40,252.73	**74,368.79**
SCHEDULE "G" SUNDRY DEBTORS		
Debts more than 6 months (Unsecured)		
Considered Good	51,245.40	48,017.26
Considered Doubtful	-	1,615.11
Other Debts (Considered Good)		
Secured	1,042.57	217.94
Unsecured*	19,335.29	17,668.37
	71,623.26	67,518.68
Less: Provision for Doubtful Debts	-	1,615.11
*(Includes Rs 90.61 crores (Previous year Nil) kept under Escrow)		
	71,623.26	**65,903.57**
SCHEDULE "H" CASH AND BANK BALANCES		
Cash in Hand	8.10	9.79
Balances With Scheduled Banks on :		
Current account	3,904.84	1,317.26
Term Deposit account	13,103.91	2,100.82
Margin money deposit	10,851.60	645.80
Share Application money and Dividend account	51.52	55.21
Balances With Other Banks on :		
Current account (Ref Note 12 of Schedule Q)	4,570.93	23.16
	32,490.90	**4,152.04**
SCHEDULE "I" LOANS AND ADVANCES (Unsecured)		
Considered Good		
Advances recoverable in cash or kind or for value to be received	9,721.96	6,320.57
Advance Payment of Tax	10,689.98	4,100.88
MAT recoverable	3,213.35	-
Loans to Subsidiaries	4,304.23	4,405.33
Deposits		
- With Government authorities	420.40	508.78
- Others	542.88	623.12
Considered Doubtful		
- Loan to Subsidiary	5,194.42	3,232.66
- Others	205.33	205.33
	34,292.55	19,396.67
Less: Provision for Doubtful Advances/Loans to Subsidiaries	5,399.76	3,437.99
	28,892.79	**15,958.68**

Schedules to the Accounts as at March 31, 2010

(Rs lakhs)

	31.03.2010	31.03.2009
SCHEDULE "J" CURRENT LIABILITIES		
Acceptances	-	73.78
Sundry creditors (other than Micro, Small & Medium Scale Enterprises) for		
- Capital Items	2,366.49	5,669.71
- Other supplies	19,480.08	21,621.85
- Expenses	8,801.25	9,288.97
[Includes due to Directors - Nil (Previous year - Rs 21 lakhs)]		
Investor Education and Protection Fund shall be credited by the following amounts namely :*		
- Unclaimed Dividend	51.52	55.21
- Share Application Money Refundable	5.42	5.42
Premium payable on redemption of FCCBs (Ref Note 6(c) of Schedule Q)	26,339.29	34,254.36
Other liabilities (includes Rs 46.26 lakhs (Previous year - Nil) due to banks)	2,717.52	1,918.43
	59,761.57	**72,887.73**

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

	31.03.2010	31.03.2009
SCHEDULE "K" PROVISIONS		
Provisions For		
- Retirement Benefits	1,621.57	1,231.37
- Rebates/Discounts	12,000.00	4,000.00
- Taxation	12,007.46	3,354.43
- Proposed Dividend	8,879.59	915.84
- Tax on Proposed Dividend	1,474.79	155.65
	35,983.41	**9,657.29**

Schedules to the Accounts for the year ended March 31, 2010

SCHEDULE "L" SALES & OPERATING INCOME	31.03.2010		31.03.2009	
Sales	121,385.21		116,835.64	
Less : Excise Duty	866.62	120,518.59	1,158.68	115,676.96
Operating Income				
Income from services rendered				
Technical & Consultancy Fees		-		30.58
Contract Research & Development		108.01		149.58
Sale of Other Materials	226.47		472.93	
Less : Excise Duty	4.10	222.37	18.71	454.22
Development Fee		492.50		1,938.09
Licence Fee		1,283.22		713.23
Other Operating Income (includes Rs 2164.45 lakhs towards settlement of the Company's claim under Para IV litigation)		2,358.77		181.38
		124,983.46		**119,144.04**

Schedules to the Accounts for the year ended March 31, 2010

(Rs lakhs)

SCHEDULE "M" OTHER INCOME	31.03.2010	31.03.2009
Income from Investments		
Dividend (Refer Note 8 of Schedule Q)	2.41	301.85
Gain on cancellation of FCCBs-net	851.87	6,730.53
Provision for doubtful debts written back	-	1,833.73
Profit on sale of fixed assets	-	2.92
Miscellaneous Income	125.72	146.38
	980.00	**9,015.41**

SCHEDULE "N" MATERIALS COST	31.03.2010		31.03.2009	
Raw Materials Consumed	42,881.05		50,407.82	
Cost of Traded Goods	3,345.45	46,226.50	3,367.60	53,775.42
Less: (Accretion to) / Depletion in Stocks				
Closing Stock of Intermediates,WIP & Finished Goods	25,566.58		52,511.72	
Opening Stock of Intermediates, WIP & Finished Goods	52,511.72	26,945.14	46,033.40	(6,478.32)
Consumption of Packing Materials		4,354.56		3,733.89
		77,526.20		**51,030.99**

SCHEDULE "O" MANUFACTURING, SELLING AND OTHER EXPENSES	31.03.2010	31.03.2009
Power and Fuel	6,643.50	7,344.64
Conversion Charges	1,649.40	1,760.00
Consumption of Stores, Spares & Chemicals	2,707.49	2,547.67
Factory Maintenance	2,729.26	2,281.65
Salaries and Wages (includes Rs 2500.28 lakhs (Previous year Nil) towards workmen compensation as one time settlement)	13,956.07	10,250.63
Contribution to Provident & other funds	959.07	1,002.08
Staff Welfare	1,014.02	1,035.71
Rent	30.77	18.98
Rates & Taxes	168.71	160.14
Insurance	1,192.42	1,201.17
Postage, Telephone & Telex	130.23	151.26
Printing & Stationery	230.05	233.58
Vehicle Maintenance	70.76	57.54
Research & Development Expenses (Refer Note 25 of Schedule Q)	5,388.49	4,633.46
Advertisement	4.79	17.92
Recruitment expenses	127.42	155.41
Auditors' Remuneration		
Statutory Auditors [Refer Note 7 of Schedule Q]	68.00	67.00
Cost Auditors	11.00	11.24

Schedules to the Accounts for the year ended March 31, 2010

(Rs lakhs)

	31.03.2010	31.03.2009
SCHEDULE "O" MANUFACTURING, SELLING AND OTHER EXPENSES *(Contd.)*		
Travelling and Conveyance	1,381.08	1,383.77
Directors' Remuneration & perquisites (Refer Note 9 of Schedule Q)	304.74	343.44
Directors' Travelling		
Inland	15.30	13.53
Overseas	27.79	29.62
Directors' sitting fees	12.40	14.20
Loss on sale of fixed asset/written-off	168.51	214.05
Freight outward	1,720.69	2,364.24
Commission on Sales	1,383.82	950.34
Business Promotion and Selling Expenses	1,114.97	1,367.14
Consultancy & Professional Fees	7,814.00	3,119.87
Exchange Rate Loss/ (Gain)	6,004.11	1,568.35
Provision for Rebates/Discounts	-	4,000.00
Provision for Losses of subsidiary companies	1,961.77	1,501.34
Bad debts and advances written off - net of provisions (Refer Note 27 of Schedule Q)	3,256.20	-
Miscellaneous expenses	2,481.64	2,497.50
	64,728.47	**52,297.47**

	31.03.2010	31.03.2009
SCHEDULE "P" INTEREST AND FINANCE CHARGES (Refer Note 10 of Schedule Q)		
Interest on Term Loans	13,780.24	5,965.37
Other Interest & Finance Charges	10,343.07	9,553.23
	24,123.31	**15,518.60**

On behalf of the Board

As per our report of even date
For **SNB Associates**
Chartered Accountants

B. Mahalingam
Partner

R. Narayanan
Chairman

K. Raghavendra Rao
Managing Director

S. Krishnan
Executive Director-Finance

Dr I. Seetharam Naidu
Director

Place: Chennai
Date: May 27, 2010

Bhoomijha Murali
GM-Legal and Company Secretary

Schedules to the Accounts

SCHEDULE "Q" NOTES ON ACCOUNTS

1 Significant Accounting Policies

a) Accounting Convention

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

b) Fixed Assets

(i) Fixed Assets are stated at the original cost inclusive of inward freight, incidental expenses related to acquisition and related pre-operational expenses and technical knowhow fees where applicable.

(ii) Machinery spares which can be used only in connection with specific fixed assets and the use of which are irregular, are charged over the period of the life of such fixed asset, in accordance with Accounting Standard (AS 10).

(iii) Brands represent brands acquired by the Company and includes IPR & Licences purchased for a consolidated consideration.The cost of brands, patents and trademarks are amortised over a period of 60 months from the month of acquisition.

(iv) Internally Generated Intangible Assets - DMF & ANDA

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

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

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

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

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

(vi) Leasehold assets cost is amortised over the period of the Lease.

(vii) Depreciation on assets added/disposed off during the year is provided on pro-rata basis from the month of addition or up to the month preceding the month of disposal, as applicable.

(viii) Impairment of assets:

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. An impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the assets and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

c) Borrowing Costs

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

d) **Treatment of expenditure during construction period.**

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

e) **Investments**

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

Schedules to the Accounts

SCHEDULE "Q" NOTES ON ACCOUNTS *(Contd.)*

f) **Inventories**

(i) Stores & Spares	- At weighted average cost.
(ii) Raw Materials	- At annual weighted average cost
(iii) Finished Goods @	- At Lower of cost & net realisable value
(iv) Work in Progress & Intermediates @	- At Lower of cost & net realisable value

@ After adjustment of unrealised profits on inter division transfer.

g) **Revenue Recognition**

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

h) **Retirement Benefits**

Retirement Benefits are accounted on actuarial valuation carried out at the end of the year. The Company's liability towards the gratuity of employees is covered by a group gratuity policy with LIC and ICICI Prudential Life Insurance Company Ltd and the contribution to the fund is based on actuarial valuation carried out yearly as at 31st March as per the revised AS15. Provision for Leave Encashment has been made based on actuarial valuation as at the year end as per revised AS15.

i) **Translation of Foreign Currency items**

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

   The Company has exercised the option provided under the amendment to the Companies (Accounting Standards) Amendment Rules, 2006 dated 31st March, 2009 (AS 11). The exercise of the above option has resulted in (a) Rs Nil (Previous year Rs 5,347.94 lakhs) relating to previous year adjusted in General Reserve (b) amount remaining unamortised in the financial statements as on 31st March 2010 is (Rs 1,761.47 lakhs) (previous year Rs 8,357.94 lakhs) (c) The value of fixed assets adjusted for exchange gain is Rs 775.05 lakhs (Previous year loss of Rs 2,994.32 lakhs) resulting in depreciation amount being less by Rs 29.08 lakhs (Previous year more by Rs 33.73 lakhs) (d) profit for the year is lower by Rs 11,791.12 lakhs (Previous year - loss lower by Rs 16,666.46 lakhs).

j) **Subsidy on Fixed Assets**

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

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

(Rs lakhs)

			As at 31.03.2010	As at 31.03.2009
3		Estimated amounts of contracts remaining to be executed on capital account (net of advances) and not provided for	10,399.36	10,712.57
4	a.	Other monies for which company is contingently liable :		
	-	Bills Discounted	17,435.59	21,402.71
	-	Unexpired Letters of Credit	8,652.67	13,295.03
	-	Bank Guarantees outstanding	122.35	518.89
	-	Claims against the Company not acknowledged as debts		
		Excise demands under dispute pending before Excise authorities	1,980.10	1,182.42
		Service Tax dispute pending before High Court of Chennai	271.29	103.16
	b.	Provision and contingencies in accordance with AS 29 :		
		Opening Balance	4,000.00	-
		Additions during the year	8,000.00	4,000.00
		Closing Balance	12,000.00	4,000.00

Schedules to the Accounts

SCHEDULE "Q" NOTES ON ACCOUNTS *(Contd.)*

5 The Company has filed an appeal against the demand made by the Income Tax department amounting to Rs 98.94 lakhs-(Previous year Rs 98.94 lakhs). No provision has been made as the Company is confident of winning the appeal. No provision has also been made for demand of interest amounting to Rs 68.88 lakhs (Previous year Rs 68.88 lakhs) as petition has already been filed for waiver of interest.

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

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

During the year 2009-10, the Company bought back FCCBs to the extent of US$ 19.778 million and the outstanding FCCBs as at March 31, 2010 is US$ 117.422 million.

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

Further, the Company has an option of early redemption of these FCCBs at any time after November 03,2006 subject to certain conditions. Unless previously converted, redeemed or repurchased and cancelled, the FCCBs will be redeemed on November 03,2010 at 147.1688% of their principal amount.

During 2008-09, the Company bought FCCBs to the extent of US$ 2.25 million and the outstanding FCCBs as at March 31, 2010 is US$ 17.46 million.

The current status of above FCCBs conversion into equity is as follows:

Particulars	FCCB Value US$ Million	Number of Shares in Lakhs	Increase in Equity Rs Lakhs	Increase in Security Premium Rs Lakhs
Conversion effected up to March 31, 2010	22.79	42.00	420.09	9,821.71
	22.79	**42.00**	**420.09**	**9,821.71**

c) Provision has already been made for the entire premium payable on redemption of FCCBs amounting to Rs 36,830.08 lakhs by debiting the Securities Premium account (SPA). In the event that the conversion option is exercised by the holder of FCCBs in the future, the amount of premium charged to SPA will be suitably adjusted in the respective years.

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

The provision for premium on redemption of FCCBs debited to SPA is being restated at the exchange rate prevailing at the year end and the gain of Rs 3,584.88 lakhs (Previous year- loss of Rs 7,414.30 lakhs) on account of such restatement during the year is adjusted to the security premium account.

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

e) **Usage of funds raised through FCCBs**

(Rs lakhs)

	As at 31.03.2010	As at 31.03.2009
Opening Balance	7.81	6.85
Less: Expenses of Issue/Exchange fluctuations	1.81	(0.96)
Balance	**6.00**	**7.81**

Schedules to the Accounts

SCHEDULE "Q" NOTES ON ACCOUNTS *(Contd.)*

7 **Auditors' remuneration include the following:**

(Rs lakhs)

	Year ended 31.03.2010	Year ended 31.03.2009
Audit fee	50.00	50.00
Tax Audit fee	7.50	7.50
For certification & other matters*	10.50	9.50
	68.00	**67.00**

*Excludes Rs 20 lakhs in relation to certification charges in connection with the sale of undertaking

8 **Dividend includes the following**		
Trade	-	297.85
Non-trade	2.41	4.00
	2.41	**301.85**
9 **Directors' Remuneration** (including Managing Director's Remuneration)		
- Salaries	228.00	228.00
- Contribution to funds	26.48	55.08
- Other Perquisites	50.26	60.36
- Commission	-	-
	304.74	**343.44**
Net Profit for Computation of Managing Director's Commission		
Profit /(Loss) for the year before taxation as per Profit & Loss Account	46,005.39	(3,684.82)
Add : Directors' Remuneration	304.74	343.44
Loss on sale of Investments	-	-
Loss on sale of Fixed Assets	173.93	231.98
Exchange rate losses on FCCB	35.32	2,839.17
Provision for Rebates/discounts	-	4,000.00
Losses of Subsidiary companies	1,961.77	1,501.34
	48,481.15	5,231.11
Less : Provision for Doubtful advances written back	-	1,833.73
Gain on FCCB cancellation	851.87	6,730.53
Profit on sale of undertaking	101,530.29	-
Profit on sale of Fixed Assets	-	2.92
	102,382.16	8,567.18
Net Profit/(Loss)	**(53,901.01)**	**(3,336.07)**

The Company has made an application to Central Government to approve the remuneration paid to the Managing Director and Whole time Director, as the minimum remuneration payable in case of inadequacy of profit. Approval for the same is awaited and the above remuneration is subject to such approval.

(Rs lakhs)

		Year ended 31.03.2010	Year ended 31.03.2009
10	a) Other Interest and Finance Charges is after crediting interest receipts	154.86	100.83
	TDS on interest receipts	18.03	15.32
	b) Amount of interest capitalised	4,662.27	4,541.23
11	a) Factory Maintenance includes		
	- Repairs & Maintenance - Plant & Machinery	930.26	732.40
	- Repairs & Maintenance - Building	324.40	140.22
	b) Consumption of Stores, Spares and Chemicals include Stores & Spares issued for maintenance	813.37	596.61

Schedules to the Accounts

SCHEDULE "Q" NOTES ON ACCOUNTS *(Contd.)*

(Rs lakhs)

			As at 31.03.2010	As at 31.03.2009
12	Balance as at the end of the year and maximum amount outstanding at any time during the year with banks other than Scheduled Banks.			
	Barclays Bank, London	Balance as at March 31	1.23	1.39
		Maximum amount outstanding	1.39	10,127.00
	State Bank of India, London	Balance as at March 31	4,523.25	-
		Maximum amount outstanding	14,028.50	-
	Citibank NA, New York	Balance as at March 31	3.87	5.38
		Maximum amount outstanding	5.38	5.38
	JSC Vneshtorgbank, Moscow	Balance as at March 31	10.97	4.61
		Maximum amount outstanding	48.94	69.88
	Bank of India, New Jersey	Balance as at March 31	2.12	2.41
		Maximum amount outstanding	2.41	2.41
	Industrial Investment Bank Ukraine	Balance as at March 31	-	-
		Maximum amount outstanding	-	27.84
	Eco Bank - Ghana	Balance as at March 31	3.37	6.60
		Maximum amount outstanding	23.63	21.78
	JS ATF Bank - Kazak	Balance as at March 31	15.64	0.22
		Maximum amount outstanding	18.33	18.41
	Private Bank-Ukraine	Balance as at March 31	10.48	2.54
		Maximum amount outstanding	41.70	28.69

13 **Amounts Due to Micro, Small and Medium Enterprises**

The Identification of Micro, Small and Medium Enterprises Suppliers as defined under "The Micro, Small and Medium Enterprises Development Act 2006" is based on the Information available with the management. As certified by the Management, the amounts overdue as on 31st March 2010 to Micro, Small and Medium Enterprises on account of principal amount together with interest, aggregate to Nil (Previous year Nil).

14 **Derivative Instruments and unhedged Foreign currency Exposure :**

a) **Derivative instruments that are outstanding**

(Rs lakhs)

Sl no	Particulars	As at 31.03.2010	As at 31.03.2009
1	Currency Swap	1,805.90	17,221.85

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

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

(Rs lakhs)

	Currency	As at 31.03.2010		As at 31.03.2009	
		Foreign Currency	Rs in lakhs	Foreign Currency	Rs in lakhs
i) Receivables Outstanding					
	US$	123,861,862	53,761.66	123,217,942	52,941.99
	EURO	58,641	15.47	448,782	300.54
	AUD	-	-	161,626	56.39
ii) Payables Outstanding	US$	17,627,044	8,316.55	18,610,098	9,166.18
	EUR	-	-	706,015	506.72
	JPY	2,051,493	10.32	1,847,128	7.95
	Others	-	27.26	-	27.37

Schedules to the Accounts

SCHEDULE "Q" NOTES ON ACCOUNTS *(Contd.)*

c) **The Foreign Currency Exposures that are not hedged by a derivative instrument or otherwise** *(Contd.)* *(Rs lakhs)*

	Currency	As at 31.03.2010		As at 31.03.2009	
		Foreign Currency	Rs in lakhs	Foreign Currency	Rs in lakhs
iii) Advance Paid	GBP	220,704	191.24	272,591	229.34
	SGD	-	-	11,280	3.29
	US$	15,657,595	6,991.90	5,357,900	2,719.40
	EUR	226,991	115.57	10,247,544	7,014.70
	CHF	6,734	2.74	130,390	60.03
iv) FCCB	US$	134,882,000	60,774.46	154,660,000	79,170.45
v) Loans	US$	52,351,799	23,588.41	47,394,502	24,261.25

The MTM gain amounting to Rs 66.29 lakhs(Previous year loss Rs 3,934.46 lakhs) on the derivatives outstanding as on 31st March 2010 has been accounted under exchange rates loss/(gain) account

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

16 a) **Related Party Transactions**

In accordance with Accounting Standard 18, the disclosure required is given below: *(Rs lakhs)*

Nature of Transaction		Subsidiary	Joint venture	Key Management Personnel	Relatives of Key Management Personnel/ Companies in which they exercise significant influence.
Finance - Equity Contribution	OCPL-SA	4.57		-	-
	Diakron	-	115.13		
		(127.12)	(727.69)	(-)	(-)
- Loans & Advances	Others	(310.37)	-	-	-
	ORLL	2,171.04			
		(2,524.31)	(-)	(-)	(-)
- Shares allotted		-	-	-	-
		(-)	(-)	(-)	(9,166.75)
- Warrants allotted		-	-	-	-
		(-)	(-)	(-)	(-)
- Forfeiture of advance on warrants		-	-	-	-
		(-)	(-)	(-)	(89.14)
Sale of goods	NCPC, China	-	2,827.30	-	-
		(-)	(3,232.39)	(-)	(-)
Rendering of Services / Interest income/rent	ORLL	120.72	-	-	-
		(120.67)	(354.14)	(-)	(-)
Availment of Services/Rent	Orgenus	341.36	-	-	-
	Orchid Europe	158.10	(-)	(-)	(-)
	Spectrasoft				199.34
	R Vijayalakshmi				22.00
		(495.44)	(-)	(-)	(425.64)
- Remuneration		-	-	Ref Note 9	-
Amounts due at the end of the year - Debit		9,300.15	54.00	-	10.88
		(7,637.99)	(349.13)	(-)	(10.83)
Amounts due at the end of the year - Credit		- -	-	-	
		(-)	(-)	(-)	(-)

(Figures in brackets are for previous year)

Schedules to the Accounts

SCHEDULE "Q" NOTES ON ACCOUNTS *(Contd.)*

Names of the related parties and description of relationship.

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

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

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

(Rs lakhs)

		Balance as on 31-03-2010	Maximum amount outstanding during the year
Subsidiary -			
	Orchid Europe Limited, UK	463.84	945.53
	Orchid Pharmaceuticals Inc., USA	58.05	58.05
	Bexel Pharmaceuticals Inc, USA	2,362.92	2,362.92
	Orchid Research Laboratories Ltd., India	6,415.34	6,415.34
Joint Venture -	NCPC Orchid Pharmaceuticals Company Ltd., China	54.00	349.13

17 In terms of the resolution passed by the Company at the EGM dated October 21,1999 Employee Stock Option Scheme was extended to the employees of the Company. Accordingly options totalling 1,500,000 Nos were given to the employees as per the scheme formulated under “ORCHID-ESOP 99" scheme by the Compensation committee of the Board of Directors. Each option is convertible into one equity share of Rs 10 each at a price of Rs 243.35 including premium for 600,000 Nos, Rs 252 including premium for 307,925 Nos, Rs 300.65 including premium for 292,075 nos and Rs 339.25 for 300,000 nos. No entries were passed in the books as the options were given at the market prices prevailing on the date of issuance of options.

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

Consequently the revised and adjusted prices per share are Rs 162.24 (Rs 243.35), Rs 168.00 (Rs 252.00) and Rs 200.44 (Rs 300.65) respectively for 600,000 Nos, 307,925 Nos and 292,075 Nos of options granted by the Company.

For the 300,000 options granted during April 2006 at a price of Rs 339.25, the Compensation Committee of the Board of Directors considered repricing of the options in the interest of the employees, due to the fall in the price of the shares of the Company and accordingly approved a repricing of the options from Rs 339.25 to Rs 193.25 as per the closing price of Orchid at National Stock Exchange on August 11, 2006. The revision in the price has been approved by the shareholders at the Annual General Meeting held on July 19, 2007.

260,489 Options (net of lapsed options) were outstanding as at March 31, 2010 including the additional number of options adjusted, due to the bonus issue under “ORCHID-ESOP 99” scheme.

Schedules to the Accounts

SCHEDULE "Q" NOTES ON ACCOUNTS *(Contd.)*

In terms of the resolution passed by the Company at the AGM dated July 18, 2005 the shareholders approved the scheme formulated under "ORCHID-ESOP 2005"for allotting 1,000,000 Nos. Accordingly 610,000 options were given to the eligible directors and employees by the Compensation Committee of the Board of Directors at a meeting held on August 12, 2006. Each option is convertible into one equity share of Rs 10 each at a price of Rs 193.25 per share including premium.

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

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

Details of Profit on sale of Undertaking

(Rs lakhs)

	Year ended 31.03.2010	Year ended 31.03.2009
Value of Consideration received on account of sale of undertaking	172,727.10	-
Less : Value of current assets transferred	(13,661.65)	-
Value of Fixed assets transferred	(47,022.49)	-
Expenses on transfer	(2,273.23)	-
Exchange rate (Loss)/gain	6,221.93	-
Provision for Inventory and debtors consequent to Business transfer	(14,461.36)	-
	101,530.29	-

19 Provision for Deferred tax for the year Rs 7431.74 lakhs (Previous year Rs1371.65 lakhs)

Deferred Tax liability represents the following

(Rs lakhs)

	As at 31.03.2010	As at 31.03.2009
Timing Difference on account of Depreciation	20,380.94	21,655.01
Timing Difference on account of Losses	-	(8,705.81)

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

20 Segmental Reporting

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

21 **Additional information pursuant to the provisions of paragraph 3, 4C & 4d of part II of schedule VI of the Companies act, 1956.**

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

(Rs lakhs)

Class of Goods		Regd/Licensed 2009-10	Installed 2009-10	Regd/Licensed 2008-09	Installed 2008-09
Bulk Drugs and Intermediates					
Oral & Sterile	MT	990	990	990	990
Dosage Forms					
Vials	Nos Millions	20	20	20	20
Tablets	Nos Millions	576	576	576	576
Capsules	Nos Millions	139	139	139	139
Dry syrups/Powders	Nos Millions	13	13	13	13

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

Schedules to the Accounts

SCHEDULE "Q" NOTES ON ACCOUNTS *(Contd.)*

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

	Year ended March 31, 2010		Year ended March 31, 2009	
	Percentage	Amount Rs in lakhs	Percentage	Amount Rs in lakhs
Raw Materials				
Imported	77.37	33,176.92	79.35	39,996.78
Indigenous	22.63	9,704.13	20.65	10,411.04
	100.00	42,881.05	100.00	50,407.82
Spare Parts, Consumables & Packing Material				
Imported	51.07	3,606.84	39.78	2,499.09
Indigenous	48.93	3,455.21	60.22	3,782.47
	100.00	7,062.05	100.00	6,281.56

(Rs lakhs)

		As at 31.03.2010	As at 31.03.2009
C)	**Earnings In Foreign Exchange during the year**		
	F.O.B. Value of Exports	97,620.36	93,202.59
	Export of Services including royalty/ knowhow (net of withholding tax)	2,898.43	2,714.89
D)	**C.I.F Value of Imports (on cash basis)**		
	Raw Materials	30,997.50	28,214.51
	Capital Goods	6,139.16	8,175.49
	Spare Parts, Components, Consumables & Packing materials	732.89	5,953.24
E)	**Expenditure in Foreign Currency (on cash basis)**		
	Travelling Expenses	162.73	256.23
	Interest & Bank Charges	2,249.71	2,071.04
	Professional/Consultancy Fees	8,463.00	1,899.67
	Royalty/Technical knowhow	35.91	103.93
	Others	3,856.43	3,277.12
F)	**Dividend Remittances in Foreign Currency during the year**		
	Year to which dividend relates	2008-09 Final	2007-08 Final
	No of Non Resident Share Holders	2	2
	No of Shares held by Non Resident Share Holders	3,515,000	3,515,000
	Gross Dividend (Rs lakhs)*	35.15	105.45
	Net Dividend (Rs lakhs)*	35.15	105.45

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

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

		Year ended 31.03.2010	Year ended 31.03.2009
Profit After Tax before extra ordinary item	Rs Lakhs	(55,524.90)	-
Profit After Tax after extra ordinary item	Rs Lakhs	33,133.96	(5,217.47)
No of Shares Outstanding	Nos.	70,442,076	70,442,076
Weighted Average Number of shares	Nos.	70,442,076	68,579,472
Earnings per Share - Basic before extra ordinary item	Rs	(78.82)	-
Earnings per Share - Basic after extra ordinary item	Rs	47.04	(7.61)
No of warrants & options allotted		-	21,141,785
Total No of Equity shares to compute diluted EPS	Nos.	88,795,877	89,721,257
Earnings per Share - Diluted before extraordinary item	Rs	(78.82)	-
Earnings per Share - Diluted after extraordinary item	Rs	37.31	(7.61)

Schedules to the Accounts

SCHEDULE "Q" NOTES ON ACCOUNTS *(Contd.)*

23 Disclosure as per requirements of Accounting Standard 26

		As at 31.03.2010	As at 31.03.2009
ACQUIRED			
- Brands & Trademarks			
Useful life		5 Years	5 Years
Gross Carrying Amount (Rs lakhs)	Opening	327.15	442.78
	Additions	-	-
	Amortisation	115.63	115.63
	Closing	211.52	327.15
INTERNALLY GENERATED			
- DMF & ANDA(Refer Note 1(b)(iv) of Schedule Q)			
Useful life		5 Years	5 Years
Gross Carrying Amount (Rs lakhs)	Opening	4,723.56	5,025.16
	Additions	-	-
	Deletions	1,853.50	-
	Amortisation	606.08	301.60
	Closing	2,263.98	4,723.56

24 (a) Details of Group Companies

Name of Subsidiary/Joint venture	Country	Type of Holding	Percentage of holding	Nature of relationship	Nature of Business
Orchid Europe Limited	UK	Equity	100%	Subsidiary	Marketing
NCPC Orchid Pharmaceuticals Company Limited	China	Equity	50%	Joint Venture	Manufacturing
Bexel Pharmaceuticals Inc.*	USA	Convertible Preferred stock with equal voting rights as Common stock and Common stock.	@68.48%	Subsidiary	Research
Orchid Pharmaceuticals Inc.	USA	Common stock	100%	Subsidiary	Services
Orgenus Pharma Inc.	USA			Subsidiary of Orchid Pharmaceuticals Inc.	Services
Orchid Research Laboratories Ltd.	India	Equity	100%	Subsidiary	Research
Orchid Pharmaceuticals SA (proprietary) Limited	South Africa	Equity	100%	Subsidiary	Marketing
Orchid Pharma Japan K K	Japan	Equity	100%	Subsidiary	Marketing
Diakron Pharmaceuticals Inc.	USA	Convertible Preferred Stock and Common stock	42.71%	Joint Venture	Research

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

@ excluding 31.52% held through a wholly owned subsidiary

Schedules to the Accounts

SCHEDULE "Q" NOTES ON ACCOUNTS *(Contd.)*

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

	As at 31.03.2010	As at 31.03.2009
Fixed Assets	3,424.98	4,014.20
Current Assets	5,596.17	6,229.88
Current Liabilities	2,880.46	3,955.62
Loans	1,414.70	1,910.00
Income	10,767.37	11,941.72
Expenses	9,696.20	11,026.84

25 Expenditure on Research and Development *(Rs lakhs)*

	Year ended 31.03.2010	Year ended 31.03.2009
Capital expenditure	57.75	812.15
Revenue expenditure charged to the Profit & Loss account (excluding depreciation)	5,388.49	4,633.46
	5,446.24	**5,445.61**
Revenue Research and Development Expenses include :		
Power and Fuel	190.63	211.27
Conversion Charges	-	1.32
Consumption of Stores, Spares & Chemicals	1,154.59	945.15
Salaries,Wages and Bonus	1,801.84	1,841.17
Contribution to Provident & other funds	163.08	137.43
Staff Welfare	135.19	157.31
Rates & Taxes	56.25	2.30
Insurance	15.21	13.98
Postage, Telephone & Telex	11.35	11.61
Printing & Stationery	22.51	29.76
Vehicle Maintenance	6.36	5.60
Recruitment expenses	12.30	18.22
Travelling and Conveyance	31.05	32.04
Loss on Sale of Asset	5.42	17.94
Testing Charges	286.56	564.65
Consultancy & Professional Fees	851.14	305.41
Others	645.01	338.29
	5,388.49	**4,633.46**

26 A Defined Contribution Plan

i) The Company contributes 12% of the salary for all eligible employees towards provident fund managed by the Central Government.

ii) The Company also contributes a certain percentage of salary for all eligible employees in managerial cadre towards Superannuation Funds managed by Life Insurance Corporation of India.

Schedules to the Accounts

SCHEDULE "Q" NOTES ON ACCOUNTS *(Contd.)*

B Defined Benefit Plan

(Rs lakhs)

	As at 31.03.2010	As at 31.03.2009	As at 31.03.2010	As at 31.03.2009
	Gratuity (Funded)		Leave Encashment (Unfunded)i	
1) Reconciliation of opening and closing balances of Defined Benefit obligation				
Defined Benefit Obligation at the beginning of the year	660	819	571	734
Current Service Cost	313	132	357	101
Interest Cost	46	62	36	52
Actuarial (gain)/ loss	479	(260)	88	(147)
Benefits paid	(160)	(93)	(228)	(169)
Defined Benefit Obligation at the year end	1,338	660	824	571
2) Reconciliation of opening and closing balances of fair value of plan assets				
Fair Value of plan assets at the beginning of the year	497	344		
Expected return on plan assets	47	38		
Actuarial gain / (loss)	40	54		
Employer contribution	110	155		
Benefits paid	(160)	(93)		
Fair value of plan assets at year end	534	497		
Actual return on plan assets	(88)	(91)		
3) Reconciliation of fair value of assets and obligations				
Fair value of plan assets	534	497	-	-
Present value of obligation	1,338	660	824	571
Amount recognised in Balance Sheet	804	163	824	571
4) Expense recognised during the year				
Current Service Cost	313	132	357	101
Interest Cost	46	62	36	52
Expected return on plan assets	(47)	(38)	-	-
Actuarial (gain) / loss	439	(313)	88	(147)
Net Cost	751	(157)	481	6
5) Investment Details	% Invested			
Funds Managed by Insurer	100%	100%		
6) Actuarial assumptions				
Discount rate (per annum)	8.00%	8.00%	8.00%	8.00%
Expected rate of return on plan assets (per annum)	10.00%	10.00%	-	-
Rate of escalation in salary (per annum)	10.00%	5.00%	10.00%	5.00%

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

27 The bad and doubtful debts includes value of debts amounting to Rs 1,615.11 lakhs written off and adjusted against the provision made in earlier years.

28 The Company has made an application under Section 211(4) of the Companies Act, 1956 seeking exemption on the disclosure of the quantitative details in compliance of Paras 3(i)(a), 3(ii)(a), 3(ii)(b), and 3(ii)(d) of Part II of Schedule VI of the Companies Act, 1956 and pending receipt of the approval, the disclosures have been made in the same manner stipulated by the Department of Company Affairs while granting exemption from disclosure in earlier year

Schedules to the Accounts

SCHEDULE "Q" NOTES ON ACCOUNTS *(Contd.)*

29 There has been certain delays in repayment of principal and interest to the banks as below :

(Rs lakhs)

Bank	Principal	Interest	Due Date	Date Paid
Allahabad Bank		1.78	02-Sep-09	30-Nov-09
	250.00		31-Mar-09	02-Jun-09
		222.97	30-Apr-09	30-Jun-09
		174.79	31-May-09	22-Jun-09
		64.51	31-May-09	30-Jun-09
	250.00		13-Jun-09	23-Sep-09
		35.03	31-Jul-09	31-Aug-09
	250.00		31-Jul-09	03-Sep-09
		193.22	31-Jul-09	26-Sep-09
	250.00		31-Aug-09	23-Sep-09
		2.12	31-Aug-09	26-Sep-09
		228.25	31-Aug-09	30-Sep-09
	115.00		13-Sep-09	07-Dec-09
	70.00		13-Sep-09	11-Dec-09
	65.00		13-Sep-09	17-Dec-09
	250.00		30-Sep-09	24-Dec-10
		56.90	31-Oct-09	30-Nov-09
		165.62	31-Oct-09	31-Dec-09
	250.00		31-Oct-09	26-Dec-10
		213.29	30-Nov-09	31-Dec-09
	250.00		30-Nov-09	18-Feb-10
	250.00		13-Dec-09	18-Feb-10
	250.00		31-Dec-09	18-Feb-10
	250.00		31-Jan-10	18-Feb-10
		214.66	31-Jan-10	26-Feb-10
		190.12	28-Feb-10	30-Mar-10
		40.89	22-Sep-09	30-Nov-09
		10.49	30-Sep-09	30-Nov-09
		6.33	06-Dec-09	18-Feb-10
		4.08	10-Dec-09	18-Feb-10
		5.99	16-Dec-09	18-Feb-10
		16.38	23-Dec-09	18-Feb-10
		1.25	25-Dec-09	18-Feb-10
		20.02	31-Dec-09	18-Feb-10
Andhra Bank		38.55	21-Jun-09	01-Aug-09
		55.10	30-Apr-09	30-May-09
		56.65	31-May-09	30-Jun-09
		56.67	31-Jul-09	30-Sep-09
		55.82	31-Aug-09	30-Sep-09
	1,000.00		29-Sep-09	12-Jan-10
		57.01	31-Oct-09	31-Dec-09
		55.40	30-Nov-09	31-Dec-09
		40.79	28-Feb-10	30-Mar-10
		9.19	26-Jun-09	01-Aug-09
		7.26	30-Jun-09	01-Aug-09
		54.62	30-Sep-09	12-Jan-10
		25.86	14-Dec-09	16-Feb-10
		31.42	31-Dec-09	16-Feb-10
		20.56	11-Jan-10	16-Feb-10
		1.48	12-Jan-10	16-Feb-10
		23.67	28-Jan-10	16-Feb-10
		4.44	31-Jan-10	16-Feb-10
Axis Bank		1.57	02-Apr-09	05-May-09
		19.25	31-Jul-09	11-Aug-09
		19.25	31-Aug-09	03-Oct-09

(Rs lakhs)

Bank	Principal	Interest	Due Date	Date Paid
	400.00		30-Sep-09	31-Dec-09
		19.25	31-Oct-09	11-Jan-10
		18.63	30-Nov-09	11-Jan-10
	400.00		31-Mar-09	03-Apr-09
Bank of Baroda		23.27	26-Jun-09	08-Aug-09
	500.00		31-Mar-09	30-May-09
		30.41	30-Apr-09	30-May-09
		31.26	31-May-09	30-Jun-09
	500.00		30-Jun-09	29-Sep-09
		27.71	31-Jul-09	23-Sep-09
		27.73	31-Aug-09	30-Sep-09
	60.00		30-Sep-09	27-Nov-09
	124.00		30-Sep-09	22-Dec-09
	316.00		30-Sep-09	31-Dec-09
		24.00	31-Oct-09	21-Nov-09
		22.98	30-Nov-09	31-Dec-09
	500.00		31-Dec-09	20-Feb-10
		19.93	31-Jan-10	28-Feb-10
		3.55	30-Jun-09	08-Aug-09
		16.22	18-Sep-09	17-Nov-09
		8.94	28-Sep-09	17-Nov-09
		1.53	30-Sep-09	17-Nov-09
		0.37	01-Dec-09	20-Feb-10
		7.36	21-Dec-09	20-Feb-10
		13.80	29-Dec-09	20-Feb-10
		1.44	31-Dec-09	20-Feb-10
Bank of Rajasthan	625.00		31-Mar-09	30-May-09
		12.39	30-Apr-09	18-May-09
	325.00		30-Apr-09	27-Jun-09
	300.00		30-Apr-09	25-Aug-09
		12.74	31-May-09	30-Jun-09
		5.79	30-Jun-09	31-Aug-09
		3.13	31-Jul-09	31-Aug-09
		27.60	31-Oct-09	30-Nov-09
		27.60	31-Jan-10	28-Feb-10
		24.93	28-Feb-10	19-Mar-10
Central bank of India		0.42	16-Sep-09	17-Nov-09
		10.34	31-May-09	30-Jun-09
		118.23	31-Jul-09	24-Sep-09
		119.54	31-Aug-09	30-Sep-09
		118.23	31-Oct-09	30-Nov-09
		114.42	30-Nov-09	31-Dec-09
	167.00		31-Jan-10	18-Feb-10
		118.23	31-Jan-10	28-Feb-10
		113.66	28-Feb-10	30-Mar-10
		115.79	30-Sep-09	17-Nov-09
		118.23	31-Dec-09	18-Feb-10
City Union Bank		11.47	31-Dec-09	12-Jan-10
Federal Bank	9.24		13-May-09	23-Sep-09
	767.05		31-Mar-09	30-May-09
		87.86	30-Apr-09	30-May-09
	452.78		13-May-09	23-Sep-09
		74.81	31-May-09	30-Jun-09
	312.50		23-Jun-09	29-Sep-09

Schedules to the Accounts

SCHEDULE "Q" NOTES ON ACCOUNTS *(Contd.)*

29 There has been certain delays in repayment of principal and interest to the banks as below (Contd.) :

(Rs lakhs)

Bank	Principal	Interest	Due Date	Date Paid
	454.55		30-Jun-09	29-Sep-09
		78.70	31-Jul-09	30-Sep-09
	452.78		13-Aug-09	11-Dec-09
		77.97	31-Aug-09	30-Sep-09
	767.05		30-Sep-09	30-Dec-09
		11.89	31-Oct-09	30-Nov-09
		57.80	31-Oct-09	31-Dec-09
	429.22		13-Nov-09	19-Feb-10
		56.00	30-Nov-09	31-Dec-09
	454.55		31-Dec-09	18-Feb-10
	312.50		31-Dec-09	19-Feb-10
		34.59	31-Jan-10	26-Feb-10
		11.62	31-Jan-10	30-Mar-10
		38.15	28-Feb-10	19-Mar-10
	9.24		13-Aug-09	11-Dec-09
		16.66	28-Sep-09	30-Dec-09
		0.99	30-Sep-09	30-Dec-09
		14.41	29-Dec-09	19-Feb-10
		0.77	31-Dec-09	19-Feb-10
IDBI Bank		19.66	24-Sep-09	17-Dec-09
	416.67		31-Mar-09	30-May-09
		47.67	30-Apr-09	30-May-09
		28.08	30-Apr-09	31-May-09
		77.98	31-May-09	30-Jun-09
	416.67		30-Jun-09	25-Sep-09
		74.65	31-Jul-09	30-Sep-09
		74.65	31-Aug-09	30-Sep-09
	4,000.00		25-Sep-09	23-Dec-09
	416.67		30-Sep-09	17-Dec-09
		71.03	31-Oct-09	31-Dec-09
		68.73	30-Nov-09	31-Dec-09
	416.67		31-Dec-09	08-Feb-10
		67.40	31-Jan-10	28-Feb-10
		91.29	28-Feb-10	30-Mar-10
		4.21	30-Sep-09	17-Dec-09
		47.67	30-Sep-09	23-Dec-09
		11.23	16-Dec-09	08-Feb-10
		14.30	31-Dec-09	18-Jan-10
		8.78	31-Dec-09	08-Feb-10
IFCI		67.96	31-Dec-09	30-Jan-10
		127.40	31-Aug-09	17-Sep-09
	50.00		15-Oct-09	08-Dec-09
	70.00		15-Oct-09	07-Jan-10
		61.64	31-Oct-09	14-Nov-09
	152.00		15-Nov-09	09-Feb-10
	152.00		15-Dec-09	17-Feb-10
	152.00		15-Jan-10	17-Feb-10
	152.00		15-Feb-10	17-Feb-10
INDIAN BANK		12.76	28-Sep-09	17-Nov-09
	250.00		31-Mar-09	02-Jun-09
		16.44	30-Apr-09	30-May-09
	220.00		30-Jun-09	29-Sep-09
	30.00		30-Jun-09	23-Oct-09
		14.12	31-Jul-09	30-Sep-09
		14.12	31-Aug-09	30-Sep-09

(Rs lakhs)

Bank	Principal	Interest	Due Date	Date Paid
	250.00		30-Sep-09	17-Nov-09
		12.27	31-Oct-09	17-Nov-09
		10.80	30-Nov-09	28-Dec-09
	250.00		31-Dec-09	17-Feb-10
		10.09	31-Jan-10	25-Mar-10
		8.33	28-Feb-10	25-Mar-10
		0.80	30-Sep-09	17-Nov-09
		10.09	31-Dec-09	17-Feb-10
Punjab & Sind Bank		74.97	26-Jun-09	17-Sep-09
		119.50	30-Apr-09	18-May-09
		125.22	31-May-09	30-Jun-09
		1.15	30-Jun-09	28-Sep-09
		36.03	30-Jun-09	30-Sep-09
		127.47	31-Jul-09	30-Sep-09
		129.22	31-Aug-09	30-Sep-09
		125.29	31-Oct-09	31-Dec-09
		119.96	30-Nov-09	31-Dec-09
		119.54	31-Jan-10	28-Feb-10
		2.52	31-Jan-10	09-Mar-10
		119.40	28-Feb-10	09-Mar-10
		11.40	30-Jun-09	17-Sep-09
		0.61	16-Sep-09	04-Jan-10
		124.45	30-Sep-09	04-Jan-10
		0.93	02-Dec-09	19-Feb-10
		1.31	07-Dec-09	19-Feb-10
		1.28	09-Dec-09	19-Feb-10
		117.59	31-Dec-09	19-Feb-10
Punjab National Bank		0.12	03-Jun-09	24-Jul-09
		110.96	30-Apr-09	30-May-09
		52.77	30-Apr-09	31-Jul-09
		40.25	31-May-09	12-Aug-09
		110.41	31-Jul-09	20-Aug-09
		81.17	31-Jul-09	31-Aug-09
		40.69	31-Aug-09	24-Sep-09
		119.58	31-Aug-09	30-Sep-09
		29.07	31-Oct-09	31-Dec-09
		143.29	30-Nov-09	31-Dec-09
		28.64	31-Jan-10	30-Mar-10
		25.85	28-Feb-10	30-Mar-10
		106.85	30-Jun-09	24-Jul-09
		85.48	22-Sep-09	29-Oct-09
		30.68	30-Sep-09	29-Oct-09
		38.92	30-Sep-09	07-Jan-10
		29.07	31-Oct-09	07-Jan-10
		116.39	30-Dec-09	09-Jan-10
		3.84	31-Dec-09	09-Jan-10
SICOM		49.93	30-Sep-09	21-Oct-09
		53.26	30-Apr-09	14-May-09
		55.04	31-May-09	09-Jun-09
	300.00		15-Jun-09	15-Jul-09
		53.15	31-Jul-09	31-Aug-09
		51.60	31-Aug-09	26-Sep-09
	300.00		15-Sep-09	23-Sep-09

Schedules to the Accounts

SCHEDULE "Q" NOTES ON ACCOUNTS *(Contd.)*

29 There has been certain delays in repayment of principal and interest to the banks as below (Contd.) :

(Rs lakhs)

Bank	Principal	Interest	Due Date	Date Paid
		48.16	31-Oct-09	19-Nov-09
		46.60	30-Nov-09	31-Dec-09
	300.00		15-Dec-09	30-Jan-10
		48.16	31-Dec-09	30-Jan-10
South Indian Bank		1.09	01-Jun-09	30-Mar-10
	723.56		31-Mar-09	02-Jun-09
		33.78	30-Apr-09	30-May-09
		25.88	31-Jul-09	30-Sep-09
		26.03	31-Aug-09	30-Sep-09
		25.99	31-Oct-09	31-Dec-09
		25.16	30-Nov-09	31-Dec-09
		25.65	31-Jan-10	30-Mar-10
		23.30	28-Feb-10	30-Mar-10
		26.12	30-Jun-09	30-Mar-10
		23.64	29-Sep-09	30-Mar-10
		1.73	30-Sep-09	30-Mar-10
		25.99	31-Dec-09	30-Mar-10
State Bank of Hyderabad		6.90	02-Sep-09	29-Oct-09
		117.85	30-Apr-09	30-May-09
		120.28	31-May-09	30-Jun-09
		115.26	31-Jul-09	24-Sep-09
		113.94	31-Aug-09	30-Sep-09
		128.83	31-Oct-09	31-Dec-09
		124.68	30-Nov-09	31-Dec-09
		130.56	31-Jan-10	28-Feb-10
		116.90	28-Feb-10	30-Mar-10
		108.38	28-Sep-09	29-Oct-09
		8.22	30-Sep-09	29-Oct-09
		129.00	31-Dec-09	18-Feb-10
State Bank of India		2.47	31-Oct-09	11-Nov-09
		7.40	09-Nov-09	12-Dec-09

(Rs lakhs)

Bank	Principal	Interest	Due Date	Date Paid
		21.13	26-Nov-09	12-Dec-09
		6.93	30-Nov-09	12-Dec-09
		10.40	06-Dec-09	21-Jan-10
		31.35	20-Dec-09	21-Jan-10
		31.19	30-Dec-09	21-Jan-10
		3.29	31-Dec-09	21-Jan-10
		101.92	31-Jan-10	17-Feb-10
Syndicate bank		25.87	23-Jun-09	01-Oct-09
	250.00		31-Mar-09	30-May-09
		36.37	30-Apr-09	30-Jun-09
		37.58	31-May-09	30-Jun-09
	250.00		30-Jun-09	09-Oct-09
		34.15	31-Jul-09	30-Sep-09
		34.51	31-Aug-09	30-Sep-09
	250.00		30-Sep-09	31-Dec-09
		32.07	31-Oct-09	31-Dec-09
		30.45	30-Nov-09	31-Dec-09
	250.00		31-Dec-09	18-Feb-10
		28.93	31-Jan-10	26-Feb-10
		24.89	28-Feb-10	30-Mar-10
		6.75	29-Jun-09	01-Oct-09
		0.87	30-Jun-09	01-Oct-09
		25.58	23-Sep-09	31-Dec-09
		8.28	30-Sep-09	31-Dec-09
		23.57	23-Dec-09	18-Feb-10
		7.13	30-Dec-09	18-Feb-10
		0.93	31-Dec-09	18-Feb-10

Term loans aggregating Rs 1,355.82 crores including amounts due to financial institutions has been repaid / prepaid in full on 30.03.2010

However there are no overdues outstanding as at the year ended date.

30 Sundry Debtors shown in the Balance sheet are subject to confirmations. The Company has sold its sterile injectable business to Hospira Healthcare India Private Limited during the year. Consequent to the sale of undertaking the company has terminated the dealings with some of the customers in regulated markets. The Company has received additional claims on account of such transfer for discounts and rebates and the customers are not confirming the balances subject to finalisation of settlement of claims. The Company has provided for an amount of Rs 80 crores for such claims during the year in addition to the provision made during the previous year of Rs 40 crores. The management is confident that the provisions so far made is adequate to cover all such claims.

31 Previous year's figures have been re-grouped wherever necessary to conform to current year's classification.

On behalf of the Board

As per our report of even date
For **SNB Associates**
Chartered Accountants

B. Mahalingam
Partner

Place: Chennai
Date: May 27, 2010

R. Narayanan
Chairman

K. Raghavendra Rao
Managing Director

S. Krishnan
Executive Director-Finance

Dr I. Seetharam Naidu
Director

Bhoomijha Murali
GM-Legal and Company Secretary

Schedules to the Accounts

I. Registration Details

Registration No.	22994	State Code	18
Balance Sheet Date	31 (Date) 03 (Month) 2010 (Year)		

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

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

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

Total Liabilities	28305628	Total Assets	28305628
Sources of Funds			
Paid-up Capital	704421	Reserves & Surplus	9091928
Secured Loans	10217592	Unsecured Loans	6077446
Deferred Tax Liability	2038094		
Application of Funds			
Net Fixed Assets	19318507	Investments	1235652
Net Current Assets	7751469	Misc. Expenditure	NIL
Accumulated Losses	NIL		

IV. Performance of Company *(Amount in Rs Thousands)*

Turnover	12498346	Total Expenditure	18148836
Other Income	10251029		
Profit/Loss before Tax	4600539	Profit/Loss after Tax	3313396
Earnings Per Share in Rs	47.04	Dividend	100%

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

Item Code No. (ITC Code)	**Product Description**
2941.10	BULK CEPHALOSPORINS
3004.10	PHARMA PRODUCTS
2942.00	OTHER BULK DRUGS

On behalf of the Board

R. Narayanan
Chairman

K. Raghavendra Rao
Managing Director

S. Krishnan
Executive Director-Finance

Dr I. Seetharam Naidu
Director

Place: Chennai
Date: May 27, 2010

Bhoomijha Murali
GM-Legal and Company Secretary

Cash Flow Statement for the year ended March 31, 2010

(Rs lakhs)

	31.03.2010	31.03.2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation	46,005.39	(3,684.82)
Adjustment for		
Depreciation	15,110.38	12,997.21
Dividend Income	(2.41)	(301.85)
Profit on sale of undertaking	(101,530.29)	-
Provision for doubtful advances written back	-	(1,833.73)
Provision for discounts/Rebates	8,000.00	4,000.00
Gain on cancellation of FCCBs-net	(851.87)	(6,730.53)
Loss of subsidiary companies	1,961.77	1,501.34
Loss / (profit) on sale of Fixed Assets	173.93	229.06
Foreign Exchange Rate Fluctuations - Unrealised	477.79	(3,469.02)
Interest Expense	24,123.34	15,518.60
Operating Profit before Working Capital Changes	**(6,531.97)**	**18,226.26**
Adjustments for:		
Trade and other Receivables	(20,446.78)	(6,631.13)
Inventories	34,116.06	(11,050.15)
Trade Payables	(4,576.51)	3,209.40
Cash generated from Operations	**2,560.80**	**3,754.38**
Income Taxes Paid	(6,589.10)	(274.59)
Net Cash from Operating Activities	**(4,028.30)**	**3,479.79**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(21,307.68)	(46,210.84)
Proceeds from Sale / Deletion of Fixed Assets	(970.23)	137.32
Investments in Subsidiaries	(119.71)	(854.81)
Dividends received	2.41	301.85
Cash Flow from Investing Activities before Extra ordinary item	**(22,395.21)**	**(46,626.48)**
Proceeds from Sale of undertaking	163,742.55	-
Net cash used in Investing Activities after extra ordinary item	**141,347.34**	**(46,626.48)**

Cash Flow Statement (Contd.) for the year ended March 31, 2010

(Rs lakhs)

	31.03.2010	31.03.2009
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of Share Capital (net of expenses)	-	10,951.54
Proceeds from /(Repayment)Working Capital Borrowings	5,480.11	6,722.49
Proceeds from Long Term Borrowings	46,629.97	92,250.93
Repayment of Long Term Borrowings	(109,249.80)	(29,422.58)
Proceeds from Short Term Borrowings	21,000.00	-
Cancellation of issue of FCCBs(net of expenses)	(9,272.49)	(5,632.39)
Repayment of Short Term Borrowings	(32,004.01)	(9,995.99)
Proceeds from /(Repayment of) HP Finance	(55.53)	(29.23)
Interest paid	(28,785.58)	(19,503.59)
Dividend paid including dividend distribution tax	(824.14)	(2,472.41)
Net cash from Financing Activities	**(107,081.47)**	**42,868.77**
D. NET INCREASE IN CASH AND CASH EQUIVALENTS	30,237.57	(277.92)
Cash and Cash equivalents at the beginning of period	**1,350.21**	**1,628.13**
Cash and Cash equivalents at the end of period	**31,587.78**	**1,350.21**
Reconciliation Statement		
Cash and bank Balances as per Balance sheet	**32,490.90**	**4,152.04**
Less : Margin Money Deposit	**851.60**	**2,746.62**
Unclaimed Dividend	**51.52**	**55.21**
Cash and cash Equivalents as per cash flow	**31,587.78**	**1,350.21**

On behalf of the Board

As per our report of even date
For **SNB Associates**
Chartered Accountants

R. Narayanan
Chairman

K. Raghavendra Rao
Managing Director

B. Mahalingam
Partner

S. Krishnan
Executive Director-Finance

Dr I. Seetharam Naidu
Director

Place: Chennai
Date: May 27, 2010

Bhoomijha Murali
GM-Legal and Company Secretary

Consolidated Auditors' Report

Auditors' Report on Consolidated Financial Statements of Orchid Chemicals & Pharmaceuticals Limited and Its Subsidiaries and Joint Ventures.

To the Board of Directors

Orchid Chemicals & Pharmaceuticals Limited

1. We have audited the attached Consolidated Balance Sheet of Orchid Chemicals & Pharmaceuticals Limited (the "Company") and its subsidiaries and joint ventures (together the "Group"), as at 31st March 2010 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow statement for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

3. a) The financial statements of three subsidiaries which represent as at 31st March 2010, total liabilities (net) of Rs 341.87 lakhs (Previous year Rs 585.80 lakhs) and total revenue for the year ended of Rs 462.23 lakhs (Previous year Rs 151.97 lakhs) have been audited by other auditors and we have relied upon such audited financial statements for the purpose of our audit of the consolidated Financial Statements and our opinion, in so far as it relates to the amounts included in respect of such subsidiary is based solely on the report of the other auditors.

   b) The audited financial statements for the year ended 31st March 2010 were not available in respect of two subsidiaries and two joint venture of the Company. Consequently, such subsidiaries and joint ventures have been accounted for in the Consolidated Financial Statements, on the basis of unaudited financial statements provided by the management of such subsidiaries and joint ventures.

   The total assets (net) of Rs 2,345.23 lakhs as at 31st March 2010 (Previous year Rs 1,994.51 lakhs) and total revenue for the year then ended of Rs 10,891.26 lakhs (Previous year Rs 12,307.83 lakhs) in respect of such subsidiaries and share of joint ventures are included in the consolidated Financial Statements.

   Our opinion, in so far as it relates to the amounts included in respect of such subsidiaries and joint ventures, is based solely on the accounts as provided by the management of such subsidiaries and joint venture.

4. The Company has made an application to Central Government for approval of the remuneration amounting to Rs 304.74 lakhs paid to the Managing Director and whole time Director as the minimum remuneration payable in case of inadequacy of profit and the approval of the same is still awaited.

5. Debtors are subject to confirmation. Refer Note No.22 of Schedule 'P' to the Consolidated Financial Statements

6. Subject to our remark in Para 3 (b) and 5 above:

   a. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting standards -
      AS - 21 - Consolidated financial statements
      AS - 27 - Financial Reporting of Interests in Joint ventures,

      on the basis of the separate audited financial statements of Orchid Chemicals & Pharmaceuticals Limited and a subsidiary and the audited/unaudited financial statements of subsidiary companies and joint venture companies as mentioned above, considered in the consolidated financial statements.

   b) In our opinion, on the basis stated in paragraph (2) above, and on the consideration of separate audit reports on and management approved accounts of individual financial statements of the Company, its aforesaid subsidiaries and joint ventures, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

      i. In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at 31st March 2010;
      ii. In the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year ended on that date; and
      iii. In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

7. a) Attention is drawn to the remarks of the Auditors of a subsidiary company given in the Note.No.7 of Schedule 'P' to the Consolidated Financial Statements.

   b) Attention is drawn to Note No. 2 (j) (4) of Schedule P to the Consolidated Financial Statements regarding adoption of amended Accounting Standard (AS-11) and the impact on the same on the profit for the year of the Company.

For **SNB Associates**
Chartered Accountants
Firm Registration No. 015682N

B. Mahalingam
Partner
Membership No.210408

Place: Chennai
Date: May 27, 2010

Consolidated Balance Sheet as at March 31, 2010

(Rs lakhs)

		Schedule	31.03.2010		31.03.2009	
I	SOURCES OF FUNDS					
A	**Shareholders' Funds**					
	Share Capital	A		7,044.21		7,044.21
	Reserves and Surplus	B		86,721.78		56,335.59
B	**Loan Funds**					
	Secured Loans	C		103,590.63		171,410.97
	Unsecured Loans					
	From Banks			-		11,004.01
	Foreign Currency Convertible Bonds (Refer Note 8 of Schedule P)			60,774.46		79,170.45
C	**Deferred Tax Liability** (Refer Note 16 of Schedule P)			20,280.46		12,846.91
D	**Foreign currency Monetary item Translation difference Account**			1,761.47		-
	Total			**280,173.01**		**337,812.14**
II	APPLICATION OF FUNDS					
E	**Fixed Assets**	D				
	Gross Block		234,462.96		269,566.33	
	Less: Depreciation		74,131.50		68,815.62	
	Net block		160,331.46		200,750.71	
	Capital Work in Progress		25,188.07		38,907.14	
	Advance for capital items		21,704.30	207,223.83	15,762.66	255,420.51
F	**Investments**			81.19		81.19
G	**Foreign currency Monetary item Translation difference Account**			-		8,357.94
H	**Current Assets, Loans and Advances**					
	Inventories	E	42,263.92		76,825.38	
	Sundry Debtors	F	73,698.19		67,254.12	
	Cash and Bank Balances	G	33,515.74		5,250.68	
	Loans and advances	H	20,573.37		10,205.71	
			170,051.22		159,535.89	
I	**Less : Current Liabilities & Provisions**					
	(a) Current Liabilities	I	61,198.96		75,925.41	
	(b) Provisions	J	35,984.27		9,657.98	
				72,867.99		73,952.50
	Total			**280,173.01**		**337,812.14**
	Notes on accounts	P				

On behalf of the Board

As per our report of even date
For **SNB Associates**
Chartered Accountants

B. Mahalingam
Partner

R. Narayanan
Chairman

K. Raghavendra Rao
Managing Director

S. Krishnan
Executive Director-Finance

Dr I. Seetharam Naidu
Director

Place: Chennai
Date: May 27, 2010

Bhoomijha Murali
GM-Legal and Company Secretary

Consolidated Profit and Loss Account for the year ended March 31, 2010

(Rs lakhs)

	Schedule	31.03.2010		31.03.2009	
I INCOME					
Sales & Operating Income	K	135,216.05		130,862.28	
Less : Excise Duty		870.71	134,345.34	1,177.39	129,684.89
Extraordinary income from profit on sale of undertaking			101,530.29		-
(Refer note 15 of Schedule P)					
Other Income	L		859.28		8,605.40
			236,734.91	**138,290.29**	
II EXPENDITURE					
Material Cost	M		83,954.59		58,561.90
Manufacturing, Selling & Other Expenses	N		66,079.85		54,065.78
Interest and Finance charges	O		24,227.04		15,645.01
Depreciation / Amortisation			15,489.96		13,399.25
			189,751.44	**141,671.94**	
III PROFIT/(LOSS)					
Profit/(Loss) for the year before tax			46,983.47		(3,381.65)
Less : Provision for tax					
Current Taxes		5,624.53		0.69	
Fringe Benefit Tax		-		167.25	
Deferred Taxes (Refer Note 16 of Schedule P)		7,433.55	13,058.08	1,349.40	1,517.34
Profit/(Loss) for the year after tax			33,925.39		(4,898.99)
Balance brought forward			(3,879.79)		1,126.98
Balance Available for Appropriation			**30,045.60**		**(3,772.01)**
IV APPROPRIATIONS					
Excess provision of dividend & tax thereon of earlier years written back			(247.35)		(963.71)
Proposed Dividend		8,879.59		915.84	
Tax on proposed dividend		1,474.79	10,354.38	155.65	1,071.49
Transfer to General Reserve			20,000.00		-
Balance carried to Balance Sheet			**(61.43)**		**(3,879.79)**
V Earnings Per Share (Face value of Rs 10/-each) before extraordinary item					
Basic			(95.97)		(7.14)
Diluted			(95.97)		(7.14)
Earnings Per Share (Face value of Rs 10/-each) after extraordinary item					
Basic			48.16		
Diluted			38.21		
Notes on Accounts	P				

On behalf of the Board

As per our report of even date
For **SNB Associates**
Chartered Accountants

B. Mahalingam
Partner

R. Narayanan
Chairman

K. Raghavendra Rao
Managing Director

S. Krishnan
Executive Director-Finance

Dr I. Seetharam Naidu
Director

Place: Chennai
Date: May 27, 2010

Bhoomijha Murali
GM-Legal and Company Secretary

Schedules to the Consolidated Accounts as at March 31, 2010

(Rs lakhs)

		31.03.2010	31.03.2009
SCHEDULE "A" SHARE CAPITAL			
Authorised			
10,00,00,000	(Previous year 10,00,00,000) Equity Shares of Rs 10 each	10,000.00	10,000.00
Issued, Subscribed and Paid-Up			
704,42,076	(Previous year - 704,42,076) Equity Shares of Rs 10 each fully paid.	7,044.21	7,044.21
Of the above:			
1,73,76,940	Equity shares of Rs10 each were allotted as fully paid up by way of bonus shares by capitalisation of reserves.		

SCHEDULE "B" RESERVES & SURPLUS

	31.03.2010	31.03.2010	31.03.2009	31.03.2009
Capital Reserve				
- Opening Balance	894.68		805.54	
- Additions during the year	-	894.68	89.14	894.68
Securities Premium Account				
- Opening Balance	33,117.36		24,780.46	
- Additions during the year* (Ref Note 8 (c) of Schedule P)	7,915.07		8,336.90	
		41,032.43		33,117.36
General Reserve				
- Opening Balance	22,712.07		28,060.01	
- Less : Adjustment for AS11	-		(5,347.94)	
- Add : Transfers during the year	20,000.00	42,712.07	-	22,712.07
Foreign Currency Fluctuation Reserve				
- Opening Balance	649.78		(69.86)	
Adjustments	642.68	1,292.46	719.64	649.78
Surplus in Profit & Loss Account	(61.43)		(3,879.79)	
Adjustment on consolidation	851.57	790.14	2,841.49	(1,038.30)
		86,721.78		**56,335.59**

(*includes Exchange rate gain/(loss) on provision for premium on redemption of FCCB Rs 3584.88 lakhs (Previous year Rs (7414.30) lakhs))

SCHEDULE "C" SECURED LOANS

	31.03.2010	31.03.2010	31.03.2009	31.03.2009
From Banks				
- Rupee Term Loans	19,997.53		92,064.85	
- Foreign Currency Term Loans	23,588.41		24,261.25	
- Rupee & Foreign Currency Packing Credit & Advance against Bills	58,501.11		53,021.00	
		102,087.05		169,347.10
From Financial Institutions				
Foreign Currency				
- Term Loans		1,414.70		1,910.00
Hire Purchase Finance		88.88		153.87
		103,590.63		**171,410.97**

All Rupee Term Loans and Foreign Currency Term Loans from Banks/Financial Institutions are secured by Pari Passu charge by way of joint mortgage on immovable and movable assets situated at Factory premises at SIDCO Industrial Estate, Alathur, MIDC Industrial Area, Aurangabad, SIPCOT Industrial Park, Irungattukottai and R&D premises at Sholinganallur and current assets, subject to prior charges created/ to be created on current assets in favour of bankers and financial institutions for securing working capital borrowings. Total term loans aggregating Rs 24,022 lakhs are additionally secured by personal guarantee of Shri K.Raghavendra Rao, Managing Director of the Company.

Schedules to the Consolidated Accounts as at March 31, 2010

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

SCHEDULE "D" FIXED ASSETS *(Rs lakhs)*

SL No.	Asset Description	Gross Block (At Cost)				Depreciation/Amortisation				Written Down Value	
		As at 1.4.2009	Additions during the year	Deletions during the year	As at 31.3.2010	Up to 1.4.2009	For the year	On Deletions	Up to 31.3.2010	As at 31.3.2010	As at 31.3.2009
1	Goodwill on Consolidation*	9,482.32	-	-	9,482.32	-	-	-	-	9,482.32	9,482.32
2	Freehold Land & Site Development@	3,180.04	-	-	3,180.04	-	-	-	-	3,180.04	3,180.04
3	Leasehold Land	2,593.11	680.72	1,174.15	2,099.68	56.08	25.25	29.37	51.96	2,047.72	2,537.03
4	Buildings	40,329.32	3,281.33	12,782.99	30,827.66	3,909.18	1,286.68	1,034.15	4,161.71	26,665.95	36,420.14
5	Plant & Machinery	184,721.10	16,350.76	36,298.70	164,773.16	55,172.93	12,136.16	7,256.24	60,052.85	104,720.31	129,548.17
6	Factory Equipment	1,717.67	151.83	405.25	1,464.25	802.62	141.44	160.76	783.30	680.95	915.05
7	Laboratory Equipment	12,669.93	502.75	2,231.28	10,941.40	2,417.60	614.68	444.25	2,588.03	8,353.37	10,252.33
8	Office Equipment	2,428.42	209.50	245.39	2,392.53	1,218.84	341.78	166.99	1,393.63	998.90	1,209.58
9	Furniture & Fittings	1,984.96	89.03	428.31	1,645.68	704.07	112.54	139.60	677.01	968.67	1,280.89
10	Vehicles	659.59	53.78	97.52	615.85	186.00	65.41	36.74	214.67	401.18	473.59
11	Intangible Assets										
	Acquired										
	Brands & Trademarks **	2,778.16	-	-	2,778.16	2,451.01	115.63	-	2,566.64	211.52	327.15
	Patents & Registrations	432.90	-	-	432.90	32.04	44.31	-	76.35	356.55	400.86
	Internally Generated										
	DMF & ANDA ***	6,588.81	-	2,759.48	3,829.33	1,865.25	606.08	905.98	1,565.35	2,263.98	4,723.56
	Total	**269,566.33**	**21,319.70**	**56,423.07**	**234,462.96**	**68,815.62**	**15,489.96**	**10,174.08**	**74,131.50**	**160,331.46**	**200,750.71**
	Previous Year Figures	209,812.30	60,878.69	1,124.66	269,566.33	55,816.99	13,399.25	400.61	68,815.62	200,750.71	

* Refer Note 2 (e) of Schedule - P

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

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

		As at 31.3.2010 Rs lakhs	As at 31.3.2009 Rs lakhs
@	Assets acquired pending for registration in favour of the Company		
	Freehold Land	59.09	59.09
	Fixed Assets include assets on Hire Purchase (Gross Block)	177.58	306.10

Schedules to the Consolidated Accounts as at March 31, 2010

(Rs lakhs)

	31.03.2010	31.03.2009
SCHEDULE "E" INVENTORIES (Refer Note 2 (g), Schedule "P")		
Raw materials	10,227.47	16,436.06
Stores and Spare parts	2,359.85	2,558.15
Chemicals and Consumables	1,055.22	1,129.30
Packing Materials	710.70	1,515.77
Intermediates & WIP	18,364.15	43,721.48
Finished Goods	8,708.33	10,654.80
Traded Goods	838.20	809.82
	42,263.92	**76,825.38**

	31.03.2010	31.03.2009
SCHEDULE "F" SUNDRY DEBTORS		
Debts more than 6 months (Unsecured)		
Considered Good	51,245.40	48,017.26
Considered Doubtful	-	1,615.11
Other Debts (Considered Good)		
Secured	1,042.57	217.94
Unsecured*	21,410.22	19,018.92
	73,698.19	68,869.23
Less: Provision for Doubtful Debts	-	1,615.11
*(Includes Rs 90.61 crores (Previous year Nil) kept under Escrow)		
	73,698.19	**67,254.12**

	31.03.2010	31.03.2009
SCHEDULE "G" CASH AND BANK BALANCES		
Cash in Hand	8.42	10.27
Balances with Scheduled Banks on :		
Current account	3,910.20	1,330.83
Term Deposit account	13,103.91	2,100.82
Margin money deposit	10,851.60	645.80
Share Application money and Dividend account	51.52	55.21
Balances with Other Banks on:		
Current account	4,570.93	23.16
Others	1,019.16	1,084.59
	33,515.74	**5,250.68**

	31.03.2010	31.03.2009
SCHEDULE "H" LOANS AND ADVANCES (Unsecured)		
Considered Good		
Advances recoverable in cash or kind or for value to be received	5,693.18	4,972.24
Advance Payment of Tax	10,689.98	4,100.88
MAT recoverable	3,213.35	-
Deposits		
- With Government authorities	433.38	508.83
- Others	543.48	623.76
Considered Doubtful		
- Others	205.33	205.33
	20,778.70	10,411.04
Less: Provision for Doubtful Advances	205.33	205.33
	20,573.37	**10,205.71**

Schedules to the Consolidated Accounts as at March 31, 2010

(Rs lakhs)

	31.03.2010	31.03.2009
SCHEDULE "I" CURRENT LIABILITIES		
Current Liabilities		
Acceptances	2,242.02	541.34
Sundry creditors (other than Micro, Small & Medium Scale Enterprises) for		
- Capital Items	2,666.25	5,949.06
- Other supplies	19,998.18	24,583.97
- Expenses	6,914.57	7,935.31
[Includes due to Directors - Nil (Previous year - Rs 21 lakhs]		
Investor Education and Protection Fund shall be credited by the following amounts namely :*		
- Unclaimed Dividend	51.52	55.21
- Share Application Money Refundable	5.42	5.42
Premium payable on redemption of FCCBs (Ref Note 8 c of Schedule P)	26,339.29	34,254.36
Other liabilities (includes Rs 176.07 lakhs (Previous year - Nil) due to banks)	2,981.71	2,600.74
	61,198.96	**75,925.41**

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

	31.03.2010	31.03.2009
SCHEDULE "J" PROVISIONS		
Provisions For		
- Retirement Benefit	1,621.57	1,231.37
- Rebates/Discounts	12,000.00	4,000.00
- Taxation	12,008.32	3,355.12
- Proposed Dividend	8,879.59	915.84
- Tax on Proposed Dividend	1,474.79	155.65
	35,984.27	**9,657.98**

Schedules to the Consolidated Accounts for the year ended March 31, 2010

	31.03.2010		31.03.2009	
SCHEDULE "K" SALES & OPERATING INCOME				
Sales	130,738.94		127,161.16	
Less : Excise Duty	866.62	129,872.32	1,158.68	126,002.48
Operating Income				
Income from services rendered				
Technical & Consultancy Fees		-		30.58
Contract Research & Development		116.15		393.05
Sale of Other Materials	226.47		472.93	
Less : Excise Duty	4.09	222.38	18.71	454.22
Development Fee		492.50		1,938.09
Licence Fee		1,283.22		713.23
Other Operating Income (includes Rs 2164.45 lakhs towards settlement of the Company's claim under Para IV litigation)		2,358.77		153.24
		134,345.34		**129,684.89**

Schedules to the Consolidated Accounts for the year ended March 31, 2010

(Rs lakhs)

SCHEDULE "L" OTHER INCOME

	31.03.2010	31.03.2009
Income from Investments		
Dividend (Refer Note 10 of Schedule P)	2.41	4.00
Gain on cancellation of FCCBs-net	851.87	6730.53
Provision for doubtful debts written back	-	1833.73
Profit on sale of fixed assets	-	2.92
Miscellaneous Income	5.00	34.22
	859.28	**8605.40**

SCHEDULE "M" MATERIALS COST

	31.03.2010		31.03.2009	
Raw Materials Consumed	48,879.13		58,623.82	
Cost of Traded Goods	3,345.44	52,224.57	3,367.60	61,991.42
Less: (Accretion) / Depletion to Stocks				
Closing Stock of Intermediates,WIP & Finished Goods	27,072.48		54,376.28	
Opening Stock of Intermediates, WIP & Finished Goods	54,376.28	27,303.80	47,130.05	(7,246.23)
Consumption of Packing Materials		4,426.22		3,816.71
		83,954.59		**58,561.90**

SCHEDULE "N" MANUFACTURING, SELLING AND OTHER EXPENSES

	31.03.2010	31.03.2009
Power and Fuel	7,057.93	7,755.35
Conversion Charges	1,649.40	1,760.00
Consumption of Stores, Spares & Chemicals	2,929.92	2,806.81
Factory Maintenance	3,202.51	2,594.74
Salaries and Wages (includes Rs 2,500.28 lakhs (Previous year Nil) towards workmen compensation as one time settlement)	15,296.77	11,499.63
Contribution to Provident & other funds	1,033.44	1,083.49
Staff Welfare	1,117.88	1,162.94
Rent	133.54	194.85
Rates & Taxes	210.45	177.98
Insurance	1,220.90	1,216.48
Postage, Telephone & Telex	148.39	168.10
Printing & Stationery	246.29	252.69
Vehicle Maintenance	76.53	64.98
Research & Development (Refer Note 20 of Schedule P)	5,388.49	4,647.76
Advertisement	18.70	36.49
Recruitment expenses	135.25	160.47
Auditors' Remuneration		
Statutory Auditors [Refer Note 9 of Schedule P]	80.77	85.34
For certification & other matters	-	0.28
Cost Auditors	11.00	11.24

Schedules to the Consolidated Accounts for the year ended March 31, 2010

(Rs lakhs)

	31.03.2010	31.03.2009
SCHEDULE "N" MANUFACTURING, SELLING AND OTHER EXPENSES *(Contd.)*		
Travelling and Conveyance	1,423.50	1,429.81
Directors' Remuneration & perquisites	304.74	343.44
Directors' traveling		
Inland	15.30	13.53
Overseas	27.79	29.62
Directors' sitting fees	12.40	14.20
Loss on sale of fixed asset	173.74	214.05
Freight outward	1,752.75	2,400.74
Commission on Sales	1,477.62	1,049.00
Business Promotion and Selling Expenses	1,167.86	1,585.02
Consultancy & Professional Fees	7,409.74	2,721.09
Exchange Rate Loss/ (Gain)	6,041.81	1,592.69
Provision for Rebates/Discounts	-	4,000.00
Bad debts and advances written off-net off provisions (Refer Note 23 of Schedule P)	3,256.20	-
Miscellaneous expenses	3,058.24	2,992.97
	66,079.85	**54,065.78**

SCHEDULE "O" INTEREST AND FINANCE CHARGES (Refer Note 11 of Schedule P)		
Interest on Term Loans	13,881.66	6,089.09
Other Interest & Finance Charges	10,345.38	9,555.92
	24,227.04	**15,645.01**

On behalf of the Board

As per our report of even date
For **SNB Associates**
Chartered Accountants

B. Mahalingam
Partner

R. Narayanan
Chairman

K. Raghavendra Rao
Managing Director

S. Krishnan
Executive Director-Finance

Dr I. Seetharam Naidu
Director

Place: Chennai
Date: May 27, 2010

Bhoomijha Murali
GM-Legal and Company Secretary

Schedules to the Consolidated Accounts

SCHEDULE "P" NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1 a) **The Company and description of business**

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

a) Orchid Europe Limited, a company formed in the United Kingdom initially to market nutraceuticals through mail order/ direct marketing in the United Kingdom and Europe.

b) NCPC Orchid Pharmaceuticals Company Limited incorporated in China, engaged in the business of manufacture and sale of bulk drugs.

c) Bexel Pharmaceuticals Inc., USA engaged in Pharmaceutical research and development.

d) Orchid Pharmaceuticals Inc., USA to provide services in USA. It has a wholly owned subsidiary "Orgenus Pharma Inc, USA" which provides services in USA.

e) Orchid Research Laboratories Limited, India engaged in pharmaceutical research and development.

f) Orchid Pharmaceuticals SA (Proprietary) Limited, South Africa to register and market formulations in South Africa

g) Orchid Pharma Japan K K, Japan to market bulk drugs and formulations in Japan

h) Diakron Pharmaceuticals Inc., USA engaged in Pharmaceutical research and development

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

b) **Consolidation**

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

Name of Subsidiary/Joint venture	Country	Type of Holding	Percentage of holding	Nature of relationship	Accounting Standard adopted for consolidation of accounts
Orchid Europe Limited	UK	Equity	100%	Subsidiary	AS 21*
Orchid Pharmaceuticals Inc.	USA	Common stock	100%	Subsidiary	AS 21*
Orgenus Pharma Inc.	USA			Subsidiary of Orchid Pharmaceuticals Inc.	
Orchid Research Laboratories Ltd. $	India	Equity	100%	Subsidiary	AS 21*
Orchid Pharmaceuticals SA (Proprietary) Limited	South Africa	Equity	100%	Subsidiary	AS 21**
NCPC Orchid Pharmaceuticals Company Limited	China	Equity	50%	Joint Venture	AS 27**
Bexel Pharmaceuticals Inc.*** $	USA	Convertible Preferred stock with equal voting rights as Common stock and Common stock	$68.48%	Subsidiary	AS 21**
Orchid Pharma Japan K K	Japan	Equity	100%	Subsidiary	AS 21*
Diakron Pharmaceuticals	USA	Equity	42.71%	Joint Venture	AS 27**

* based on the Audited accounts

** based on the Management approved accounts

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

$ Excluding 31.52% held through a wholly owned subsidiary.

Schedules to the Consolidated Accounts

SCHEDULE "P" NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(Contd.)*

c) Convenience Translation

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

2 Group Significant Accounting Policies

a) Accounting Convention

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

b) Fixed Assets

(i) Fixed Assets are stated at the original cost inclusive of inward freight, incidental expenses related to acquisition and related pre-operational expenses and technical knowhow fees where applicable.

(ii) Machinery spares which can be used only in connection with specific fixed assets and the use of which are irregular, are charged over the period of the life of such fixed asset, in accordance with Accounting Standard (AS 10).

(iii) Brands represent brands acquired by the Company and includes IPR & Licences purchased for a consolidated consideration. The cost of brands, patents and trademarks are amortised over a period of 60 months from the month of acquisition.

(iv) The cost of patents / registrations acquired by subsidiaries / joint venture are amortised over their useful life after they are put to use.

(v) Internally Generated Intangible Assets - DMF & ANDA

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

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

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

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

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

(vii) Leasehold assets cost is amortised over the period of the Lease.

(viii) Depreciation on assets added/disposed off during the year is provided on pro-rata basis from the month of addition or up to the month preceding the month of disposal, as applicable.

(ix) Impairment of assets:

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. An impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the assets and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

Schedules to the Consolidated Accounts

SCHEDULE "P" NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(Contd.)*

c) **Borrowing Costs**

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

d) **Treatment of expenditure during construction period.**

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

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

f) **Investments**

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

g) **Inventories**

(i) Stores & Spares	- At weighted average cost.
(ii) Raw Materials	- At annual weighted average cost
(iii) Finished Goods @	- At Lower of cost & net realisable value
(iv) Work in Progress & Intermediates @	- At Lower of cost & net realisable value

@ After adjustment of unrealised profits on inter division transfer.

h) **Revenue Recognition**

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

i) **Retirement Benefits**

Retirement Benefits are accounted on actuarial valuation carried out at the end of the year. The Company's liability towards the gratuity of employees is covered by a group gratuity policy with LIC and ICICI Prudential Life Insurance Company Ltd and the contribution to the fund is based on actuarial valuation carried out yearly as at 31st March as per the revised AS15. Provision for Leave Encashment has been made based on actuarial valuation as at the year end as per revised AS15.

j) **Translation of Foreign Currency items**

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

   The Company has exercised the option provided under the amendment to the Companies (Accounting Standards) Amendment Rules, 2006 dated 31st March, 2009 (AS 11). The exercise of the above option has resulted in (a) Rs Nil (Previous year Rs 5,347.94 lakhs) relating to previous year adjusted in General Reserve (b) amount remaining unamortised in the financial statements as on 31st March 2010 is (Rs 1,761.47 lakhs) (previous year Rs 8,357.94 lakhs) (c) The value of fixed assets adjusted for exchange gain is Rs 775.05 lakhs (Previous year loss of Rs 2,994.32 lakhs) resulting in depreciation amount being less by Rs 29.08 lakhs (Previous year more by Rs 33.73 lakhs) (d) profit for the year is lower by Rs 11,791.12 lakhs (Previous year - loss lower by Rs 16,666.46 lakhs).

k) **Subsidy on Fixed Assets**

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

Schedules to the Consolidated Accounts

SCHEDULE "P" NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(Contd.)*

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

(Rs lakhs)

		As at 31.03.2010	As at 31.03.2009
4	Estimated amounts of contracts remaining to be executed on capital account (net of advances) and not provided for.	10,399.36	10,712.57
5	a. Other monies for which company is contingently liable :		
	- Bills Discounted	17,435.59	21,402.71
	- Unexpired Letters of Credit	8,652.67	13,295.03
	- Bank Guarantees outstanding	122.35	518.89
	- Claims against the Company not acknowledged as debts	-	-
	Excise demands under dispute pending before Excise authorities	1,980.10	1,182.43
	Service Tax dispute pending before High Court of Chennai	271.29	103.16
	b. Provision and contingencies in accordance with AS 29 :		
	Opening Balance	4,000.00	-
	Additions during the year	8,000.00	4,000.00
	Closing Balance	12,000.00	4,000.00

6 The Company has filed an appeal against the demand made by the Income Tax department amounting to Rs 98.94 lakhs (Previous year Rs 98.94 lakhs). No provision has been made as the Company is confident of winning the appeal. No provision has also been made for demand of interest amounting to Rs 68.88 lakhs (Previous year Rs 68.88 lakhs) as petition has already been filed for waiver of interest.

7 In the financial statements for the year ended 31st December 2009 of Bexel Pharmaceuticals Inc., prepared as a Development Stage Enterprise, the auditors of the Company have referred to Note 2 to the financial statements and expressed an opinion that the successful completion of the Company's development program and ultimately the attainment of profitable operations is dependant upon future events, including maintaining adequate financing to fulfil its development activities and achieving a level of revenues adequate to support the Company's cost structure. The text of Note 2 referred to is reproduced below.

"The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and assume the Company will continue as a going concern. As a development stage company, with no commercial operating history, the Company is subject to all of the risks and expenses inherent in the establishment of a new business enterprise. To address these risks and expenses, the Company must, among other things, respond to competitive developments, attract, retain and motivate qualified personnel and support the expense of marketing new products based on innovative technology. To date, the Company has incurred expenses in research and development activities without generating sufficient revenues to offset those expenses. As a result the Company has incurred losses and negative cash flow from operating activities, and as of December 31, 2009, the Company had accumulated net losses of US$ 23,103,022. There can be no assurance that management will achieve the intended results".

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

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

During the year 2009-10, the Company bought back FCCBs to the extent of US$ 19.778 million and the outstanding FCCBs as at March 31, 2010 is US$ 117.422 million.

b) The Company raised FCCBs during the year 2005-06 aggregating to US$ 42.50 million (Rs 19,284.50 lakhs) including a green shoe option of US$ 5 million (Rs 2,289.50 lakhs) with an option to the investor to convert the FCCBs into equity shares or global

Schedules to the Consolidated Accounts

SCHEDULE "P" NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(Contd.)*

depository receipts at an initial conversion price of Rs 243.80 per share at a fixed rate of exchange on conversion Rs 44.94 = US$ 1. Out of the above, FCCBs amounting to US$ 22.79 million (Rs 10241.82 lakhs) have been so far converted.

Further, the Company has an option of early redemption of these FCCBs at any time after November 03,2006 subject to certain conditions. Unless previously converted, redeemed or repurchased and cancelled, the FCCBs will be redeemed on November 03,2010 at 147.1688% of their principal amount.

During 2008-09, the Company bought FCCBs to the extent of US$ 2.25 million and the outstanding FCCBs as at March 31, 2010 is US$ 17.46 million.

The current status of above FCCBs conversion into equity is as follows:

Particulars	FCCB Value US$ Million	Number of Shares in Lakhs	Increase in Equity Rs Lakhs	Increase in Security Premium Rs Lakhs
Conversion effected up to March 31, 2010	22.79	42.00	420.09	9,821.71
	22.79	**42.00**	**420.09**	**9,821.71**

c) Provision has already been made for the entire premium payable on redemption of FCCBs amounting to Rs 36,830.08 lakhs by debiting the Securities Premium account (SPA). In the event that the conversion option is exercised by the holder of FCCBs in the future, the amount of premium charged to SPA will be suitably adjusted in the respective years.

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

The provision for premium on redemption of FCCBs debited to SPA is being restated at the exchange rate prevailing at the year end and the gain of Rs 3,584.88 lakhs (Previous year loss of Rs 7,414.30 lakhs) on account of such restatement is adjusted to the security premium account.

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

e) **Usage of funds raised through FCCBs**

(Rs lakhs)

	As at 31.03.2010	As at 31.03.2009
Opening Balance	7.81	6.85
Less: Expenses of Issue/Exchange fluctuations	1.81	(0.96)
Balance	**6.00**	**7.81**

(Rs lakhs)

		Year ended 31.03.2010	Year ended 31.03.2009
9	**Auditors' remuneration include the following:**		
	Statutory - Audit fee	50.00	50.00
	Tax Audit fee	7.50	7.50
	For certification & other matters*	10.50	9.50
	Others	12.77	18.34
		80.77	**85.34**
	*Excludes Rs 20 lakhs in relation to certification charges in connection with the sale of undertaking		
10	**Dividend includes the following**		
	Non-trade	**2.41**	**4.00**
11	a) Other Interest and Finance Charges is after crediting interest receipts	154.86	100.83
	TDS on interest receipts	18.03	15.32
	b) Amount of interest capitalised	4,662.27	4,541.23

Schedules to the Consolidated Accounts

SCHEDULE "P" NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(Contd.)*

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

13 a **Related Party Transactions**

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

(Rs lakhs)

Nature of Transaction	Subsidiary	Joint venture	Key Management Personnel	Relatives of Key Management Personnel/ Companies in which they exercise significant influence.
- Share Application money pending allotment	-	-	-	-
	(-)	(-)	(-)	(-)
- Loans (Including Interest accrued)	-	-	-	-
	(-)	(-)	(-)	(-)
- Shares allotted	-	-	-	-
	(-)	(-)	(-)	(9,166.75)
- Warrants allotted	-	-	-	-
	(-)	(-)	(-)	(-)
- Forfeiture of advance on warrants	-	-	-	-
	(-)	(-)	(-)	(89.14)
Sale of goods - NCPC, China	-	1,413.65	-	-
	(-)	(1,616.19)	(-)	(-)
Rendering of Services/Royalty/Interest income	-	-	-	-
	(-)	(-)	(-)	(-)
Services Received / Rent Paid	-	-	-	-
	(-)	(-)	(-)	(425.64)
Remuneration	-	-	304.74	-
	(-)	(-)	(343.44)	(-)
Amounts Due at the end of the year - Debit	-	27.00	-	10.88
	(-)	(63.17)	(-)	(10.83)
Amounts Due at the end of the year - Credit	-	-	-	-
	(-)	(-)	(-)	(-)

Figures in brackets are for previous year

Schedules to the Consolidated Accounts

SCHEDULE "P" NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(Contd.)*

Names of the related parties and description of relationship.

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

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

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

(Rs lakhs)

	Balance as on 31-03-2010	Maximum amount outstanding during the year
Joint Venture - NCPC Orchid Pharmaceuticals Company Ltd.	27.00	174.57

14 In terms of the resolution passed by the Company at the EGM dated October 21,1999 Employee Stock Option Scheme was extended to the employees of the Company. Accordingly options totalling 1,500,000 Nos were given to the employees as per the scheme formulated under "ORCHID-ESOP 99" scheme by the Compensation committee of the Board of Directors. Each option is convertible into one equity share of Rs 10 each at a price of Rs 243.35 including premium for 600,000 Nos, Rs 252 including premium for 307,925 Nos, Rs 300.65 including premium for 292,075 nos and Rs 339.25 for 300,000 nos. No entries were passed in the books as the options were given at the market prices prevailing on the date of issuance of options.

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

Consequently the revised and adjusted prices per share are Rs 162.24 (Rs 243.35), Rs 168.00 (Rs 252.00) and Rs 200.44 (Rs 300.65) respectively for 600,000 Nos, 307,925 Nos and 292,075 Nos of options granted by the Company.

For the 300,000 options granted during April 2006 at a price of Rs 339.25, the Compensation Committee of the Board of Directors considered repricing of the options in the interest of the employees, due to the fall in the price of the shares of the Company and accordingly approved a repricing of the options from Rs 339.25 to Rs 193.25 as per the closing price of Orchid at National Stock Exchange on August 11, 2006. The revision in the price has been approved by the shareholders at the Annual General Meeting held on July 19, 2007.

260,489 Options (net of lapsed options) were outstanding as at March 31, 2010 including the additional number of options adjusted, due to the bonus issue under Orchid ESOP 99 scheme.

In terms of the resolution passed by the Company at the AGM dated July 18, 2005 the shareholders approved the scheme formulated

Schedules to the Consolidated Accounts

SCHEDULE "P" NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(Contd.)*

under "ORCHID-ESOP 2005"for allotting 1,000,000 Nos. Accordingly 610,000 options were given to the eligible directors and employees by the compensation committee of the Board of Directors at a meeting held on August 12, 2006. Each option is convertible into one equity share of Rs 10 each at a price of Rs 193.25 per share including premium.

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

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

Details of Profit on sale of Undertaking

(Rs lakhs)

	Year ended 31.03.2010	Year ended 31.03.2009
Value of Consideration received on account of sale of undertaking	172,727.10	-
Less : Value of current assets transferred	(13,661.65)	-
Value of Fixed assets transferred	(47,022.49)	-
Expenses on transfer	(2,273.23)	-
Exchange rate (Loss)/gain	6,221.93	
Provision for Inventory and debtors consequent to Business transfer	(14,461.35)	-
	101,530.29	-

16 Provision for deferred tax for the year Rs 7433.55 lakhs (Previous year Rs 1349.4 lakhs/-)

Deferred Tax liability represents the following

(Rs lakhs)

	As at 31.03.2010	As at 31.03.2009
Timing Difference on account of Depreciation	20,380.94	21,655.01
Timing Difference on account of Losses	(100.48)	(8,808.10)

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

17 **Segmental Reporting**

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

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

		Year ended 31.03.2010	Year ended 31.03.2009
Profit After Tax before extra ordinary item	Rs lakhs	(67,604.90)	-
Profit After Tax after extra ordinary item	Rs lakhs	33,925.39	(4,898.99)
No of Shares Outstanding	Nos.	70,442,076	70,442,076
Weighted Average Number of shares	Nos.	70,442,076	68,579,472
Earnings per Share - Basic before extra ordinary item	Rs	(95.97)	(7.14)
Earnings per Share - Basic after extra ordinary item	Rs	48.16	-
No of warrants & options allotted	Nos.	-	21,141,785
Total No of Equity shares to compute diluted EPS	Nos.	88,795,877	89,721,257
Earnings per Share - Diluted before extraordinary item	Rs	(95.97)	(7.14)
Earnings per Share - Diluted after extraordinary item	Rs	38.21	-

Schedules to the Consolidated Accounts

SCHEDULE "P" NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(Contd.)*

19 Disclosure as per requirements of Accounting Standard 26

		As at 31.03.2010	As at 31.03.2009
ACQUIRED			
- Brands, Patents & Trademarks			
Useful life		5 Years	5 Years
Gross Carrying Amount (Rs lakhs)	Opening	728.01	442.78
	Additions / Adjustments	-	432.90
	Amortisation	159.94	147.67
	Closing	568.07	728.01
INTERNALLY GENERATED			
- DMF & ANDA (Refer Note 2(b)(v) of Schedule P)			
Useful life		5 Years	5 Years
Gross Carrying Amount (Rs lakhs)	Opening	4,723.56	5,025.16
	Additions	-	-
	Deletion	1,853.50	-
	Amortisation	606.08	301.60
	Closing	2,263.98	4,723.56

20 Expenditure on Research and Development

	Year ended 31.03.2010	Year ended 31.03.2009
Capital expenditure	57.75	812.15
Revenue expenditure charged to the Profit & Loss account (excluding depreciation)	5,388.49	4,647.76
	5,446.24	**5,459.91**
Revenue Research and Development Expenses includes		
Power and Fuel	190.63	211.27
Conversion Charges	-	1.32
Consumption of Stores, Spares & Chemicals	1,154.59	945.15
Salaries,Wages and Bonus	1,801.84	1,841.17
Contribution to Provident & other funds	163.08	137.43
Staff Welfare	135.19	157.31
Rates & Taxes	56.25	2.30
Insurance	15.21	13.98
Postage, Telephone & Telex	11.35	11.61
Printing & Stationery	22.51	29.76
Vehicle Maintenance	6.36	5.60
Recruitment expenses	12.30	18.22
Traveling and Conveyance	31.05	32.04
Loss on Sale of Asset	5.42	17.94
Testing Charges	286.56	578.95
Consultancy & Professional Fees	851.14	305.41
Others	645.01	338.30
	5,388.49	**4,647.76**

Schedules to the Consolidated Accounts

SCHEDULE "P" NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(Contd.)*

21 **Derivative Instruments and unhedged Foreign currency Exposure :**

a) Derivative instruments that are outstanding

(Rs lakhs)

Sl no	Particulars	As at 31.03.2010	As at 31.03.2009
1	Currency Swap	1,805.90	17,221.85

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

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

(Rs lakhs)

	Currency	As at 31.03.2010		As at 31.03.2009	
		Foreign Currency	Rs	Foreign Currency	Rs
i) Receivables Outstanding					
	US$	123,861,862	53,761.66	123,217,942	52,941.99
	EUR	58,641	15.47	448,782	300.54
	AUD	-	-	161,626	56.39
ii) Payables Outstanding	US$	17,627,044	8,316.55	18,610,098	9,166.18
	EUR	-	-	706,015	506.72
	JPY	2,051,493	10.32	1,847,128	7.95
	Others	-	27.26	-	27.37
iii) Advance Paid	GBP	220,704	191.24	272,591	229.34
	SGD	-	-	11,280	3.29
	US$	15,657,595	6,991.90	5,357,900	2,719.40
	EUR	226,991	115.57	10,247,544	7,014.70
	CHF	6,734	2.74	130,390	60.03
iv) FCCB	US$	134,882,000	60,774.46	154,660,000	79,170.45
v) Loans availed	US$	52,351,799	23,588.41	47,394,502	24,261.25

22 Sundry Debtors shown in the Balance sheet are subject to confirmations. The Company has sold its sterile injectable business to Hospira Healthcare India Private Limited during the year. Consequent to the sale of undertaking the company has terminated the dealings with some of the customers in regulated markets. The Company has received additional claims on account of such transfer for discounts and rebates and the customers are not confirming the balances subject to finalisation of settlement of claims. The Company has provided for an amount of Rs 80 crores for such claims during the year in addition to the provision made during the previous year of Rs 40 crores. The management is confident that the provisions so far made is adequate to cover all such claims.

23 The bad and doubtful debts includes value of debts amounting to Rs 1,615.11 lakhs written off and adjusted against the provision made in earlier years.

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

On behalf of the Board

As per our report of even date
For **SNB Associates**
Chartered Accountants

B. Mahalingam
Partner

R. Narayanan
Chairman

K. Raghavendra Rao
Managing Director

S. Krishnan
Executive Director-Finance

Dr I. Seetharam Naidu
Director

Place: Chennai
Date: May 27, 2010

Bhoomijha Murali
GM-Legal and Company Secretary

Consolidated Cash Flow Statement for the year ended March 31, 2010

(Rs lakhs)

	31.03.2010	31.03.2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation and extraordinary item	46,983.47	(3,381.65)
Adjustment for		
Depreciation	15,489.96	13,399.25
Dividend Income	(2.41)	(4.00)
Profit on sale of Undertaking	(101,530.29)	-
Loss/ (Profit) on sale of Fixed Assets	179.16	229.06
Gain on cancellation of FCCBs-net	(851.87)	(6,730.53)
Provision for doubtful advances written back	-	(1,833.73)
Foreign Exchange Rate Fluctuations - Unrealised	(1,244.87)	(4,726.79)
Interest Expense	24,227.03	15,645.00
Provision for Rebates/Discounts	8,000.00	4,000.00
Operating Profit before Working Capital Changes	**(8,749.82)**	**16,596.61**
Adjustments for:		
Trade and other Receivables	(16,313.17)	(3,905.77)
Inventories	34,561.46	(11,909.93)
Trade Payables	(6,341.07)	4,090.08
Cash generated from Operations	**3,157.40**	**4,870.99**
Income Taxes Paid	(6,589.10)	(280.84)
Net Cash from Operating Activities	**(3,431.70)**	**4,590.15**
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(21,516.29)	(48,132.03)
Proceeds from Sale / Deletion of Fixed Assets	(952.68)	431.08
Dividends received	2.41	4.00
	(22,466.56)	(47,696.95)
Cash Flow from Investing Activities before Extra ordinary item		
Proceeds from Sale of undertaking	163,742.55	-
Net cash used in Investing Activities	**141,275.99**	**(47,696.95)**

Consolidated Cash Flow Statement for the year ended March 31, 2010

(Rs lakhs)

	31.03.2010	31.03.2009
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of Share Capital (net of expenses)	-	10,951.54
Proceeds from Working Capital Borrowings	5,480.11	6,722.49
Proceeds from Long Term Borrowings	46,134.65	93,007.15
Repayment of Long Term Borrowings	(109,249.80)	(29,422.62)
Proceeds from issue of Foreign Currency Convertible Bonds (net of expenses)	(9,272.49)	(5,632.39)
Proceeds from Short Term Borrowings	21,000.00	-
Repayment of Short Term Borrowings	(32,004.01)	(9,995.09)
Proceeds from HP Finance	(55.53)	(29.23)
Interest paid	(28,889.31)	(20,186.24)
Dividend paid	(824.14)	(2,306.31)
Net cash from Financing Activities	**(107,680.52)**	**43,108.40**
D. NET INCREASE IN CASH AND CASH EQUIVALENTS	**30,163.77**	**1.60**
Cash and Cash equivalents at the beginning of period	**2,448.85**	**2,447.25**
Cash and Cash equivalents at the end of period	**32,612.62**	**2,448.85**
Reconciliation statement		
Cash and bank Balances as per Balance sheet	**33,515.74**	**5,250.68**
Less : Margin Money Deposit	**851.60**	**2,746.62**
Unclaimed Dividend	**51.52**	**55.21**
Cash and cash Equivalents as per cash flow	**32,612.62**	**2,448.85**

On behalf of the Board

As per our report of even date
For **SNB Associates**
Chartered Accountants

B. Mahalingam
Partner

R. Narayanan
Chairman

K. Raghavendra Rao
Managing Director

S. Krishnan
Executive Director-Finance

Dr I. Seetharam Naidu
Director

Place: Chennai
Date: May 27, 2010

Bhoomijha Murali
GM-Legal and Company Secretary

Key Financial Parameters and Ratios at a Glance

(Rs lakhs)

S.No	Particulars	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
A)	**Financial Results Summary**										
1	Total Sales & Operating Income	124,983	120,321	125,018	93,418	88,877	68,929	71,341	54,141	42,552	37,125
2	Other income	128@	451@	124@	156	133	82	123	111	75	131
3	Total Income	125,111	120,772	125,142	93,574	89,009	69,012	71,464	54,253	42,628	37,256
4	Profit on Sale of undertaking	101,530	-		-	-	-	-	-	-	-
5	EBIDTA	85,239	24,831	41,734	29,137	26,060	16,311	15,049	10,963	9,772	10,165
6	PAT	33,133	(5,217)	18,454	9,663	8,290	3,101	3,103	1,954	631	3,576
7	Paid-up Equity Share Capital	7,044	7,044	6,585	6,582	6,462	3,413	3,238	3,238	2,800	2,800
8	Shareholders' Net worth	118,344	79,971	80,387	59,361	86,509	54,568	49,690	48,049	37,017	39,765
B)	**Key Ratios & Parameters**										
(I)	**Profitability related Ratios & Parameters**										
1	EBIDTA Margin - %	68.13	20.25	33.35	31.14	29.28	23.64	21.06	20.21	22.92	27.28
2	Net Profit Margin - %	26.48	(4.26)	14.75	10.33	9.31	4.49	4.34	3.60	1.48	9.60
(II)	**Share holder related Ratios & Parameters**										
1	EPS-Rs/Share	37.31	(7.61)	28.03	14.70	14.85	9.55	9.58	6.61	2.25	12.77
2	Book Value - Rs/Share #	168.01	113.53	122.07	90.19	133.88	159.87	153.45	148.38	132.21	142.02
(III)	**Growth related Ratios & Parameters**										
1	Growth in Total Income - %	2.04	(2.03)	33.74	5.13	28.98	(3.00)	32.00	27.00	14.42	2.54
2	Growth in EBIDTA - %	243.28	(40.50)	43.23	11.81	59.77	8.00	37.00	12.00	(3.87)	(8.30)
3	Growth in PAT - %	735.04	(128.27)	90.97	16.56	167.33	–	59.00	210.00	82.37	7.34

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

@ Does not include exchange rate gain on FCCBs

Figures shown under 'Key Ratios and Parameters' for the year 2009-10 indicate impact of the sale of Generic Formulations Injectable Business

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Shaping A Dream

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