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Certified company



KILITCH DRUGS (INDIA) LTD.

**18th ANNUAL REPORT
2009 - 10**

कर्मण्येवाधिकारस्ते मा फलेषु कदाचन ।
मा कर्मफलहेतुर्भूर्मा ते सङ्गोऽस्त्वकर्मणि ॥

Vision for Future



EYEKARE KILITCH LTD.
(A Subsidiary of Kilitch Drugs (India) Ltd.)



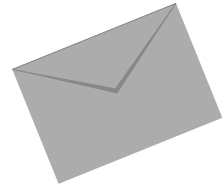
Kilitch Drugs receives "Quality Excellence Gold Medal" from the hands of Joint Secretary, Ministry of Chemical & Pharmaceutical Govt. of India. (L to R) VP Operation Mr. Agashiwala, Director Mr. Bhavin Mehta, Tech. Director Mr. Paresh Mehta & Managing Director Mr. Mukund Mehta.



Mr. J. P. Nadda, Minister Forests (Himachal Pradesh) visited company's plant at Paonta.



CHAIRMAN'S MESSAGE.....!



The Chairman speaks

You must have gone through the financial results for the year ended 31st March 2010.

The initiatives taken in the year under review are expected to push the Company's turnover and profitability in forthcoming years.

Company has inducted marketing team which includes a focus on geographical spread, particularly in Africa. A full fledged product launch has been done in Kenya and other countries in the region are also being covered.

Company has promoted Eyekare Kilitch Ltd., to focus on ophthalmology market. This company is a Subsidiary of our company .Most of the products introduced by Eyekare Kilitch Ltd. will be manufactured by your company.

Your company's focus in maintaining strict control on quality of products manufactured, has been recognized by Indian Drug Manufacturers' Association IDMA has conferred **Gold Quality Award** to your company for the products manufactured in Paonta Saheb Plant at Himachal Pradesh. This is in a category of Companies having turnover of Rs. 100 Crores and above.

Many talented Pharmacy Graduates have been recruited during the year under review who are expected contribute in forthcoming years.

We look forward to a promising future and as always take comfort in the continuous support from loyal shareholders like you.

During the year stock options granted to employees were repriced at Rs.47.50 per share, the same rate at which promoters increased their stake in the earlier years. This gesture is expected to retain the talent for a longer tenure in the company

Pratap K. Mehta

Chairman



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BOARD OF DIRECTORS

PRATAP K. MEHTA (Chairman)

MUKUND P. MEHTA (Managing Director & CEO)

PARESH P. MEHTA (Joint Managing Director)

BHAVIN M. MEHTA (Director)

MUKESH SHAH (Director)

NEELIMA A. WAINGANKAR (Wholetime Director)(MRS.)

NITIN SHAH (Wholetime Director)

PANKAJ KAMDAR (Director)

SHAILESH CHHEDA (Director)

HEMANG ENGINEER (Director)

CORE MANAGEMENT TEAM

MUKUND P. MEHTA Managing Director & CEO

PARESH P. MEHTA Joint Managing Director

BHAVIN M. MEHTA Director Business Development

NEELIMA A. WAINGANKAR VP Corporate QA/QC(MRS.)

M. AGASHIWALA Sr. VP Operations

POANTA PLANT

NITIN SHAH General Manager

PRADYUMNA PANDE GM- Mechanical

MUMBAI PLANT

YAJURVEDI General Manager

JAYANT MADARKAR Factory Manager

CORPORATE

DILIP K. DESAI VP Finance & Commercial

DEEPU K. PANANKATTIL VP International Marketing

AUDITORS

R.N.R. IYER & CO.

COMPANY SECRETARY

Kanika Bareja

BANKERS

THE SHAMRAO VITHAL CO-OP BANK LTD.

AXIS BANK LTD

STATE BANK OF INDIA

ICICI BANK LTD.

REGISTERED OFFICE

C-301/2, M.I.D.C. TTC Industrial Area,

Pawane Village, Thane, 400 705.

Tel.: 022-27670322, 27680913, 65144185

Fax: 022-27680912

ADMINISTRATIVE OFFICE

Ujagar Industrial Estate, Unit No. 37,

W.T. Patil Marg, Deonar, Mumbai - 400 088

Tel.: 022-67033322 / Fax: 022-67031658

Website: www.kilitch.com

e-mail : info@kilitch.com

REGISTRARS' & TRANSFER AGENTS

LINK INTIME INDIA PRIVATE LIMITED

C -13, Pannalal Silk Mills Compound, L.B.S. Marg,

Bhandup (W), Mumbai-400 078.

Tel.: 022-25963838 / Fax: 022-25946969

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DEMATERIALISATION OF SHARES

The Equity Shares of the Company are available for Dematerialisation. Shareholders are requested to take appropriate steps to convert their holdings from physical mode to electronic mode. The ISDN No. is 729D01010

ATTN : SHAREHOLDERS

As informed through 18th Annual Report please send all communication including any request for change of address and Share transfer to the Registrars' Office Shareholder seeking information of accounts published here in are requested to furnish their queries to the Company at least 10 days before the date of meeting 18th Annual General Meeting on Monday the 20th September, 2010 at 9.00 a.m. at Registered Office of the Company.

NOTICE

Notice is hereby given that the 18th Annual General Meeting of the Members of **KILITCH DRUGS (INDIA) LIMITED** will be held at C-301/2, MIDC, TTC Industrial Area, Pawane Village, Thane: 400705 on **Monday, 20th September 2010 at 9.00 A.M.** to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at March 31, 2010 and the Profit and Loss Account for the year ended as on that date and the Reports of the Directors and Auditors thereon.
2. To consider declaration of dividend.
3. To appoint a Director in place of Mr. Mukesh Shah, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Hemang Engineer who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Shailesh Chheda, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s. RNR Iyer & Co., Chartered Accountants as Auditors of the Company and to fix their remuneration.

**For and On behalf of the
Board of Directors**

Place: Mumbai

MUKUND MEHTA

Date: 10th August, 2010

MANAGING DIRECTOR

NOTES:

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The proxy form should be lodged with the Company at its Registered Office at least 48 hours before the commencement of the Meeting.

- 2) The Register of Members and Share Transfer Books of the Company will remain closed from **Tuesday, 14th September 2010 to Monday, 20th September 2010** (both days inclusive.)
- 3) Members are requested to promptly notify any changes in their addresses to the Company at its Registered Office.
- 4) All documents referred to in the Notice are open for inspection at the Registered Office of the Company during office hours on all days except Sunday and public holidays between 11.00 a.m. and 1.00 p.m. up to the date of Annual General Meeting.
- 5) For convenience of members, an attendance slip is annexed to the proxy form. Members are requested to affix their signature at the space provided and hand over the attendance slip at the place of meeting. The proxy of a member should mark on the attendance slip as 'proxy'.
- 6) IF THE MEMBERS HAVE ANY QUERIES ON THE AUDITED ACCOUNTS, DIRECTORS' REPORT AND AUDITORS' REPORT, THE SAME SHOULD BE FORWARDED TO THE COMPANY IN WRITING AT ITS REGISTERED OFFICE AT LEAST 10 DAYS BEFORE THE MEETING SO THAT THE SAME CAN BE REPLIED AT THE TIME OF ANNUAL GENERAL MEETING TO THE MEMBERS' SATISFACTION.
- 7) Members are requested to bring their copies of the reports to Annual General Meeting.
- 8) Members holding shares in physical form in the same set of names under different ledger folios are requested to apply for consolidation of such folios along with share certificates to the Company.
- 9) In order to exercise strict control over the transfer documents, members are requested to send the transfer documents/ correspondence, if any, directly to:

**Link Intime India Private Limited
Registrar & Share Transfer Agent**

C-13, Pannanlal Silk Mills Compound,
L.B.S. Marg, Bhandup(W),
Mumbai-400078
Tel: 022- 25963838
Fax: 022-25946969

As required by Clause 49 of the Listing Agreement, the particulars of Directors who are proposed to be appointed / reappointed are given below:

Name of Directors	Age [in yrs.]	Qualification	Experience	No. of shares held
Mr. Hemang Engineer	45	B.Com. L.L.B.	Mr. Hemang Engineer is the Managing Partner in Gordhand as & Fozdar, Advocates & Solicitors firm. The said firm is more than 80 years old. His practice include areas such as Construction and Real Estate, Banking and Finance, Intellectual Property Rights, Commercial Contracts, Alternative Dispute Resolution. He has represented a vast range of clients including Private and Public Companies, Banks, Real Estate Developers, Individuals, Government Institutions and Organizations.	NIL
Mr. Mukesh Shah	55	B.Com	Mr. Mukesh Shah is a Partner in Navdeep Enterprises having vast experience of Pharmaceutical Distribution. Navdeep Enterprises is handling distribution of leading 48 pharma companies in the city of Mumbai.	4000
Mr. Shailesh Chheda	54	M.Com, D. Pharm.	Mr. Shailesh Chheda is a registered Pharmacist, having rich experience of 30 years in retail pharmacy.	NIL

DIRECTORS' REPORT

Your Directors have pleasure in presenting their 18th Annual Report together with the Audited Statement of Accounts of the Company for the year ended March 31, 2010.

	Rs. in Lacs	
	2009-10	2008-09
Sales and Other income	14313.21	12918.07
Profit before interest, Depreciation & Tax	2439.25	2394.40
Depreciation	607.26	613.30
Interest	453.48	510.39
Profit after Interest & Depreciation	1378.51	1270.71
Provision for Taxes	281.17	156.45
Net Profit after Taxes	1097.35	1114.35
Balance brought forward from previous year	1805.74	955.84
Disposable Profit	2852.65	2070.20
Transfer to General Reserve	110.00	110.00
Proposed Dividend (incl. tax)	154.46	154.46
Balance Transferred to Balance Sheet	2588.19	1805.74

REVIEW OF PERFORMANCE:

During the year under review, Net Profit After Tax was Rs.1097.35 lacs as against Net Profit After Tax of Rs.1114.35 lacs for the corresponding previous year.

Further, Sales and other income grew from Rs.12918.07 lacs to Rs.14313.21 lacs during the year ended 31st March 2010.

DIVIDEND:

During the year under review, the Board of Directors of the Company is pleased to recommend dividend of Rs. 1/- per share subject to the approval of the Members at the Annual General Meeting.

DIRECTORS:

During the year under review, Mr. Mukesh Shah, Mr. Hemang Engineer and Mr. Shailesh Chheda, Directors retire by rotation and being eligible offer themselves for reappointment at the forthcoming Annual General Meeting.

Further, Mr. Deepak Shenoy resigned as the Director of the Company w.e.f. 26th March 2010. Also Dr. Mahalingam Vasudevan resigned as the Director of the Company w.e.f. 10th August 2010.

FIXED DEPOSITS:

The Company has not accepted any loans or deposits from public. There is no contravention of Section 58A of the Companies Act, 1956, and rules framed under the Companies (Acceptance of Deposits) Rules, 1975.

AUDITORS:

M/s RNR Iyer & Co, Chartered Accountants, Auditors of the Company retire at the conclusion of this Annual General Meeting. The members are requested to appoint auditors and to fix their remuneration.

EXPLANATION U/S. 217(3) OF THE COMPANIES ACT, 1956:

Note No.11 to Significant Accounting Policies:

The said Note is self explanatory and do not call for any further explanation

STATEMENT U/S. 212 REGARDING SUBSIDIARY COMPANY:

The Statement pursuant to the provisions of Section 212 of the Companies Act, 1956 regarding Subsidiary Company is annexed to this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND EXPENDITURE:

Power and Fuel Consumption	2009-10	2008-09
a) Electricity		
Purchased Unit (in thousand)	7861.48	7240.47
Total Amount (Rs. in thousand)	33748.59	29768.70
Rate/ Unit (Rs.)	04.29	4.11
b) Own Generator		
Fuel (Diesel)		
Total Amount (Rs.in thousand)	3829.70	4488.30
Rate per Litre (Rs)	29.01	52.01
Fuel (Furnace Oil)		
Total Amount (Rs.in thousand)	9917.53	11076.40
Rate per Litre (Rs)	27.18	41.23

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION:

During the year under review, the Company has not imported any technology.

FOREIGN EXCHANGE EARNING & OUTGO

	Rs. In Lacs	
	2009-10	2008-09
Earnings	633.94	827.57
Outgoings	1103.80	866.09

PARTICULARS OF EMPLOYEES:

None of the employees of the company is in receipt of remuneration exceeding Rs.24,00,000/- per annum, if employed for whole of the year or Rs.2,00,000/- per month if employed for part of the year.

INSURANCE:

All properties of the Company including factory, building, plant & machinery, Stock are adequately insured.

CREDIT RATINGS:

Your Company has been accorded A- rating for short term and long term debt by CRISIL. The rating indicates high amount of safety, the prospects of timely reporting of debts /obligations being the best, considering the size of the Company and nature of its business.

FUTURE OUTLOOK:

Your Board of Directors are pleased to inform you that the Company has taken further stride for commencement of expansion for HORMONES AND CARBAPENEMS project in the plot adjacent to the existing plot of the Company at Himachal Pradesh.

AWARD AND RECOGNITIONS:

Indian Drugs Manufacturers' Association (IDMA) has awarded **Gold Quality Award** under a category of companies having turnover of Rs.100 crores or more per annum for excellence in quality in production at company green field project of the Company Paonta Sahib Himachal Pradesh.

We have been awarded the **Export House** status during the year.

We were accredited the **ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007** Certifications which automatically gave an advantage for our Company in global market.

NEW VISION

In last quarter of the year 2009, Eyekare Kilitch Ltd has been incorporated as subsidiary of the company.

Eyekare Kilitch Ltd. is committed to introduce products which will be used and prescribed by ophthalmologists. Our market research team has carefully selected in consultation with Board of Directors of Eyekare Kilitch Ltd. which includes professionals in the field, products which are expected to have an excellent scope.

Total ophthalmology market in India is estimated to be around Rs. 650 crores. Although we are targeting a fraction of the market share in the initial year, the company has carefully chosen product mix with innovative marketing initiatives which will enable us to step up the market share significantly in the years to come. The major therapeutic segments of ophthalmology are artificial tears and ocular lubricants, anti-infectives, anti-glaucoma, corticosteroids, eye tonics and eye vitamins etc. Our product basket covers all these brands such as CORTEYE, GATIEYE, KETOYEYE, KETOYEYE-O, MOXIEYE, OXYEYE, TIMOEYE, TOBAEYE, TRAVOEYE, WETEYE, WETEYE FORTE. We expect to earn decent margins in this market segment.

FOCUS ON GLOBAL BUSINESS:

In the current year we have added one more feather in our cap by successfully launching company's products in Kenya. A full fledged marketing team has been locally recruited in Kenya and these medical representatives were imparted training by experts from Kilitch. This successful launch is expected to result in good business volume and value in the forthcoming years.

As a part of company policy for geographically spread the business, we have entered West African market which should result in a quantum jump in business volumes.

We have been able to make inroads into the following countries in West African sector viz Benin, Togo, Burkina Faso, Gabon, Mali, Cameroon, Niger, Senegal and Ivory Coast etc. Our wide ranges of products have been registered or under registration in most of these countries and have been able to start the business as well.

FOCUS ON HUMAN RESOURCES

In order to enhance performance of the employees at various levels, training initiatives have been taken for both technical and soft skills.

In the Extra Ordinary General Meeting held in May 2010, stock options granted earlier have been repriced to make the same attractive to employees and to inculcate a sense of ownership in them.

In the year under review many pharmacy graduates have been inducted to the company to strengthen the organization

MANAGEMENT DISCUSSION AND ANALYSIS:

The Report on Management Discussion and Analysis as required under the Listing Agreement with The Stock Exchange is enclosed to this Report. Certain statements in this section may be forward looking. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of the future performance and outlook

EMPLOYEE STOCK OPTION SCHEME:

During the year under review, your Company granted 1,29,100 options to 180 selected employees under Kilitch ESOS 2007. Approval of the shareholders was sought during extra ordinary general meeting and exercise price has been reset at Rs.47.50 per share. Details of the same are given in the annexure to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT as required pursuant to inserted Sec. 217(2AA):

- i. that in the preparation of annual accounts for the Financial year 2009-2010, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii. that the directors had selected such accounting policies and applied them consistently and made judgments and estimated that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period.
- iii. that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv. that the directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE:

The Company continues to believe in and accordingly upgrade itself with concept of Corporate Governance. The company has successfully maintained a code of Corporate Governance in all its concerned operations comprehensively. Corporate Governance and Management Discussion & Analysis Report forms part of this Annual Report. The Company has obtained a Certificate from Practising Company Secretary for maintenance of Code of Corporate Governance.

APPRECIATION:

Your Directors place on record their sincere appreciation of the service rendered by the employees of the Company and the Banks. Your Directors are also grateful to shareholders of the Company and local authorities for their continued valuable support and cooperation to the Company.

For and On behalf of the
Board of Directors

Place: *Mumbai*
Date: *10th August, 2010*

PRATAP K. MEHTA
CHAIRMAN

Statement pursuant to Section 212 of the Companies Act, 1956

Sr. No.	Name of the Subsidiary	EYEKARE KILITCH LTD.
1	Financial Year Ended	31/03/2010
2	Shares of Subsidiary held as on 31st March, 2010	1249930
a.	Number of Shares and face value	1250000 of Rs.10/- each
b.	Extent of holding	99.99%
3	Net aggregate amount of profit/(loss) of the subsidiary so far as it concerns the members of Kilitch Drugs (India) Limited for current financial year	Rs.23.77 lacs
a	Dealt with in the accounts of Kilitch Drugs (India) Ltd.	No

b	Not dealt with in the accounts of Kilitch Drugs (India) Ltd.	Yes
4	Net aggregate amount of profit/(loss) of the subsidiary so far as it concerns the members of Kilitch Drugs (India) Ltd. for the previous financial year	N.A.
a	Dealt with in the accounts of Kilitch Drugs (India) Ltd.	N.A.
b	Not dealt with in the accounts of Kilitch Drugs (India) Ltd.	N.A.

**For and On behalf of the
Board of Directors**

Place: Mumbai

PRATAP K. MEHTA

Date: 10th August, 2010

CHAIRMAN

Annexure to the Directors' report

		Kilitch ESOS 2007				
		Grant I	Grant II	Grant III	Grant IV	Total
(a)	Options granted	186600	14000	64565	64525	329690
(b)	Pricing Formula	Rs. 47.50	Rs. 47.50	Rs. 47.50	Rs. 47.50	
(c)	Options vested	97032	1680	0	0	98712
(d)	Options exercised	Nil	Nil	Nil	Nil	
(e)	Total number of shares arising as a result of exercise of options	Nil	Nil	Nil	Nil	
(f)	Options lapsed (as at 31st March 2010)	Nil	Nil	Nil	Nil	
(g)	Variation of terms options (as at 31st March 2010)	In EGM held on 31st May 2010, price changed to Rs.47.50 per share				
(h)	Money realized by exercise of options	Nil	Nil	Nil	Nil	
(I)	Total number of options in force (as at 31st March 2010)	186600	14000	64565	64525	329690
(j)	Employee wise details of options granted to					
2	Employees to whom more than 5% options granted during the year	Nil	Nil	Nil	Nil	
3	Employees to whom options more than 1% of issued capital granted during the year	Nil	Nil	Nil	Nil	
(k)	Diluted EPS,pursuant to issue of shares on exercise of options	Rs. 8.14				
(l), 1	Method of calculation of employee compensation cost	Calculation is based on intrinsic value method				
2	Intrinsic Value per share	Rs.67.50	Rs.61.60	Rs.22.75	Rs.89.00	
3	Difference between the above and employee compensation cost that shall have been recognized if it had used the fair value of the options	Employee compensation cost would have been higher by Rs.16,71,105/- had the Company used fair value method for accounting the options issued under ESOS				
4	Impact of this difference on Profits and on EPS of the Company	Profits would have been lower by Rs.16,71,105/- and EPS would have been lower by Rs.0.13, had the Company used fair value method of accounting the options issued under ESOS				
(m) 1	Weighted average exercise price	Rs. 47.50	Rs. 47.50	Rs. 47.50	Rs. 47.50	
2	Weighted average fair value of options based on Black Scholes methodology	Rs. 85.13	Rs. 79.89	Rs. 43.12	Rs. 108.30	
(n)	Significant assumptions used to estimate fair value of options including weighted average					
1	Risk free interest rate	7.00%	7.00%	7.00%	7.00%	
2	Expected life	Average life taken as 2 years from date of grant				
3	Expected volatility	70.00%	71.00%	65.00%	81.00%	
4	Expected dividends	Not separately included, factored in volatility working				
5	Closing market price of share on a date prior to date of grant	Rs. 115.00	Rs. 109.10	Rs. 70.25	Rs. 136.50	

Options granted to Senior Management Personnel, during the year	Nos.
Mr Dilip K. Desai, VP Finance & Commercial	3250
Mr Deepu K. Pannankattil, VP International Marketing	3250

Auditors' Certificate on Employee Stock Option Scheme

**To
The Members of
Kilitch Drugs (India) Limited**

We have examined the books of accounts and other relevant records and based on the information and explanations given to us, we certify that in our opinion, the Company has implemented the Employee Stock Option Scheme in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the resolutions of the Company passed in General Meeting in earlier year and modification approved in EGM held on 31st May 2010.

For R.N.R. IYER & CO.
Chartered Accountants
Firm Registration No. 103786W

**Place: Mumbai
Date : 10th August, 2010**

RAJKUMAR IYER
PROPRIETOR
Membership No. 33964

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE & DEVELOPMENT

India has become a hub for pharmaceutical manufacturing for many leading foreign pharmaceutical companies. India offers a huge cost advantage as compared to western countries. Because of patent expiration of block buster drugs, we are planning to actively participate in the production of generic version of these products. The organization for Economic co-operation and development (OECD) has forecasted the Indian economy to grow by approximately. 9% and pharmaceutical is expected to grow faster than this. India has been positioned as “THE GENERIC PHARMA CAPITAL OF THE WORLD” by Indian Drug Manufacture Association. We have taken steps to attract more costumers for contract manufacturing.

We have focused on CIS countries and to tap this market we have send our representative for a tour of some CIS countries in this year for BUYER SELLER MEETING. Albeit the process of product registration is slow & it will take long period. But we are optimistic about our entry in CIS countries.

India will play a major role in world pharmaceutical industry and we are going to be a major beneficiary of this growth.

OPPORTUNITIES

There are great opportunities for us in future. Global generics valued at USD 83 billion in 2009 will grow by 7%. In USA alone generic products account for 72% of the total US Pharma market volume. The demand for generics is increasing steadily because of pressure to control health care cost globally. Here India’s quality & affordable products provides the solution. Generic drugs are a proven cost-effective strategy for

containing drug expenditure. The major drivers in the Generics market are patent expiration, branded drug prices & also price control by government bodies. we see great opportunities in manufacturing sector for your company. We have recruited a full time export manager based in west Africa as Vice President. This has helped us for a fast-track entry in francophone countries. Our entry in Ethiopia gives us another opportunity to grow. Launching of our subsidiary- EYEKARE KILITCH LTD.- in ophthalmologic products represents another opportunity to introduce special ophthalmologic products in India and in international market. Ophthalmology is considered as “niche segment” and good rewards are expected for our stakeholders.

THREATS & CONCERNS

Pharmaceutical industry including your company has a potential to be exposed to product liabilities in market place including regulatory mishaps, product patents, and product recalls and adverse drug monitoring etc. which are very critical for business operations.

OUTLOOK

By 2020, 47% of Indians will be between the age of 15 and 59, compared with 35% now. The geriatric population of Japan , EUROPE & USA is growing very rapidly & hence the demand for pharmaceutical products will further increase in these countries. Importantly these population will look for economic drugs . India is the only country in world which can provide quality products at a economical price .Drugs worth 70 to 80 billion USD is going off the patent by 2015 and that represents a great opportunity for us to have. With our coming approval by regulated bodies like UKMHRA, USFDA etc will help us to enter regulated markets of USA & EUROPE. We are regularly participating in important international conferences, trade fares like CPhi etc to promote our products.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Code as per Clause No.49 in the Listing Agreement of the Stock Exchanges and also by applicable provisions of the Companies (Amendment) Act, 2000, has been implemented by the Company. A report on Corporate Governance is given below:

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Your Company has committed to bring about the good corporate governance practices. It strongly believes in attaining transparency, accountability and equity, in all its operations, and in its interaction with stakeholders including shareholders, employees, the government and the lenders.

2. BOARD OF DIRECTORS

As on 31st March, 2010 the strength of Board of Directors was 11, comprising of 4 Executive Directors, 7 Non-Executive Directors including 2 Promoter Directors and Five Independent Directors. The Chairman of the Company is Non-Executive Promoter Director.

The Board of Directors of the Company consists of eminent persons with considerable professional expertise and experience in business and industry, finance, management and marketing. The composition of the Board of Directors with reference to number of Executive and Non-Executive Directors meets with the requirements of Clause 49 (1) (A) of the Listing Agreement. None of the Directors on the Board is a member on more that ten Committees and Chairman of more than five Committees as per Clause 49 (IV) (B) across all Companies in which they are Directors.

The composition of the Board of Directors and also the number of other Companies of which he is a Director and Member/Chairman as on March 31, 2010, are as under:

Names of Directors	Category of Directorship	Directorship in other companies	Committee Membership(s) of other Companies		No. of shares held
			Member	Chairman	
Mr. Mukund Prataprai Mehta	Managing Director	3	-	-	655592
Mr. Bhavin Mukund Mehta	Non Executive Director	3	-	-	109500
Mr. Paresh Prataprai Mehta	Executive Director	3	-	-	846068
Mr. Pratap Keshavji Mehta	Chairman, Non Executive Director	3	-	-	617965
Ms. Nilima Abhay Waigankar	Executive Director	-	-	-	-
Mr. Mukesh Damji Shah	Independent And Non Executive Director	-	-	-	4000
Mr. Pankaj Ottamchand Kamdar	Independent And Non Executive Director	-	-	-	-
Mr. Nitinkumar Chandulal Shah	Executive Director	-	-	-	-
Mr. Hemang Jagdish Engineer	Independent And Non Executive Director	-	-	-	-
Mr. Shailesh Hansraj Chheda	Independent And Non Executive Director	-	-	-	-
#Dr. Mahalingam Vasudevan	Independent And Non Executive Director	-	-	-	-

Resigned as Director of the Company w.e.f. 10th August, 2010

None of the Directors holds directorships in more than 15 Companies, membership in committee of Board in more than 10 Companies and Chairmanship of more than 5 Committees.

BOARD PROCEDURE:

The Board meets at least once every quarter to review the quarterly performance and the financial results. The Board's role, functions, responsibility and accountability are clearly defined. All major decisions involving policy formulations, business plans, annual operating budgets, compliance with statutory requirements, major accounting provisions and write-offs are considered by the Board.

ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND THE LAST ANNUAL GENERAL MEETING:

During the year **12 (Twelve)** Board Meetings were held during the financial year ended March 31, 2010, the dates of which are 06th April, 2009, 18th May, 2009, 20th May, 2009, 22nd May, 2009, 30th June, 2009, 10th July, 2009, 31st July, 2009, 20th August, 2009, 30th October, 2009, 08th January, 2010, 16th January, 2010 and 30th January, 2010.

The attendance of each Director at Board Meetings and at the last Annual General Meeting is as under:

Name of the Director	No. of Board meetings attended	Attendance of last AGM held on 22nd September, 2009
Mr. Pratap Keshavji Mehta	12	Present
Mr. Mukund Prataprai Mehta	12	-
Mr. Paresh Prataprai Mehta	12	-
Mr. Bhavin Mukund Mehta	12	Present
Mr. Mukesh Damji Shah	12	Present
*Mr. Deepak Bhaskar Shenoy	06	-
Mr. Pankaj Ottamchand Kamdar	12	-
Mr. Nitinkumar Chandulal Shah	02	-
Mr. Hemang Jagdish Engineer	09	-
Mr. Shailesh Hansraj Chheda	11	-
#Dr. Mahalingam Vasudevan	07	-
Mrs. Neelima A. Waigankar	-	

*Resigned as Director of the Company w.e.f. 26th March, 2010

Resigned as Director of the Company w.e.f. 10th August, 2010

3. AUDIT COMMITTEE:

BROAD TERMS OF REFERENCE

The Audit Committee of the Company, inter-alia, acts as a control mechanism in the financial and other important departments of the Company. The terms of reference of the Audit Committee are in accordance with paragraphs C and D of Clause 49 (II) of the Listing Agreement and as specified by the Board of Directors of the Company.

The Audit Committee while reviewing the Annual Financial Statements also reviewed the applicability of various Accounting Standards (AS) issued by the ICAI during the year. The role of the Audit Committee includes the following:

- Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other service
- Reviewing with management the financial statements before submission to the Board.
- Reviewing with the management and the external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function and procedures.
- Discussion with internal auditors on any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussions with External Auditors before the audit commences, the nature and the scope of Audit as well as have post audit discussion.
- Reviewing the Company's financial and risk management policies.

COMPOSITION

The Audit Committee comprises of Five Directors, all are non executive and independent Directors. All these Directors possess knowledge by corporate finance, accounts and company law.

The constitution of the Audit Committee is as follows:

S.N	Name of Director	Executive/Non-Executive Independent
1.	Mr. Mukesh Damji Shah.	Chairman & Non-Executive, Independent
2.	Mr. Shailesh Hansraj Chheda	Non-Executive Independent
3.	Mr. Hemang Jagdish Engineer	Non-Executive Independent
4.	Mr. Pankaj Ottamchand Kamdar	Non-Executive Independent
5.	*Mr. Deepak Bhaskar Shenoy	Non-Executive Independent
6.	#Dr. Mahalingam Vasudevan	Non-Executive Independent

***Resigned as Director of the Company w.e.f. 26/03/2010**

Resigned as Director of the Company w.e.f. 10/08/2010

MEETINGS AND ATTENDANCE

During the financial year ended March 31, 2010, Four Audit Committee Meetings were held on 30th June, 2009, 31st July, 2009, 30th October, 2009 and 30th January 2010.

The attendance at the Audit Committee Meetings is as under:

Name of Director	No. of meetings attended
Mr. Mukesh Damji Shah	04
Mr. Pankaj Ottamchand Kamdar	04
Mr. Hemang Jagdish Engineer	04
*Mr. Deepak Bhaskar Shenoy	04
#Dr. Mahalingam Vasudevan	02
Mr. Shailesh Hansraj Chheda	01

***Resigned as Director of the Company w.e.f. 26th March, 2010**

Resigned as Director of the Company w.e.f. 10th August, 2010

The Chairman of the Committee was present at the Annual General Meeting of the Company held on 22nd September, 2009 to attend the shareholders' queries.

4. SHARE HOLDERS/INVESTOR GRIEVANCE COMMITTEE:

FUNCTIONS

The Board of Directors of the Company has constituted a Committee of Directors which also functions as 'Shareholders'/Investors Grievances Committee', consisting of four members, chaired by Non executive Independent Director. The Committee interalia, deals with various matters relating to:

- transfer/transmission of shares;
- issue of duplicate share certificates;
- investors' grievances and redressal mechanism and recommend measures to improve the level of investor services.

Details of shares transfer/transmission approved by the Committee and Shareholders'/Investors' grievances are placed at the Board Meetings from time to time.

COMPOSITION

The constitution of the Committee of Directors is as under:

Name of Director	Designation
Mr. Mukesh Damji Shah.	Chairman, Non-Executive & Independent
Mr. Shailesh Hansraj Chheda	Non-Executive & Independent
Mr. Hemang Jagdish Engineer	Non-Executive & Independent
Mr. Pankaj Ottamchand Kamdar	Non-Executive & Independent
*Mr. Deepak Bhaskar Shenoy	Non-Executive & Independent

***Resigned as Director of the Company w.e.f. 26th March, 2010**

5. COMPENSATION COMMITTEE:

The Board of Directors of the Company has reconstituted Compensation Committee to administer Kilitch ESOS 2007.

The composition of the reconstituted Compensation Committee is as under:

Name of Director	Designation	Attendance
Mr. Mukesh Damji Shah	Chairman, Independent	2
Mr. Pankaj Ottamchand Kamdar	Member Independent	2
Mr. Bhavin Mehta	Member Non Executive	2

During the year ended March 31, 2010, two [2] Committee meetings were held.

The shareholders in the previous Annual General Meeting approved Kilitch ESOS 2007. The Committee granted 1,29,100 options to selected employees during the year. Each option represents a right but not obligation to apply for 1 fully paid equity share of Rs.10/- each at the exercise price. The options granted will vest over 3 years from the date of grant. The relevant disclosures as required by SEBI guidelines on ESOS forms part of the Directors' Report.

6. REMUNERATION POLICY:

The Board of Directors is authorized to decide Remuneration to Executive Directors. The Remuneration structure comprises of Salary and Perquisites. Salary is paid to Executive Directors within the Salary grade approved by the Members.

The details of Remuneration paid to Executive Directors for the Financial Year 2009-10.

Sr.No.	Name of Directors	Remuneration paid (in Rs.)
1.	Mr. Paresh Prataprai Mehta	900000
2.	Mr. Mukund Prataprai Mehta	900000
3.	Mrs. Neelima A. Waigankar	734800
4.	Mr. Nitinkumar Chandulal Shah	884000

DETAILS OF SHAREHOLDERS' COMPLAINTS RECEIVED, NOT SOLVED AND PENDING SHARE TRANSFERS:

The Company had received 24 investor complaints, which were resolved to the satisfaction of the said investors. Thus there are no investor complaints which are pending.

7. GENERAL BODY MEETINGS:

Location and time, where last three Annual General Meetings were held is given below:

Financial Year	Date	Location of the Meeting	Time
2006-2007	30th September, 2007	C-301/2, M.I.D.C. TTC Industrial Area, Pawane Village, Thane-400705.	9.00 A.M
2007-2008	22nd September, 2008	C-301/2, M.I.D.C. TTC Industrial Area, Pawane Village, Thane-400705.	9.00 A.M
2008-2009	22nd September, 2009	C-301/2, M.I.D.C. TTC Industrial Area, Pawane Village, Thane-400705.	9.00 A.M

8. DISCLOSURES:

There were no transactions of material nature between the Company and its Directors or Senior Management and their relatives or Promoters that may have potential conflict with interest of the Company. The Register of Contracts containing transactions, in which Directors are interested, have been placed before the Board regularly.

Transactions with related parties, as per requirements of Accounting Standard 18 are disclosed elsewhere in this Annual Report.

During the last Three years there has been no instance of non compliance by the Company on any matter related to capital market. Hence there were no strictures or penalties imposed either by SEBI or Stock Exchanges or any Statutory Authority for non compliance of any matter related to capital market.

9. MEANS OF COMMUNICATION:

The Quarterly Reports of the Company are published in accordance with the Requirements of the Listing Agreement of the Bombay Stock Exchange, Mumbai.

News Papers in which results are normally published:

1. Free Press Journal (English)
2. Navshakti (Marathi)

10. IMPLEMENTATION OF CODE OF CONDUCT FOR INSIDER TRADING:

Kilitch Drugs (India) Limited has adopted Code of Conduct for Insider Trading and is based on the SEBI framework and is stringent than the statutory code being enforced by the SEBI. Kilitch Drugs (India) Limited follows strict guidelines in respect of insiders' stock trading and related disclosures. Ms. Kanika Bareja, Company Secretary is designated as the Compliance Officer to oversee its implementation. Periodic disclosures have been obtained from all the Directors and 'designated employees'. Under the aforesaid code all Directors and Designated Employees are required to conduct all their dealing in securities of the Company only in valid trading window after obtaining pre clearance from the Company as per the pre dealing procedure described in the Code.

11. SECRETARIAL AUDIT FOR RECONCILIATION OF CAPITAL:

As stipulated by SEBI, a Compliance officer carries out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited and Central Depository Services (India) Limited and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges as well as placed before the Board of Directors. The audit confirms that the total Listed and paid up capital is in agreement with the aggregate of the total number of Shares in dematerialised form (held by NSDL and CDSL) and total number of Shares in physical form.

12. GENERAL SHAREHOLDERS' INFORMATION:

1. Annual General Meeting Scheduled to be Held:

Date : 20th September 2010
Time : 9.00 A.M
Venue : [Regd. Office] C-301/2, M.I.D.C. TTC Industrial Area, Pawane Village, Thane-400705.

2. Date of Book Closure:

Tuesday 14th September 2010 to Monday, 20th September, 2010
(both days inclusive.)

3. Financial Calendar:

The financial calendar year of the Company was from 1st April, 2010 to 31st March, 2011.

Financial Reporting for:

Financial Reporting for the quarter ending 30th June, 2010.
Financial Reporting for the quarter ending 30th September, 2010.
Financial Reporting for the quarter ending 31st December, 2010.
Financial Reporting for the quarter ending 31st March, 2011.

Date:

Last week of July, 2010
Last week of October, 2010
Last week of January, 2011
April/May, 2011

4. Listing on Stock Exchanges:

Equity Shares of the Company are listed on Bombay Stock Exchange Limited.

5. Stock Code: Bombay Stock Exchange Limited: (BSE): **B2 - 524500**

6. Stock Price Data:

The monthly high and low quotations and volume of shares traded on Bombay Stock Exchange Limited are as follows:

BSE, MUMBAI			
MONTH	High (Rs.)	Low (Rs.)	No. of shares traded
April, 2009	95.60	58.00	70,646
May, 2009	114.80	65.20	1,15,347
June, 2009	112.00	67.15	44,392
July, 2009	113.80	80.00	97,216
August, 2009	95.00	59.00	1,40,002
September, 2009	95.00	68.90	2,09,331
October, 2009	91.00	68.40	1,80,969
November, 2009	89.00	61.00	2,54,764
December, 2009	150.00	77.00	29,51,028
January, 2010	157.10	105.25	11,75,970
February, 2010	118.80	89.10	2,89,811
March, 2010	121.25	94.00	6,80,155

7. Address for Correspondence:

Administrative Office : Ujagar Industrial Estate, 37, W.T. Patil Marg,
Deonar, Mumbai: 400 088.

Share Transfer in physical form and in other communication in that regards including share certificates, dividends and change of address etc. may be addressed to : **Link Intime India Private Limited
Registrar & Share Transfer Agent**
C-13, Pannanlal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai-400078
Tel. Nos. : 022-25963838,
Fax No. : 022-25946969
Web Site : www.kilitch.com
e-mail : investor_complaints@kilitch.com

8. Share Transfer System:

Shares sent for transfer in physical form to Link Intime India Private Limited (R&T Agents), are registered and returned with a period of 30 days from the date of receipt, if the documents are in order. The Share Transfer Committee meets generally on a fortnightly basis to consider the transfer proposal. All requests for dematerialisation of shares are processed by the Company and Link Intime India Private Limited within 21 days.

9. Dematerialisation of shares:

As on 31st March, 2010, 1,23,08,651 shares are held in dematerialized form with NSDL and CDSL out of total Equity Shares of 1,32,02,122, aggregating to 93.23%.

10. Distribution of shareholding as on March 31, 2010:

No. of shares held	No. of shareholders	No. of shares held	% of shareholding
1 to 500	6852	1236961	88.197
501 to 1000	465	385959	05.985
1001 to 2000	186	293397	2.394
2001 to 3000	69	175430	0.888
3001 to 4000	43	156485	0.553
4001 to 5000	34	161825	0.438
5001 to 10000	64	491946	0.824
10001 to 999999999	56	10300119	0.721
TOTAL	7769	13202122	100.000

11. Shareholding Pattern As on 31st March, 2010

Category	No. Of Shares Held	% of Shareholding
Promoters' holding		
1. Indian		
- Individuals/ Hindu Undivided	21,14,625	16.02
- Bodies Corporate	60,12,742	45.54
- Others	404268	03.07
2. Foreign	Nil	
Sub-Total.....	8,531,635	64.63
Non-Promoters holding		
3. Institutional Investors		
a. Mutual Funds and UTI	Nil	-
b. Banks, Financial Institutions, Insurance Companies (Central/State) Government Institutions/Non-Government Institutions	100	-
c. FIIS	18345	00.14
Sub-Total.....	18448	00.14
4. Others		
a. Bodies Corporate	4,28,120	03.25
b. Indian Public	38,29,457	29.00
c. NRI/OCBs	1,68,567	01.28
d. Trusts	1000	-
e. Clearing Members	2,24,895	01.70
Sub-Total.....	46,52,039	35.23
Grand Total.....	1,32,02,122	100.00

Note:

The total foreign shareholding for the year ended 31st March, 2010 is 168,567 shares which in percentage terms is 1.28 of the issued and subscribed capital.

The number of Equity Shares under Lock-in-period as on 31/03/2010 are 60,00,000 Equity Shares.

Shareholding pattern in case of demated shares has been prepared based on download of data received from NSDL / CDSL as on 31st March 2010.

DECLARATION

I, Mukund Mehta, Managing Director of Kilitch Drugs (India) Limited, based on confirmations received from all the Directors and Senior Management of the Company, do hereby state that all Board Members and senior management personnel have affirmed compliances with the Code of Conduct of the Company for the year ended 31st March 2010.

BY AND ON BEHALF OF THE BOARD

Place: *Mumbai*

Date: *10th August, 2010*

Mukund Mehta
Managing Director

CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of

KLITCH DRUGS (INDIA) LIMITED

We have examined the compliance of conditions of Corporate Governance by KLITCH DRUGS (INDIA) LIMITED for the year ended on 31st March, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange.

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

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 the abovementioned Listing Agreement.

We have to state that in respect of investor's grievances, no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the shareholders/investor's Grievance Committee.

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

For: M/s. Deep Shukla & Associates

Company Secretaries

Deep Shukla

(Proprietor)

FCS No. 5652, CP No. 5364

Place: *Mumbai*

Date: *10th August, 2010*

AUDITORS' REPORT

To

The Members of Kilitch Drugs (India) Limited

- 1 We have audited the attached Balance Sheet of Kilitch Drugs (India) Limited (the "Company") as at 31st March, 2010, the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the 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, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

Further to our comments in the Annexure referred to in paragraph 3 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 applicable accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (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, 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 Act;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto subject to Note No 11 give the information required by the Act, 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 the Cash Flow Statement, of the cash flows for the year ended on that date.

For R.N.R. Iyer & Co.,
Chartered Accountants
Firm Registration No 103786W

Place : *Mumbai*
Dated : *10th August 2010*

Rajkumar Iyer
(Proprietor)
Membership No 33964

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in Paragraph 3 of the Auditors' Report of even date to the members of Kilitch Drugs (India) Limited)

- 1
 - (a) The Company has maintained proper records showing full particulars, including Quantitative details and situation, of fixed assets,
 - (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and we were informed that no material discrepancies between the book records and the physical Inventory have been noticed.
 - (c) In our opinion and according to the information and explanations given to us, substantial part of fixed assets has not been disposed of by the Company during the year under review.
- 2
 - (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of Inventory as compared to book records were not material and have been properly dealt with in the books of account.

3. The Company has not granted secured / unsecured loans, to any companies, firms or other parties registered in the register maintained under Section 301 of the Act.
4. The Company has not taken any loans, secured or unsecured, from companies, firms and other parties listed in the register maintained under Section 301 of the Act.
5. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
6. In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangement and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
7. The Company has not accepted any deposit from the Public within the meaning and provisions of Section 58A and 58AA of the Companies Act, 1956.
8. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
9. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under Clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
10. According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax , sales-tax , wealth tax, service tax, customs duty, excise duty, cess and other statutory dues as applicable with the appropriate authorities. There are no outstanding dues in respect of the above items, which are more than six months as at the balance sheet date.
11. The Company has no accumulated losses as at 31st March, 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
12. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank.
13. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
14. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
15. In our opinion the company is not a dealer or trader in shares, securities, debentures and other investments.
16. In our opinion and according to the information and explanations given to us the Company has not given guarantees for loans taken by others from banks and other financial institutions
17. During the year, the Company has not taken any new term loan. In our opinion, and according to the information and explanations given to us, the existing term loans have been applied for the purposes for which they were obtained.
18. On the basis of an overall examination of the balance sheet of the Company , in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
19. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
20. The Company has not issued any debentures during the year.
21. The Company has not raised any money by public issues during the year.
22. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For R.N.R.Iyer & Co.,

Chartered Accountants

Firm Registration No 103786W

Rajkumar Iyer

(Proprietor)

Membership No 33964

Place : Mumbai

Dated : 10th August 2010

Balance Sheet as at 31st March 2010

		Rs. In Lacs	
	Schedule	As at March 31, 2010	As at March 31, 2009
Sources of Funds			
Shareholders' Funds			
Share Capital	1	1320.21	1320.21
Reserves and Surplus	2	6112.31	5119.49
		<u>7432.52</u>	<u>6439.70</u>
Loan Funds			
Secured Loan	3	4298.97	3542.42
		4298.97	3542.42
Deferred Tax Liability (Net)			
		-	-
		<u>-</u>	44.25
		<u>11731.49</u>	<u>10026.37</u>
Application of Funds			
Fixed Assets			
Gross Block	4	7098.68	6704.13
Less: Depreciation		2673.06	2069.92
Net Block		<u>4425.62</u>	4634.21
Capital Work in Progress		2210.60	759.95
		6636.22	5394.16
Differed Tax Assets (net)			
		450.86	450.86
		450.86	21.58
		<u>146.58</u>	<u>21.58</u>
Net Current Assets :			
Current Assets, Loans and Advances			
Inventories	6	1245.00	1326.70
Sundry Debtors	7	4794.80	5461.63
Cash and Bank Balances	8	220.90	17.68
Loans and Advances	9	313.44	1876.58
		<u>6574.14</u>	8682.59
Less : Current Liabilities & Provisions			
Current Liabilities	10	1393.20	3547.60
Provisions	11	718.72	580.88
		<u>2111.92</u>	4128.48
		4462.22	4554.11
Miscellaneous Expenditure			
Pre-operative Expenses (To the extent not written off or adjusted)	12	35.62	56.52
		35.62	56.52
		<u>11731.49</u>	<u>10026.37</u>
Notes on Accounts	20		
The Schedules referred to above form an intergal part of Balance Sheet			

As Per our report of even date attached

For **R.N.R. Iyer & Co.**
Chartered Accountants
Firm Registration No. 103786W

Rajkumar Iyer
Proprietor
Membership No. 33964

PLACE : MUMBAI
DATE : 10th August, 2010

For and on behalf of Board of Directors

Pratap K. Mehta : Chairman
Mukund P. Mehta : Managing Director & CEO

Paresh P. Mehta : Jt. Managing Director
Bhavin M. Mehta : Director

Kanika Bareja (Ms.) : Company Secretary

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

		As at March 31, 2010	As at March 31, 2009
Rs. In Lacs			
Income			
Sales and Other Income			
Sales		14265.19	12,901.23
Other Income	13	48.02	16.83
		<u>14313.21</u>	<u>12,918.07</u>
Expenditure			
Cost of Material Consumed	14	9827.01	9,052.41
Employee Cost	15	401.04	283.22
Manufacturing Expenses	16	1219.68	887.81
Administrative Expenses	17	282.04	193.31
Interest & Financial Expenses	18	453.47	510.39
Selling Expenses	19	144.20	106.92
Depreciation		607.26	613.30
		<u>12934.70</u>	<u>11,647.36</u>
Profit before Taxation		1378.51	1,270.70
Provision for Taxation		275.58	147.00
Provision for Deferred Tax		5.59	9.35
		<u>1097.34</u>	<u>1114.35</u>
Profit after Taxation			
Prior Period Interest on Tax		3.97	
Prior Period Expenses		46.47	
		<u>50.44</u>	<u>-</u>
Profit after Exceptional Items		1046.90	1,114.35
Balance Brought Forward		1,805.74	955.85
Profit Available for Appropriation		2852.64	2,070.20
Appropriation: -			
Transfer to General Reserve		110.00	110.00
Dividend			
Proposed Dividend		132.02	132.02
Tax on Proposed Dividend		22.44	22.44
		<u>154.46</u>	<u>154.46</u>
Balance Carried Forward		2,588.18	1,805.74
Basic earnings per share		8.31	8.44
Diluted earnings per share		8.14	-
Nominal value per share		10.00	10.00
Notes on Accounts	20		

The Schedules referred to above form an integral part of Profit and Loss Account

This is the Profit and Loss Account referred to in our Report of even date

For **R.N.R. Iyer & Co.**
Chartered Accountants
Firm Registration No. 103786W

Rajkumar Iyer
Proprietor
Membership No. 33964

PLACE : MUMBAI
DATE : 10th August, 2010

For and on behalf of Board of Directors

Pratap K. Mehta : Chairman
Mukund P. Mehta : Managing Director & CEO

Paresh P. Mehta : Jt. Managing Director
Bhavin M. Mehta : Director

Kanika Bareja (Ms.) : Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET

Rs. In Lacs

March 31, 2010

March 31, 2009

Schedule 1 : Share Capital

Authorised

20,00,000 Equity Shares of Rs. 10 each fully paid

2000.00

1500.00

Issued, Subscribed and Paid-up

1,32,02,122 Equity Shares of Rs. 10 each fully paid

1320.21

1320.21

1320.21

1320.21

Schedule 2 : Reserves and Surplus

	2009	Addition	Deductions		
Capital Reserve	30.00	-	-	30.00	30.00
Share Premium A/c	2457.24	290.00	-	2747.24	2457.24
Call On Shares Forfeited a/c	58.00	-	58.00	-	-
Call on Warrants	348.00	-	348.00	-	348.00
General Reserve	478.51	110.00	0.00	588.51	478.51
Employee Stock Options	-	206.70	106.32	100.38	-
Balance in Profit & Loss Accounts	1805.74	782.45	-	2588.18	1805.74
	5119.49	1447.14	454.32	6112.31	5119.49

Schedule 3 : Secured Loans

From Banks

Working Capital Facilities

2581.70

1045.28

(Secured by way of Hypothecation of Stock and Debtors)

Term Loans

1717.27

2497.14

(Secured by way of Mortgage of Factory Land and Building)

4298.97

3542.42

Schedule 4 : Fixed Assets

Particulars	GROSS BLOCK				DEPRECIATION				Net Block	
	As at 01.04.2009	Additions/ Transfers	Deduction/ Transfers	As at 31.03.2010	As at 31.03.2009	For the Year	Deduction	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
Land	183.24	-	-	183.24	-	-	-	-	183.24	183.24
Factory Building	2,322.08	4.16	-	2,326.24	635.90	168.79	-	804.69	1,521.55	1,686.18
Office premises	133.24	-	-	133.24	38.93	4.72	-	43.64	89.60	94.32
Plant & Machinery	3,035.98	352.43	31.12	3,357.29	877.64	338.42	3.80	1,212.27	2,145.02	2,158.34
Furniture & Equipment	197.14	2.71	-	199.85	88.20	19.91	-	108.11	91.74	108.94
Computer	113.02	10.48	-	123.50	81.07	14.70	-	95.77	27.73	31.95
Motor Car	59.45	10.24	-	69.69	35.44	6.87	-	42.31	27.38	24.01
Office Equipment	102.62	0.81	1.54	101.89	52.94	8.72	0.19	61.47	40.41	49.68
Air Conditioner	98.45	-	-	98.45	75.78	3.15	-	78.93	19.52	22.67
Electrical Installation	255.05	-	0.92	254.13	99.79	21.47	0.14	121.12	133.02	155.27
Laboratory Equipment	202.40	45.04	-	247.44	83.36	19.73	-	103.10	144.35	119.04
Pager	0.36	-	-	0.36	0.30	0.02	-	0.33	0.04	0.05
Mobile Phone	1.11	2.25	-	3.36	0.58	0.76	-	1.34	2.42	0.52
Total	6,704.13	428.12	33.58	7,098.68	2,069.93	607.26	4.13	2,673.06	4,426.03	4,634.21
Previous Balance	6,396.11	309.42	1.40	6,704.13	1,456.63	613.30	-	2,069.93	4,634.21	-
Capital Work-in Progress (Including Capital advances)									2,210.60	759.95
									6,636.63	5,394.16

Notes:

1. Depreciation has been charged only on those assets which are used during the year for business purpose.
2. Depreciation has been claimed on asset values net of CENVAT, wherever CENVAT set off has been availed.

SCHEDULES FORMING PART OF THE BALANCE SHEET

Rs. In Lacs

March 31, 2010 March 31, 2009

Schedule 5 : Investments

Investment (Fully Paid at Cost)

	Date of Allotment	Class	Nos	Face Vaule of each		
Quoted - Long Term						
Century Enka Ltd	16.11.06	Equity Shares	1000	10.00	0.73	0.73
Colgate Pamolive India Ltd		Equity Shares	100	1.00	0.95	0.95
JK Lakshmi Cement Ltd	16.11.09	Equity Shares	720	5.00	0.33	0.33
Century Textile & Industries Ltd		Equity Shares	500	10.00	2.28	2.28
Pfizer Ltd		Equity Shares	400	10.00	4.94	4.94
Reliance Power Ltd	4.1.2008	Equity Shares	2616	10.00	7.36	7.36
Bengal & Assam Compa	1.1.2009	Equity Shares	15	10.00	4.99	4.99

Unquoted - In Subsidiary Company :

EyeKare Kilitch Ltd		Equity Shares	1250000	10.00	125.00	0.00
					146.58	21.58

Schedule 6 : Inventories

Raw Material					810.89	817.97
Packing Material					128.04	153.37
Work-in-Process					178.98	211.29
Finished Goods					81.95	119.06
Stores and Spare Parts					21.85	25.01
Goods in Transisit					23.29	-
					1245.00	1326.70

Schedule 7 : Sundry Debtors [Unsecured]

Considered good						
Debts outstanding for a period exceeding six month					1094.31	1338.11
Others Debts					3700.49	4123.51
					4794.80	5461.62

Schedule 8 : Cash and Bank Balances

Cash in Hand					2.87	1.40
With Scheduled Banks on :						
Current Account					218.03	16.28
					220.90	17.68

Schedule 9 : Loans and Advances

Deposits					278.44	290.02
Advances recoverable in cash or in kind or for value to be received					-	1226.44
Prepaid Expenses					4.68	7.04
Taxes Paid					30.32	353.08
					313.44	1876.58

SCHEDULES FORMING PART OF THE BALANCE SHEET

Rs. In Lacs

	March 31, 2010	March 31, 2009
Schedule 10 : Liabilities		
Sundry Creditors	1177.28	3487.52
Other Liabilities	215.92	60.08
	<u>1393.20</u>	<u>3547.60</u>
Schedule 11 : Provisions		
Provisions for Taxation	564.26	426.42
Provision for Dividend and Tax	154.46	154.46
	<u>718.72</u>	<u>580.88</u>
Schedule 12 : Miscellaneous Expenditure		
Opening Balance	56.53	66.17
Add : During the Year	-	11.26
Less : 1/10 written off during the year	20.91	20.91
	<u>35.62</u>	<u>56.52</u>
Schedule 13 : Other Income		
Interest from Banks and Others	11.58	10.70
Dividend Received	0.93	0.95
Foreign Currency Exchange Gain/Loss	14.44	3.29
Discount Received	0.96	0.69
Miscellaneous Income	1.63	1.20
Insurance Claim Received	18.48	
	<u>48.02</u>	<u>16.83</u>
Schedule 14 : Cost of Material Consumed		
Opening Stock of Raw and Packing Materials	971.34	1265.06
Add: Purchases	9725.17	8940.83
	<u>10696.51</u>	<u>10205.89</u>
Less: Closing Stock	938.93	971.34
	<u>9757.58</u>	<u>9234.55</u>
Stock of Finished Goods & Work in process:		
Add : Opening Stock		
Finished Goods	119.06	
Work-in-progress	211.29	
	<u>330.35</u>	287.29
Less : Closing Stock		
Finished Goods	81.95	
Work-in-progress	178.98	
	<u>260.93</u>	469.43
	<u>9827.01</u>	<u>9052.43</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

Rs. In Lacs

March 31, 2010 March 31, 2009

Schedule 15 : Employees Cost

Salaries, Wages and Bonus	320.37	268.46
Staff Welfare Expenses	9.15	4.69
Contribution to Provident and other Funds	15.52	8.94
Employee stock Option Plan	53.90	-
Medical Expenses. and Reimbursement	2.10	1.13
	<u>401.04</u>	<u>283.22</u>

Schedule 16 : Manufacturing Expenses

Labour Charges	26.18	81.54
Diesel for Boiler	140.30	154.50
Power and Fuel	337.49	298.52
Repairs and Maintenance	120.49	41.56
Laboratory and Analytical Charges	70.27	48.97
Water Charges	4.19	5.02
Factory Consumables	325.06	128.99
Packing Charges	195.70	128.71
	<u>1219.68</u>	<u>887.81</u>

Schedule 17 : Administrative Expenses

Directors Remuneration	34.19	18.00
Foreign Travel Expenses	32.74	
Insurance	10.84	6.01
Miscellaneous Expenses	60.69	53.52
Miscellaneous Expenses w/off	20.91	20.91
Audit Fees	2.50	2.25
Printing and Stationery	17.16	13.07
Professional Charges	46.55	28.08
Telephone and Communication	17.88	15.21
Vehicle Expenses	8.97	9.70
Travelling Expenses	29.62	26.56
	<u>282.04</u>	<u>193.31</u>

Schedule 18 : Interest and Financial Expenses

Bank Interest, Commission and Charges	453.47	510.39
	<u>453.47</u>	<u>510.39</u>

Schedule 19 : Selling Expenses

Freight	1.06	0.32
Business Promotion	84.51	30.88
Commission	29.71	21.29
Discount Allowed	10.23	8.36
Export Expenses	19.75	46.38
	<u>144.20</u>	<u>106.92</u>

Schedule 20: Notes on Accounts

(A) Significant Accounting Policies

1) Accounting Convention

The financial statements are prepared under the historical cost convention, on accrual basis of accounting, in conformity with the accounting principles generally accepted in India and comply with the accounting standards referred to in section 211(3C) of the Companies Act, 1956.

2) Revenue Recognition

- a) Sales are recognized on completion of sale of goods and are recorded net of trade discounts, rebates, and excise duty on own manufactured products.
- b) Revenue in respect of export sales is recognized on shipment of products.
- c) Service Income (Processing Charges) is recognised as per contractual terms.
- d) Dividend Income is recognised on receipt basis
- e) Interest Income is recognised on time proportionate method.

3) Fixed Assets and Depreciation

- a) Fixed Assets are stated at historical cost of acquisition/construction less accumulated depreciation and impairment loss. Cost (net of input tax credit received/receivable) includes related expenditure and pre-operative and project expenses for the period up to completion of the construction/assets are put to use.
- b) Depreciation is provided on Written Down Value Method as per Section 205(2)(b), at the rates prescribed for single shift in Schedule XIV of The Companies Act, 1956.
- c) Depreciation on addition/disposal of the Fixed Assets during the year is provided on prorata basis according to the period during which the assets are put to use.

4) Investments

Investments are valued at cost.

5) Inventories

- a) Raw Material, Packing Material, Stores and spare parts are valued at cost or net realisable value whichever is lower.
- b) Work-in-process and Finished Goods inventories include production overheads, to the extent applicable

6) Miscellaneous Expenditure

Miscellaneous Expenditure is written off on a straight-line basis over a period of five years.

7) Borrowing Costs

Borrowing Costs are recognized as an expense in the period in which they are incurred except the borrowing cost attributable to the acquisition/construction of a qualifying asset which are capitalized as part of the cost of such asset, up to the date, the assets are ready for their intended use.

8) Foreign Currency Transactions

The transactions in foreign currency are recorded at the exchange rates prevailing on the date of the transaction. The exchange difference resulting from settled transaction is adjusted in the profit and loss account. Year end balances of monetary items are restated at the year end exchange rates and the resultant net gain or loss is adjusted in the profit and loss accounts

9) Taxation

- a) **Excise Duty :-** Excise Duty is accounted net of Cenvat benefit availed on purchases inputs, fixed assets and eligible services
- b) **Value Added Tax [VAT] :-** VAT is accounted net of VAT paid on purchases and Fixed Assets.

10) Income Tax

- a) Tax expenses comprises current and deferred tax.
- b) Current Tax is measured as the amount expected to be paid in accordance with the provisions of The Income Tax Act, 1961.
- c) Deferred Tax reflects the impact of current year timing differences between book and tax profits and reversal of timing difference of earlier years. Deferred Tax is measured based on the tax rates and laws that have been enacted or substantially enacted as of the Balance Sheet date.
- d) Deferred Tax Assets are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

11) Retirement Benefits

Contributions in respect of defined retirement schemes such as Provident Funds are charged to the Profit and loss Account as incurred. The company does not provide for gratuity as required under AS 15 accounting guidelines prescribed by ICAI. However, whenever an eligible employee retires / resign services the company computes liability for gratuity as per payment of gratuity Act, and charges it to the profit and loss account.

12) Employee Stock Option Scheme

Employee Stock Options are evaluated and accounted on intrinsic value method as per the accounting treatment prescribed by Guidance Note on 'Accounting for Employee Share-based payments' issued by Institute of Chartered Accountants of India (ICAI) read with Securities and Exchange Board of India (SEBI) (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 issued by SEBI. The excess of market value if any, of the stock options as on the date of grant over the exercise price of the options is recognised as deferred employee compensation and is charged to the Profit and Loss Account on vesting basis over the vesting period of the options. The un-amortized portion of the deferred employee compensation is reduced from Employee Stock Option Outstanding, which is shown under Reserves and Surplus.

13) Earnings Per Share:

The Company reports basic and diluted earnings per share in accordance with Accounting Standard 20 on Earnings per Share. Basic earnings per share is computed by dividing the net Profit for the period by the weighted average number of Equity shares outstanding during the period, as adjusted for the effects of all diluted potential equity shares. Diluted earnings per share is computed by dividing the net Profit for the period by the number of Equity shares outstanding during the year.

14) Cash Flow Statement:

The cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow statements and present cash flows by operating, investing & financing activities of the company.

15) Group / Classification

Previous year's figures have been regrouped and "or" reclassified wherever necessary to conform to current year's figures and classification.

16) Figures in bracket indicate previous year figures.

(B) Contingent Liabilities not provided for:

Particulars	Rs. in Lacs As at 31 st March	
	2010	(2009)
1) In respect of guarantees given by Banks and Counter Guarantees given by the Company	67	(62)
2) In respect of letter of credits	194	(154)

(C) Related Party Transactions

Name of the related parties and Nature of Relationship

a) Subsidiary Companies/ Concerns

EyeKare Kilitch Ltd.

b) Directors and their Relatives

Mr. Pratap Mehta	Chairman
Mr. Mukund Mehta	Managing Director and CEO
Mr. Paresh Mehta	Managing Director
Mr. Bhavin Mehta	Director

(D) Enterprises significantly influenced by Directors and/or their relatives

NBZ Pharma Pvt Ltd.

Nature of Transaction	Rs. In Lac		Enterprises significantly influenced by Directors and their relatives	
	Subsidiary Company	Directors and Their Relatives	2010	(2009)
Repayment of loans		167.70	(10.18)	
Loans received		9.57	(10.14)	
Purchases				3370.04 (107.99)
Sales				409.52 (123.60)
Subscription of Shares				
Advances given				
Repayment of advances				
Directors' Remuneration and Sitting Fees		34.28	(31.95)	
Rent Receivable	1			
Outstanding				
a) Payable		NIL	(160.13)	
b) Receivable	4.13			1370.05 (743.52)

(E) Employee Stock Option Plan

The Compensation Committee of the Board granted 1,29,100 options during the year under Kilitch ESOS 2007. Each option is convertible into one equity share of Rs.10/- each at modified exercise price of Rs.47.50/- per share. The options granted would vest over a vesting period of 3 years from the date of grant.

The employee compensation cost applicable is Rs.1,00,37,624 inclusive of Rs.46,47,648 charges for earlier years resulting due to modification in the exercise price during the year. This working has been done on the basis of net outstanding options and has been computed in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

(F) The Major Components of deferred Tax /Assets/ Liability , based on the effect of the timing differences , as at 31, March , 2010, are as under

	2010	Rs. in Lacs 2009
Deferred Tax Liability	-	-
Depreciation	49.84	(44.25)
Deferred Tax Assets		
Minimum Alternative Tax	500.69	
Net Deferred Assets	450.85	

(G) Value of Imported and Indigenous Raw and Packing Materials, Stores and Spare Parts consumed:

	2009-10		2008-09	
	Value in Rs. Lacs	%	Value in Rs. Lacs	%
<i>Raw, Packing Materials & Stores and Spares :</i>				
Imported	1033.51	10.25	(859.75)	(10.11)
Indigenous	9049.13	89.75	(8503.79)	(90.82)
Total	10082.64	100.00	(9363.54)	(100.00)

(H) Expenditure in Foreign Currency:

	Rs. In Lacs.	
	2009-10	2008-09
Raw Material Purchase	896.03	(859.75)
Packing Materials	137.48	-
Capital Goods	41.20	-
Business Promotion & Traveling	57.54	(23.11)

(I) Earnings in Foreign Currency:

	Rs. In Lacs.	
	2009-10	2008-09
Exports	633.94	(827.58)

(J) Segment information

The company is predominantly engaged in Pharmaceutical business & this constitutes the only reportable business segment in accordance with the requirement of Accounting Standard 17- Segment Reporting issued by the Institute of Chartered Accountants of India.

(K) Installed Capacity, Actual Production:

At Thane, Mumbai

Product	Installed Capacity	Actual Production*
Injectables	30,00,00,000 (Units)	25,39,83,915 (Units) [23,43,32,836 units]

At Paonta Sahib, Himachal Pradesh

Product	Installed Capacity	Actual Production*
Dry Powder	9,00,00,000 (Units)	3,60,36,637 (Units) [3,15,00,000 units]
Small Vials	9,00,00,000 (Units)	3,88,68,686 (Units) [3,15,00,000 units]
Small Ampoules	4,50,00,000 (Units)	1,82,89,562 (Units) [1,57,50,000 units]

*Note: Actual Production includes Loan License production.

(L) Auditors Remuneration

	2009-10	Rs. In Lacs. 2008-09
Audit Fees	2.00	(1.00)
Tax Audit Fees	0.50	(0.75)
Taxation Matters	0.00	(0.25)
Other Services	0.00	(0.25)
	2.50	(2.25)

(M) Remuneration to the Directors:

	2009-10	(Rs. In Lacs) 2008-09
Salary	34.19	(31.95)

(N) Sundry Debtors and Creditors:

Sundry Creditors: The company has sent request to its creditor's asking them if they are covered under micro small and medium industries. As no confirmation from the creditors were received the company has not classified creditors in to micro, small and medium industries and outstanding payable to them has been shown separately. The Sundry creditors are fully payable.

Sundry Debtors, Loans and Advance : The Sundry Debtors, Loan and advance are unsecured and considered good. Rs.4.13 Lacs is receivable from a subsidiary company.(Previous year Nil)

(O) Earnings per Share:

	2009-10	2008-09
Profit Attributable to Equity Shareholders	1097.34	1114.35
No. of Equity share outstanding during the year	13202122	13202122
Nominal Value of Equity Share Rs.	10/-	10/-
Earnings per Share (Rs.)	8.31	8.44
Diluted Earnings Per Share (Rs.)	8.14	-

As Per our report of even date attached
For **R.N.R. Iyer & Co.**
Chartered Accountants
Firm Registration No. 103786W

Rajkumar Iyer
Proprietor
Membership No. 33964

PLACE : MUMBAI
DATE : 10th August, 2010

For and on behalf of Board of Directors

Pratap K. Mehta : Chairman
Mukund P. Mehta : Managing Director & CEO
Paresh P. Mehta : Jt. Managing Director
Bhavin M. Mehta : Director

Kanika Bareja(Ms.) : Company Secretary

Statement pursuant to Part IV of Schedule VI to the Companies Act, 1956

Balance Sheet Abstract and Company's General Business Profile.

I Registration Details :

Registration No.	66718	State Code	11
Balance Sheet Date	31-Mar-2010		

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

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
		Preferential Allotment	Nil

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

Total Liabilities	11,731.49	Total Assets	11,731.49
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Sources of Funds

Paid-up Capital	1,320.21
Reserves and Surplus	6,112.31
Secured Loans	4,298.97

Application of Funds

Net Fixed Assets	6,636.22
Investments	146.58
Net Current Assets	4,462.22
Misc. Expenditure	35.62
Accumulated Losses	-
Deffered Tax Assets	450.86

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

Turnover (Gross Revenue)	14,313.21
Total Expenditure	12,934.70
Profit Before Tax	1,378.51
Profit After Tax	1,097.34
Earnings per share in Rs.	8.31
Dividend (%)	10

V Generic Names of Three Principal Products/Services of Company (as per Monetary Terms) :

Item Code No.		300.20
Product Description	Gentamicin Sulphate Inj. IP	
Item Code No.		300.20
Product Description	Dexamethason Sodium Phosphate Inj. IP	
Item Code No.		300.20
Product Description	Vit. B-Complex Inj. NFI	

As Per our report of even date attached

For R.N.R. Iyer & Co.
Chartered Accountants
Firm Registration No. 103786W

Rajkumar Iyer
Proprietor
Membership No. 33964

PLACE : MUMBAI
DATE : 10th August, 2010

For and on behalf of Board of Directors

Pratap K. Mehta : Chairman
Mukund P. Mehta : Managing Director & CEO
Paresh P. Mehta : Jt. Managing Director
Bhavin M. Mehta : Director

Kanika Bareja(Ms.) : Company Secretary

Cash Flow Statement for the year ended March 31, 2010

	Rs. in Lacs	
	March 31, 2010	March 31, 2009
Cash Flow from Operating Activities:		
Net Profit before Tax	1,378.51	1,270.70
Adjustments for:		
Depreciation	607.26	613.30
Loss on Sale of Fixed Assets		
Interest from Banks & Others	(11.58)	(10.70)
Dividend received	(0.93)	(0.95)
Employee Stock Option	53.89	-
Miscellaneous expenditure w/off	20.91	20.91
Operating Profit before working capital changes	2,048.07	1,893.26
Adjustments for:		
Inventories	81.70	237.65
Sundry Debtors	666.83	(1,470.32)
Loans and Advances	1,240.38	112.21
Current Liabilities	(2,157.89)	387.47
Taxes paid	(319.64)	(110.00)
Net Cash flow from Operating Activities	1,559.45	1,050.27
Cash Flow from Investing Activities:		
Purchase of Fixed Assets (net)	(1,849.32)	(1,005.55)
Investments (Net of Profit)	(125.00)	-
Interest from Banks & Others	11.58	10.70
Dividend received	0.93	0.95
Miscellaneous Expensess	-	(11.27)
Net Cash flow from Investing Activities	(1,961.81)	(1,005.17)
Cash Flow from Financing Activities:		
Dividend paid (incl. div. tax)	(150.97)	(154.46)
Paid for long term loans	756.55	(723.52)
Proceeds from Warrants	-	348.00
Net Cash flow from Financing Activities	605.58	(529.98)
Net Increase/Decrease in Cash & Cash Equivalents	203.22	(484.88)
Cash & Cash Equivalents, beginning of the year	17.68	502.56
Cash & Cash Equivalents, end of the year	220.90	17.68

This is the Cash Flow Statment referred in our report of even date

For R.N.R. Iyer & Co

Chartered Accountants

Firm Registration No. 103786W

Rajkumar Iyer

Proprietor

Membership No. 33964

PLACE : MUMBAI

DATE : 10th August, 2010

For and on behalf of Board of Directors

Pratap K. Mehta : *Chairman*

Mukund P. Mehta : *Managing Director & CEO*

Paresh P. Mehta : *Jt. Managing Director*

Bhavin M. Mehta : *Director*

Kanika Bareja(Ms.) : *Company Secretary*



DIRECTORS REPORT

To
The Members,

Your Directors are pleased to present the First Annual Report of Company together with the Audited Statement of Accounts and the Auditors' Report of your company for the financial year ended, 31st March, 2010. The summarized financial results for the year ended 31st March, 2010 are as under:

Financial Results

Particulars	For the Financial Year ended 31 st March, 2010 (Amount in Rs.)
Sales & Other Income	1,12,579
Profit before Interest, Depreciation & Tax	(23,76,105)
Less: Depreciation	NIL
Less: Interest	963
Net Profit Before Tax	(23,77,068)
Less : Provision for Tax	NIL
Profit / (Loss) after Tax	(23,77,068)
Add : Profit / (Loss) brought forward	NIL
Balance Carried over to Balance Sheet	(23,77,068)
Transfer to General Reserve	NIL
Proposed Dividend	NIL
Balance Transferred to Balance Sheet	(23,77,068)

Review of Operation

During the period under review, the Company has incurred losses to the tune of Rs.23,77,068/-.

Dividend

As the Company has incurred losses for the year under review, your Board is unable to recommend any dividend for the year ended 31st March, 2010.

Capital Expenditure

During the year under review, the Company did not incur any Capital Expenditure during the financial year.

Auditors

The Auditors, M/s R. N. R. Iyer & Co., Chartered Accountants, having its office at No.10, Vaishak, 2B, P.K. Road, Nahur, Mulund (West), Mumbai-400080 hold office until the conclusion of the ensuing Annual General Meeting. The members are requested to appoint auditors and to fix their remuneration.

The Directors appointed M/s R. N. R. Iyer & Co., Chartered Accountants to fill-in the casual vacancy caused by the resignation of M/s R. S. Negi & Co., Chartered Accountants, Mumbai to hold office from the conclusion Extra Ordinary General Meeting held on 18th February, 2010 until the conclusion of forthcoming Annual General Meeting of the Company.

Explanation u/s.217(3) of the Companies Act, 1956

Note No.10 to Note to Accounts under Schedule 7:

The Company is in the process of making provision of gratuity.

Directors

During the year Mr. Mukund P. Mehta, Mr. Bhavin M. Mehta, Mr. Paresh P. Mehta and Mr. Pratap K. Mehta were appointed as first Directors of the Company w.e.f 31st December, 2009.

During the year Dr. Ambrish B. Darak, Dr. Ryan B. Dsouza, Dr. Gul J. Nankani and Dr. Nishikant J. Borse were appointed as Director of the Company w.e.f 1st March, 2010.

During the year under review, Mr. Paresh Mehta and Mr. Bhavin Mehta, Directors retire by rotation and being eligible offer themselves for reappointment at the forthcoming Annual General Meeting.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Board of Directors of the Company confirms that:

1. In preparation of the Annual Accounts for the financial year 2009-10, the applicable accounting standards have been followed.
2. The Directors had selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. The Directors had prepared the Annual Accounts on a going concern basis.

Particulars of Employees

There is no employee in the Company whose particulars are required to be given under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

Deposits

The Company has not accepted any deposits from the Public within the meaning of the provisions of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars as required under the provisions of Section 217(1)(e) of the Companies Act, 1956 in respect of conservation of energy and technology absorption apply to the Company and details of the same attached herewith in Annexure prescribed.

Further during the year under review, the Company has neither earned nor used any foreign exchange.

Secretarial Compliance Report:

Secretarial Compliance Report pursuant to Section 383A of the Companies Act, 1956 as issued by Practicing Company Secretary is annexed to this Report.

Acknowledgements

Directors place on record their gratitude for the continuing support of Shareholders, bankers and Business associates at all levels.

For and on behalf of the Board

Place: Mumbai
Date: 15th April, 2010

Pratap Mehta **Mukund Mehta**
Director *Director*



FORM - A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	2009-2010	2008-2009
(A) POWER AND FUEL CONSUMPTION		
1. Electricity		
a. Purchased		
Units	NIL	NIL
Total Amount (Rs. In lacs)	NIL	NIL
Rate/ Unit Rs.	NIL	NIL
b. Own Generation		
I) Through Diesel Generator ltr.	NIL	NIL
II) Through Steam Turbine	NIL	NIL
(B) CONSUMPTION PER UNIT OF PRODUCTION		
Product :		
Production Kgs.	NIL	NIL
Electricity * Units		
L.D.O. / F.O. Litres		

FORM - B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION

This is the first financial year of the company and company not yet started any manufacturing activity. The Company is in planning to start manufacturing activities at the plants installed and till the report of the directors the company has not absorbed any technology and conserved energy.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

The Company has not received and nor issued any foreign currency during the financial year 2009-2010

For and on behalf of the Board

Place: *Mumbai*
Date: *15th April, 2010*

Pratap Mehta **Mukund Mehta**
Director *Director*



FORM

[SEE RULE 3]

Compliance Certificate

Registration No.: 11-198224

Nominal Capital: Rs.100,000,000 /-

To,
The Members
EYE KARE KILITCH LIMITED
Ujagar Industrial Estate,
W.T. Patil Marg, Deonar,
MUMBAI : 400088

I have examined the registers, records, books and papers of **EYE KARE KILITCH LIMITED** (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2010. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this Certificate, as per the provisions of the Companies Act, 1956 (herein after referred to as the Act) and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in **Annexure 'B'** to this Certificate, with the Registrar of Companies, Maharashtra, within the time prescribed under the Act (except specifically mentioned) and the rules made there under for the financial year under review.
3. The Company being public limited company, comments in this regard are not required.
4. The Board of Directors duly met **10 times** on 4th January, 2010, 15th January, 2010, 20th January, 2010, 21st January, 2010, 25th January, 2010, 9th February, 2010, 15th February, 2010, 25th February, 2010, 1st March, 2010 and 22nd March, 2010, in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company did not close its Register of Members pursuant to Section 154 of the Act during the financial year under review.
6. The Current year being the first financial year under review, its First Annual General Meeting is scheduled to be held on or before 30th June 2011, pursuant to first proviso to sub-section (1) of Section 166 of the Companies Act, 1956.
7. Four [4] Extra-ordinary General Meetings were held on 18th January, 2010, 5th February, 2010, 18th February, 2010 and 3rd March, 2010, after giving due notice to the members of the Company and the resolution passed thereat were duly recorded in Minutes Book maintained for the purpose.
8. Since the Company has not advanced Loans to Directors of the Company or Firms or Companies referred in Section 295 of the Act, hence provisions of the said section regarding loans advanced do not apply and hence there is nothing to report in this matter.
9. The Company has entered into contracts falling within the purview of Section 297 of the Act.
10. As the Company has entered into contract(s) in which Director(s) of the Company is/are interested pursuant to Section 301 of the Act for the year under review and hence entry in this regard has made in the Register as maintained by the Company for this purpose.
11. None of the Directors of the Company holds office or place of profit pursuant to the provisions of Section 314 of the Companies Act, 1956.
12. The Company did not issue any Duplicate Share Certificates for the financial year under review; hence there is nothing to report in this matter.
13. i. The Company has allotted 12,00,000 Equity Shares of Rs.10 each at par and Company has transferred the shares during the financial year under review.
ii. The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year under review.
iii. The Company was not required to pay/post warrants for dividends to all its members within the period of 30 (Thirty) days as no dividend was declared during the financial year under review and the Company was not required to transfer any Unclaimed/Unpaid dividend to any Unpaid Dividend Account of the Company during the financial year under review.
iv. The Company was not required to transfer the amounts in unpaid dividend account, application money due for refund, matured deposits and the interest accrued thereon which have remained unclaimed or unpaid or a period of seven years to Investor Education and Protection Fund during the financial year under review.
v. The Company has duly complied with the requirements of Section 217 of the Act for the financial year under review.
14. The Board of Directors of the Company is duly constituted.
15. The Company has not appointed any Managing Director and / or Whole-time Director of the Company pursuant to Section 269 read with Schedule XIII of the Act during the year under review.
16. The Company has not appointed any sole-selling agents during the financial year under review in compliance of the provisions of the Act.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies or such other authorities as may be prescribed under the various provisions of the Act during the financial year under review.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under for the financial year under review.
19. The Company has issued 12,00,000 Equity Shares of Rs.10 each during the financial year under review.
20. The Company has not bought back any shares during the financial year under review.
21. The Company has not redeemed any preference shares/debentures during the financial year under review.
22. There were no transactions requiring the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares in compliance with the provisions of the Act during the financial year under review.



23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Act read with The Companies (Acceptance of Deposits) Rules, 1975 during the financial year under review and hence there is nothing to report in this matter.
24. The Company has not exceeded the limits pursuant to the provisions of Section 293 (1) (d) of the Act and hence there is nothing to report in this matter.
25. The Company has not made any loans or Investments, or given guarantees or provided securities, in other bodies corporate in accordance to the provisions of Sec.372A of the Act, during the financial year under review.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the company during the year under scrutiny.
29. The Company has altered the Memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has altered its Articles of Association during the financial year with respect to share capital of the Company during the year under scrutiny.
31. There was no prosecution initiated against or show cause notices received by the Company for alleged offences under the Act and also no fines and penalties or any other punishment was imposed on the Company during the financial year under review.
32. The Company has not received any money as security from its employees during the year under certification to be deposited as per provisions of Section 417(1) of the Act during the financial year under review.
33. There is nothing to report regarding employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to the provisions of Section 418 of the Act for the financial year under review.

M/s. DEEP SHUKLA & ASSOCIATES
COMPANY SECRETARIES

Place: Mumbai
Date : 15th April, 2010

(PROPRIETOR)
FCS: 5652
C.P.NO.5364

Annexure A

The Company has maintained the following Registers during the financial year ending on 31st March, 2010.

- i. Register of Members and Shareholders u/s 150 of the Companies Act, 1956.
- ii. Register of Share Transfers.
- iii. Register of Directors, Managing Directors, etc. u/s 303 of the Companies Act, 1956.
- iv. Register of Directors' Shareholdings u/s 307 of the Companies Act, 1956.
- v. Returns u/s.163 of the Companies Act, 1956.
- vi. Minutes Book of the Meetings of:
 - Board Meetings.
 - General Meetings.

Annexure B

Forms and Returns as filed by the Company with the Registrar of Companies, Maharashtra, during the financial year ending on 31st March, 2010.

1. Form 5 & 23 for increase in Authorized Capital from Rs.10 Lakh to Rs.1 Crore pursuant to Section 16 of the Companies Act, 1956 was filed with the Registrar of Companies, Maharashtra.
2. Form 5 & 23 for increase in Authorized Capital from Rs.1 Crore to Rs.1.25 Crores pursuant to Section 16 of the Companies Act, 1956 was filed with the Registrar of Companies, Maharashtra.
3. Form 5 & 23 for increase in Authorized Capital from Rs.1.25 Crores to Rs.10 Crores pursuant to Section 16 of the Companies Act, 1956 was filed with the Registrar of Companies, Maharashtra.
4. Form 2 for allotment of 950000 equity shares of Rs.10/- each w.e.f. 20th January, 2010 pursuant to Section 75 of the Companies Act, 1956 was filed with the Registrar of Companies, Maharashtra.
5. Form 2 for allotment of 250000 equity shares of Rs.10/- each w.e.f. 15th February, 2010 pursuant to Section 75 of the Companies Act, 1956 was filed with the Registrar of Companies, Maharashtra.
6. Form 23 for amendment in the Articles of Association of the Company w.e.f. 18th February, 2010 pursuant to Section 31 of the Companies Act, 1956 was filed with the Registrar of Companies, Maharashtra.
7. Form 32 for appointment of Directors of the Company w.e.f. 1st March, 2010 pursuant to Section 303(2) of the Companies Act, 1956 was filed with the Registrar of Companies, Maharashtra.



AUDITORS' REPORT

TO THE MEMBERS OF THE EYEKARE KILITCH LIMITED

We have audited the attached Balance Sheet of **Eyekare Kilitch Limited** ('the Company'), as at 31st March 2010 and also the Profit and Loss Account of the Company for the period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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 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 estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- I. As required by the Companies (Auditors' Report) Order, 2003 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act 1956, and on the basis of such checks of the books and records as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
- II. Further to our comments in the Annexure referred to in paragraph I 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 purpose 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 and the Profit and Loss Account dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent they are applicable to the Company.
- (e) On the basis of the written representations received from the directors of the Company as on 31st March 2010, and taken on record by the Board of Directors of the Company, 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.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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; and
- (ii) In the case of the Profit and Loss Account, of the loss of the Company for the period ended on that date;

For **R. N. R. Iyer & Co.**,
Chartered Accountants
Firm Registration No.103786W

Rajkumar Iyer
Proprietor
FCA 33964

Place : *Mumbai*
Date : *15th April, 2010*



ANNEXURE to the Auditors' Report

The Annexure referred to in Paragraph I of the Auditors' Report to the members of **Eyekare Kilitch Limited** ('the Company') for the year ended 31st March 2010. We report that:

Fixed Assets:

1. As the Company does not have any fixed assets clause 4(i)(a),4(i)(b) and clause 4(i)(c) are not applicable

Inventory:

2. The Company does not hold any inventory and hence clause 4(ii)(a),4(ii)(b) and clause 4(ii)(c) are not applicable

Loans and Advances:

3. According to the information and explanations provided to us by the management, the Company has not granted or taken any loans, secured or unsecured, to or from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

Internal Controls:

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of office supplies and fixed assets, and for the sale of services. Further, on the basis of our examination, and according to the information and explanations given to us, we have neither come across nor we have been informed of any instances of major weaknesses in the aforesaid internal control system.

Contracts or Arrangements referred to in Section 301 of the Companies Act 1956:

5. To the best of our information and according to the information and explanations provided to us by the management, 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.
6. According to the information and explanations provided to us by the management, the transactions made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

Deposits:

7. In our opinion and according to the information and explanations given to us the Company has not accepted any deposits from the public to which the provision for section 58,58AA or any other relevant provisions of Companies Act 1956 and the Companies (Acceptance of Deposits) Rules 1975 apply.

Internal Audit:

8. The Company does not have an internal audit system for the period under audit.

Cost Audit:

9. Since the Company has not started its manufacturing activities it has not maintained any cost records as required under section 209(1)(d) of the Companies Act 1956

Statutory Dues:

10. According to the books and records of the Company as produced

and examined by us and according to the information and explanations provided to us the Company has recovered profession tax on salaries paid to employees which have to be deposited with the appropriate authorities.

12. According to the information and explanations provided to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty or any other statutory dues were outstanding as at 31st March 2010 for a period of more than six months from the date they became payable.

13. According to the information and explanations provided to us, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty or cess which have not been deposited on account of any dispute.

Potentially Sick Company:

14. This is the first year of the Company and hence para (x) is not applicable to the Company.

Repayment of Dues:

15. Based on our audit procedures and according to the information and explanations provided to us by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institution, bank or debenture holders.

Guarantees Given:

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

Term Loans:

17. According to the records of the Company and according to the information and explanations provided to us, the Company has not availed any term loans during the period under audit.

Sources and Application of Funds:

18. On the basis of review of utilization of funds, which is based on an overall examination of the Balance Sheet of the Company and related information as made available to us and as represented to us by the management, funds raised on short-term basis have not been used for long-term investments.

Fraud:

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

Other Clauses:

20. The following clauses of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company and hence the same are not reported upon:

Clause 4(xii), Clause 4(xiii), Clause 4(xiv) & Clause 4(xviii), clause 4(xix), clause 4(xx)

For **R. N. R. Iyer & Co.**,
Chartered Accountants
Firm Registration No.103786W

Rajkumar Iyer
Proprietor
FCA 33964

Place : Mumbai
Date : 15th April, 2010



Balance Sheet as at 31st March 2010

		Rs. In Lacs
	Schedule	As at March 31, 2010
Sources of Funds		
Shareholders' Funds		
Share Capital	1	125.00
		<u>125.00</u>
Application of Funds		
Investments	2	80.08
Net Current Assets :		
Current Assets, Loans and Advances	3	
Sundry Debtors		1.05
Cash and Bank Balances		30.13
		<u>31.18</u>
Less : Current Liabilities & Provisions		
Current Liabilities	4	10.02
		<u>21.16</u>
Profit and Loss Accounts		23.76
		<u>125.00</u>
Notes on Accounts	9	

The Schedules referred to above form an intergal part of Balance Sheet

As Per our report of even date attached

For **R.N.R. Iyer & Co.**
Firm Registration No. 103786W
Chartered Accountants

For and on behalf of Board of Directors

Mukund P. Mehta : Director
Bhavin M. Mehta : Director

Rajkumar Iyer
Proprietor
Membership No. 33964

PLACE : MUMBAI
DATE : 15th April, 2010



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

		Rs. In Lacs
	Schedule	As at March 31, 2010
Income		
Sales		
Trading		1.05
Other Income		
Dividend		0.08
		1.13
Expenditure		
Cost of Material Consumed	5	0.98
Operating and Administrative Expenses	6	19.65
Selling Expenses	7	3.67
Interest & Financial Expenses	8	0.01
Preliminary Expenses Written off		0.58
		24.88
Profit before Taxation		(23.76)
Balance Carried Forward		(23.76)
Notes on Accounts	9	

The Schedules referred to above form an intergal part of profit and Loss Account

As Per our report of even date attached

For **R.N.R. Iyer & Co.**
Firm Registration No. 103786W
Chartered Accountants

For and on behalf of Board of Directors

Mukund P. Mehta : Director

Bhavin M. Mehta : Director

Rajkumar Iyer
Proprietor
Membership No. 33964

PLACE : MUMBAI
DATE : 15th April, 2010



SCHEDULES FORMING PART OF THE BALANCE SHEET

Rs. In Lacs

March 31, 2010

Schedule 1 : Share Capital

Authorised

100,00,000 Equity Shares of Rs. 10 each fully paid

1000.00

Issued, Subscribed and Paid-up

12,50,000 Equity Shares of Rs. 10 each fully paid

125.00

125.00

Schedule 2 : Investments

Investment (Fully Paid at Cost)

HDFC Mutual Funds [Market value : 80 07 579]

80.08

80.08

Schedule 3 : Current Assets, Loans and Advances

A) *Considered good*

Debts outstanding for a period exceeding six month

Others Debts

-

1.05

1.05

B) **Cash and Bank Balances**

Cash balance on hand (as certified by Directors)

Bank Balances with Scheduled Banks in Current Accounts

-

30.13

30.13

Schedule 4 : Liabilities

Sundry Creditors

Other Liabilities

10.03

10.03

Schedule 5 : Cost of Materail Consumed

Opening Stock

Purchases

Less Closing Stock

-

0.98

-

0.98

Schedule 6 : Operating and Administrative Expenses

Employee Salary and Welfare

Registration Expenses

Pre Incorporation Expenses

Audit Fees

Printing and Stationery

Rent

Store and Consumbales

9.08

8.01

1.05

0.20

0.20

1.00

0.11

19.65

Schedule 7 : Selling Expenses

Business Promotion

Commission

3.28

0.39

3.67

Schedule 8 : Interest and Financial Expenses

Bank Interest, Commission & Charges

0.01

0.01



Schedule 7

(A) Significant Accounting Policies

1. Basis of Preparation of Financial Statements:

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and on the accounting principles of a going concern in accordance with all the applicable accounting principles generally accepted in India and comply with the mandatory applicable accounting standards notified under subsection (3C) of section 211 of the Companies Act 1956 and other relevant provision of the Companies Act 1956 and the rules, regulation and guidelines made there.

Accounting policies not specifically referred to otherwise are consistently applied by the Company and are in consonance with generally accepted accounting principles recognized in the form of accounting standards

During the period, as the Company is engaged in a single segment, accordingly segment information as required by accounting standards (AS-17) on segment reporting issued by the ICAI is not applicable

2. Estimates:

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

3. Revenue recognition

Revenue is accounted and recognized on accrual basis.

4. Fixed Assets

There are no fixed assets purchased or sold during the period.

5. Valuation of Inventories

Inventories are stated at cost or net realizable value whichever is lower.

6. Investments

Investments that are readily realizable and are intended to be held for not more than a year are classified as current investments or otherwise termed as long term investments

7. Taxes on Income:

Income tax expense comprises current tax and deferred tax charge or credit. The deferred tax assets and liabilities are calculated by applying tax rates and tax laws that have been enacted at the Balance Sheet date. Deferred tax assets are recognized only if there is virtual certainty of its realization. The carrying amount of deferred tax is reviewed at each balance sheet date to re-assess realization.

8 Miscellaneous Expenditure :

Preliminary Expenses have been wholly written off during the period as per AS-26 'Intangible Assets' issued by the Institute of Chartered Accountants of India

9 Provisions & Contingencies:

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognized in the period in which the change occurs.

10 Earnings per share:

The Company considers the net profit after tax before provision of deferred tax liability for determining the earnings per share. The company takes the weighted average number of equity shares outstanding during the year for the computation



Notes to Accounts

1. The Company was incorporated on 31st December 2009. Consequently, the accounts for the period do not have any prior period comparatives, since this is the first period of reporting.
2. In the opinion of the management, the current assets, Loans and advances are an approximation of the value stated, if realized in the ordinary course of business. The provisions for all known liabilities are made and are adequate and not in excess of the amount considered reasonably necessary.
3. There are no contingent liabilities as at 31st March 2010
4. No provision for income tax has been made, as there is no taxable income for the period, and no tax is payable as Minimum Alternate Tax.
5. Operating Lease (rent for premises) payments recognized in the Profit and Loss Account amount to Rs. 100000/-

In accordance with the requirements of Accounting Standard – 19, Leases issued by the Institute of Chartered Accountants of India, future obligation/rights as on the Balance Sheet Date for lease arrangements amounts to :-

	Payable Rs.
Due within one year	6,00,000
Due within following four years	24,00,000
Due after five years	Nil

6. Payment to Auditors' (excluding service tax)

For the Period Ended 31st March 2010.

Audit fees	20,000
Other matters	NIL

7. Earnings per Share (EPS)

Basic and Diluted EPS

Earnings per share has been computed as under:

a) Loss as per Profit & Loss Accounts	2377068
b) No of share	1250000
c) The Weighted average number of equity shares for basic EPS	618131
(Accounting period 91 days, date of allotment 15th February, 2010 i.e.45 day)	
d) Earnings per share (Face Value of Rs. 10 per Share)	NIL

8. Details of transactions entered into with related parties during the year as required by Accounting Standard (AS)-18 on related Party Disclosures issued by the institute of Chartered Accountants of India are given bellow.

A. Names of related parties and description of relationship

Sr.No	Nature of Relationship	Name of the related party
1	Key Management Personnel	Mr. Prataprai Keshavji Mehta Mr. Mukund Prataprai Mehta Mr. Paresh Prataprai Mehta Mr. Bhavin Mukund Mehta
2	Holding Company	Kilitch Drugs India Ltd.
3	Associate Companies	NBZ Pharma Ltd, J.D. Enterprises, Kilitch Company Pharma Ltd



B. Transaction during the year and balance outstanding as at the year end in respect of transaction entered during the year with the related parties.

S.No	Nature of the Transaction	Holding Company	Associated Companies	Key Management personal	Total
		Amount in (Rs.)	Amount in (Rs.)	Amount in (Rs.)	Amount in (Rs.)
i.	Sales	-	1,05,000.00	-	1,05,000.00
ii.	Purchase	-	1,08,544.80	-	1,08,544.80

9. MSMED Act, 2006:

The Company does not have any "Supplier" who are, Small and Medium Enterprise as defined under the Micro Small and Medium Enterprise Development Act, 2006 hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

10. Provision for gratuity:

The company has not made any provision for gratuity.

Signature to schedules 1 to 7

As Per our report of even date attached

For **R.N.R. Iyer & Co.**
Chartered Accountants
Firm Registration No. 103786W

Rajkumar Iyer
Proprietor
Membership No. 33964

PLACE : MUMBAI
DATE : 15th April, 2010

For and on behalf of Board of Directors

Mukund P. Mehta : Director
Bhavin M. Mehta : Director



Statement pursuant to Part IV of Schedule VI to the Companies Act, 1956

Balance Sheet Abstract and Company's General Business Profile.

I Registration Details :

Registration No.	198224	State Code	11
Balance Sheet Date	31-Mar-10		

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

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
		Preferential Allotment	Nil

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

Total Liabilities	101.24	Total Assets	101.24
-------------------	--------	--------------	--------

Sources of Funds

Paid-up Capital	125.00
Reserves and Surplus	(23.76)
Secured Loans	-

Application of Funds

Net Fixed Assets	-
Investments	80.08
Net Current Assets	21.16
Misc. Expenditure	-
Accumulated Losses	-
Deffered Tax Liability	-

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

Turnover (Gross Revenue)	1.13
Total Expenditure	24.88
Profit Before Tax	(23.76)
Profit After Tax	(23.76)
Earnings per share in Rs.	Nil
Dividend (%)	Nil

V Generic Names of Three Principal Products/Services of Company (as per Monetary Terms) :

Item Code No.		300.20
Product Description	Moxifloxacin Hcl	
Item Code No.		300.20
Product Description	Gati Floxcin	
Item Code No.		300.20
Product Description	Carboxymethyl Cellulose Sodium	

As Per our report of even date attached

For **R.N.R Iyer & Co.**
Chartered Accountants
Firm Registration No. 103786W

Rajkumar Iyer
Proprietor
Membership No. 33964

PLACE : MUMBAI
DATE : 15th April, 2010

For and on behalf of Board of Directors

Mukund P. Mehta : Director

Bhavin M. Mehta : Director



Cash Flow Statement for the year ended March 31, 2010

Rs. in Lacs

31st March, 2010

Cash Flow from Operating Activities:

Net Profit before Tax (23.76)

Adjustments for:

Depreciation -
Loss on Sale of Fixed Assets -
Interest from Banks and Others -
Dividend received (0.08)
Profit on Sale of Investments -
Profit on Sale of Mutual Fund -
Employee Stock Option -
Miscellaneous expenditure w/off -

Operating Profit before working capital changes (23.84)

Adjustments for:

Inventories -
Sundry Debtors (1.05)
Loans and Advances -
Current Liabilities 10.02
Taxes paid -

Net Cash flow from Operating Activities (14.87)

Cash Flow from Investing Activities:

Purchase of Fixed Assets (net) -
Investments (Net of Profit) (80.08)
Interest from Banks & Others -
Dividend received 0.08

Net Cash flow from Investing Activities (80.00)

Cash Flow from Financing Activities:

Increase on Share Capital (including Shares Premium) 125.00
Prior Period Expenses -
Dividend paid (incl. div. tax) -
Capital Subsidy for H.P. Project -
Paid for long term loans -
Proceeds from Warrants -

Net Cash flow from Financing Activities 125.00

Net Increase/Decrease in Cash and Cash Equivalents 30.13

Cash & Cash Equivalents, beginning of the year -

Cash & Cash Equivalents, end of the year 30.13

As Per our report of even date attached

For **R.N.R. Iyer & Co.**
Chartered Accountants
Firm Registration No. 103786W

Rajkumar Iyer
Proprietor
Membership No. 33964

PLACE : MUMBAI
DATE : 15th April, 2010

For and on behalf of Board of Directors

Mukund P. Mehta : Director
Bhavin M. Mehta : Director

Consolidated Financial Statements

On the Consolidated Financial Statement of Kilitch Drugs India Limited

To

The Board of Directors of Kilitch Drugs (India) Limited

We have audited the attached Consolidated Balance Sheet of Kilitch Drugs India Limited and its subsidiary, "Group" (refer Note 1(a) on Schedule 20 to the attached consolidated financial statements) as at March 31, 2010, the related Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed hereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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 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 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.

We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 , Consolidated Financial Statements, Accounting Standard (AS) 23 – Accounting for Investments in Associates in Consolidated Financial Statements, and Accounting Standard notified under sub section 3C of Section 211 of the Companies Act, 1956.

Based on our audit of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statement give a true and fair view in conformity with the accounting principles generally accepted in India.

In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2010;

In the case of the Consolidated Profit and Loss Account of the Profit of the Group for the year ended on that date; and In the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For M/s R.N.R. Iyer & Co.,

Chartered Accountants

Firm Registration No 103786W

Rajkumar Iyer

(Proprietor)

Membership No 33964

Place : Mumbai

Dated : 10th August 2010

Consolidated Balance Sheet as at 31st March 2010

			Rs. In Lacs
	Schedule		As at March 31, 2010
Sources of Funds :			
Shareholders' Funds			
Share Capital	1	1320.21	
Reserves and Surplus	2	6088.57	<u>7408.78</u>
Loan Funds			
Secured Loan	3		<u>4298.97</u>
			<u>11707.75</u>
Application of Funds			
Fixed Assets			
Gross Block	4	7098.68	
Less: Depreciation		2673.06	
Net Block		4425.62	
Capital Work in Progress		2210.61	6636.23
Differed Tax Assets (net)			450.86
Investments	5		<u>101.66</u>
			101.66
Net Current Assets :			
Current Assets, Loans and Advances			
Inventories	6	1245.00	
Sundry Debtors	7	4791.72	
Cash and Bank Balances	8	251.03	
Loans and Advances	9	313.44	<u>6601.19</u>
Less : Current Liabilities and Provisions			
Current Liabilities	10	1399.09	
Provisions	11	718.72	<u>2117.81</u>
			4483.38
Miscellaneous Expenditure (To the extent not written off or adjusted)	12		35.62
			<u>11707.75</u>
Notes on Accounts	20		

The Schedules referred to above form an integral part of Consolidated Balance Sheet

This is the Consolited Balance Sheet referred to in our Report of even date

For R.N.R. Iyer & Co.
Firm Registration No. 103786W
Chartered Accountants

Rajkumar Iyer
Proprietor
Membership No. 33964

PLACE : MUMBAI
DATE : 10th August, 2010

For and on behalf of Board of Directors

Pratap K. Mehta : Chairman
Mukund P. Mehta : Managing Director & CEO

Paresh P. Mehta : Jt. Managing Director
Bhavin M. Mehta : Director

Kanika Bareja(Ms.) : Company Secretary

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

	Schedule	Rs. In Lacs	As at March 31, 2010
Income			
Sales and Other Income			
Sales		14266.24	
Other Income	13	48.10	
			<u>14314.34</u>
Expenditure			
Cost of Material Consumed	14	9827.99	
Employee Cost	15	410.12	
Manufacturing Expenses	16	1219.68	
Administrative Expenses	17	293.18	
Interest and Financial Expenses	18	453.49	
Selling Expenses	19	147.86	
Depreciation		607.26	
			<u>12959.58</u>
Profit before Taxation			1354.76
Provision for Taxation		275.58	
Provision for Deferred Tax		5.59	
			<u>1073.60</u>
Profit after Taxation			1073.60
Prior Period Interest on Tax		3.97	
Prior Period Expenses		46.47	
			<u>50.44</u>
			<u>1023.16</u>
Balance Brought Forward			1,805.74
Profit Available for Appropriation			2828.90
Appropriation:			
Transfer to General Reserve			110.00
Dividend			
Proposed Dividend		132.02	
Tax on Proposed Dividend		22.44	
			<u>154.46</u>
Balance Carried Forward			2,564.44
Basic earnings per share			7.74
Diluted earnings per share			7.58
Nominal value per share			10.00
Notes on Accounts	20		

The Schedules referred to above from an intergal part of Consolidated Profit and Loss Account

This is the Consolidated Profit and Loss Account referred to in our Report of even date

For **R.N.R. Iyer & Co.**

Firm Registration No. 103786W

Chartered Accountants

Rajkumar Iyer

Proprietor

Membership No. 33964

PLACE : MUMBAI

DATE : 10th August, 2010

For and on behalf of Board of Directors

Pratap K. Mehta : Chairman

Mukund P. Mehta : Managing Director & CEO

Paresh P. Mehta : Jt. Managing Director

Bhavin M. Mehta : Director

Kanika Bareja(Ms.) : Company Secretary

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Rs. In Lacs

March 31, 2010

Schedule 1 : Share Capital

Authorised

20,00,000 Equity Shares of Rs. 10 each fully paid **2000.00**

Issued, Subscribed and Paid-up

1,32,02,122 Equity Shares of Rs. 10 each fully paid **1320.21**

1320.21

Schedule 2 : Reserves and Surplus

	2009	Addition	Deductions	
Capital Reserve	30.00	-	-	30.00
Share Premium A/c	2457.24	290.00	-	2747.24
Call On Shares Forfeited a/c	-	58.00	-	58.00
Call on Warrants	348.00	-	348.00	-
General Reserve	478.51	110.00	-	588.51
Employee Stock Options	-	206.70	106.32	100.38
Balance in Profit & Loss Accounts	1805.74	782.45	23.75	2564.44
	5119.49	1447.15	478.07	6088.57

Schedule 3 : Secured Loans

From Banks

Working Capital Facilities **2581.70**

(Secured by way of Hypothecation of Stock and Debtors)

Term Loans **1717.27**

(Secured by way of Mortgage of Factory Land and Building)

4298.97

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Rs. In Lacs

March 31, 2010

Schedule 5 : Investments

	Date of Allotment	Class	Nos	Face Vaule of each		
Quoted - Long Term						
Century Enka Ltd	16.11.06	Equity Shares	1000	10.00	0.73	0.73
Colgate Pamolive India Ltd		Equity Shares	100	1.00	0.95	0.95
JK Lakshmi Cement Ltd	16.11.09	Equity Shares	720	5.00	0.33	0.33
Century Textile & Industries Ltd		Equity Shares	500	10.00	2.28	2.28
Pfizer Ltd		Equity Shares	400	10.00	4.94	4.94
Reliance Power Ltd	4.1.2008	Equity Shares	2616	10.00	7.36	7.36
Bengal & Assam Compa	1.1.2009	Equity Shares	15	10.00	4.99	4.99
						21.58
Unquoted -Others						
HDFC Mutal Funds						80.08
						101.66

Schedule 6 : Inventories

Raw Material	810.89
Packing Material	128.04
Work-in-Process	178.98
Finished Goods	81.95
Stores and Spare Parts	21.85
Goods in Tranisit	23.29
	1245.00

Schedule 7 : Sundry Debtors [Unsecured]

Considered good	
Debts outstanding for a period exceeding six month	1091.23
Others Debts	3700.49
	4791.72

Schedule 8 : Cash and Bank Balances

Cash in Hand	2.87
With Scheduled Banks on : Current Account	248.17
	251.03

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Rs. In Lacs

March 31, 2010

Schedule 9 : Loans and Advances	
Deposit	278.44
Advance (KILITCH DRUGS - PAONTA SAHIB)	0.00
Advances recoverable in cash or in kind or for value to be received	0.00
Prepaid Expenses	4.68
Taxes Paid	30.32
	<u>313.44</u>
Schedule 10 : Current Liabilities	
Sundry Creditors	1183.17
Other Liabilities	215.92
	<u>1399.09</u>
Schedule 11 : Provisions	
Provisions for Taxation	564.26
Provision for Dividend and Tax	154.46
	<u>718.72</u>
Schedule 12 : Miscellaneous Expenditure	
Opening Balance	56.53
Less : written off during the year	20.91
	<u>35.62</u>
Schedule 13 : Other Income	
Interest from Banks and Others	11.58
Dividend Received	1.01
Foreign Currency Exchange Gain/Loss	14.44
Discount Received	0.96
Miscellaneous Income	1.63
Insurance Claim Received	18.48
	<u>48.10</u>
Schedule 14 : Cost of Material Consumed	
Opening Stock	971.34
Add: Purchases	9726.15
	10697.49
Less: Closing Stock	938.93
	<u>9758.56</u>
Stock of Finished Goods and Work in process:	
Closing Stock	
Finished Goods	81.95
Work-in-progress	178.98
	260.93
Opening Stock	
Finished Goods	119.06
Work-in-progress	211.29
	<u>330.35</u>
	<u>9827.99</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Rs. In Lacs

March 31, 2010

Schedule 15 : Employees Costs

Salaries, Wages and Bonus	329.45
Staff Welfare Expenses	9.15
Company's Contribution to provident and other Funds	15.52
Employee stock Option Plan	53.90
Medical Expenses and Reimbursement	2.10
	<u>401.12</u>

Schedule 16 : Manufacturing Expenses

Labour Charges	26.18
Diesel for Boiler	140.30
Power and Fuel	337.49
Repairs and Maintenance	120.49
Laboratory and Analytical Charges	70.27
Water Charges	4.19
Factory Consumables	325.06
Packing Charges	195.70
	<u>1219.68</u>

Schedule 17 : Administrative Expenses

Directors Remuneration	34.19
Foreign Travel Exp.	32.74
Insurance	10.84
Miscellaneous Expenses	71.43
Miscellaneous Expenses w/off	20.91
Audit Fees	2.70
Printing & Stationery	17.35
Professional Charges	46.55
Telephone & Communication	17.88
Vehicle Expenses	8.97
Travelling Expenses	29.62
	<u>293.18</u>

Schedule 18 : Interest and Financial Expenses

Bank Interest, Commission and Charges	453.49
	<u>453.49</u>

Schedule 19 : Selling Expenses

Business Promotion	87.79
Commission	30.09
Discount Allowed	10.23
Export Expenses	19.75
	<u>147.86</u>

Schedule 20: Consolidated Notes on Accounts

(A) Significant Accounting Policies

1) Accounting Convention

a) Basics of consolidation :-

The Consolidated Financial statement comprises of the financial statement of Kilitch Drugs India Ltd (the holding company) and Eykare Kilitch Limited its 100% Subsidiary Company. The Consolidate financial statements are prepared in accordance with accounting standard 21 as prescribed by ICAI.

The Financial statements of the subsidiary used in the consolidation are drawn up to the same reported date as that of the holding company.

b) The financial statements are prepared under the historical cost convention, on accrual basis of accounting, in conformity with the accounting principles generally accepted in India and comply with the accounting standards referred to in section 211(3C) of the Companies Act, 1956.

2) Revenue Recognition

- a) Sales are recognized on completion of sale of goods and are recorded net of trade discounts, rebates, and excise duty on own manufactured products.
- b) Revenue in respect of export sales is recognized on shipment of products.
- c) Service Income (Processing Charges) is recognized as per contractual terms.
- d) Dividend Income is recognized on receipt basis
- e) Interest Income is recognized on time proportionate method.

3) Fixed Assets and Depreciation

- a) Fixed Assets are stated at historical cost of acquisition/construction less accumulated depreciation and impairment loss. Cost (net of input tax credit received/receivable) includes related expenditure and pre-operative and project expenses for the period up to completion of the construction/assets are put to use.
- b) Depreciation is provided on Written Down Value Method as per Section 205(2)(b), at the rates prescribed for single shift in Schedule XIV of The Companies Act, 1956.
- c) Depreciation on addition/disposal of the Fixed Assets during the year is provided on pro rata basis according to the period during which the assets are put to use.

4) Investments

Investments are valued at cost.

5) Inventories

- a) Raw Material, Packing Material, Stores and spare parts are valued at cost or net realisable value whichever is lower.
- b) Work-in-process and Finished Goods inventories include production overheads, to the extend applicable

6) Miscellaneous Expenditure

Miscellaneous Expenditure is written off on a straight-line basis over a period of five years.

7) Borrowing Costs

Borrowing Costs are recognized as an expense in the period in which they are incurred except the borrowing cost attributable to the acquisition/ construction of a qualifying asset which are capitalized as part of the cost of such asset, up to the date, the assets are ready for their intended use.

8) Foreign Currency Transactions

The transactions in foreign currency are recorded at the exchange rates prevailing on the date of the transaction. The exchange difference resulting from settled transaction is adjusted in the profit and loss account. Year end balances of monetary items are restated at the year end exchange rates and the resultant net gain or loss is adjusted in the profit and loss accounts

9) Taxation

- a) **Excise Duty :-** Excise Duty is accounted net of Cenvat benefit availed on purchases inputs, fixed assets and eligible services.
- b) **Value Added Tax [VAT] :-** VAT is accounted net of VAT paid on purchases and Fixed Assets.

10) Income Tax

- a) Tax expenses comprises current and deferred tax.
- b) Current Tax is measured as the amount expected to be paid in accordance with the provisions of The Income Tax Act, 1961.
- c) Deferred Tax reflects the impact of current year timing differences between book and tax profits and reversal of timing difference of earlier years. Deferred Tax is measured based on the tax rates and laws that have been enacted or substantially enacted as of the Balance Sheet date.
- d) Deferred Tax Assets are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

11) Retirement Benefits

Contributions in respect of defined retirement schemes such as Provident Funds are charged to the Profit and loss Account as incurred. The company does not provide for gratuity as required under AS 15 accounting guidelines prescribed by ICAI. However, whenever an eligible employee retires / resigns services the company computes liability for gratuity as per payment of gratuity Act, and charges it to the profit and loss accounts.

12) Employee Stock Option Plan

Employee Stock Options are evaluated and accounted on intrinsic value method as per the accounting treatment prescribed by Guidance Note on 'Accounting for Employee Share-based payments' issued by ICAI read with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 issued by SEBI. The excess of market value if any, of the stock options as on the date of grant over the exercise price of the options is recognized as deferred employee compensation and is charged to the Profit and Loss Account on vesting basis over the vesting period of the options. The un-amortized portion of the deferred employee compensation is reduced from Employee Stock Option Outstanding, which is shown under Reserves and Surplus.

13) Earning Per Share:

The Company reports basic and diluted earnings per share in accordance with Accounting Standard 20 on Earnings per Share. Basic earnings per share is computed by dividing the net Profit for the period by the weighted average number of Equity shares outstanding during the period, as adjusted for the effects of all diluted potential equity shares. A diluted earnings per share is computed by dividing the net Profit for the period by the number of Equity shares outstanding during the year.

14) Cash Flow Statement:

The cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow statements and present cash flows by operating, investing & financing activities of the company.

15) Group / Classification

Previous years figures have been regrouped and "or" reclassified wherever necessary to conform to current years figures and classification.

16) Figures in bracket indicate previous year figures.

(B) Contingent Liabilities not provided for :

Particulars	Rs. in Lacs As at 31st March
	2010
1) In respect of guarantees given by Banks and Counter Guarantees given by the Company	67
2) In respect of letter of credits	194

(C) Related Party Transactions

Name of the related parties and Nature of Relationship

a) Subsidiary Companies/ Concerns

EyeKare Kilitch Ltd.

b) Directors and their Relatives

Mr. Pratap Mehta	Chairman
Mr. Mukund Mehta	Managing Director and CEO
Mr. Paresh Mehta	Joint Managing Director
Mr. Bhavin Mehta	Director

(D) Enterprises significantly influenced by Directors and/or their relatives

NBZ Pharma Pvt Ltd.

Related Party Transactions **Rs. In Lac**

Nature of Transaction	Subsidiary Company	Directors and Their Relatives 2010	Enterprises significantly influenced by Directors and their relatives 2010
Repayment of loans		167.70	
Loans received		9.57	
Purchases			3370.04
Sales			409.52
Subscription of Shares			
Advances given			
Repayment of advances			
Directors' Remuneration and Sitting Fees		34.28	
Rent Receivable	1		
Outstanding			
a) Payable		NIL	
b) Receivable	4.13		1370.05

(E) Employee Stock Option Scheme

The Compensation Committee of the Board granted 1,29,100 options during the year under Kilitch ESOS 2007. Each option is convertible into one equity share of Rs.10 each at modified exercise price of Rs.47.50/- per share. The options granted would vest over a vesting period of 3 years from the date of grant.

The employee compensation cost applicable for this year is Rs.1,00,37,624 inclusive of Rs.46,47,648 charge for earlier years resulting due to modification in the exercise price during the year. This working has been done on the basis of net outstanding options and has been computed in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

(F) The Major Componatance of deferred Tax /Assets/ Liabilited , based on the effect of the timing differences , as at 31, March, 2010 , are as under

	Rs. Laces
	2010
Deferred Tax Liability	-
Deprecation	49.84
Deferred Tax Assets	
Minimum Alternative Tax	500.69
Net Deferred Assets	450.85

(G) Value of Imported and Indigenous Raw and Packing Materials, Stores and Spare Parts consumed:

	2009-10	
	Value in	%
	Rs. Lacs	
Raw, Packing Materials & Stores and Spares :		
Imported	1033.51	10.25
Indigenous	9050.11	89.75
Total	10083.62	100.00

(H) Expenditure in Foreign Currency:

Rs. In Lacs.

2009-10

Raw Material Purchase	896.03
Packing Materials	137.48
Capital Goods	41.20
Business Promotion and Traveling	57.54

(I) Earnings in Foreign Currency:

Rs. In Lacs.

2009-10

Exports	633.94
---------	---------------

(J) Segment information

The company is predominantly engaged in Pharmaceutical business & this constitutes the only reportable business segment in accordance with the requirement of Accounting Standard 17- Segment Reporting issued by the Institute of Chartered Accountants of India.

(K) Installed Capacity, Actual Production:*

At Thane, Mumbai

Product	Installed Capacity	Actual Production
Injectables	30,00,00,000 (Units)	25,39,83,915 (Units)

At Paonta Sahib, Himachal Pradesh*

Product	Installed Capacity	Actual Production
Dry Powder	9,00,00,000 (Units)	3,60,36,637 (Units)
Small Vials	9,00,00,000 (Units)	3,88,68,686 (Units)
Small Ampoules	4,50,00,000 (Units)	1,82,89,562 (Units)

*Note: Actual Production includes Loan License production.

(L) Auditors Remuneration

Rs. In Lacs.

2009-10

Audit Fees	2.00
Tax Audit Fees	0.70
Taxation Matters	0.00
Other Services	0.00
	2.70

(M) Remuneration to the Directors:

Rs. In Lacs

2009-10

Salary	34.19
--------	-------

(N) Sundry Debtors, Creditors, Loans and Advance:

- (i) Sundry Creditors: The company has sent request to its creditor's asking them if they are covered under micro small and medium industries. As no confirmation from the creditors were received the company has not classified creditors in to micro, small and medium industries and outstanding payable to them has been shown separately. The Sundry creditors are fully payable.

(ii) Sundry Debtors, Loans and Advance : The Sundry Debtors, Loan and advance are unsecured and considered good. Rs.4.13 Lacs is receivable from a subsidiary company.(Previous year Nil)

(O) Since the holding company had no subsidiaries in its previous year, the corresponding previous year figures are not given.

(P) Earnings per Share:

	2009-10
Profit Attributable to Equity Shareholders	1023.16
Weight average no of shares out Standing during the year	
No. of Equity share outstanding during the year	13202122
Nominal Value of Equity Share Rs. 10/-	10/-
Earnings per Share (Rs.)	7.74
Diluted Earnings Per Share (Rs.)	7.58

As Per our report of even date attached

For **R.N.R. Iyer & Co.**

Firm Registration No. 103786W

Chartered Accountants

Rajkumar Iyer

Proprietor

Membership No. 33964

PLACE : MUMBAI

DATE : 10th August, 2010

For and on behalf of Board of Directors

Pratap K. Mehta : *Chairman*

Mukund P. Mehta : *Managing Director & CEO*

Paresh P. Mehta : *Jt. Managing Director*

Bhavin M. Mehta : *Director*

Kanika Bareja(Ms.) : *Company Secretary*

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

	Rs. in Lacs
	31st March, 2010
Cash Flow from Operating Activities:	
Net Profit before Tax	1354.76
Adjustments for:	
Depreciation	607.26
Loss on Sale of Fixed Assets	
Interest from Banks and Others	(11.58)
Dividend received	(1.01)
Profit on Sale of Investments	-
Profit on Sale of Mutual Fund	
Employee Stock Option	53.89
Miscellaneous expenditure w/off	20.91
Operating Profit before working capital changes	<u>2024.23</u>
Adjustments for:	
Inventories	81.70
Sundry Debtors	666.83
Loans and Advances	1239.33
Current Liabilities	(2147.87)
Taxes paid	(319.64)
Net Cash flow from Operating Activities	<u><u>1544.58</u></u>
Cash Flow from Investing Activities:	
Purchase of Fixed Assets (net)	(1849.32)
Investments (Net of Profit)	(205.08)
Interest from Banks & Others	11.58
Dividend received	1.01
Net Cash flow from Investing Activities	<u><u>(2041.81)</u></u>
Cash Flow from Financing Activities:	
Increase on Share Capital (including Shares Premium)	-
Prior Period Expenses	125.00
Dividend paid (incl. div. tax)	(150.97)
Capital Subsidy for H.P. Project	-
Paid for long term loans	756.55
Proceeds from Warrants	
Net Cash flow from Financing Activities	<u><u>730.58</u></u>
Net Increase/Decrease in Cash & Cash Equivalents	<u><u>233.35</u></u>
Cash & Cash Equivalents, beginning of the year	<u>17.68</u>
Cash & Cash Equivalents, end of the year	<u><u>251.03</u></u>

For **R.N.R. Iyer & Co.**
Firm Registration No. 103786W
Chartered Accountants

Rajkumar Iyer
Proprietor
Membership No. 33964
PLACE : MUMBAI
DATE : 10th August, 2010

Pratap K. Mehta : Chairman
Mukund P. Mehta : Managing Director & CEO

Paresh P. Mehta : Jt. Managing Director
Bhavin M. Mehta : Director

Kanika Bareja(Ms.) : Company Secretary



KILITCH DRUGS (INDIA) LIMITED

REGISTERED OFFICE : C - 301/2, M.I.D.C., T.T.C. Industrial Area, Pawane Village, Thane.

PROXY - FORM

REGD. FOLIO NO. _____ NO. OF SHARES HELD _____

DP. ID Client ID. _____ PROXY NO. _____

I/We the undersigned _____ of _____

in the District of _____ being a member/s of the above named Company hereby appoint

_____ as my/our proxy to attend and vote for me/us my/our behalf at the 18th Annual General Meeting of the Company to be held at C-301/2, M.I.D.C., T.T.C. Ind. Area, Pawne Village, Thane at 9.00 a.m. on Monday, 20th September, 2010 and at any adjournment thereof.

Signed this _____ day of _____ 2010.

Note :

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy and vote instead of himself.
2. Proxy need not be a member.
3. This form duly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.

TEAR HERE

KILITCH DRUGS (INDIA) LIMITED

REGISTERED OFFICE : C - 301/2, M.I.D.C., T.T.C. Industrial Area, Pawane Village, Thane.

ATTENDANCE SLIP

REGD. FOLIO NO. _____ NO. OF SHARES HELD _____

DP. ID Client ID. _____ PROXY NO. _____

I hereby record my/our presence at the 18th Annual General Meeting of the Company to be held on at C-301/2, M.I.D.C., T.T.C. Ind. Area, Pawne Village, Thane at Monday, 20th September, 2010.

Name of the Shareholders :

Name of the proxy :

Signature of Member/Proxy :

Note:

1. To be Signed and handed over at the Meeting
2. Members are requested to register their name at least 15 minutes prior to the commencement of the meeting.



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