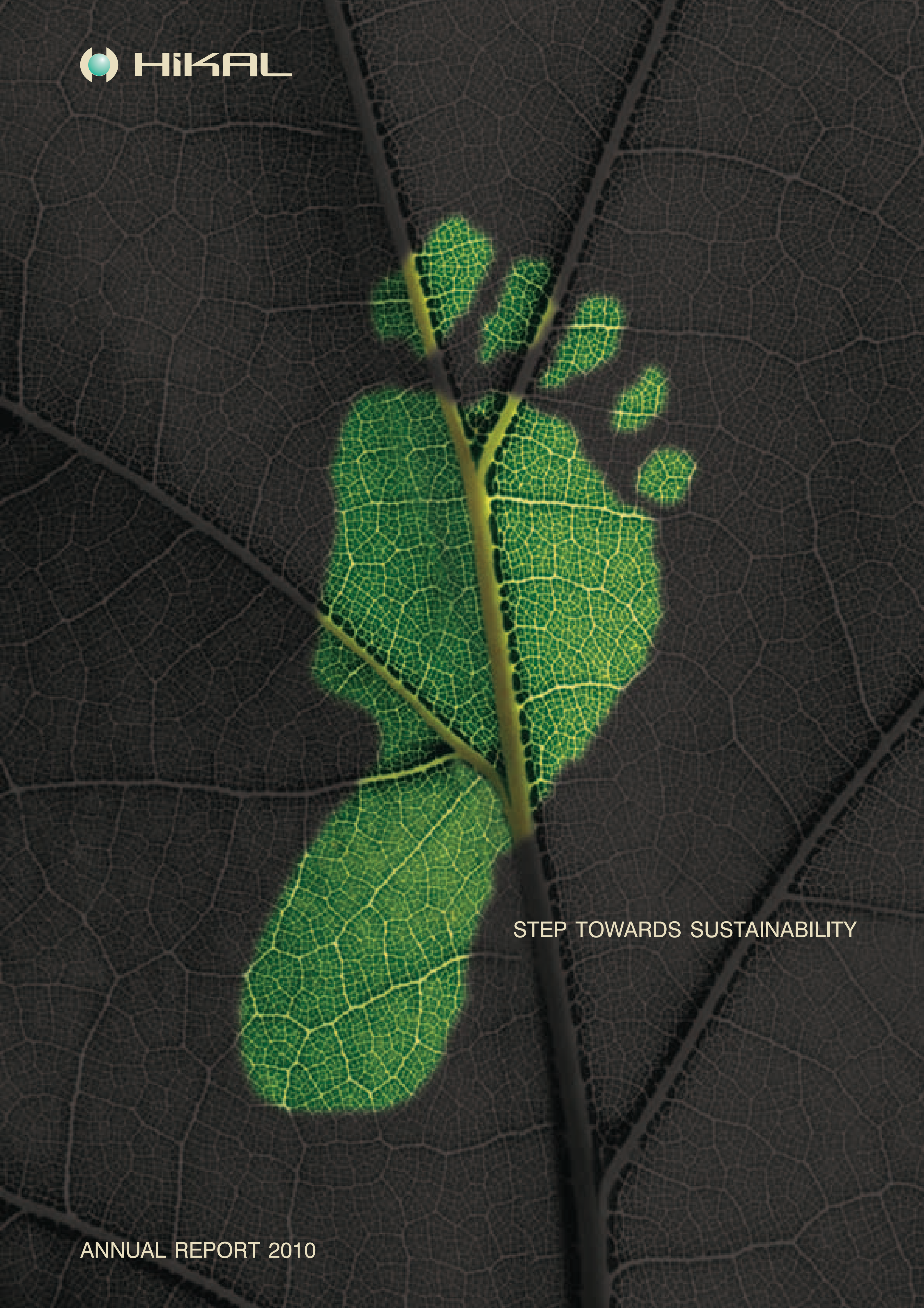
HIKAL
STEP TOWARDS SUSTAINABILITY
ANNUAL REPORT 2010

30%

The Hikal Annual Report, from cover to page 44 and from page 125 onwards, is printed on ENOVA 30% recycled paper - used 30% less trees, 13% less energy, 14% less water, and reduced greenhouse gas emissions by 11%.

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Printing ink used is environment-friendly and Food Grade.

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STEP TOWARDS SUSTAINABILITY

Hikal has adopted sustainability as the path towards growth and progress since inception. Our approach helps us protect the interests of our stakeholders and the communities that we operate in. We are committed to safeguard the environment by creating awareness and inculcating responsible behavior within our ecosystem of employees, partners and customers. Let us embrace environment sustainability as a way of life.

CHAIRMAN'S MESSAGE

In 2009-10, Hikal registered growth of 12% in rupee terms and 20% in US dollar terms. Our pharmaceutical business grew at 30%, while the crop protection business declined by 12%.

The earnings before interest, taxes, depreciation and amortization (EBITDA) increased from Rs. 1,326 million to Rs. 1,790 million, an increase of 35%. However, profit after tax (PAT) was up by only 2%, from Rs. 589 million to Rs. 602 million. It was mainly due to an exceptional item charge of reversal of 'cash flow hedge reserve' of Rs. 284 million on account of foreign exchange losses.

The shareholders' funds of the company increased from Rs. 3,303 million to Rs. 3,990 million, an increase of 21%. The long-term debt was reduced by Rs. 200 million and the debt to equity ratio improved from 1.11 to 0.99.

In view of the significant improvement in operations, we recommend a dividend of 80%, which is the highest in the history of the company.

The pharmaceutical business is expected to register robust growth in the coming year, as Hikal has established itself as a leading global contract research & manufacturing (CRAMS) company.

Acoris, our 100 % contract research subsidiary, has signed several large pharmaceutical customers during the early phase of the drug development cycle. These projects will yield benefits to Hikal in the coming years.

Our crop protection business suffered due to the drastic inventory cut by our customers. We expect to stage a modest recovery in 2010, and register robust growth in 2011.


Baba Kalyani


Jai Hiremath

Our foreign currency convertible bonds (FCCBs) of US$ 12 million are due for repayment in October 2010. We have made arrangements to redeem them.

The investment in our subsidiary Marsing, which went into liquidation, was written off in 2008 - 09. Consequently, the consolidated results are not comparable with previous years.

The mark-to-market loss on foreign exchange fluctuations on forward/ options contracts to hedge for future exports has substantially reduced from Rs. 1,499 million to Rs. 459 million.

Overall, there is a substantial improvement in the performance of the company and the balance sheet has been strengthened.

We expect to further improve the profitability and reduce our long-term debt in 2010-11.

We have undertaken several initiatives such as assessing our carbon footprint to achieve sustainability. In this Annual Report, we have made a beginning with a Sustainability Report. In the future, we will report on efforts to reduce our carbon footprint.

In the coming year, we plan to significantly enhance our R&D capabilities, introduce more products to de-risk our product portfolio, and serve our customers better with technological innovation, which is vital for a CRAMs company.

Hikal is poised to be a part of the India growth story.

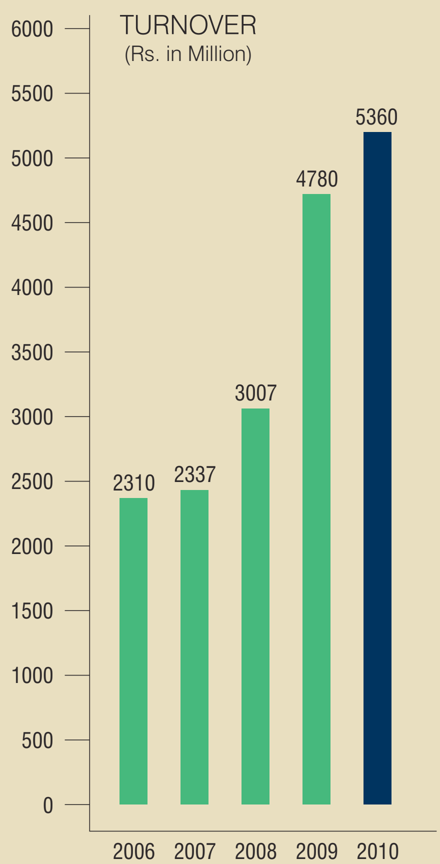
Baba Kalyani
Chairman

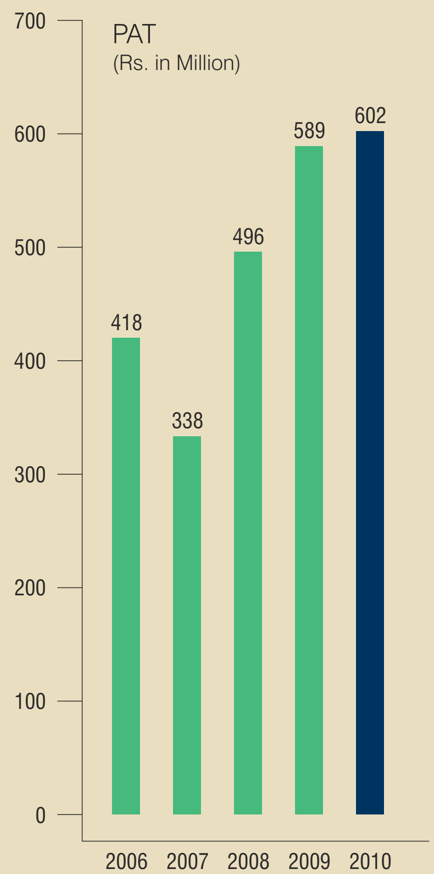
Jai Hiremath
Vice Chairman & Managing Director

HIKAL AT A GLANCE

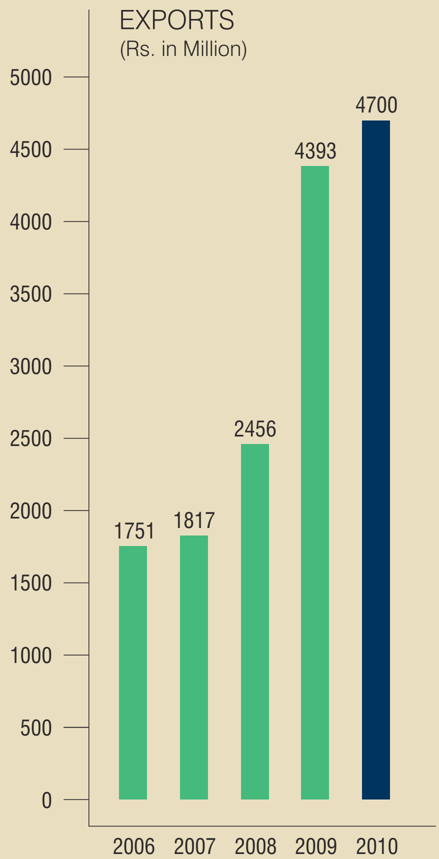
HIGHLIGHTS

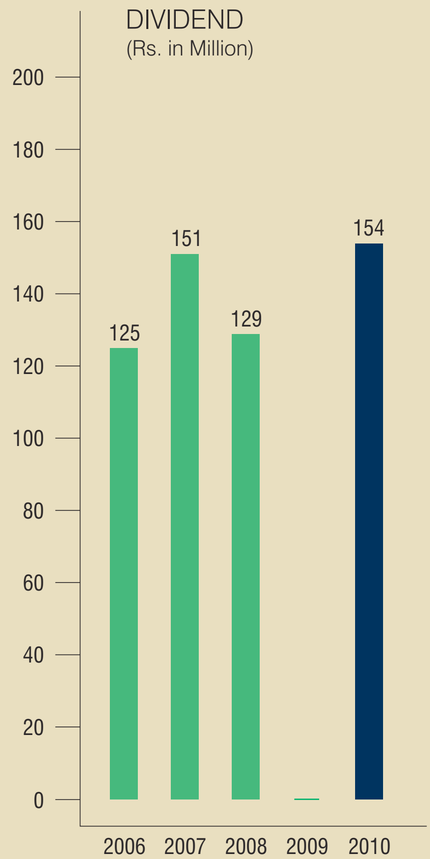
- Net sales - Up by 12% to Rs. 5,360 million as compared to Rs. 4,780 million in the previous year
- EBIDTA - Up by 35% to Rs. 1,790 million as compared to Rs. 1,326 million in the previous year
- Pharmaceutical sales - Up by 29% to Rs. 3,569 million as compared to Rs. 2,759 million in the previous year
- On patent molecule supplies for a leading European crop protection company successfully commercialized
- Won an award in the 'Best Supplier' category at the prestigious Agrow Awards





FINANCIAL HIGHLIGHTS		Rs. in Million		Growth
		March 31, 2010	March 31, 2009	%
Turnover		**5,360**	4,780	12.1
Operating profit before exceptional item (PBIDT)		**1,790**	1,326	34.9
Interest		**348**	248	-
Gross profit		**1,442**	1,078	33.4
Depreciation		**330**	210	-
Exceptional item		**547**	244	-
Profit after tax		**602**	589	2.2
Paid-up equity share capital		**164**	164	-
Earnings per share (EPS)	Rs.	**36.60**	37.33	-
Cash earnings per share (EPS)	Rs.	**56.65**	50.09	-
Dividend per share	Rs.	**8.00**	-	-
Payout (including tax)		**154**	-	-

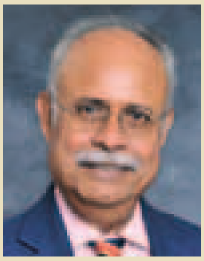




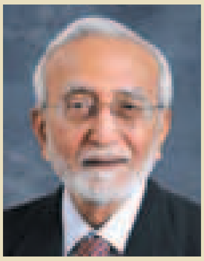
BOARD OF DIRECTORS


Baba Kalyani

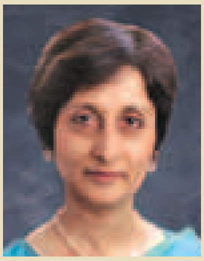

Jai Hiremath


Kannan Unni


Dr. Peter Pollak


Prakash Mehta


Shivkumar Kheny


Sugandha Hiremath


Sameer Hiremath

Baba Kalyani is the Chairman of Hikal and the Kalyani Group (US$ 2.4 billion turnover). He is the Chairman and Managing Director of the group's flagship company, Bharat Forge Ltd., India's largest manufacturer and exporter of automotive components. He is a Mechanical Engineer from the Birla Institute of Technology at Pilani, Rajasthan and has an M.S. from MIT, USA. Mr. Kalyani's contribution to the industry and community have been recognized with prestigious awards, most notably the 'Padma Bhushan', a distinguished civilian award by the Government of India for his contribution to trade and industry.

Jai Hiremath is the Vice Chairman and Managing Director of Hikal Ltd. A Chartered Accountant from England and Wales, Mr. Hiremath has more than 30 years of experience in the chemical and pharmaceutical industry. He has completed an advanced management program from Harvard University USA. Under his leadership, the company has been honored with awards and certifications for its management, quality, environment and safety control measures. He was awarded the Chemtech Business Leader of the Year award (Chemicals) in 2005. He was nominated as a finalist for the Ernst & Young Entrepreneur of the Year award in 2000.

Mr. Hiremath is the President of the Indian Chemical Council (ICC) and the Chairman of the Chemical Committee of the Federation of Indian Chamber of Commerce and Industry (FICCI). He is a member of the Western Regional Council as well as the National Committee on Drugs & Pharmaceuticals and Chemicals & Petrochemicals of the Confederation of Indian Industries (CII). Mr. Hiremath is a board member of the National Safety Council (NSC) of India. He is also a board member of Novartis (India) Ltd.

Kannan Unni brings a wealth of experience in crop protection and marketing to Hikal. Mr. Unni is a pioneer in crop protection and increasing the farm yield in India. Mr. Unni is the Chairman of Bilag Industries Pvt. Ltd., a 100% subsidiary of Bayer CropScience. Formerly, Mr. Unni was the MD of Aventis CropScience.

Dr. Peter Pollak is a Ph.D. in Chemistry from the Swiss Federal Institute of Technology, Zurich. He is globally recognized as a pioneer in the development of the modern fine chemicals industry. He has more than 30 years of experience in fine chemicals, notably at Lonza in Switzerland and U.S.A. He has several publications to his credit including various articles in prestigious chemical magazines.

Prakash Mehta is an advocate and a solicitor advising Hikal on all legal issues. He has more than 30 years of experience in business, industry and legal matters. Mr. Mehta is a partner in Malvi Ranchoddas & Co., a reputable law firm based in Mumbai, India.

Shivkumar Kheny has extensive industry experience, specifically in steel and infrastructure development. Mr. Kheny is a Director on the Board of several reputable companies and a member of the Governing Councils of prestigious educational institutions.

Sugandha Hiremath has more than 20 years of experience in business and finance. She is a Director on the Board of several companies.

Sameer Hiremath is a Chemical Engineer from Pune University and an MBA and M.S. in Information Technology from Boston University. He is the Deputy Managing Director at Hikal and is responsible for operations.

Audit Committee

Kannan Unni, Prakash Mehta and Sugandha Hiremath.

MANAGEMENT COMMITTEE


Jai Hiremath


Sameer Hiremath


Sham Wahalekar


Ashok Anand


Satish Sohoni


Ravi Khadabadi


Anish Swadi

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Sameer Hiremath is the Deputy Managing Director of Hikal Ltd. He joined Hikal in 1996 as Executive - Planning and Coordination and was elevated to the position of Executive Director in 2003. Currently, he oversees the day-to-day operations of the company and plays a key role in charting the strategy of the business.

Mr. Hiremath holds a Chemical Engineering degree from the University of Pune and an MBA and M.S. degree in Information Technology from Boston University, USA. He has held varied positions in Chemicals, Pharmaceuticals Manufacturing, Project Management and Information Technology at Hikal.

Sham Wahalekar has more than 34 years of experience as Head of Financial Operations and Company Secretary in several reputed organizations. He is an M.Com (Hons), L.L.B., and ACS. He has extensive experience in Corporate Law and Financial Management. He has been with Hikal since inception and currently serves as Senior Vice President and Company Secretary.

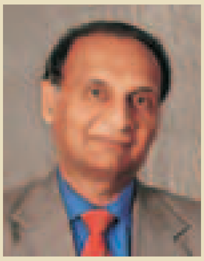
Ashok Anand has more than 35 years of experience in the pharmaceutical industry. He is a pharmacy graduate with a post graduate degree in marketing management. He joined Hikal in 2004 and currently serves as President, Pharmaceuticals. Prior to joining Hikal, Mr. Anand held senior positions in reputed pharmaceutical companies such as Nicholas Piramal and Johnson & Johnson.

Satish Sohoni joined Hikal in 2007. Currently, he serves as Senior Vice President responsible for the Agrochemical business. Mr. Sohoni holds a Bachelor's Degree in Commerce from Mumbai University and an MBA from Pune University. Prior to joining Hikal, he held senior positions in Hindustan Lever and its parent company, Unilever in Central and Eastern Europe; Rallis India and Tata Chemicals.

Ravi Khadabadi has a double Master's Degree in Chemistry and Polymers. He has more than 25 years of experience. He joined Hikal in 1997 and currently serves as Vice President, Purchase. He is responsible for all procurement functions of the company. Prior to joining Hikal, Mr. Khadabadi was an entrepreneur.

Anish Swadi joined Hikal in 2005 and currently serves as the Vice President for Business Development. Apart from Corporate Finance, he is responsible for IT and Public Relations. Prior to joining Hikal, he worked as an International Financial Advisor with Merrill Lynch. He holds a Bachelor's degree in International Business and Finance.

SCIENTIFIC ADVISORY BOARD



Prof. Goverdhan Mehta

Prof. Andrea Vasella

Dr. Takayuki Shioiri

Dr. K. Nagarajan

Hikal constituted the Scientific Advisory Board in 2005. It consists of eminent organic chemists from academia and industry.

Prof. Goverdhan Mehta is a Professor of Organic Chemistry at the Indian Institute of Science, Bangalore. He is a Fellow of the Royal Society, Officier de l'Ordre des Palmes Academiques from the President of France and a recipient of the Padma Shri.

Prof. Mehta is a distinguished organic chemist. He was the Director of the Indian Institute of Science and the Vice-Chancellor of the Central University of Hyderabad. He has many prestigious awards and honors to his credit. Currently, he occupies the CSIR Bhatnagar Chair at the Indian Institute of Science.

Prof. Andrea Vasella is a Full Professor, Laboratory of Organic Chemistry in ETH (Federal Institute of Technology) in Zurich. He is widely known in academia and industry and has several research publications and patents to his credit.

Prof. Vasella is the recipient of the Werner Award of the Swiss Chemical Society and the Roy L. Whistler Award.

Dr. Takayuki Shioiri is a Ph.D. from the University of Tokyo, Professor Emeritus of the Nagoya City University and an adjunct Professor of the Graduate School of Environmental and Human Sciences, Meijo University. He is the President of the Japanese Society for Process Chemistry.

Dr. Shioiri is the recipient of the Pharmaceutical Society of Japan (PSJ) Award, the Abbott Prize and the Aichi Pharmaceutical Society Award.

Dr. K. Nagarajan is the scientific advisor to Hikal. He is the recipient of the Bhatnagar Prize in Chemistry and Lifetime Research Award from the Chemical Research Society of India.

PHARMACEUTICALS

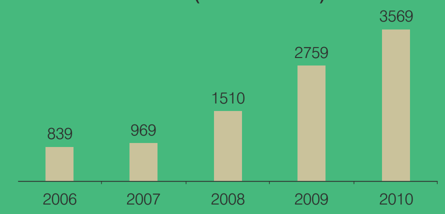
There is a dramatic change underway in terms of where global pharmaceutical markets are turning to for growth and profitability. Pharmaceutical companies from around the world are focusing on emerging countries like India, both as a supplier base and a target market. As a preferred supplier to leading life sciences companies, Hikal is well positioned to take advantage of potential business opportunities from the industry globally.

The pharmaceutical division of Hikal maintained its growth and profitability for 2009. We filed 2 new Drug Master Files (DMFs) in the U.S. and received 5 new process patents that were filed in the previous years. We have filed 4 additional patents in the U.S. and Europe continuing our drive of creating intellectual property.

We have diversified the geographies in which we are selling and increased our product portfolio as well as our customer base. We are expanding our manufacturing base by adding new plants at our US FDA certified site in Bangalore and enhancing existing plants to deliver more output.

We expect to continue our growth in 2010-11 led by sales of additional quantities of existing products and a mix of new products.

Pharmaceuticals sales (Rs. in million)



PHARMACEUTICALS

US FDA certified site, Bangalore

Panoli site

CROP PROTECTION

After record growth in 2008, the crop protection market saw an overall decline of 6.4% in 2009 due to lower commodity prices, destocking of inventory and the continued economic downturn.

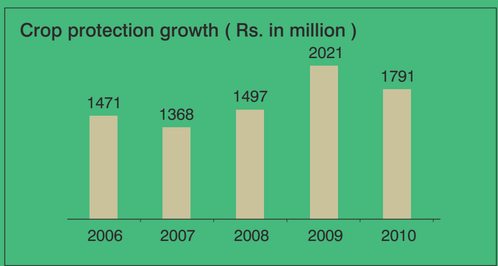
Hikal experienced a decline in sales from the previous year mainly due to the destocking of inventory by our global multinational customers. This cycle is expected to end by the second half of 2010.

The contract for an on-patent launch molecule signed with a leading European company in 2008 from Hikal's new multipurpose plant was successfully commercialized and deliveries of the product have commenced. We expect the volumes of this product to increase over the next few years.

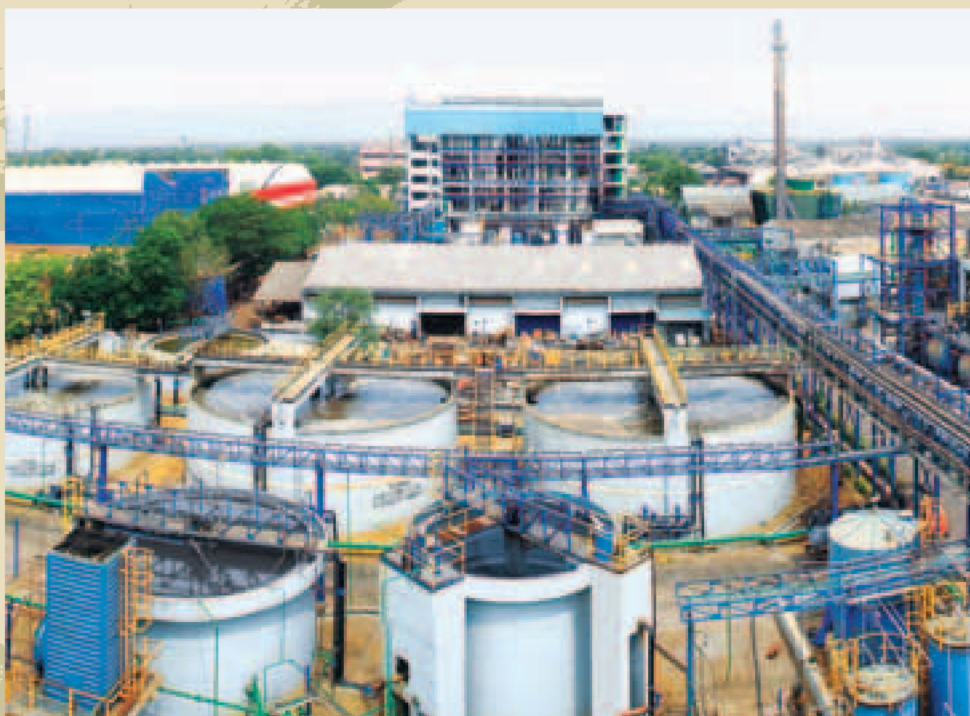
We signed a long-term contract as a single source supplier of an Active Ingredient for the highly demanding Japanese market.

We expect 2010-11 to be a better year for the crop protection market and are looking to increase the supply of existing products that are used in allied fields, one of them being the biocide industry.

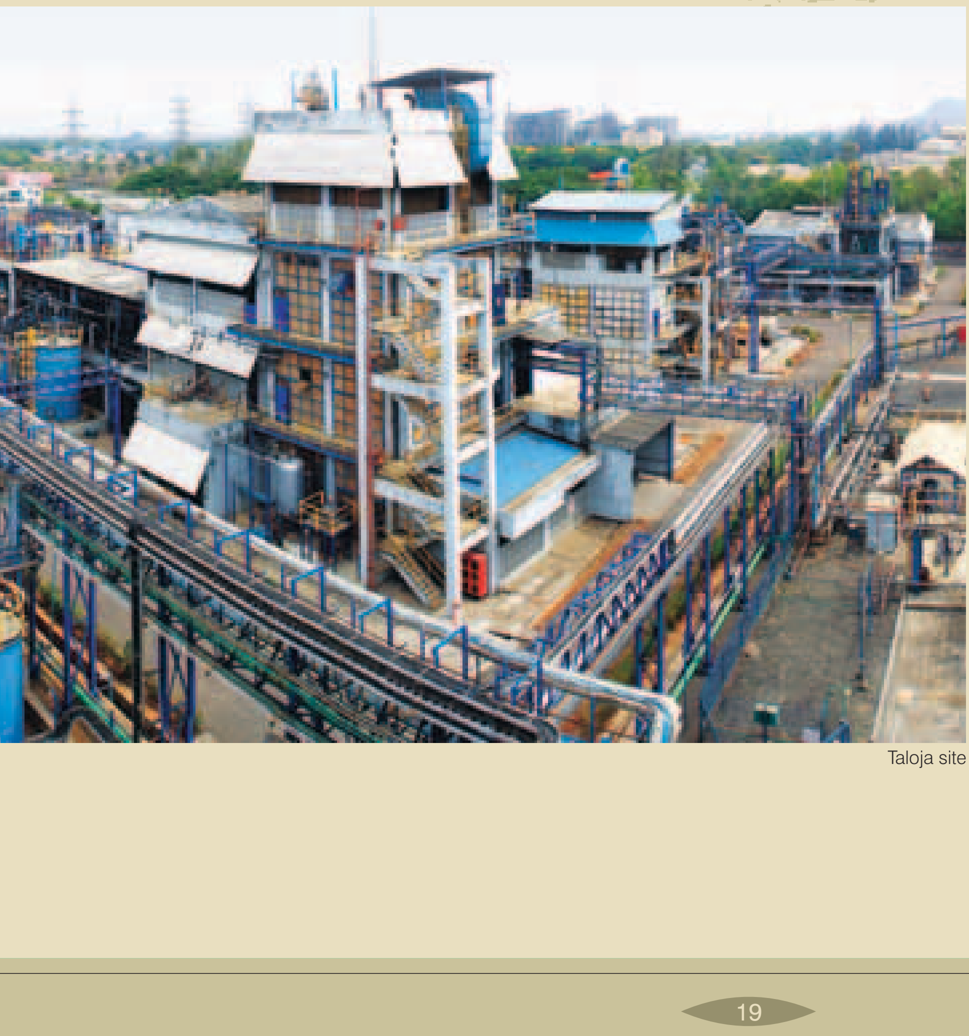
We were honored at the prestigious AGROW Awards 2009 held in London, UK; winning an award in the 'Best Supplier' category.



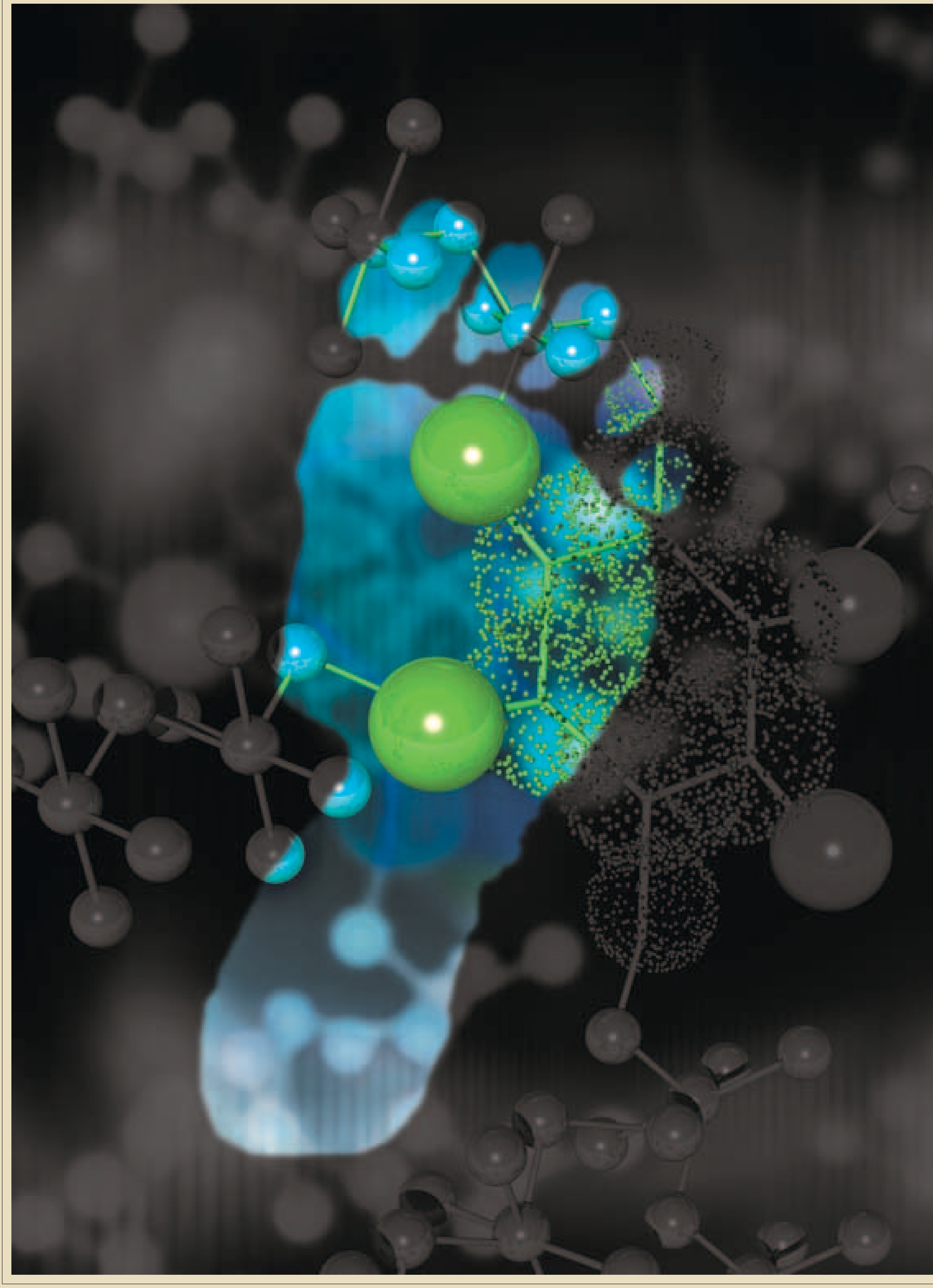
CROP PROTECTION



new multi-purpose plant, Taloja



Taloja site



CONTRACT RESEARCH

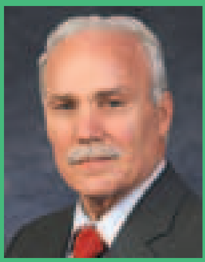
Acoris Research Limited, our 100% subsidiary started operations last year and is getting trial orders from potential customers.

Acoris has been aggressively marketing its services in the U.S., Europe and Japan through Hikal's worldwide offices and directly with its own personnel. The continuing marketing efforts of Acoris have started to yield results. The company has successfully begun to establish itself as a quality service provider of early stage research and development services.

Acoris had a challenging 2009-10 due to the financial crisis which affected the credit situation of almost all the pharmaceutical and biotechnology companies. Most of these companies either put projects on hold or cancelled them entirely due to the credit crunch and lack of funding.

Acoris has established contacts in the U.S., European and Japanese markets with leading multinational and mid-size pharmaceutical, agrochemical and biotechnology companies. The company has successfully completed several projects with some of the leading global mid-size pharmaceutical and biotechnology companies. Acoris has a dedicated lab for a leading Japanese multinational pharmaceutical company. We expect this contract to grow substantially in the coming years.

Acoris has increased the visibility of the Hikal Group as an integrated service provider across the life sciences value chain. We expect the coming financial year to yield positive results for the Hikal Group.



Dr. R. Helmut Rupp
President, Acoris

CONTRACT RESEARCH

Acoris site

Acoris synthesis labs

ENVIRONMENT, HEALTH AND SAFETY

Hikal attributes a large part of its success to environment, health and safety standards. Our policies that govern EHS are stringent and cover the environment, health and safety of our employees, customers and the general public.

Using more environment-friendly energy sources, minimizing water consumption and emissions, and reducing (and recycling) waste are all ongoing efforts at Hikal. Our US FDA certified site in Bangalore is a zero discharge facility and has 100% recyclable waste water treatment plant on site. We also have a Solvent Recovery Unit which recycles the solvents on site.

Hikal follows the 'Green Chemistry' approach in process development. One of the areas that we are focusing on is enzymatic chemistry. The use of enzymatic reactions ensures replacement of hazardous chemicals with environment-friendly enzymes which are easily biodegradable.

Our Research & Development group is focused on developing efficient and sustainable processes for our existing and new products. Hikal is a signatory to the 'Responsible Care' initiatives at all its sites. We are also in the process of proactively measuring our own carbon footprint. This is part of our effort to reduce the emissions of CO2 into the environment.

We have shared details in our CSR and Sustainability Report (refer page 28).

Responsible Care®
A Public Commitment

ENVIRONMENT, HEALTH & SAFETY


waste water treatment plant, Bangalore

water sprinkler system, Bangalore

multiple effect evaporator, Bangalore

CSR AND SUSTAINABILITY REPORT

EXPANDING WITH SUSTAINABLE GROWTH

Hikal is a reliable outsourcing partner to companies in the pharmaceuticals, crop protection and specialty chemicals industries. It collaborates with innovator companies and offers solutions in contract research, custom synthesis and custom manufacturing.

Hikal has entered into long-term supply contracts with leading life sciences companies such as Pfizer and Bayer Crop Science for the manufacture and supply of active pharmaceutical ingredients (APIs) and active ingredients (AIs). It has been supplying key APIs, AIs and intermediates, using stringent global quality standards to customers in the United States, Europe and Japan. Hikal's advanced manufacturing facilities have been inspected and approved by leading global players in the pharmaceutical and crop protection sectors. The API and pharmaceutical intermediates manufacturing facilities are located at Jigani (Bangalore) and Panoli (Gujarat) and the crop protection facilities are located at Taloja and Mahad (Maharashtra) respectively. Hikal's manufacturing activities are supported by research centers and its pilot plant facilities are located at Bangalore and Taloja. Hikal has a state-of-the-art contract research facility, Acoris Research Ltd. at the International Biotech Park, Pune.

Hikal was established in 1988 through an equity partnership between the Hiremath and Kalyani families. Hikal commenced its first project in 1991 at its first greenfield site at M.I.D.C., Mahad with the manufacture of intermediates for the agrochemical industry. Hikal bagged its first big contract with Hoechst in 1991. It achieved another milestone when Merck & Co., USA chose Hikal as a partner to outsource Thiabendazole (TBZ, a fungicide). Since the capacity at Mahad was inadequate, Hikal built its second greenfield site, a state-of-the-art manufacturing facility at Taloja in 1997. Hikal is the largest manufacturer of TBZ globally. The quantum leap firmly established Hikal in the global market.

In January 2000, Hikal acquired the Panoli site from Novartis. It is one of the largest sites of Hikal spread over 30 acres of land. With a presence in the agrochemical industry for several years, Hikal was

Hikal organized a health check-up for children of a high school at Thondre village, Taloja. Their ears, eyes, heart and skin were examined. The children were also imparted training on safety and precautionary measures.

already established as a reputed and reliable contract manufacturer. However, it realized that the growth opportunity in this industry was limited and saw bigger opportunities in the pharmaceutical industry. In 2001, Hikal entered the pharmaceuticals business, when it acquired the R&D and API manufacturing sites of Wintac Ltd., Bangalore. Hikal built a brand new API plant post-acquisition and received USFDA certification in 2004. Hikal started with one API plant and over the years, it expanded the site significantly from 6 acres to 18 acres, housing eight state-of-the-art API plants. The Bangalore facility is the flagship pharmaceutical facility of Hikal.

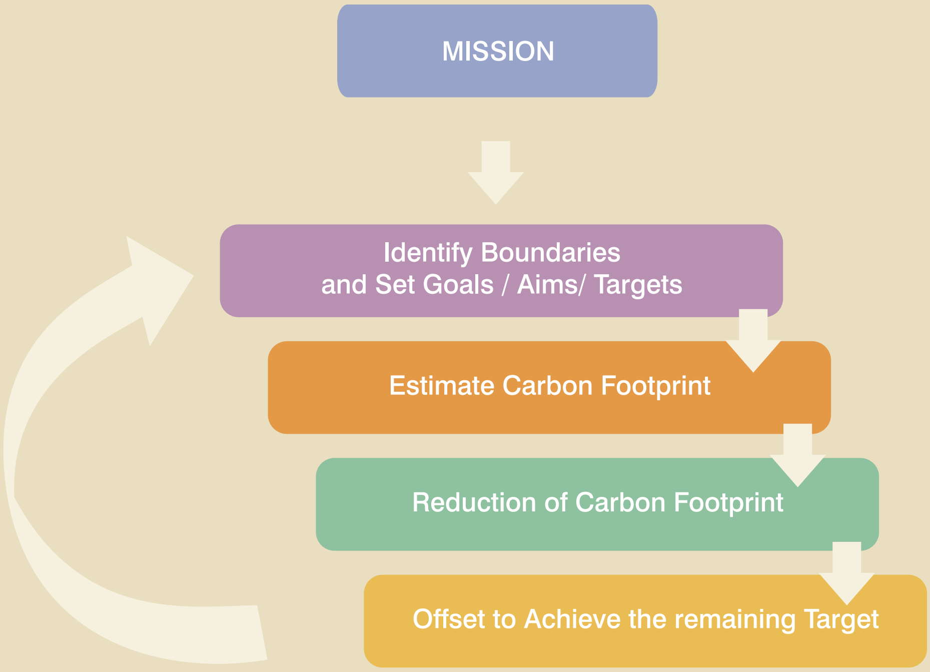
In 2008, Hikal established Acoris Research Ltd., a state-of-the-art contract research facility at the International Biotech Park, Pune. Acoris provides early stage research support services to multinational innovator companies and biotech companies for on patent products and off patent products for generic companies.

Hikal offers a wide range of high quality intermediates, APIs and AIs for the pharmaceutical and agrochemical industries which meet global standards and are certified by leading multinational companies. Hikal strictly adheres to international EHS standards and respects Intellectual Property. It is committed to complete confidentiality and protection of its customers' interests. All manufacturing sites of Hikal are ISO 9001, ISO 14001 and OHSAS 18001:2007 certified.

Hikal is one of the few companies to set up a scientific advisory board in 2005. The board consists of eminent organic chemists from academia and industry including Prof. Andrea Vasella, Prof. Goverdhan Mehta, Dr. Takayuki Shioiri and Dr. K. Nagarajan who is the scientific advisor to Hikal. The scientific advisory board provides guidance and expertise to improve the existing chemical processes and review new technologies for Hikal.

Hikal contributes to the development of individuals and the social and economic fabric of the communities it operates in. Hikal, as a part of its commitment towards sustainable development, works towards protection of the environment. As a part of its environmental policy, Hikal has committed to

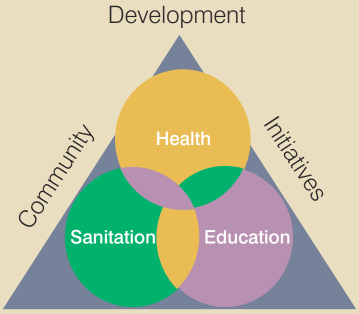
HIKAL'S CARBON FOOTPRINT CYCLE



measuring and assessing the environmental performance associated with its facilities' processes, products and services. Hikal is a signatory to 'Responsible Care' and plays a proactive role in minimizing pollutants across sites.

Taking the Sustainability Agenda Forward

In 2010-2011, Hikal will be increasing its investments in CSR. The thrust areas will be sanitation, health and primary education for the local community. As a major step in its sustainability journey, Hikal will be presenting its first detailed Sustainability Report for the FY 2010-11 to share its triple bottom line performance with its stakeholders.



Hikal CSR Model

Hikal believes business growth requires a 'symbiotic relationship' with nature and stakeholders. Ecological sustainability will help the company meet the current needs of customers by not impairing the means for future generations to meet their requirements.

We are working towards sustainable development in three areas:

1) Through manufacturing processes, making them more environment-friendly by using less solvents

2) Creating a more responsible supply chain from sourcing to distribution

3) Through Corporate Social Responsibly programs of protecting the environment at manufacturing and research facilities

Hikal is focusing on enzymatic chemistry. The company adopts a 'Green Chemistry' approach in process development where the use of enzymatic reactions ensures the replacement of hazardous chemicals with environment-friendly enzymes that are biodegradable. Hikal's R&D subsidiary, Acoris is implementing this approach in various projects with the support of a strategic alliance partner.

Hikal Taloja conducted an eye check-up for more than 75 residents of the old age home, Paramashanti Dham, in association with Laxmi Eye Care Institute. Hikal distributed free spectacles to residents having errors in vision. Cataract surgeries were conducted at Dr. Haldipurkar's Hospital, Panvel. This initiative not only helped senior citizens regain their normal vision but also restored confidence in them.

Social sustainability will help members of society and stakeholders find meaningful purpose in Hikal's business and work at the company to achieve overall growth. Hikal's commitment to sustainability engages stakeholders, allows the company to operate more efficiently, and provides a competitive advantage across the value chain. We believe that the integration of sustainable business practices will make Hikal a business leader.

Hikal adopts the 'Triple Bottom Line' by being responsible to the environment, people and profits. The company has embraced sustainability in business practices since focusing solely on profits reduces the chances of long-term survival .

After providing a broad overview of Hikal's sustainability approach, the central question remains what makes sustainability relevant in the current context.

Going forward, Hikal will map sustainability initiatives with the Global Reporting Initiative guidelines such as the 'Carbon Disclosure Project Initiative' and will strive to improve sustainability initiatives.

Triple Bottom Line Performance

Economic Performance - Creating value with concern for the environment

Hikal reported a net profit of Rs. 602 million in 2009-2010. The turnover for the year was Rs. 5,360 million

Hikal has made a significant investment in state-of-the-art equipment, and research and development, which have contributed significantly towards energy conservation. The company has undertaken several energy saving initiatives by enhancing the performance of its equipment. Energy efficiency drives the design and selection of new equipment. For instance, hydrofoil agitators have replaced conventional agitators to reduce power consumption. Hikal has installed steam blow down systems to minimize steam losses. In process applications, Variable Frequency Drives (VRD) have been used to optimize power consumption wherever applicable. Compound Fluorescent Lamps (CFL) in street lights at factories have replaced Mercury Vapour Lamps (MVL) to conserve energy.

Hikal conducted a free dental check-up for the residents of the old age home, Paramashanti Dham at Taloja. The check-up was initiated by Hikal and supported by a staff-dentist of the Bharatiya Vidyapeeth Dental College, Kharghar, Navi Mumbai. Hikal provided dentures, replaced partial dentures and undertook silver filling based on the needs of residents.

Hikal initiated the Total Quality Management program (TQM) across the company to instill quality consciousness among employees, nurture a culture of continuous improvement and boost employee morale. Hikal focuses on quality as one of its primary business principles. The implementation of TQM is an important step in inculcating quality as a way of life across the organization. Hikal has formed an apex body, a quality council and several quality circles to address issues in a structured manner. We expect this program to improve the overall performance of the organization. TQM is a significant step towards sustainable development.

Hikal believes that people are its greatest asset. The company works towards avoiding risks to the health and well being of its employees. It promotes equality in the workforce and prevents any form of discrimination based on race, gender, national origin, religion, age, sexual orientation and politics. Hikal upholds best practices and invests in its intellectual capital.

Hikal undertakes a benchmarking study for salary structure on a regular basis and follows transparent remuneration processes and fair business practices. Hikal imparts on-the-job training to employees on various subjects including technical aspects such as lab safety, fire equipment handling techniques and the proper handling of hazardous chemicals. While these training programs instill better work habits among employees, it also develops organization skills and a positive attitude towards continuous improvement and increased productivity. Such training programs also help improve problem solving abilities of the team. With a multi-cultural workforce and a staff strength of over 900 employees, Hikal is emerging as a preferred workplace in the life sciences industry. Hikal strives to be an employer of choice for highly motivated and talented people

Hikal adheres to principles of speed, passion for performance, value for commitment, scrutiny of assumptions and most importantly, respect for diversity in talent.

Tree plantation at Hikal Mahad

Hikal employees along with senior management plant saplings at the factory premises.

Hikal Taloja conducted first aid training, in association with St. John Ambulance Association of Thane, for high school children of Thondre village at their school premises. Students were trained in first aid, bleeding management, burns, snake bites and fractures. They were also trained on immediate action to be taken after accidents and convulsions.

Social Responsibility - Health, Education and Welfare of the Community and Senior Citizens

At Hikal, the local population is the biggest stakeholder. The company works closely with the local communities for their development. Hikal organizes annual eye and dental check-ups, and a cancer detection camp in association with the Indian Cancer Society for the local community.

Hikal has undertaken several community initiatives for the welfare of local villagers and workers. We have worked proactively in the fields of education and safety. Hikal has administered various training programs for school children and villagers on disaster management and dealing with gas cylinder and emergency leakages.

In education, Hikal has built classrooms for a high school at Thondre village and provided laboratory equipment for another school at Machkur village near the Taloja site.

Hikal also works towards the welfare of senior citizens. It encourages employees to be a part of its community development initiatives. Hikal has built a community hall for an old age home, Paramashanti Dham near Taloja. The Factory Medical Officer of the Taloja site visits the old age home on a regular basis to administer health check-ups. Hikal also supports the neighboring community by sending its trained manpower to assist the fire brigade, police, factory inspectors and the pollution control boards during emergencies.

Safety at the workplace is a top priority for Hikal. Hikal observes 'National Safety Week' annually and participates in the activities organized by the local governing bodies across its sites. Hikal has introduced unique initiatives to promote safe working habits such as 'Stop 1 minute for Safety' and a 'Safety Passport Campaign'. These initiatives not only educate employees about the importance of safety but also reward

Hikal Taloja along with AVERT Society, Mumbai, observed World AIDS Week. Hikal organized a street play, presentation and a poster exhibition on the subject. To create awareness about AIDS and its prevention, Hikal installed a condom dispenser for public use at the gate.

them, based on their performance. This initiative is one of the critical components of their appraisal system. Hikal has an onsite disaster management plan at all its locations to handle any emergency situation.

At a macro level, Hikal is a part of the district level crisis group which involves government officials and senior executives across the industry. Hikal sites are chosen by the authorities to demonstrate emergency preparedness to community and industry.

Based on Hikal's Environment, Health and Safety (EHS) policy, our main focus is on hazard identification, potential hazards, risk analysis and risk management. Hikal has adopted a strict Process Safety Management (PSM) system which distinguishes the company from peers.

Environmental Performance

Hikal believes in sustainable development. It has always worked towards resource conservation and prevention of pollutants. Hikal has a comprehensive EHS policy with well defined SOPs.

Hikal has proactively initiated a carbon footprint study. It will help the organization estimate and reduce green house gas emissions. Hikal follows the 3 Rs of sustainable development viz., Reduce, Reuse and Recycle. Solvent recovery is an integral part of the process.

Hikal has commissioned a dedicated solvent recovery facility for one of its high volume products. The facility recovers solvents utilized in the manufacturing process which is then recycled.

The company has installed a Multiple Effect Evaporator (MEE) to recover the intermediates soluble in water. The installation of MEE has significantly reduced the load on the effluent treatment plant which in turn reduces the adverse effects of solvents on the environment.

Opera Recital by Brigitte Czipin accompanied by Mehroo Jeejeebhoy

Winner of the Hikal Cup

Hikal has successfully achieved zero waste water discharge at its Bangalore site. It has been achieved through the treatment of waste water in three parts: biological treatment, reverse osmosis and multiple effect evaporation. The treated water is used as make up water for cooling towers at the site which has reduced the consumption of fresh water.

Hikal has made tree plantation activity an integral part of the environment management program at all sites.

PROMOTING SPORTS

The Hikal Cup, a tennis tournament, is hosted every year by Hikal in association with the Bombay Gymkhana Sports Club. This tournament is held over a period of three days. This is the ninth year of Hikal's sponsorship of this tournament. It started with 16 teams and it has now grown to over 36 teams. Over the years, the Hikal Cup has become popular among corporate houses and public service companies, with increased participation every year.

PROMOTING ARTS AND CULTURE

Hikal believes in promoting diverse cultural events. Hikal sponsored a western classical concert, and a recital of Lieder and Operatic Arias by Brigitte Czipin in October. This event was held at the National Centre for Performing Arts (NCPA). Accompanying Brigitte Czipin was the distinguished pianist, Mrs. Mehroo Jeejeebhoy.

FINANCIALS

Hikal's financial performance increased in spite of the global downturn in the lifesciences industry.

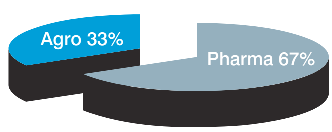
We achieved Rs. 5.4 billion in sales, a growth of 12 %. Our growth was led by our pharmaceutical division which increased by 29 %. Our crop protection division decreased in overall sales by 11% mainly due to the inventory destocking issues faced by our customers.

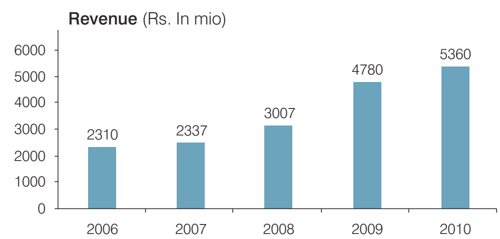
The overall financial position of the company has vastly improved. Our net profit for the year increased 16 % over the last year before the reversal of a cash flow hedge reserve which is a non-cash entry. The net worth of the company increased by 26 % showing a positive cash generation.

In spite of the challenging economic environment, Hikal has managed to record considerable growth. Effective cost management measures coupled with the increase in production volumes of our products has helped us boost our EBIDTA margins. We expect to register further growth in turnover and profitability in 2010.

Based on our robust growth, the Hikal board has recommended a final dividend of 80 % on equity shares including an interim dividend of 40 %.

Division Sales - FY 2010





Directors' Report

To,

The Members,

The Directors are pleased to present the 22nd Annual Report with the Audited Accounts for the financial year ended March 31, 2010.

1. **FINANCIAL RESULTS**

Rs.in Million

	2009-10	2008-09
Turnover	5,429	4,828
Profit before interest and depreciation and exceptional items	1,790	1,326
Interest	348	248
Profit before depreciation	1,442	1,078
Depreciation	330	210
Profit after depreciation before exceptional items	1112	868
Exchange loss	264	244
Reversal of cashflow hedge reserve	283	-
Profit before taxation after exceptional items	565	624
Provision for taxation		
- Current tax	102	-
- Less MAT tax credit	(102)	-
- Deferred tax liability/(assets)	(37)	29
- Fringe benefit tax	-	6
profit after tax	602	589
Reserves and surplus	3,826	3,138
Dividend on equity share	132	-
Tax on dividend	22	-
Transfer to general reserve	125	-

The turnover of the company has increased to Rs. 5,429 million from Rs. 4,828 million in the previous year; an increase of 12%. Our Pharmaceutical division has been the major driver of our growth registering an increase of 29% to Rs.3,570 million. We expect the pharmaceutical division to lead the growth of the company in the coming years.

In spite of the global recession which resulted in weak demand for pharmaceutical and agrochemcial products worldwide, the company has achieved a net profit of Rs. 602 million compared to Rs. 589 million in the previous year, an increase of 2%.

Our Agrochemical sales were down 11% to Rs.1,791 million compared to Rs.2,021 million from the year before. The decrease in sales was primarily due to the inventory correction of the major multinational crop protection companies that continued into the last quarter of FY 2009. We expect FY 2010 to yield better prospects from the agrochemical division once the inventory destocking cycle comes to an end. We expect to sell additional quantities of our existing products to our customers in the next financial year.

2. **EXPORTS**

Exports for the year increased to Rs. 4,700 million, (88 % of total sales), previous year Rs. 4,393 million (92% of total sales); an increase of 7% versus last fiscal year. We have increased our geographic distribution of products and are selling more in the domestic market as part of our diversification strategy.

3. **OPERATIONS**

Taloja Site :

Our recently constructed new multipurpose plant at Taloja has been commissioned and production of an on patent active ingredient is underway. Our Taloja site is also being used a manufacturing facility for some small scale high value products where the research and development is done at Acoris, our 100% dedicated contract research center. This year we undertook four such scale up projects where the high value product was manufactured at the pilot plant in Taloja successfully.

Mahad Site :

Our Mahad site is being used for captive consumption for the manufacture of intermediates for Taloja. We are in the process of upgrading one of our plants at the Mahad site which would be able to manufacture additional intermediates for sale in the domestic market and other markets.

Panoli Site :

Our Panoli site has been primarily utilized for captive consumption this year due to the increased demand of existing API's. We have installed a multiple effect evaporator which recycles key materials in the manufacture of one of our best selling products. This has increased the gross margin of the product and has also considerably reduced the effluents which could potentially harm the environment.

We have introduced a new small volume high value product for a Japanese company in Panoli where the initial process development was done at Acoris. We expect the volumes of this product to eventually increase resulting in potential commercial manufacture.

Bangalore USFDA Site :

We are in the process of upgrading some of our API plants in Bangalore to increase production. We have refurbished an existing API block to run to parallel streams of API's simultaneously. We are constructing an additional API block for multiproduct manufacture.

The company has completed and commercialized a state-of-the-art Solvent Recovery Unit (SRU). From April of this financial year, the SRU has been brought on stream and is being fully utilized to recover valuable solvents and contributing to a greener environment.

The production of a veterinary drug from this site has been successfully commercialised, we expect higher sales for this product in the coming years.

As a signatory to the “Responsible Care” initiative, our Bangalore site is a “zero discharge facility”. We are focused on reducing our impact on the environment.

As a part of our future growth strategy, we have acquired additional land adjoining our USFDA facility which will facilitate future expansion for manufacture of active ingredients.

Bangalore R&D

Our existing R&D centre at Bangalore is fully utilized and is focusing on improving processes of existing products as well developing processes for new products in our portfolio. In line with the company's plan, we have filed 2 DMF's in the US and 1 COS in Europe.

During the year 2009-10, we have been granted 5 patents which were applied for in the previous years. We have also applied for 4 additional patents in the US & Europe.

We have received 3 patents from the US and European authorities for three of our key products. We also received a COS (Certificate of Suitability: marketing authorization by the European Regulatory Authorities) to sell one of our key API's in Europe

During the year, the company also filed 1 process patent with the regulatory authorities, continuing its drive of creating intellectual property.

4. SUBSIDIARY OPERATIONS

Our R&D center, M/s Acoris Research Limited, Pune (100% subsidiary) is fully operational. Acoris has initiated started establishing itself as a service provider of contract research services targeting small biotech to multinational pharmaceutical and agrochemical companies.

Acoris helps customers innovate during the early lifecycle of products with a comprehensive suite of offerings. Acoris provides customized services, from Full Time Equivalent (FTE) to Fee for Service (FfS) contracts, Route Scouting, Contract Research, Process Development, Scale up, Analytical Method Development and cGMP (kilo) Manufacturing among other things.

Acoris has advanced facilities including a cGMP kilolab to meet the specific requirements for process and product development of customers. Its modern infrastructure is managed by a professional team of seasoned executives, chemical engineers and internationally trained scientists.

The addition of Acoris has increased the Hikal group's visibility by offering services to potential customers early on in the product development phase all way up to commercial manufacturing of the molecule. This enhances the value proposition to the potential client by creating a long term relationship with the client starting at early development all the way through to manufacturing.

Acoris has been successful at penetrating the Japanese market as well the European and US markets. We expect Acoris to increase revenue substantially for FY 2010 and eventually create additional business opportunities for Hikal on the manufacturing side.

5. DIVIDEND

The Board has recommended an interim dividend of 40 % and final dividend of 80 % including interim dividend for the year .(Previous year Nil)

6. **AWARDS**

During the year, the company received the following awards:

- An award for the Best Supplier at the prestigious AGROW Awards 2009 held in London
- Top three finalists at the Information Technology CNBC TV 18 Awards for the IT setup at Acoris Research Ltd.
- Our Mahad site received the National Safety Council award for Safety.
- The company also received a Silver Medal for the Best Annual Report from the Association of Business Communicators of India.

7. **SUBSIDIARY ACCOUNTS**

In terms of the approval granted by the Government of India, Ministry of Corporate Affairs under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account, Directors' Report and the Report of the Auditors of the subsidiary companies viz., Hikal International B.V. and Acoris Research Limited have not been attached with the Balance Sheet of the company. The company will make available these documents / details upon request made by any members of the company interested in obtaining the same and the same can also be inspected at the Registered Office of the company as well as of the subsidiaries. Pursuant to the approval, a statement of the summarized financials of all the subsidiaries is attached along with the Consolidated Financial Statements. Pursuant to Accounting Standard (AS) – 21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the company includes the financial information of its subsidiaries.

8 **DIRECTORS**

Mr. Shiv Kumar Kheny and Ms.Sugandha Hiremath Directors on the Board, retire by rotation and being eligible, offer themselves for re-appointment.

9. **DIRECTORS' RESPONSIBILITY STATEMENT**

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

(i) In the preparation of the annual accounts, the applicable accounting standards have been followed.

(ii) The Directors have 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 ended March 31, 2010 and of the profit of the company for that year.

(iii) Proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

(iv) The annual accounts have been prepared on a going concern basis.

10. **AUDITORS REPORT**

With regard to the emphasis of matters and qualification contained in the Auditors' Report, explanations are given below :

i) Note no 4 of the Auditors Report - Refer Note no. iii (b) to Schedule No 21

The company has entered into certain forward / option contracts with the banks to hedge its exposure against fluctuations in foreign exchange. 90% of the company's revenues consist of exports. Majority of these exports are in US dollars. These contracts account for approximately 30% of its total exports.

The forward covers have been spread over the next two years. These covers were taken to ease the effects of the foreign currency fluctuations, as a major percentage of the company's turnover is realized from exports in foreign currencies.

The company has MTM losses of Rs.459 Million as on March 31, 2010 for the future years which have not been provided for in the books. The company is of the opinion that the unrealized losses as a result of these transactions are notional in nature and will not affect the ongoing business or operations of the company. The company has adequate long-term export contracts to cover the entire value of the forward covers. The losses on these contracts are being accounted for as and when they fall due.

The company is also of the opinion that these losses are not actual losses as the US dollar is highly volatile and unpredictable. For the FY 2009, the US Dollar has appreciated by 11% versus the Indian Rupee.

11. **AUDITORS**

The member have appointed M/s B S R & Company Chartered Accountants as the Auditors of the company in the last Annual General Meeting of the company.

M/s B S R & Company Chartered Accountants is retiring auditors, being eligible offer themselves for reappointment.

12. **COST AUDIT**

The company has re-appointed Prof. V.J. Talati of V.J. Talati & Co., as the Cost Auditor.

13. **PUBLIC DEPOSITS**

The company has no overdue deposits outstanding other than those unclaimed as on March 31, 2010.

14. **LISTING FEES**

The company has paid requisite annual listing fees to Bombay Stock Exchange and National Stock Exchange where its securities are listed.

15. **EMPLOYEES**

The company considers its human capital as a valuable asset. The company continued to have cordial relationships with all its employees. Management and employee development programs and exercises were conducted across all its sites. Employees were sponsored for various external seminars and other developmental programs which enhance their skill sets. The total workforce of the company stood at 848 as on March 31, 2010.

As required by the provisions of the section 217 (2A) of the Companies Act, 1956, read with companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees form part of the Directors' Report. However, as per the provisions of the Sec. 219 (1) (b) (iv) of the Companies Act, 1956, the report and accounts are being sent to all shareholders of the company excluding the aforesaid information, any shareholders interested in obtaining such particulars may write to the Company Secretary at the corporate office of the company

16. **CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

In accordance with the requirements of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, a statement showing particulars with respect to conservation of energy, technology absorption and foreign earnings and outgo forming part of the Directors' Report, is given in the enclosed annexure which forms part of this report.

17. **SAFETY & ENVIRONMENT**

The company continued to maintain the highest standards of safety and environment control. The company's commitment to responsible care is ongoing at each site. Mandatory training and awareness programs for the employees are given on consistent basis.

18. **CORPORATE GOVERNANCE**

A report on the Corporate Governance Code along with a certificate from the Auditors of the company regarding the compliance of the code of Corporate Governance as also the Management Discussion and Analysis Report as stipulated under clause 49 of the Listing Agreements are annexed to this Report.

19. **ACKNOWLEDGMENTS**

The Board of Directors place on record their appreciation of the active involvement and sincere support extended to the company by our Bankers, Financial Institutions and other esteemed customers and suppliers.

The Board also places on record its appreciation for the impeccable service and unstinting efforts rendered by its employees at all levels, across the board towards its overall success.

For and on behalf of the Board of Directors

Place: Mumbai	**Jai Hiremath**	**Kannan Unni**
Date: April 30, 2010	Vice Chairman & Managing Director	Director

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

I. CONSERVATION OF ENERGY

Energy Conservation is an important element of Energy Policy and Hikal imparts more value for taking various measures for carrying out Energy Conservation at all sites, which includes:

- Conducting Energy Audits.
- Training programs and Energy Week celebrations.
- Suggestion Schemes for Conservation of Energy.

The main measures adopted for Energy Conservation are:

- Monitoring Power Factor.
- Replacement of worm gear boxes by planetary gear boxes.
- Selection of energy efficient drives, gear boxes, motors for upcoming projects.
- Installation and Monitoring of Condensate Recovery Systems.
- Use of Fuel additive for increasing Steam to Fuel Ratio. (SFR)
- Use of Variable Frequency Drives (VFD)
- Replacement of HPMV Lamps with CFL Lamps and use of Energy Efficient Reflectors for Light fittings.

FORM A

					Rupees in Million
A.	Power and fuel consumption				
	Electricity			**2009-10**	2008-09
1.	a.	**Purchased**			
		Unit (KWH in thousands)		**45,311**	35,665
		Total amount (Rs. in Million)		**239.52**	180.54
		Rate / KWH (Rs.)		**5.33**	5.06
	b.	**Own Generation**			
		Through diesel generator			
		Unit (KWH in Thousands)		-	696
		Units per ltr. of diesel		-	-
		Oil cost / unit		-	11.02
2.		**Furnace oil**			
		Quantity (K. Ltrs.)		**9,010**	5,259
		Total Cost (Rs. in Million)		**218.64**	121.86
		Average rate / Ltrs. (Rs.)		**24.27**	23.17
3.		**Others**			
		LSHS / LDO / GAS / HSD			
		Quantity (K. Ltrs.)		**1552.05**	885
		Total Cost (Rs. in Million)		**30.51**	17.58
		Rate / Ltrs. (Rs.)		**19.66**	19.87
B.	Consumption per unit of Production				
	Product Unit				
	(Intermediate for dyes, pesticides and pharmaceuticals)				
	Electricity		KWH	**11.25**	9.45
	Furnace oil		Ltrs.	**2.24**	1.39
	LSHS / LDO/GAS		Ltrs.	**0.39**	0.24

II. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

a. **Specific areas in which R&D is carried out by the company and benefits derived as a result of R&D activity.**

1. The company has developed several non-infringing pharmaceutical processes.
2. Our R&D emphasizes its focus on green chemistry based technologies and has developed several solvent free processes for our existing APIs. Such efforts have resulted into reduction of use of chlorinated solvents by100 thousand kg/year. which not only reduce the price but harmful effects on the environment.
3. Number of processes of new products has been developed and the processes have been validated in plant. The products will be introduced in the market during 2010-11
4. Two DMF have been filed and more are in the pipeline yet to be filed in current year

b. **Future plans**

The management vision is to position Hikal as a Company of choice both as a preferred supplier and as an employer. The company has firmly positioned itself as a leader in the space of contract manufacturing and research.

The new research centre, Acoris at the International Biotech Park, Pune is operational and will be the center of innovation for the company and its customers. It will undertake cutting-edge research for global innovator companies.

The company has plans to file 4 new Drug Master File every year. It continues to generate its own intellectual Property through process patents.

c. **Expenditure on R & D**

			Rupees in Million
		2009-10	2008-09
i)	Capital	**0.12**	4.80
ii)	Recurring	**83.48**	74.82
	Total	**83.60**	79.62
iii)	Total R&D expenditure as a percentage of total turnover	**1.56%**	1.67%

III. FOREIGN EXCHANGE EARNINGS & OUTGO

Total foreign exchange used and earned:

a) Used : **Rs. 1,140 Million** (Previous year Rs. 1,400 Million)

b) Earned : **Rs. 4,528 Million** (Previous year Rs. 4,397 Million)

For and on behalf of the Board of Directors

Place: Mumbai	**Jai Hiremath**	**Kannan Unni**
Date: April 30, 2010	Vice Chairman & Managing Director	Director

Report on Corporate Governance : 2010

The Company has complied with the provisions clause No. 49 of the listing agreement with the stock exchanges relating to the Corporate Governance. The Company has constituted various committees and discloses various information to the public through its Annual Reports, web-site, press releases, etc.

I. COMPANY'S PHILOSOPHY OF CODE OF GOVERNANCE

Hikal's philosophy of corporate governance envisages the highest level of transparency, accountability and equity in all its dealings with shareholders, employees, Government and lenders. The Company's guiding principles are focused to achieve the highest standards of corporate governance.

II. BOARD OF DIRECTORS

The present strength of the Board of Directors is 8, whose composition is given below:

A Composition and category :

BABA KALYANI	Chairman, Non-Executive Director
JAI HIREMATH	Vice Chairman & Managing Director
SAMEER HIREMATH	Deputy Managing Director
PRAKASH MEHTA	Independent, Non-Executive Director
PETER POLLAK	Independent, Non-Executive Director
SHIVKUMAR KHENY	Independent, Non-Executive Director
KANNAN UNNI	Independent, Non-Executive Director
SUGANDHA HIREMATH	Non-Executive Director

The attendance of each Director at the Board meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/Membership of Committees of each Director in various Companies is as under:

Name of Director	Attendance		Directorships (excluding Directorship in Private Companies)*	Committee Memberships#	Committee Chairmanships
	Board Meeting	Last AGM			
BABA KALYANI Chairman	NIL	No	13	3	3
JAI HIREMATH Vice Chairman & Managing Director	4	Yes	2	-	1
SAMEER HIREMATH Deputy Managing Director	4	Yes	1	-	-
PRAKASH MEHTA Director	4	Yes	8	12	1
PETER POOLAK Director	1	No	-	-	-
SHIVKUMAR KHENY Director	4	Yes	12	2	1
KANNAN UNNI Director	4	Yes	3	2	1
SUGANDHA HIREMATH Director	3	Yes	-	2	-

* excludes directorship in own Company

includes membership/chairmanship in own Company

B Board Procedure :

Board members are given appropriate documents and information in advance of each Board and Committee meeting. To enable the Board to discharge its responsibilities effectively, the Vice Chairman & Managing Director reviews Company's overall performance.

C **Details of Board of Directors Meetings held during the year :**

Four (4) Meetings of the Board of Directors were held during the year ended March 31, 2010.

These were held on: (1) June 30, 2009 (2) July 23, 2009 (3) October 22, 2009 (4) January 23, 2010

D **Remuneration Policy**

In framing its remuneration policy, the Remuneration Committee / Board of Directors take into consideration the remuneration practices of companies of a size and standing similar to the Company.

The Executive Directors are paid remuneration as per the Agreements entered between them and the Company. These Agreements are placed for approval before the Remuneration Committee, Board and the shareholders and such authorities as may be necessary. The remuneration structure of the Executive Directors comprises of salary, commission, perquisites and allowances, contributions to provident fund and gratuity. The non-executive Directors do not draw any remuneration from the Company except sitting fees.

Remuneration to Directors for the year ended March 31, 2010.

i) Remuneration to Non-Executive Directors.

The Non-executive Directors are paid sitting fees of Rs. 15,000/- (Rupees Fifteen Thousand) for each meeting of the Board and Audit Committee and Shareholders' Grievance Committee, and remuneration committee meetings attended by them:

Director	**Sitting Fees (Rs.)**
Baba Kalyani	NIL
Prakash Mehta	1,35,000/-
Peter Pollak	15,000/-
Shivkumar Kheny	60,000/-
Kannan Unni	1,35,000/-
Sugandha Hiremath	1,05,000/-

ii) Remuneration to Executive Directors

Rs. in Millions

Name of the Director	**Salary & Perquisites**	**Commission**	**Total**
Jai Hiremath	9.10	6.00	15.10
Sameer Hiremath	5.94	4.40	10.34

Shareholding of Non Executive Directors in the Company

Name of the Director	**Number of shares held**
Baba Kalyani	3,000
Prakash Mehta	1,970
Peter Pollak	Nil
Shivkumar Kheny	6,350
Kannan Unni	5,500
Sugandha Hiremath	1,318,422

III. COMMITTEES OF THE BOARD

A. Audit Committee

Composition

The Committee consists of Mr. Kannan Unni, Chairman, Mr. Prakash Mehta who are Non-Executive Independent Directors and Mrs. Sugandha Hiremath, who is a Non-Executive Director.

The terms of reference of the Audit Committee include :

1. To review the company's systems of internal control and to ensure that adequate system of internal audit exists and is functioning.
2. To ensure compliance of internal control systems and action taken on internal audit reports.
3. To establish accounting policies.
4. To review financial statements and pre-publication announcements before submission to the Board.
5. To apprise the Board on the impact of accounting policies, accounting standards and legislation.
6. To review the Company's financial and risk management policies.

The Company Secretary acts as the Secretary to the Committee.

The Statutory auditors, Internal Auditor and Cost Auditor are invited to attend and participate at the meeting of the Committee.

Meetings and Attendance

In 2009-10, the Audit Committee met 4 times viz; on June 30, 2009, July 23, 2009, October 22, 2009 and January 23, 2010

The attendance of the Committee meetings is as under:

Name of the Director	No. of meetings attended
Kannan Unni	4
Prakash Mehta	4
Sugandha Hiremath	3

B. Share Transfer Committee

The Share Transfer Committee consists of Mr. Jai Hiremath, Vice Chairman & Managing Director (Executive), Mrs. Sugandha Hiremath, Director (Non-Executive) and Mr. Sameer Hiremath, Deputy Managing Director (Executive).

During the year 2009-2010, 4 meetings were held.

C. Shareholders'& Investors' Grievance Committee

The Committee consists of Mr. Kannan Unni - Independent Non-Executive Director, Mr. Prakash Mehta - Independent Non-Executive Director and Mrs. Sugandha Hiremath – Non-Executive Director.The Committee looks into redressing of shareholders/investors' complaints. During the year 5 complaints were received from shareholders / investors and the same were resolved. No complaints were outstanding as on 31st March, 2010.

During the year 2009 – 10, 1 meeting was held.

Compliance Officer

The Board has designated Mr. Sham Wahalekar, Sr.VP (Finance) & Company Secretary as the Compliance Officer

D. Remuneration Committee

The Committee consists of Mr. B.N. Kalyani Non Executive Director, Mr. Kannan Unni - Independent Non-Executive Director, and Mr. Prakash Mehta - Independent Non-Executive Director. The terms of reference of Remuneration Committee includes remuneration for fixation and revision of remuneration packages of Managing Director and Deputy Managing Director to the Board for approval and review.

No meeting took place during the year 2009 – 10.

IV. GENERAL BODY MEETING

The details of Annual General Meetings held in the last 3 years are as under:

Annual General Meeting	Day	Date	Time	Venue
19 th	Thursday	August 23, 2007	11 :00 AM	Sunflower Suite No. I & II 30th Floor, Center 1 World Trade Center Cuffe Parade Mumbai – 400 005
20 th	Thursday	August 21, 2008	11 :00 AM	Sunflower Suite No. I & II 30th Floor, Center 1 World Trade Center Cuffe Parade Mumbai – 400 005
21st	Thursday	August 27, 2009	11 :00 AM	Sunflower Suite No. I & II 30th Floor, Center 1 World Trade Center Cuffe Parade Mumbai – 400 005

Details of special resolutions passed during last three years:

1. Resolution under section 314(1B) of the companies Act, 1956 passed for holding place of profit by a relative of directors. The Resolution was passed with the requisite majority at the Extraordinary General Meeting of the company held on 14th June, 2007.
2. Resolution under section 81(1A) of the companies Act, 1956 passed for issue and allotment of 13,60,000 equity shares of the face value of Rs.10/- each for cash at a price of Rs.474/- (including the premium of Rs.464/- per share) to International Finance Corporation (IFC).The Resolution was passed with the requisite majority at the Extra Ordinary General Meeting of the company held on 30th July,2008.

3 Resolution under section 314(1B) of the companies Act, 1956 passed for holding place of profit by a relative of directors. The Resolution was passed with the requisite majority at the 20th Annual General Meeting of the company held on 21st August, 2008.

In addition to Annual General Meetings, the Company holds Extra-Ordinary General Meetings of the Shareholders as and when need arises.

V. DISCLOSURES

(I) The Company has entered into related party transactions as set out in the Notes to Accounts, which are not likely to have a conflict with the interest of the Company. The details of all significant transactions with the relevant parties are periodically placed before the audit committee.

(ii) No penalties or strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during the last three years.

(iii) In the preparation of financial statements, the Company has followed the Accounting Standards notified under section (3C) of section 211 of the Companies Act, 1956 to the extent applicable except as stated in the auditors' report.

(Iv) The Company has laid down the Risk Management Policy defining risk profiles involving Strategic, Technological, Operational, Financial, Organisational, Legal and Regulatory risks within well defined framework. The Board periodically reviews the business related risks.

(v) The Company has a code of conduct for Board members and senior management of the Company, which is posted on the Company's website. The employees covered by code of conduct, affirm on annual basis the compliance with the said code. The Company does not have a whistle blower policy. No personnel of the Company have been denied access to the grievance redressal mechanism and audit committee of the Board of the Company.

(vi) The company has complied with non-mandatory requirement of Clause 49 pertaining to Corporate Governance, in respect of formation of remuneration Committee.

(vii) In relation to the audit qualifications, the note to accounts referred to in Auditor's Report are self explanatory and therefore do not call for any further comments.

VI. MEANS OF COMMUNICATION

The quarterly, half yearly and yearly financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board.These are published in leading Financial/Non-financial newspapers viz: in Economic Times and Maharashtra Times / Loksatta.

These results and shareholding pattern of the company at the end of each quarter are simultaneously posted on the web site of the Company at www.hikal.com and web site developed by SEBI viz. www.sebiedifar.nic.in The Annual Report has detailed Chapter about Management Discussion and Analysis Report.

In line with the Listing Agreement, the Company has created a separate e-mail address viz. secretarial@hikal.com to receive complaints and grievances of the investors.

VII. GENERAL SHAREHOLDERS INFORMATION

(A) Annual General Meeting

Date	:	August 18, 2010
Time	:	11.00 A.M.
Venue	:	Sunflower Suite No. I and II, 30th Floor Center 1, World Trade Center, Cuffe Parade Mumbai – 400 005

(B) Financial Calendar : April 01 to March 31

(C) Book Closure : August 11, 2010 to August 18, 2010 (both days inclusive)

(D) Listing of Shares & Other Securities

The Shares are listed on the Stock Exchanges at Mumbai, and National Stock Exchange. 0.5% Unsecured Foreign Currency Convertible Bonds for US$ 12 Million due 2010, are listed on Singapore Exchange Securities Trading Limited.

The Company has paid the listing fees to these Exchanges.

(E) Stock Code

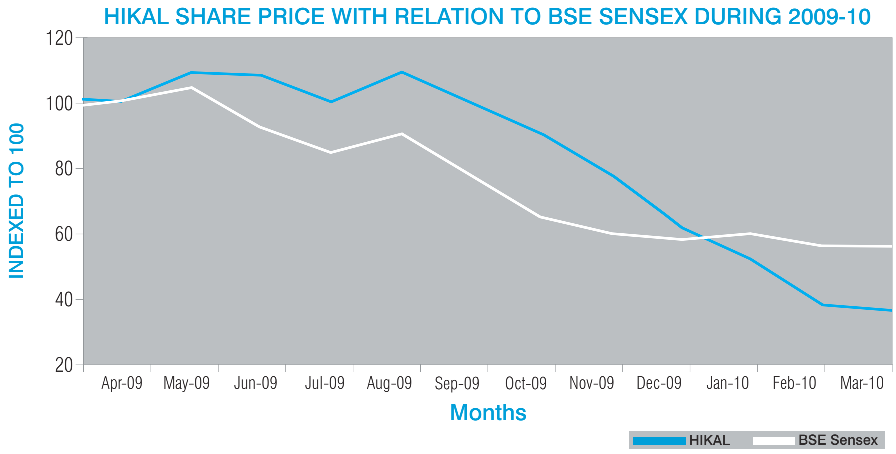
Trading Symbol at :

Stock Exchange, Mumbai	524735
National Stock Exchange	HIKAL
Singapore Exchange-FCCB	6000954
Demat ISIN Number in NSDL & CSDL	INE 475 B 01014

(F) Market Price Data

The details of high/low market price of the shares at the Stock Exchange, Mumbai, are as under:

Year	Month	High(Rs.)	Low(Rs.)
2009	April	238.40	153.20
	May	312.00	180.00
	June	309.70	217.30
	July	294.00	222.50
	August	338.80	250.00
	September	369.00	301.10
	October	385.00	322.00
	November	484.00	330.20
	December	457.00	387.00
2010	January	456.10	362.60
	February	424.00	340.10
	March	403.50	314.90



(G) **Share Transfer Agents**

M/s. Mondkar Computers Pvt. Limited
21, Shakil Niwas, Mahakali Caves Road
Opp. Satya Sai Baba Mandir, Andheri (East)
Mumbai – 400 093
Phone : 022- 28366620 • Fax : 022- 28262920

(H) **Share Transfer System**

Shares sent for transfer in physical form are registered by our Registrars and Share Transfer Agents within 30 days of receipt of the documents, if the documents are found to be in order. Shares under objection are returned within one week. The Share Transfer Committee meets generally twice in a month to consider the transfer request if there are any.

(I) **Distribution of Shareholding (Equity) as on March 31,2010.**

Shareholding Range(s)		No. of Shareholders		Equity Shares held	
From	To	Number	Percentage	Number	Percentage
1	500	6,433	92.24	693,532	4.22
501	1000	290	4.16	2,18,593	1.33
1001	2000	109	1.56	1,60,336	0.96
2001	3000	41	0.59	1,05,347	0.64
3001	4000	19	0.27	67,382	0.41
4001	5000	18	0.26	86,299	0.53
5001	10000	22	0.32	1,73,519	1.06
10001 & above		42	0.60	1,49,35,092	90.85
Total		**6,974**	**100.00**	**1,64,40,100**	**100.00**

(J) **Shareholding pattern as on March 31, 2010 is as under :**

Category of Shareholders	No. of Equity Shares	Percentage
Promoters	1,13,12,410	68.81
Resident Individuals	22,77,506	13.85
Mutual Funds / UTI	10,74,169	6.53
FIIs	34,045	0.21
Foreign National	24,310	0.15
Non Resident Indians	34,282	0.21
Corporate Bodies	3,23,378	1.97
Foreign Corporate Bodies	13,60,000	8.27
Total	**1,64,40,100**	**100.00**

(K) Dematerialisation of Shares

90.90% (14944918 shares) of total equity capital is held in dematerialized form with NSDL and 6.99% (1148428 shares) of total equity capital is held in dematerialized form with CSDL as on 31-3-2010.

(L) Plant Locations

(a) MIDC, Taloja, Dist. Raigad, Maharashtra
(b) MIDC, Mahad, Dist. Raigad, Maharashtra
(c) GIDC, Panoli, Dist. Bharuch, Gujarat
(d) KIADB, Jigani, Bangalore, Karnataka
(e) Bannerghatta, Bangalore, Karnataka

(M) Investor Correspondence

(i) M/s. Mondkar Computers Pvt. Limited
21 Shakil Niwas,
Mahakali Caves Road,
Andheri (East), Mumbai – 400 093.
Tel: 022- 28366620,
Fax: 022-28262920

(ii) **Investors Relation Center**
Mr. Sham Wahalekar – Sr.VP. (Finance) & Company Secretary
603-A, Great Eastern Chambers, 6th Floor,
Sector 11,CBD Belapur, Navi Mumbai - 400 614.
Tel: 022-30973100,
Fax: 022-27574277

CEO/CFO Certification Issued Pursuant to The Provisions of Clause 49 of the Listing Agreement

The Board of Directors April 30, 2010
Hikal Ltd.

Sub: **CEO/CFO Certificate**

We have reviewed financial statements, read with the cash flow statements of Hikal Ltd. for the year ended March 31, 2010 and that to the best of our knowledge and belief, we state that:

(a) (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.

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

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

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

(d) We have indicated to the auditors and the Audit Committee

(I) significant changes in internal control during the year;

(ii) significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements and

(iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

For Hikal Ltd.

Jai Hiremath
Vice Chairman & Managing Director

S.V. Wahalekar
Sr.VP (Finance) & Company Secretary

DECLARATION

To The Members

Hikal Ltd.

Sub:Declaration under Clause 49 of the Listing Agreement

I hereby declare that all the Directors and the designated employees in the Senior Management of the Company have affirmed compliance with their codes for the financial year ended March 31, 2010.

For Hikal Ltd.

Jai Hiremath
Vice Chairman & Managing Director

Mumbai, April 30, 2010.

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of Hikal Limited

We have examined the compliance of conditions of Corporate Governance by **Hikal Limited** for the year ended March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 report that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that our report 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 **B S R & Company**
Chartered Accountants
Firm's Registration No: 128032W

Vijay N. Bhatt.
Partner
Membership No: 036647

Mumbai
April 30, 2010

Management Discussion & Analysis Report

SUMMARY ANALYSIS

As we slowly emerge from the global recession of 2007-2009, the chemical industry finds itself passing through a period of profound transformation. Profit margins, return on capital and revenues have seen a steady decline. Multinational pharmaceutical and crop protection companies with large facilities are struggling to face new challenges as competition from emerging markets is growing fiercer. In the aftermath of the recent recession, demand for agrochemicals in certain developed world end markets has dropped. Some companies have found themselves on bankruptcy watch, with share prices sinking to single digits.[1]

The global pharmaceutical industry's main markets are under severe pressure. North America, Europe and Japan jointly account for 82% of drug sales; total sales reached US$ 773 billion in 2008, according to IMS Health. Annual growth in the European Union (EU) has slowed to 5.8%, and sales are increasing at an even more sluggish rate in Japan (2.1%) and North America (1.4%). Impending policy changes, promoting the use of generics in these key markets are expected to further dent the top and bottom line of global pharma majors. The industry is bracing itself for some fundamental changes in the marketplace and is looking at newer ways to drive growth.

Further, higher R&D costs, a relatively dry pipeline for new drugs, increasing pressure from payers and providers for reduced healthcare costs and a host of other factors are putting pressure on global pharmaceutical companies. Pharma companies are looking for new ways to boost drug discovery potential, reduce time-to-market and become more competitive with lean operating structures.[2]

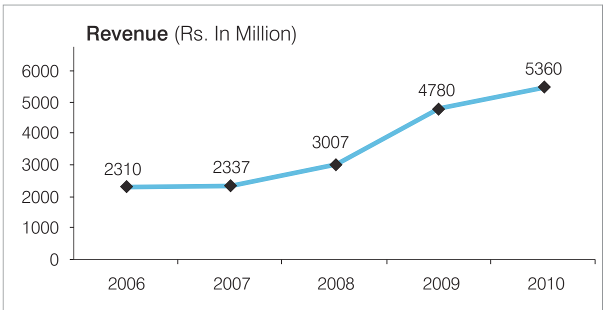
These are opportunities for India as pharmaceutical and chemical companies ramp up their capacities, capabilities and technology in the areas of manufacturing and R&D.[3] Global players have taken note of these developments. India will make its mark as a growing market and partner in manufacturing and R&D. Hikal which supports early stage R&D and manufacturing is ideally positioned to take advantage of the outsourcing boom that is expected to continue through 2015.

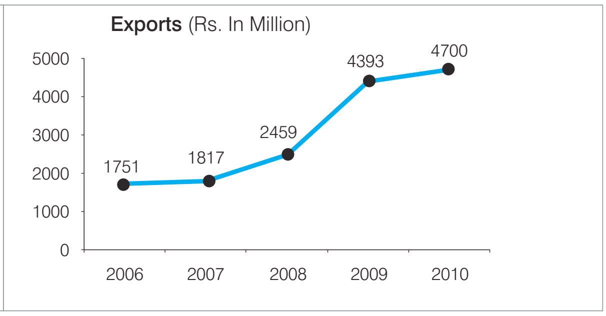
FINANCIALS

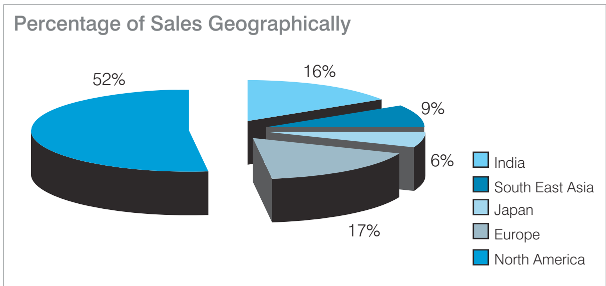
Hikal revenues for the year 2009-10 were at Rs. 5,360 million as against Rs. 4,780 million for 2008-09; an increase of 12% over the previous year. In spite of a difficult financial environment, Hikal has posted reasonable growth in revenues. Our pharmaceutical division has led the increase in turnover.

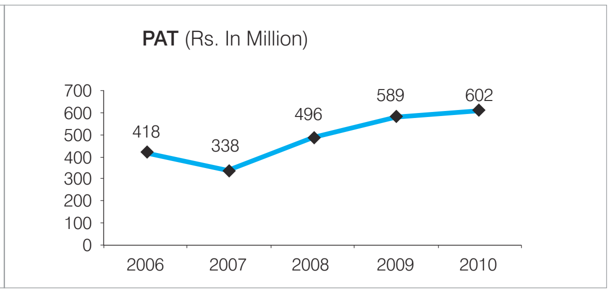
After considering the operations in its subsidiary, the consolidated revenue for the year 2009-10 was at Rs. 5,390 million as compared to Rs 5,729 million in the previous year. The shortfall as compared to the previous year was due to the write-off of our European subsidiary, Marsing & Company.

Exports for the year were at Rs. 4,700 million as against Rs. 4,393 million in the previous year, an increase of 7%. As part of our risk mitigation strategy, we have diversified the geographies where we are selling our products and also









concentrated on selling more in the domestic market as it is one of the fastest growing markets for pharmaceutical products in the world.

The EBITDA increased from Rs.1,326 million to Rs.1,790 million, which was an increase of 35%. However, profit after tax was up by only 2%, from Rs. 589 million to Rs.602 million. This was mainly because of an exceptional item charge of reversal of 'cash flow hedge reserve' of Rs.284 million on account of foreign exchange losses. This is a non cash entry on the profit and loss statement.

The shareholders' funds of the company increased from Rs. 3,303 million to Rs. 3,990 million, an increase of 21%. The overall long-term debt was reduced by Rs. 200 million and the debt to equity ratio improved from 1.11 to 0.99.

The overall financial ratios and balance sheet have improved after this financial year. We are actively reducing our debt levels from increased cash flow generation through our businesses.

CROP PROTECTION INDUSTRY

After a record double digit growth in 2008, the crop protection industry registered a 6% decline in 2009. Inventory destocking was a major concern for the suppliers of agrochemical companies.

Following the strong 2008 harvest across the globe (driven by generally favorable weather and a significant increase in farmers' adoption of yield enhancing technologies), global crop stock-to-use ratios for the key crops remained below average. This translated into lower global demand for herbicides and fungicides, two of the categories of products made by Hikal.

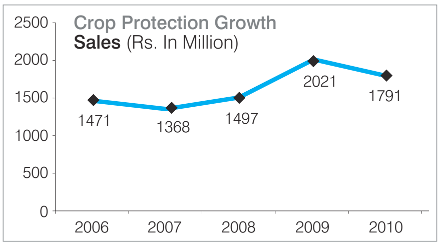
In 2009, crop output decreased resulting in lower yields due to a lower marginal fertilizer/ agrochemical applications of products resulting in inventory destocking by western agrochemical companies.

For 2010, growers in both Brazil and Argentina have increased planting of soybean generally at the expense of grain crops. This in turn will have affected company results in the latter half of 2009, with revenues from maize seed likely to be reduced. 2010 is expected to be a better year for the crop protection industry. With the global economic situation improving, we see a better 2010 for Hikal's crop protection division.

There is a global focus on generic markets of agrochemicals. There is an opportunity for a contract manufacturer to serve large MNCs that are keen to leverage the 'India cost and technological advantage' by tapping into local skills in manufacturing and process chemistry. Hikal has established its credentials in this industry and has the expertise to capitalize on this opportunity.

CROP PROTECTION OPERATIONS

In the year 2009-10, the revenues of the crop protection division were Rs.1,790 million as compared to Rs.2,020 million, a decline of 11%. The company's sales were affected by customer's inventory destocking.



Our recently constructed new multipurpose plant at Taloja has been commissioned and production of an on patent active ingredient is underway. We expect volumes of this product to increase over the next financial year.

We are in the process of upgrading one of our plants at the Mahad site which would be able to manufacture additional intermediates for sale in the domestic market and other markets.

We expect 2010 to yield better prospects for the crop protection division. We are in talks with several multinational companies for contract manufacturing of products globally.

PHARMACEUTICAL INDUSTRY

The Indian economy is worth about US$ 1,243 billion and rapidly getting bigger. Real GDP growth reached 9% in the year to March 2008. The rate of increase has since slowed down due to the global financial crisis; in the year to March 2009, growth eased to 6.7%. Even so, most forecasters believe that India will continue to show robust growth over the long-term.

India's contract manufacturers for the pharmaceutical industry look set for solid, long-term growth. The Indian market already ranks fourteenth in the global league table, with sales of almost US$ 19 billion in March 2009. Price waterhouseCoopers estimates that it will rise to approximately US$ 50 billion by 2020, a 163% growth in a span of eleven years.

In 2009, the world went through a credit crunch, followed by a prolonged global economic downturn in the last quarter of 2008 and throughout 2009. The impact of the downturn, coupled with volatility in the Rupee, depleted the financial position of several Indian pharma companies, especially those which had substantial foreign borrowings on their balance sheets.[4] That being said, both the Indian domestic market and the opportunities from outsourcing of contract research and manufacturing for Indian companies have grown substantially last year and are expected to continue to grow over the next few years.

CONTRACT MANUFACTURING OPPORTUNITY

Contract manufacturing is a strong segment of the market opportunity. Indian firms have several advantages over their Western rivals. The expertise gained in manufacturing generics through reverse engineering has helped some companies streamline the process for getting manufacturing contracts. Costs are very competitive. They are only two-fifths of those involved in setting up and running a new manufacturing facility in the West. Indian companies can operate on significantly lower margins, given their lower development and labor costs.

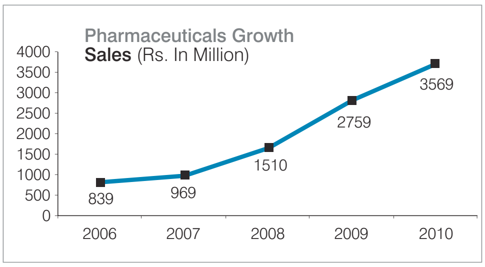
Currently, their key area of strength in outsourcing is the manufacture of APIs. Some Indian pharma companies could probably benefit significantly by moving towards specialty APIs in the future such as high potency.

The Indian contract manufacturing segment was worth around US$ 605 million in 2008 and is expected to reach around US$ 916 million in 2010. The US FDA has already approved over 100 manufacturing sites – more than in any country except the U.S. Among six offices that the US FDA has overseas, two are located in India, in Delhi and Mumbai.

Indian manufacturers are currently facing scrutiny on quality issues. In 2009, the US FDA took action against a few Indian companies after conducting a series of inspections and issuing warning letters against these drug makers. While such sanctions clearly pose significant challenges, some analysts see an opportunity as well. Indian companies are aggressively improving their manufacturing standards in response, and are likely to be better positioned to take advantage of the upsurge in generics production and contract manufacturing opportunities that arise from the West who are shutting down plants due to competition from countries such as India and China.[5]

PHARMACEUTICAL OPERATIONS

In the year 2009-10, the revenues of the pharmaceutical division stood at Rs. 3,569 million as compared to Rs.2,759 million in the previous year, an increase of 29%. Our pharmaceutical division accounts for 67% of our total sales up from 58% in the previous year.



We attribute this growth to the increase in demand of our existing products and new customers that have been added throughout the year. Our long-term supply contracts signed with multinational companies such as Pfizer and Alpharma are part of this increase.

The production of a veterinary drug from this site has been successfully commercialized and we expect higher sales for this product in the coming years. We are increasing the capacity at our US FDA certified site in Bangalore to deal with future demand of our existing products and those of new products under development.

As a signatory to the 'Responsible Care' initiative, our Bangalore site is a zero discharge facility. We are focused on reducing our impact on the environment.

As part of our future growth strategy, we have acquired additional land adjacent to our USFDA facility which will facilitate future expansion for the manufacture of active ingredients.

RESEARCH & DEVELOPMENT

As part of our ongoing efforts to bolster R&D at all our sites, we are increasing the investment in labs and scientists at each site.

Our existing R&D center at Bangalore is fully utilized and is focusing on improving processes of existing products as well as developing processes for new products in our portfolio. In line with the company's plan, we have filed 2 DMFs in the US and 1 COS in Europe. Our goal going forward is to file 4 DMFs on an annual basis.

During the year 2009-10, we have been granted 5 patents which were applied for earlier. We have also applied for 4 additional patents in the U.S. and Europe.

We have received 3 patents from the U.S. and European authorities for three of our key products. We also received a COS (Certificate of Suitability: marketing authorization by the European Regulatory Authorities) to sell one of our key APIs in Europe.

The company also filed 1 process patent with the regulatory authorities, continuing its drive of creating Intellectual Property.

CONTRACT RESEARCH & DEVELOPMENT

Global competitiveness is becoming increasingly important for the pharmaceutical industry. Companies are exploring options to enhance the efficiency of resources that they are using at all stages of the value chain from discovery research to production and logistics as well as sales and marketing. Innovation is recognized as the cornerstone for competitive advantage and is accelerated by investments in R&D. Rising costs of pharmaceutical R&D coupled with increasing pressure of stakeholders demanding steady growth lead to increased pressure on the output of the innovation pipeline.

India has widely acknowledged chemistry skills. Western companies are increasingly looking to India to outsource part of the R&D activities as costs are escalating in their own countries.[6]

ACORIS RESEARCH

Acoris Research, our 100% subsidiary has started its operations last year and is in the phase of getting trial orders from potential customers.

Acoris has been aggressively marketing its services in the U.S., Europe and Japan through Hikal's worldwide offices and directly with its own personnel. The continuing marketing efforts of Acoris have started to yield results. The company has successfully begun to establish itself as a quality service provider of early stage research and development services.

Acoris had a challenging 2009-10 due to the financial crisis which affected the credit situation of almost all pharmaceutical and biotechnology companies. Most of these companies either put projects on hold or cancelled them entirely due to the credit crunch and lack of funding.

Acoris has established contacts in the US, European and Japanese markets with leading multinational and mid-size pharmaceutical, agrochemical and biotechnology companies. The company has successfully completed several projects with some of the leading global mid-size pharmaceutical and biotechnology companies. Acoris has a dedicated lab for a leading Japanese multinational pharmaceutical company. We expect this contract to grow substantially in the coming years.

Acoris' has capabilities across the value chain from early stage chemical development to final manufacture of the product.

Acoris has lean and flexible development capacities which are easily adaptable to smaller demands. We have a full service range of services and know-how around chemical synthesis with capabilities for the support of project management. Acoris is transparent and has flexible cost structures which provide a leading advantage to companies that are looking to outsource.

As a dedicated R&D center, Acoris has increased the visibility of the Hikal Group as an integrated service provider across the life sciences value chain. We expect the coming financial year to yield positive results for the Hikal Group.

CONCLUSION

India's appeal is growing rapidly in a number of respects. It has long been a formidable player in pharmaceutical and chemical manufacturing and is fast becoming a force to be reckoned with in research and development. Intellectual Property protection has improved substantially but some gaps remain. While the regulatory environment in India has improved substantially in recent years, the industry still faces a number of challenges. All in all, established and reputed companies such as Hikal that provide services across the value chain will thrive as we witness a paradigm shift in outsourcing of higher value services, be it R&D or manufacturing.

SUBSIDIARY OPERATIONS

Our new 100% subsidiary, Acoris Research has commenced operations.

MANPOWER COST

Manpower cost in 2009-10 was at Rs. 444 million as compared to Rs. 381 million in 2008-09. Our additional investments in capacity and expansion of our facilities have led to an increase in hiring of people.

INTEREST

The finance cost for the year 2009-10 was at Rs. 348 million as against Rs. 248 million in the previous year. The substantial increase in interest cost is attributed to the additional funds required for the completed capital expansion at our sites. During the year, in order to reduce the US dollar/Indian rupee volatility, we replaced some of our US dollar denominated loans with Indian rupee alternatives which also increased the total cost of borrowings.

R&D EXPENDITURE

R&D expenditure for the year was at Rs. 84 million as compared to Rs. 80 million in the previous year. R&D expenses as a percentage to sales were at 1.6 % as against 1.7% in the previous year. We plan to increase our R&D spend in the coming year.

TECHNOLOGY

Hikal firmly believes that technology drives growth. We have invested in upgrading the technology at our manufacturing and R&D sites.

Our manufacturing sites are fully automated to reduce downtime in operations. We recently won an award for implementation of Information Technology at the NASSCOM CNBC TV 18 IT user awards show.

Our Oracle ERP system is fully operational at all sites.

DEPRECIATION

Depreciation for the year 2009-10 was at Rs. 330 million as compared to Rs. 210 million in 2008-09. The increase is mainly on account of the completion of the Solvent Recovery Unit, and our new API plant at Bangalore and the agrochemical plant at Taloja.

DIVIDEND

The Board of Directors recommended 80% dividend for the year as against nil last year. It is the highest dividend paid since inception.

EQUITY CAPITAL

The equity capital of the company remains unchanged at Rs. 164.4 million

HUMAN RESOURCE

As on March 31, 2010, the company employs 922 people in its various plants, R&D facility and marketing and administration departments. The company considers its human capital to be a critical part of its operations and all efforts are being made to continuously improve the skills of the people in the organization.

We have invested in training and development of our people through seminars and management training sessions.

Cautionary Note

The statements forming part of the Directors' report may contain certain forward looking remarks within the meaning of applicable securities laws and regulations. Many factors could cause the actual results, performances or achievements of the company to be materially different from any future results, performances or achievements that may be expressed or implied by such forward looking statements.

Sources

1 *The Decade Ahead: Preparing for an unpredictable future , Deloitte Touche Tohmatsu*

2 *Global Pharma looks to India : Prospects for growth, PricewaterhouseCoopers*

3 *Global Pharma looks to India : Prospects for growth, PricewaterhouseCoopers*

4 *Global pharma looks to India: Prospects for growth, PricewaterhouseCoopers*

5 *Global pharma looks to India: Prospects for growth, PricewaterhouseCoopers*

6 *Journal of Business Chemistry 2010*

Auditors' Report

To the members of Hikal Ltd.

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

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

3. As required by the Companies (Auditor's Report) Order, 2003 ('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'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. *The Company has not provided for a "mark-to-market" loss on derivative contracts aggregating to Rs 458.80 million as at 31 March 2010 (31 March 2009: Rs 1,498.57 million) (Refer Note iii (b) to Schedule 21) for the reasons stated by the management in the said note. Consequently, without considering the tax effect, the profit before tax for the year and reserves and surplus are overstated by Rs 458.80 million (31 March 2009: Rs 1,498.57 million) and current liabilities are understated by Rs 458.80 million (31 March 2009: Rs 1,498.57 million). Had the effect of observation made by us above been considered, the profit before tax for the year would have been Rs 106.12 million (31 March 2009: Rs (874.76 million) (as against the reported figure of Rs 564.92 million) (31 March 2009: Rs 623.81 million), the reserves and surplus would have been Rs 3,521.16 million (31 March 2009: Rs 1639.57 million) (as against the reported figure of Rs 3,979.96 million) (31 March 2009: Rs 3138.14 million) and the current liabilities would have been Rs 1,721.31 million (31 March 2009: Rs 2,667.38 million) (as against the reported figure of Rs 1262.51 million) (31 March 2009: Rs 1168.81 million).*

5. Further to our comments in the Annexure referred to Paragraph 3 above, we report that:

a) we have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purposes of the 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, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

d) in our opinion, *subject to our comments in paragraph 4 above*, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act;

e) on the basis of written representations received from the directors of the Company as at 31 March 2010 and taken on record by the board of directors, none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act; and

f) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements, *subject to our comments in paragraph 4 above,* 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 31 March 2010;

   ii. in the case of the profit and loss account, of the profit of the Company for the year ended on that date; and

   iii. in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

For **B S R & Company**
Chartered Accountants
Firm's Registration No: 128032W

Vijay N. Bhatt.
Partner
Membership No: 036647

Mumbai
April, 30 2010

Annexure To The Auditors' Report

[Referred to in our Report of even date]

I. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programe of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us, no fixed assets have been disposed of during the year.

ii. (a) The inventory, except goods-in-transit, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.

(b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between physical stocks and book records were not material and have been dealt with in the books of account.

iii. (a) The Company has not granted any loans secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the companies Act,1956. Accordingly, the provisions of clauses 4 (iii)(b) to (d) of the Order are not applicable.

(b) The Company has taken loans from two companies covered in the register maintained under section 301 of the Act. The maximum amount outstanding during the year was Rs 5 million and the year-end balance of such loans was Nil.

(c) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from the companies, firms or other parties listed in the register maintained under section 301 of the Act are not, prima facie, prejudicial to the interest of the Company.

(d) In the case of loans from the companies listed in the register maintained under section 301, the company has been regular in repaying the principal amounts as stipulated and in the payment of interest.

iv. 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 with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system.

v. (a) 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.

(b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

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

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

viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1)(d) of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.

ix. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident fund, Income-tax, Sales-tax / VAT, Wealth tax, Service tax, Customs duty, and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund, Employees' State Insurance and Excise duty.

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

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Income tax, Sales tax / VAT, Wealth tax, Service tax, Customs duty, and other material statutory dues were in arrears as at 31 March 2010 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Income-tax, Sales Tax, Wealth Tax, Service Tax and Custom duty which have not been deposited with the appropriate authorities on account of any dispute.

x. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.

xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year.

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

xiii. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.

xiv According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

xv. In our opinion and according to the information and explanations given to us, the terms and conditions on which the company has given guarantees for loans taken by subsidiary from banks or financial institutions are not prejudicial to the interest of the Company.

xvi. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.

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

xviii. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act.

xix. The Company did not have any outstanding debentures during the year.

xx. The Company has not raised any money by public issues.

xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W

Vijay N.Bhatt
Partner
Membership No: 036647

Mumbai
April 30, 2010

Financial Statements

Balance Sheet

as at March 31, 2010

(Currency: Indian Rupees in Million)

	Schedule	As At March 31, 2010		As At March 31, 2009
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share capital	3	164.40		164.40
Reserves & surplus	4	3,826.09		3,138.14
			3,990.49	3,302.54
LOAN FUNDS				
Secured loans	5	3,965.55		3,470.13
Unsecured loans	6	660.57		1,347.77
			4,626.12	4,817.90
DEFERRED TAX LIABILITY(NET)			12.91	49.64
			8,629.52	8,170.08
APPLICATION OF FUNDS				
FIXED ASSETS	7			
Gross block		7,540.07		6,287.02
Less: accumulated Depreciation / amortisation		1,916.34		1,579.06
Net block		5,623.73		4,707.96
Capital work-in-progress (including capital advances)		353.47		1,087.04
			5,977.20	5,795.00
INVESTMENTS	8		181.67	181.67
CURRENT ASSETS, LOANS & ADVANCES				
Inventories	9	1,828.34		1,677.94
Sundry debtors	10	986.68		827.50
Cash and bank balances	11	124.69		87.19
Loans and advances	12	1,152.44		802.30
		4,092.15		3,394.93
LESS : CURRENT LIABILITIES & PROVISIONS				
Current liabilities	13	1.262.51		1,168.81
Provisions	14	360.89		38.20
		1,623.40		1,207.01
NET CURRENT ASSETS			2,468.75	2,187.92
MISCELLANEOUS EXPENDITURE	15			
(to the extent not written off or adjusted)			1.90	5.49
			8,629.52	8,170.08
Significant Accounting Policies	2			
Notes to the accounts	21			

The schedules referred to above form an integral part of this balance sheet.

As per our report of even date attached
For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W
Vijay N Bhatt
Partner
Membership No: 036647
Place: Mumbai
Date: April 30, 2010

For and on behalf of the Board of Directors
Jai Hiremath
Vice Chairman & Managing Director
Kannan K. Unni
Director
Sham Wahalekar
Company Secretary
Place: Mumbai
Date: April 30, 2010

Profit and Loss Account

for the year ended March 31, 2010

(Currency: Indian Rupees in Million)

	Schedule		Year Ended March 31, 2010	Year Ended March 31, 2009
INCOME				
Sales of products / income from services			5,429.41	4,827.63
Less: Excise duty			69.38	47.58
			5,360.03	4,780.05
Other Income	16		17.87	14.45
			5,377.90	4,794.50
EXPENDITURE				
Materials and manufacturing cost	17		2,751.99	2,729.01
Personnel costs	18		443.80	380.71
Administration and other operating expenses	19		392.06	358.95
Interest and finance charges	20		348.30	248.44
Depreciation/amortisation	7	337.28		211.74
Less: Transfer from Revaluation Reserve		(7.69)	329.59	(2.00)
			4,265.74	3,926.85
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM			1,112.16	867.65
Exchange loss			263.72	243.84
Reversal of cashflow hedge reserve			283.52	-
Exceptional Item				
Adjustments Pursuant to Scheme of Arrangement for Amalgamation of Hikal Pharmaceutical Limited into the Company				
Less : Dimunition in value of investment in subsidiary			-	651.24
Add : Withdrawl from General reserve			-	(651.24)
PROFIT BEFORE TAXATION			564.92	623.81
Less : Provision for taxation				
- Current tax			102.03	-
- Less: MAT tax credit			(102.03)	-
- Deferred tax expenses/(credit)			(36.73)	28.54
- Fringe benefit tax			-	6.36
PROFIT AFTER TAXATION EXCEPTIONAL ITEMS			601.65	588.91
Accumulated Balance brought forward from previous year			1,068.44	479.53
PROFIT AVAILABLE FOR APPROPRIATION			1,670.09	1,068.44
APPROPRIATIONS				
Transfer to general reserve			125.00	-
Interim dividend on equity shares			65.76	-
Proposed dividend on Equity shares			65.76	-
Dividend tax			22.35	-
BALANCE CARRIED TO THE BALANCE SHEET			1,391.22	1,068.44
Basic earnings per share Rs			36.60	37.33
Diluted earnings per share Rs			35.22	35.87
Face value per share Rs 10/-				
[Refer note no.(viii) to Schedule 21]				
Significant Accounting Policies	2			
Notes to the accounts	21			

The schedules referred to above form an integral part of this profit and loss account.

As per our report of even date attached
For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W
Vijay N Bhatt
Partner
Membership No: 036647
Place: Mumbai
Date: April 30, 2010

For and on behalf of the Board of Directors
Jai Hiremath
Vice Chairman & Managing Director
Kannan K. Unni
Director
Sham Wahalekar
Company Secretary
Place: Mumbai
Date: April 30, 2010

Schedules to the financial statements

For the year ended March 31 2010

(Currency: Indian Rupees in Million)

1. **Background**

Hikal Limited ('Hikal' or 'the Company') was incorporated as a public limited Company on 08 July 1988 having its registered office at 717/718, Maker Chamber V, Nariman Point, Mumbai 21.

The Company is engaged in the manufacturing of various chemical intermediates, specialty chemicals, Active pharma ingredients and Contracts Research activities.

The Company is operating in the crop protection and pharmaceuticals space.

2. **Summary of significant accounting policies**

a. **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, except for certain financial instruments which are measured at fair values, in accordance with the provisions of the Companies Act 1956 ("the Act") and accounting principles generally accepted in India ("GAAP") and comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable.

The accounting policies followed in preparation of these financial statements are consistent with those followed in the previous year.

b. **Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

c. **Fixed assets and capital work-in-progress**

Fixed assets, both tangible and intangible, are stated at cost of acquisition/construction or at revalued amount less accumulated depreciation and impairment, if any. Cost includes purchase price, taxes, duties, freight and other directly attributable expenses of bringing the assets to its working condition for the intended use. Borrowing costs attributable to acquisition, construction of qualifying asset (i.e. assets requiring substantial period of time to get ready for intended use) are capitalized. Other pre-operative expenses for major projects are also capitalized, where appropriate.

Capital work-in-progress comprises advances paid to acquire fixed assets and cost of fixed assets that are not yet ready for their intended use at the year end.

d. **Depreciation and amortization**

Depreciation on tangible fixed assets other than on leasehold land is provided pro rata to the period of use on straight-line method, at rates and in the manner prescribed under Schedule XIV to the Act which, in managements opinion, reflects the estimated useful lives of those fixed assets.

Leasehold land is amortized over the primary period of the lease.

Assets individually costing upto Rs 5,000 are fully depreciated in the year of purchase.

Assets acquired on hire purchase/finance lease are generally depreciated over the period of useful life of assets on a straight-line basis unless there is no reasonable certainty that the ownership of the asset would be obtained at the end of the agreement term. Where there is no reasonable certainty that the ownership of the asset would be obtained at the end of the agreement term such assets are depreciated over the shorter of the contract term or the asset's useful life in accordance with the Company's normal depreciation policy.

The additional depreciation charge on account of revaluation of fixed assets is spread over the balance useful life of the revalued assets. The additional charge of depreciation on account of revaluation is withdrawn from revaluation reserve and credited to Profit and Loss Account.

The management estimates the useful lives of intangible assets viz. computer software, of 5 years and expects economic benefits from such assets to be consumed evenly over the period of its useful life. Accordingly, intangible assets are amortized over a period of five years on a straight-line basis.

e. **Impairment of assets**

In accordance with AS 28 'Impairment of Assets' issued by the Institute of Chartered Accountants of India, the carrying amounts of the Company's assets are reviewed at each Balance Sheet date to determine whether there is any impairment. Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment loss is recognized in the profit and loss account or against revaluation surplus, where applicable.

f. **Investments**

Long term investments are carried at cost. Provision for diminution, is made to recognize a decline, other than temporary in the value of long term investments and is determined separately for each individual investment. The fair value of a long term investment is ascertained with reference to its market value, the investee's assets and results and the expected cash flows from the investment.

Current investments are carried at lower of cost and fair value, computed separately in respect of each category of investment.

g. **Inventories**

Raw material, packing material, stores, spares and consumables are valued at lower of cost and net realizable value. Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost is ascertained on weighted average method and in case of work-in-process includes appropriate production overheads and in case of finished products includes appropriate production overheads and excise duty, wherever applicable.

Provision is made for the cost of obsolescence and other anticipated losses, whenever considered necessary.

h. **Revenue recognition**

Revenue from sale of goods is recognized on transfer of all significant risks and rewards of ownership to the buyer ,which coincides with dispatch of goods from factory to the customers in case of domestic sales and is stated net of trade discount and exclusive of sales tax but inclusive of excise duty. Export sales are recognized based on date of bill of lading.

Income from services is accounted for when the services are rendered.

Excise duty collected on sales is separately reduced from turnover.

i. **Foreign currency transactions**

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except for long term foreign currency liabilities and assets and foreign currency loans taken for hedging purposes.

Pursuant to the notification issued by the Ministry of Corporate Affairs dated 31 March, 2009 , the Company has exercised the option available under the newly inserted paragraph 46 to the Accounting Standard AS-11 “The Effect of Changes in Foreign Exchange Rates” to adjust the exchange differences arising on long term foreign currency liabilities and assets to the cost of depreciable capital assets in so far as it relates to the acquisition of such assets and in other cases, by transfer to “Foreign currency monetary item translation difference reserve”, to be amortized over the balance period of such long term foreign currency liabilities or 31 March, 2011, whichever is earlier.

Schedules to the financial statements

For the year ended March 31 2010

(Currency: Indian Rupees in Million)

In respect of foreign currency loans taken to hedge the risks associated with foreign currency fluctuations relating to firm commitments and highly probable forecast transactions, with effect from 1 April, 2008, the Company has early adopted AS 30 'Financial Instruments: Recognition and Measurement". Accordingly, foreign currency fluctuations relating to firm commitments and highly probable forecast transactions are fair valued at each reporting date.

Changes in the fair value of these hedging instruments that are designated and considered as effective hedges of highly probable forecasted transactions are recognized directly in shareholders' funds under 'Hedging Reserve Account' to be recognized in the Profit and Loss Account when the underlying transaction occurs. Changes in the fair value of the hedging instruments that do not qualify for hedge accounting are recognized in the Profit and Loss Account as they arise.

In case of forward contracts with underlying assets or liabilities, the difference between the forward rate and the exchange rate on the date of inception of a forward contract is recognized as income or expense and is amortized over the life of the contract.

j. **Retirement benefits**

- Gratuity

The Company provides for gratuity, a defined benefit plan covering eligible employees. Liabilities with regard to the gratuity benefits payable (except for Panoli plant staff) in future are determined by actuarial valuation by an independent actuary at each Balance Sheet date using the Projected Unit Credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as at the Balance Sheet date. When the calculation results in a benefit to the Company, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. Actuarial gains and losses are recognized immediately in the Profit and Loss account. Gratuity for Panoli staff is funded through group gratuity insurance scheme of the Life Insurance Corporation of India ('LIC').

Superannuation

The Company makes contribution to the Superannuation Scheme, a defined contribution scheme, administered by Life Insurance Corporation of India, based on a specified percentage of eligible employees' salary.

Leave encashment / compensated absences

The Company provides for the encashment of leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment / availment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

Provident fund

The Company makes contribution to statutory provident fund in accordance with Employees provident fund and miscellaneous provisions Act, 1952 which is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which services are rendered by the employee.

Short term employee benefits

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee.

K. **Leases *(including assets acquired under deferred payment terms)***

Assets acquired under the finance leases are capitalized at fair value of the leased asset at the inception of lease and included within fixed assets. Such assets are depreciated as per the depreciation policy for such assets stated in Note (d) above. Liabilities under finance leases less interest not yet charged are included under deferred payment credits/lease obligations in the financial statements. Finance charges are debited to the profit and loss account over the term of the contract so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

l. **Provision for Taxation**

Tax expense comprises current income tax and deferred tax charge or credit. Current tax provision is made annually based on the tax liability computed in accordance with provision of the Income tax Act, 1961.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets other than on unabsorbed tax depreciation and unabsorbed tax losses are recognized only to the extent that there is a reasonable certainty of their realization. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognized only to the extent that there is virtual certainty of their realization. Deferred tax assets are reviewed as at each Balance Sheet date to reassess realization.

m. **Research and development**

Capital expenditure is shown separately under respective heads of fixed assets. Revenue expenses including depreciation are charged to Profit and Loss account under the respective heads of expenses.

n. **Export incentives**

Export incentives principally comprises of Duty Drawback, Duty Entitlement Pass Book credit and Excise Duty rebate. The benefits under these incentive schemes are available based on the guideline formulated for respective schemes by the government authorities. These incentives are recognized as revenue on accrual basis to the extent it is probable that realization is certain.

o. **Provisions and contingencies**

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

p. **Share issue expenses**

Preliminary/public issue expenses are written off equally over a period of ten years. Expenses incurred on subsequent preferential issue of shares are adjusted against securities premium.

Issue costs of FCCB and preference shares are amortized over the term of the instrument by adjusting against the balance in securities premium account.

q. **Earnings per share**

Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year except where the result would be anti dilutive.

r. **Cash and cash equivalent**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with a maturity of less than or three months

s. **Proposed Dividend**

Dividend recommended by the Board of directors is provided for in the accounts, pending approval at the Annual General meeting.

Schedules forming part of the Balance Sheet

as at March 31, 2010

(Currency: Indian Rupees in Million)

	As At March 31, 2010	As At March 31, 2009
Schedule 3		
SHARE CAPITAL		
Authorised		
25,000,000 Equity Shares of Rs. 10/- each (Previous year 25,000,000 Equity Shares of Rs 10/- each)	250.00	250.00
5,000,000 Cumulative Redeemable Preference Shares of Rs. 100/- each (Previous year 5,000,000 Cumulative Redeemable Preference Shares of Rs 100/- each)	500.00	500.00
	750.00	750.00
Issued, subscribed and paid up Capital		
Equity Share		
164,401,00 Equity Shares of Rs. 10/- each fully paid-up (Previous year 164,401,00 equity Shares of Rs. 10/- each fully paid up)	164.40	164.40
Of the above:		
- 150,000 equity shares of Rs.10/- each were allotted as fully paid-up without payment being received in cash.		
- 10,647,326 equity shares of Rs.10/- each are allotted as fully paid-up bonus shares by capitalisation of general reserve.		
	164.40	164.40
Schedule 4		
RESERVES AND SURPLUS		
Capital reserve	0.44	0.44
Capital redemption reserve	509.82	509.82
Securities premium account		
At the commencement of the year	629.74	12.37
Add: Premium received during the year on issue of equity shares	-	631.04
Less: Amortised cost of issue expenses of foreign currency convertible bonds and preference share capital	3.47	3.48
Less : Provision for premium on redemption of 0.5% Coupon Foreign Currency convertible Bonds ('FCCB')	156.98	
Less:- Share issue Expenditure	-	10.19
	469.29	629.74
Revaluation reserve on Land		
On revaluation of Free hold and Lease hold land	1,111.42	1,111.42
Less: Amount withdrawn and credited to Profit and Loss Account	9.69	2.00
	1,101.73	1,109.42
State subsidy	5.50	5.50
Contingency reserve	30.00	30.00

Schedules forming part of the Balance Sheet

as at March 31 2010

(Currency: Indian Rupees in Million)

	As At March 31, 2010	As At March 31, 2009
General reserve		
At the commencement of the year	98.62	680.87
Less: Adjustments made pursuant to amendment in Accounting Standard - 11.The Effect of Changes in Foreign Exchange Rates	-	72.36
Less: Amount withdrawn and credited to Profit and Loss account as per the scheme of arrangement	-	651.24
Add: Transfer on Amalgamation as per the scheme of arrangement	-	141.35
	98.62	98.62
Add :Transfer from profit and loss account	125.00	-
	223.62	98.62
Cash Flow Hedge Reserve	95.95	(283.55)
[Refer Note iii (a) Schedule 21]		
Foreign currency monetary item translation difference reserve	(1.48)	(30.29)
Surplus in profit and and loss account	1,391.22	1,068.44
	3,826.09	3,138.14

Schedule 5

SECURED LOANS

Term loans		
From banks	873.57	1,293.31
From financial institutions	1,431.42	1,018.61
(The above loans are secured by hypothecation of plant & machinery , first charge on the immovable properties and second change on current assets situated at Taloja, Mahad, Panoli and Bangalore)		
Working capital loans		
From banks	1,660.56	1,158.21
(Secured by hypothecation of present and future stock of raw materials, stock-in-process, finished and semi finished goods, stores, spares and book debts and second charge on properties situated at Mahad, Taloja, Panoli and Bangalore)		
	3,965.55	3,470.13
Due within one year	585.97	501.74

Schedules forming part of the Balance Sheet

as at March 31 2010

(Currency: Indian Rupees in Million)

	As At March 31, 2010	As At March 31, 2009
Schedule 6		
UNSECURED LOANS		
Deferred sales tax liability	12.77	15.03
Short term loans from banks	106.00	721.22
0.5% Foreign currency convertible bonds	541.80	611.52
	660.57	1,347.77
Amount due within a year	650.50	427.27

Schedule 7

FIXED ASSETS

[At cost/valuations less depreciation / amortisation and impairment provision]

Description	Gross block				Depreciation/ amortization				Net block	
	As at April 01, 2010	Additions	Deductions/ Adjustments	As at March 31, 2010	Upto March 31, 2009	For the year	Deductions/ Adjustments	Upto March 31, 2010	As at March 31, 2010	As at March 31, 2009
Freehold land	713.79	69.61	-	783.40	-	-	-	-	783.40	713.79
Leasehold land	705.90	-	-	705.90	10.58	8.64	-	19.22	686.68	695.32
Building	889.67	269.91	-	1,159.58	155.37	32.93	-	188.30	971.28	734.30
Plant and machinery*	3,577.35	1,032.70	162.42	4,447.63	1,253.81	281.02	10.26	1,524.57	2,923.06	2,323.54
Electrical installation	157.24	35.21	-	192.45	65.48	8.04	-	73.52	118.93	91.76
Office equipment	90.38	3.71	-	94.09	53.63	7.87	-	61.50	32.59	36.75
Furniture and fixtures	74.73	4.33	-	79.06	22.83	4.98	-	27.81	51.25	51.90
Vehicles	16.47	-	-	16.47	8.13	2.00	-	10.13	6.34	8.34
Ships	56.00	-	-	56.00	4.52	1.28	-	5.80	50.20	51.48
Intangibles - Computer software	5.49	-	-	5.49	4.71	0.78	-	5.49	-	0.78
	6.287.02	1,415.47	162.42	7,540.07	1,579.06	347.54	10.26	1,916.34	5,623.73	4,707.96
Previous year	3,400.83	2,889.49	3.30	6,287.02	1,374.66	211.74	8.74	1,579.06	4,707.96	2,026.17
Capital work-in-progress including capital advances									353.47	1,087.04
Total									5,977.20	5,795.00

Note : In order to reflect the current reinstatement cost/market value, the Company revalued its Leasehold and Freehold Land located at its factory sites as on 31st December, 2008 on the basis of valuation carried out by approved valuers based on reinstatement / market values. The resultant appreciation aggregating to Rs 1,111.42 millions has been added to the assets and credited to revaluation reserve. The additional depreciation for the year aggregating to Rs 7.69 million (31 March 2009: Rs 2 million) on account of revaluation has been charged to Profit and Loss account and a similar amount has been withdrawn from the Revaluation reserve and credited to Profit and Loss Account.

Schedules forming part of the Balance Sheet

as at March 31 2010

(Currency: Indian Rupees in Million)

	As At March 31, 2010	As At March 31, 2009
Schedule 8		
INVESTMENTS		
(Long-term and at cost)		
Quoted, Non trade		
2,000 (Previous year 2,000) Equity Shares of Bank of Baroda of Rs.10/- each fully paid up.	0.17	0.17
2,900 (Previous year 2,900) Equity Shares of Union Bank of India Rs.10/- each fully paid up.	0.05	0.05
Unquoted, Trade other than subsidiaries		
223,164 (Previous year 223,164) Equity Shares of Bharuch Eco Aqua. Infrastructure Ltd. of Rs.10/- each, fully paid up.	2.23	2.23
30,000 (Previous year 30,000) Equity Shares of Panoli Enviro Technology Ltd. of Rs.10/- each, fully paid up.	0.30	0.30
14,494 (Previous year 14,494) Equity Shares of MMA CETP Co-operative Society Limited of Rs.100/- each, fully paid up	1.45	1.45
16% (Previous year 16%) Equity Shares of Jiangsu Chemstar Chemical Co Limited fully paid up	26.97	26.97
In subsidiary companies		
7,200 (Previous year 7,200)Equity Shares of Hikal International B.V. of Euro 10 each, fully paid up	651.24	651.24
Less: Dimunition in value of investment	651.24	651.24
15,050,080 (Previous year 15,050,080) Equity Shares of Acoris Research Limited of Rs.10/- each, fully paid up.	150.50	150.50
	181.67	181.67
Aggregate amount of quoted investments	0.22	0.22
Aggregate market value of quoted investments	2.12	0.99
Aggregate amount of unquoted investments	181.45	181.45

Schedules forming part of the Balance Sheet

as at March 31 2010

(Currency: Indian Rupees in Million)

	As At March 31, 2010	As At March 31, 2009
Schedule 9		
INVENTORIES		
[Refer note (g) to Schedule no. 2 for basis of valuation]		
Stores, spares and consumables	83.52	84.10
Raw materials [includes goods in transit of Rs. 62.49 Million (Previous year Rs.87.77 million)]	967.24	865.21
Packing materials	11.59	13.62
Work-in-progress	381.24	403.69
Finished goods	384.75	311.32
	1,828.34	1,677.94
Schedule 10		
SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for period exceeding six months		
Considered good	32.81	23.49
Considered doubtful	39.46	26.06
	72.27	49.55
Less : Provision for doubtful debts	39.46	26.06
	32.81	23.49
Other debts		
Considered good	953.87	804.01
	986.68	827.50
Schedule 11		
CASH AND BANK BALANCES		
Cash on hand	1.17	1.41
Balance with scheduled banks in		
-in current accounts	108.30	74.10
-in deposit accounts	15.22	11.68
	124.69	87.19

(*Of above Rs 15.22 million (2009: Rs. 10.08 million) is under lien with banks)

	As At March 31, 2010	As At March 31, 2009
Schedule 12		
LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	387.19	310.97
Advances and loans to subsidiaries*	377.56	224.43
Deposits**	89.63	81.63
Balances with customs, excise, etc	90.55	83.02
Advance tax (net of provision for tax)	206.64	101.38
Advance fringe benefit tax (net of provision for fringe benefit tax)	0.87	0.87
(Unsecured and considered doubtful)		
Advances recoverable in cash or in kind or for value to be received	2.02	0.52
Less: Provision for doubtful advances	(2.02)	(0.52)
	1,152.44	802.30

* includes Rs. 81.40 Million (2009: Rs. 90.60 million which is secured

** includes deposit given to a director of Rs. 50 million (2009: Rs. 50 millionl)

Maximum amount outstanding is Rs. 50 million (2009: Rs. 50 millionl)

Schedules forming part of the Balance Sheet

as at March 31 2010

(Currency: Indian Rupees in Million)

	As At March 31, 2010	As At March 31, 2009
Schedule 13		
LIABILITIES		
Sundry creditors		
(i) Micro, Small and Medium Enterprises (Refer Note ix to Schedule 21)	64.24	36.92
(ii) Others	898.99	970.64
Advances from customers	83.03	1.91
Other liabilities	101.94	124.23
Book overdraft	97.42	0.34
Interest accrued but not due on loans	16.89	34.77
	1,262.51	1,168.81
Schedule 14		
PROVISIONS		
Proposed dividend on equity shares	131.52	-
Dividend Tax	22.35	-
Provision for Employee benefits	50.04	38.20
Provision for redemption premium on foreign currency convertible bonds	156.98	-
	360.89	38.20
Schedule 15		
MISCELLANEOUS EXPENDITURE *(to the extent not written off or adjusted)*		
Capital issue expenses		
At the commencement of the year	0.12	0.27
Less: Written off during the year	0.12	0.15
Closing balance	-	0.12
Issue cost of foreign currency convertible bonds		
At the commencement of the year	5.37	8.85
Less: Amortized during the year against securities premium account	3.47	3.48
Closing balance	1.90	5.37
	1.90	5.49

Schedules forming part of the Profit and Loss Account

For the year ended March 31 2010

(Currency: Indian Rupees in Million)

		Year Ended March 31, 2010	Year Ended March 31, 2009
Schedule 16			
OTHER INCOME			
	Insurance claim	-	0.59
-	Interest on bank and other accounts	17.64	9.24
	Dividend on long term investments	0.03	0.03
	Miscellaneous Income	0.20	4.59
		17.87	14.45
Schedule 17			
MATERIALS AND MANUFACTURING COST			
	Opening stock		
	Work-in-progress	403.69	424.89
	Finished goods	311.32	396.21
		715.01	821.10
	Closing stock		
	Work-in-progress	381.24	403.69
	Finished goods	384.75	311.32
		765.99	715.01
		(50.98)	(106.09)
	Raw materials consumed	2,094.44	2,065.34
	Goods for Resale	54.78	36.38
	Stores, spares and consumables	88.38	85.56
	Processing charges	28.41	63.48
	Power and fuel	503.84	339.67
	Repairs and maintenance - Plant and machinery	33.12	32.49
		2,751.99	2,729.01

Schedules forming part of the Profit and Loss Account

For the year ended March 31 2010

(Currency: Indian Rupees in Million)

	Year Ended March 31, 2010	Year Ended March 31, 2009
Schedule 18		
PERSONNEL COSTS		
Salaries, wages and bonus	383.85	324.61
Contribution to provident and other funds	18.17	16.27
Staff welfare expenses	41.78	39.83
	443.80	380.71
Schedule 19		
ADMINISTRATION AND OTHER OPERATING EXPENSES		
Advertisement	1.68	4.59
Rent	5.19	5.73
Rates and taxes	4.85	5.01
Insurance	9.17	20.46
Repairs and maintenance		
- Buildings	9.54	7.70
- Others	19.08	19.08
Printing and stationery	10.08	7.05
Legal and professional charges		
- Legal Charges	4.98	5.13
- Professional charges	54.91	47.52
Traveling and conveyance	26.10	34.09
Vehicle expenses	10.91	8.16
Postage, telephone and telegrams	6.35	9.70
Auditors remuneration	3.00	4.31
Director's fees	0.45	0.71
Sales and distribution expenses	55.39	82.91
Commission on sales	9.93	28.78
Security service charges	11.49	7.62
Amortisation of miscellaneous expenditure	0.12	0.59
Provision for doubtful debts and advances	14.90	15.45
Excise duty on closing stock	0.67	(0.39)
Loss on sale of assets (net)	-	0.54
Loss on sale of investments	-	1.71
Foreign exchange loss (gain)	74.79	(9.65)
Miscellaneous expenses	58.48	52.25
	392.06	358.95
Schedule 20		
INTEREST AND FINANCE CHARGES		
Interest on fixed period loans	148.04	94.41
Other interest and charges	200.26	154.03
	348.30	248.44

Schedules to the financial statements

For the year ended March 31 2010

(Currency: Indian Rupees in Million)

21. Notes to Account	As At March 31, 2010	As At March 31, 2009
i). Contingent liabilities		
Bills discounted with banks	526.80	544.97
Guarantee provided to DBS Bank for borrowing made by subsidiary	361.20	407.68
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	148.98	133.34
Premium till date on redemption of 12,000, 0.5% Foreign Currency Convertible Bonds of USD 1,000 each (Refer note no. 21(ii) below)	-	137.21

ii. 12,000 (Previous year 12,000) 0.5% Foreign Currency Convertible Bonds (FCCB) of USD 1,000 each aggregating to Rs 541.80 million (Previous year Rs 611.52 Million). These bonds are:

- Convertible at the option of the bondholder at any time on or after 21 November 2005 but prior to the close of business on 10 October 2010 at a fixed exchange rate of Rs 44.93 per 1 USD and price of Rs 745 per share of par value of Rs 10 per share subject to adjustment in certain events i.e. issue of bonus shares, division, consolidation, reclassification of shares etc.
- Redeemable in whole but not in part at the option of the Company on or after 21 October 2008 and up and until seventh business day prior to 21 October 2010 if closing price of the Share is greater than 160 percent of the conversion price for a continuous period of 60 consecutive stock exchange trading days. Redeemable on maturity date on 21 October 2010 at 132.56% of its principal amount if not redeemed or converted earlier.

During the year ended 31 March 2010 there has been no conversion of bonds into shares.

The Company has made the requisite provision for the premium payable on these Bonds of Rs 156.98 million (31 March 2009: Rs Nil) and has been adjusted against securities premium account.

iii. a) During the previous year ended 31 March 2009 the Company has adopted the principles of hedge accounting as set out in Accounting Standard 30 – "Financial Instruments Recognition and Measurement" issued by the Institute of Chartered Accountants of India to the extent that the adoption did not conflict with the existing mandatory accounting standards and other authoritative pronouncements of the Company Law and other regulatory requirements. Accordingly, in respect of foreign currency loans which qualify for hedge accounting, losses of Rs 283.55 million on revaluation of such loans as at 31 March 2009 had been recognized in Cash flow hedge reserve and the same has been reversed during the year .The company has also recognized a gain of Rs 95.95 million to be ultimately recognized in Profit and Loss account when the hedged highly probable forecast revenue impacts profit or loss.

b) The Company has entered into forward/options contracts to hedge its exposure to fluctuations in foreign exchange for approx 30% of future exports. These contracts have been staggered over the next four years as the major percentage of the Company's turnover is realized from exports. The management is of the opinion that the mark to market losses of these transactions represents unrealized losses that are notional in nature and will not affect its ongoing business as the Company has requisite long term export orders to cover these contracts. The management is of the opinion that the fluctuation in currency movements against hedged contracts gets compensated by realization of a higher value of sales realizations and therefore, the actual profit/loss against such outstanding contracts crystallizes only on maturity of such contracts. The gain/ loss on these contracts will be recognized as and when they fall due. The mark to market valuation loss is at Rs 458.78 million as at 31 March 2010 (31 March 2009: Rs 1,498.57 million).

	Year Ended March 31, 2010	Year Ended March 31, 2009
iv Borrowing cost		
Borrowing costs included in additions to gross block of fixed assets and capital work- in- progress	66.90	136.03

v Segment reporting

The Company's financial reporting is organized into two major operating divisions viz. crop protection and pharmaceuticals. These divisions are the basis on which the Company is reporting its primary segment information

Joint revenues and expenses, if any, are allocated to the business segments on a reasonable basis. All other segment revenues and expenses are directly attributable to the segments.

(Currency: Indian Rupees in Million)

Segment assets include all operating assets used by a segment comprising debtors, inventories, fixed assets and loans and advances. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities of the segment comprising creditors and other liabilities.

The Company's operating divisions are managed from India. The principal geographical areas in which the Company operates are India, Europe, USA & Canada and South East Asia.

v) **Primary segment information**

Particulars	Crop Protection	Pharmaceuticals	Total
Revenue (external revenue)	**1,790.53**	**3,569.50**	**5,360.03**
	2,020.69	*2,759.36*	*4,780.05*
Segment result	**379.80**	**1,248.00**	**1,627.80**
	366.32	*990.57*	*1,356.89*
Interest expenses			**348.30**
			248.40
Other unallocable expenditure			**167.34**
(net of unallocable income)			*240.84*
Profit before tax			**1,112.16**
			867.65
Exchange loss	-	-	**263.72**
			243.84
Reversal of cashflow hedge reserve			283.52
Net Profit before tax			**564.92**
			623.81
Segment assets	**3,383.20**	**5,458.90**	**8,842.10**
	3,179.36	*5,128.38*	*8,307.74*
Unallocated corporate assets			**1,410.82**
			1,069.35
Total assets			**10,252.92**
			9,377.09
Segment liabilities	**450.90**	**712.10**	**1,163.00**
	579.92	*684.88*	*1,264.80*
Unallocated corporate liabilities			**5,099.43**
			4,809.76
Total liabilities			**6,262.43**
			6,074.56
Capital expenditure for the year	**171.40**	**308.00**	**479.40**
	739.70	*1,877.52*	*2,617.22*
Unallocated capital expenditure			**40.08**
			266.61
Depreciation for the year	**96.00**	**222.40**	**318.40**
	72.93	*125.53*	*198.46*
Unallocated depreciation			**11.19**
			11.28

Schedules to the financial statements

For the year ended March 31 2010

(Currency: Indian Rupees in Million)

vi) Secondary segment information

	Sales revenue	Assets employed	Capital expenditure
India	**832.21**	**10,252.92**	**519.48**
	386.61	*9,377.09*	*2,883.83*
USA and Canada	**799.84**	**-**	**-**
	1,366.21	-	-
Europe	**922.99**	**-**	**-**
	977.18	-	-
South East Asia	**2,787.54**	**-**	**-**
	2,017.81	-	-
Others	**17.45**	**-**	**-**
	32.34	-	-
Total	**5,360.03**	**10,252.92**	**519.48**
	4,780.05	*9,377.09*	*2,883.83*

vi. Related Party Disclosures

List of related parties

Entities where control exists

Hikal International B.V. ("HIBV")

Acoris Research Limited ("ARL")

Key Management Personnel

Jai Hiremath	Vice Chairman and Managing Director
Sameer Hiremath	Deputy Managing Diector

Relatives of Key Management Personnel

Sugandha Jai Hiremath

Enterprises over which key management personnel and their relatives exercise significant influence

Decent Electronics Private Limited

Marigold Investments Private Limited

Iris Investments Private Limited

Karad Engineering Consultancy Private limited

Ekdant Investments Private limited

Rameshwar Investment Private Limited ("RIPL")

Badrinath Investment Private Limited ("BIPL")

Schedules to the financial statements

For the year ended March 31 2010

(Currency: Indian Rupees in Million)

Transactions with related parties

Nature of Transaction	Entities where control exists	Key management personnel	Relative of Key management personnel	Enterprises over which key management personnel or their relatives have significant influence
Sales - Marsing	**-**			
	4.48			
Sales-ARL	**41.38**			
	-			
Interest received				
ARL	**16.22**			
	7.73			
Management fees received				
Marsing	**-**			
	3.47			
Remuneration				
Jai Hiremath		**9.10**		
		16.29		
Sameer Hiremath		**5.94**		
		8.49		
Commission Paid				
Jai Hiremath		**6.00**		
		-		
Sameer Hiremath		**4.40**		
		-		
Sitting fees				
Sugandha Hiremath			**0.11**	
			0.18	
Interest Paid				
- BIPL				**-**
				0.25
-KECPL				**0.23**
				-
-DEPL				**0.23**
				-
Dividend paid				
BIPL				**21.16**
				10.61
RIPL				**10.61**
				-
Sugandha Hiremath			**10.55**	
			5.35	
Jai Hiremath		**1.42**		
		0.82		
Sameer Hiremath		**0.30**		
		0.15		

Schedules to the financial statements

For the year ended March 31 2010

(Currency: Indian Rupees in Million)

Nature of transaction	Entities where control exists	Key management personnel	Relative of Key management personnel	Enterprises over which key management personnel or their relatives have significant influence
Lease rent paid				
Sugandha Hiremath			**2.40**	
			1.86	
RIPL				**0.72**
				0.72
Deposit				
				1.28
-RIPL		**-**		-
		-		
Reimbursement of expenses				
ARL	**-**			**-**
	0.97			-
Guarantee given				
-ARL	**361.20**			
	407.68			
Loans/Advances granted/ (taken) net				
HIBV	**4.36**			
	74.02			
ARL	**176.05**			
	112.88			
Marsing	**(27.28)**			
	96.74			
Equity contribution (including securities premium)				
HIBV	**-**			
	244.64			
ARL	**-**			
	-			
Outstanding balance debit/(Credit)				
HIBV	**4.36**			
	-			
ARL	**291.80**			
	115.78			
Marsing	**81.40**			
	108.68			
Jai Hiremath		**(6.00)**		
		(6.00)		
Sameer Hiremath		**(4.40)**		
		(3.00)		

		Year Ended March 31, 2010	Year Ended March 31, 2009
vii	**Leases**		
	In respect of assets taken on operating lease on or		
	after April 1, 2001:		-
	Lease rental charges for the year	5.19	-
	Future lease rental obligation payable:		
	- not later than one year	6.59	-
	- later than one year but not later than five years	9.36	-
	- later than five years	-	-

Rupees in Million, except per share data

		Year Ended March 31, 2010	Year Ended March 31, 2009
viii.	**Earnings Per Share**		
	Basic earnings per share		
	Profit after taxation	601.65	588.91
	Numerator used for calculating basic earnings per share	601.65	588.91
	Weighted average number of equity shares outstanding		
	Calculation of weighted average number of equity shares		
	Number of equity shares at the beginning of the year	16,440,100	15,080,100
	Equity shares issued during the year	NIL	1,360,000
	Number of equity shares outstanding at the end of the year	16,440,100	16,440,100
	Weighted average number of equity shares outstanding during the year used as denominator for calculating basic earnings per share (based on date of issue of shares)	16,440,100	15,773,041
	Basic earnings per share (Rs)	36.60	37.33
	Nominal value of shares (Rs.)	10.00	10.00
	Diluted earnings per share		
	Profit after taxation	601.65	588.91
	Add: Interest on Foreign Currency Convertible Bonds	2.80	2.80
	Numerator used for calculating diluted earnings per share	604.45	591.71
	Calculation of weighted average number of equity shares		
	Number of equity shares at the beginning of the year	16,440,100	15,773,041
	Equity shares issued during the year	NIL	1,360,000
	Number of equity shares outstanding at the end of the year	16,440,100	16,440,100
	Weighted average number of equity shares outstanding during the year	16,440,100	15,773,041
	Add: Equity shares to be issued on conversion of Foreign Currency Convertible Bonds	723,705	723,705
	Weighted average number of shares used as denominator for calculating diluted earnings per share (based on date of issue of shares)	17,163,805	16,496,746
	Diluted earnings per share (Rs.)	35.22	35.87
	Nominal value of shares (Rs.)	10.00	10.00

Schedules to the financial statements

For the year ended March 31 2010

(Currency: Indian Rupees in Million)

		As at March 31, 2010	As at March 31, 2009
ix	**Details of dues to Micro, Small and Medium Enterprises as per MSMED Act,2006**		
	Principal amount remaining unpaid to any supplier as at the year end	64.24	36.92
	Interest due thereon	-	-
	Amount of interest paid by the Company in terms of section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year.	-	-
	Amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED.	-	-
	Amount of interest accrued and remaining unpaid at the end of the accounting year.	-	-
x.	**Deferred Tax**		
	Deferred tax asset:		
	Amounts that are deducted for tax purpose when paid	28.47	10.60
	Others	13.41	8.86
	Unabsorbed depreciation	331.10	247.43
	Total deferred tax assets	372.98	269.28
	Deferred tax liabilities:		
	Additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	385.90	318.92
	Total deferred tax liabilities	385.90	318.92
	Net deferred tax liability/ (Assets)	12.92	49.64
xi.	**Research and Development**		
	Research and development expenses (including depreciation) included under the relevant heads in the profit and loss account	83.48	74.82

xii. **Disclosure in relation to Derivative Instruments**

Category	No. of contracts	Amount in foreign currency (Million)	Equivalent amount in Rupees (Million)	Purpose
Forward cover	14	USD 90.25	4,074.79	Hedging of exposure to fluctuations in foreign exchange of future exports.
	19	*USD145.83*	*7,431.24*	
Currency/ interest swaps	1	USD 3.50	158.03	Hedging of term loan/interest
	2	*USD 5.32*	*271.25*	

The Net foreign currency exposures not hedged as at the year end are as under:

	March 31, 2010			March 31,2009		
	Foreign Currency		Rs.Million	Foreign Currency		Rs.Million
	Curr.	Amt	Amt	Curr.	Amt	Amt.
a. Amount receivable in foreign currency on account of following :						
-Export of goods	USD	25,13	1,134.31	USD	23.59	1,201.91
	JPY	0.05	0.48	JPY	-	-
	EUR	1.42	86.04	EUR	0.50	33.90
b. Amount payable in foreign currency on account of following:						
(i) Import of goods & Services	USD	5.33	240.81	USD	5.20	264.95
	EUR	0.01	0.20	EUR	2.60	175.29
(ii) Loan payables *	USD	25.49	1,150.78	USD	40.43	2,060.54
c. Other Advances to Subsidiaries	EUR	0.07	4.36	EUR	-	-
	USD	2.00	90.28	USD	2.00	101.92

* excludes Loans payable of Rs 1,081.51 million (USD 23.95 million) [(Previous year Rs 682.14 million (USD 13.29 million)] assigned to hedging relationship against highly probable forecast sales. The Cash flow are expected to occur and impact the Profit and Loss account within the period of 1 year from drawdown of the loan.

xiii Amount due from subsidiaries as at March 31, 2010:

- Hikal International B.V Rs 4.36 million (Previous year Rs Nil) [Maximum amount outstanding during the year Rs 4.36 Million (Previous year Rs 244.64 Million)]
- Acoris Research Limited Rs 291.80 Million (Previous year Rs 115.78 Million) [Maximum amount outstanding during the year Rs 291.80 Million (Previous year Rs 136.87 Million)]
- Marsing & Co Limited A/S Rs 81.40 Million (Previous year Rs 108.68 Million) [Maximum amount outstanding during the year Rs 108.68 Million (Previous year Rs 108.68 Million)]

	Year Ended March 31, 2010	Year Ended March 31, 2009
xiv. Auditor's remuneration		
- Audit fees	3.00	2.40
- Tax audit fees	-	-
- Certification and other matters	-	2.24
- Out-of-pocket expenses	-	-
Total	3.00	4.64

xv. There are no dues, which needs to be credited as at the year end to the Investor Education and Protection Fund.

Schedules to the financial statements

For the year ended March 31 2010

(Currency: Indian Rupees in Million)

xvi. Disclosure relating to Employee Benefits - As per Revised AS - 15

		2009-2010		2008-2009	
		Non Funded		Non Funded	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
A.	Expenses recognized in the statement of Statement of Profit & Loss Account for the year ended March 31, 2010				
	1. Interest cost	1.58	1.70	1.04	3.89
	2. Current service cost	4.14	5.83	4.00	3.41
	3. Expected return on planned assets	(0.56)	-	(0.40)	-
	4. Net actuarial (gain) / loss on obligations	(3.88)	4.12	4.35	1.31
	Total expenses recognized in Profit and loss account	**1.28**	**11.65**	**8.99**	**8.61**
B.	**Net asset / (liability) recognized in the balance sheet**				
	1. Present value of the obligation as on March 31.	30.35	26.99	22.58	21.28
	2. Fair value of planned assets as on March 31.	(7.31)	-	(5.66)	-
	Unfunded liability recognized in the Balance Sheet	**23.04**	**26.99**	**16.92**	**21.28**
C.	**Change in Present value of obligation**				
	1. Present value of obligation as on 31 March	22.58	21.28	14.91	15.56
	2. Interest cost	1.58	1.70	1.04	3.89
	3. Current services cost	4.13	5.83	4.00	3.41
	4. Benefits paid	(1.37)	(5.94)	(1.72)	(2.89)
	5. Net actuarial (gain) / loss on obligations	3.88	4.12	4.35	1.31
	Present value of obligation as per actuarial valuation as at March 31	**23.04**	**26.99**	**22.58**	**21.28**
xvii	**Actuarial assumptions:**				
	i. Discount Rate	7% p.a.	8% p.a.	7% p.a.	7% p.a.
	ii. Rate of Increase in Compensation level	4% p.a.	5% p.a.	4% p.a.	4% p.a.
	iii. Rate of Return on Plan Assets				
	a. Funded	9.84%p.a.	N.A.	9.14%p.a.	N.A
	b. Un-funded	N.A.	N.A	N.A	N.A
	iv. Mortality rate	LIC (1994-96) ultimate		LIC (1994-96)ultimate	

. **Accumulated compensated absences (non vesting)**

Actuarial valuation of sick leave has been made on 31 March 2010. Provision in respect of this benefit amounts to Rs Nil (Previous year Rs Nil) for the financial year ending 31 March 2010

	Year Ended March 31, 2010	Year Ended March 31, 2009
xviii. Managerial remuneration		
Computation of net profit in accordance with Section 198(1) and Section 349 of Companies Act, 1956		
Profit before tax	564.92	623.81
Add: Managerial remuneration	15.04	24.78
Add: Commission	10.40	-
Net profit under Section 349 of the Companies Act, 1956	590.36	648.59

(Currency: Indian Rupees in Million)

Details of payment and provision on account

	Year Ended March 31, 2010	Year Ended March 31, 2009
of remuneration to managerial personnel		
Salary and allowances	12.42	21.79
Contribution to provident and other funds	1.26	1.15
Perquisites	1.36	1.84
Commission	10.40	-
	25.44	24.78

The above remuneration does not include contribution to gratuity fund as the actuarial valuation is done for the Company as a whole and separate figures are not available in respect of the managerial personnel.

The company has obtained approval from the Central Government for the payment/provision of remuneration in excess of limit prescribed by the Companies Act, 1956.

	As at March 31, 2010	As at March 31, 2009
xix. Additional information		
a) Licensed capacity *		
Crop protection products (MT)	5,560	5,200
Pharmaceutical products (MT) *	-	-
* License not required		
b) Installed capacity **		
Crop protection products (MT)	5816	5,456
Pharmaceutical products (MT)	2,500	1,945

** Installed capacity is as certified by the management and relied upon by the auditor, being a technical matter

** Computed on triple shift basis for 365 days production

	March 31, 2010		March 31, 2009	
	Qty.(MT)	Amount	Qty.(MT)	Amount
c) Raw material consumption (including Cost of traded goods sold)				
Liquid Bromine	1343.90	100.28	896.22	75.08
Caustic Soda Lye	3975.63	73.86	3,441.82	80.74
Cyclohexane Diacetic Acid	991.32	350.72	1,027.23	475.00
Acetone	4732.15	211.43	4,190.96	201.32
TBU	87.55	32.57	42.06	30.62
Dichlorovas Tech	-	-	222.89	29.26
SMPGM	184.81	285.20	98.65-	264.50
2,6 Di chloro Para Nitro Aniline	441.60	39.58	937.80	88.03
Traded Goods		54.78		36.38
Others		1000.80		820.78
		2,149.22		2,101.71

d) Indigenous and imported consumption	Amount	%	Amount	%
Raw materials				
Indigenous	1,192.74	55.50	981.41	46.70
Imported	956.48	44.50	1,120.30	53.30
	2,149.22	100.00	2,101.71	100.00
Stores and spares				
Indigenous	84.80	95.95	78.48	91.68
Imported	3.58	4.05	7.08	8.32
	88.38	100.00	85.56	100.00

Schedules to the financial statements

For the year ended March 31 2010

(Currency: Indian Rupees in Million)

e) Production, Stocks and Turnover

Class of Goods	Production / Purchases	Opening stock		Closing stock		Captive consumption	Turnover	
	Qty. (MT)	Qty. (MT)	Amount	Qty. (MT)	Amount	Qty. (MT)	Qty. (MT)	Amount
Crop Protection	1,638.68	274.11	235.38	312.97	315.03	126.81	1,472.98	1,693.07
	2,063.51	*315.15*	*313.01*	*274.11*	*235.38*	*258.71*	*1,845.84*	*1,965.91*
Bulk drugs	2,389.38	40.72	75.82	64.34	69.49	1,270.03	1,095.73	3,315.35
	1,708.61	*44.39*	*71.53*	*40.72*	*75.82*	*944.21*	*768.07*	*2,576.75*
Others			0.12		0.11			345.74
			11.67		*0.12*			*200.95*
Trading in Crop	201.54				0.11		201.54	56.34
protection products	*95.25*	-	-	-	-	-	*95.25*	*39.30*
Income from								18.91
services rendered								*44.72*
Total			311.32		384.75			5,429.41
			396.21		*311.32*			*4,827.63*

	Year Ended March 31, 2010	Year Ended March 31, 2009
f) CIF value of imports		
Raw materials	952.86	1,124.86
Capital goods	35.11	65.56
Stores and spares	3.58	7.08
g) Earnings in foreign exchange		
FOB value of exports	4,527.81	4,393.44
Management fees	-	3.47
h) Expenditure in foreign currency		
Interest	100.40	129.56
Professional charges	18.35	19.49
Commission	9.66	28.72
Traveling expenses	6.93	7.99
Others	12.93	16.99
i) Remittance in foreign currency on account of dividends		
Final dividend - March 31, 2008 1 shareholder on 24,310 shares	-	0.09

xx. Figures in italics are for the previous year. Figures for the previous year have been regrouped where necessary to conform to current year's classification.

xxi. The figures of previous year ended 31 March 2009 were audited by another firm of Chartered Accountants.

Signatures to Schedules 1 to 21

For and on behalf of the Board of Directors

Jai Hiremath
Vice Chairman & Managing Director

Kannan Unni
Director

Sham Wahalekar
Company Secretary

Place : Mumbai,
Dated : April 30, 2010

Balance Sheet abstract and Company's general Business Profile

I. Registration No. 48028   State Code 11

Balance Sheet Date **March 31, 2010**

II. Capital raised during the year (Amount Rs. Million)

Public Issue	NIL	Right Issue	NIL
Unpaid Calls	NIL	Preferential Allotment	NIL
Bonus Issue	NIL	Preference Share Capital	NIL

III. Position of Mobilisation and Deployment of funds:

(Amount Rs. in Million)

Total Liabilities 8629.52	Total Assets 8629.52
Sources of Funds	
Paid up Capital 164.40	Reserves & Surplus 3826.09
Secured Loans 3965.55	Unsecured Loans 660.55
Deferred Tax liabilities 12.91	
Application of Funds	
Net Fixed Assets 5977.20	Investments 181.67
Net Current Assets 2468.75	
Misc. Expenditure 01.90	Accumulated Losses NIL

IV. Performance of Company (Amount Rs. in Million)

Turnover 5377.90	Total Expenditure 4265.74
Exceptional Items 547 24	
Profit Before Tax 564.92	Profit After Tax 601.65
Earning per share in Rs	Dividend in 80%
Basic 36.60	Equity (Interim) – 40% - Rs. 4 per share
Diluted 35.22	Equity (Final) – 40% - Rs. 4 per share

V. General Names of Three Principle Products/Services of the Company (As per monetary terms)

Item Code No. (ITC Code)	38082009
Product Description	Thiabendazole
Item Code No. (ITC Code)	29212990
Product Description	3:5 DCA
Item Code No. (ITC Code)	29420001
Product Description	Gabapentin

For and on behalf of the Board of Directors

Jai Hiremath
Vice Chairman & Managing Director

Kannan Unni
Director

Sham Wahalekar
Company Secretary

Place : Mumbai,
Dated : April 30, 2010

Cash Flow Statement

For the year ended March 31 2010

(Currency: Indian Rupees in Million)

		Year Ended March 31, 2010		Year Ended March 31, 2009	
A)	**CASH FLOW FROM OPERATING ACTIVITIES**				
	Net profit before taxation and exceptional item		1,112.16		867.65
	Adjustment for –				
	Depreciation/amortisation	329.59		209.74	
	Interest income	(17.64)		(9.24)	
	Unrealised (profit / loss) on translation of foreign currency (net)	1.48		(1.90)	
	Dividend income	(0.03)		(0.03)	
	Interest expense	348.30		248.44	
	Amortisation of miscellaneous expenditure	0.12		0.59	
	Provision for diminution in value of inventory	22.00			
	Sundry balances writtenoff	18.18			
	Provision for doubtful debts and advances	14.90		14.93	
	Loss on sale of Investment	-		1.71	
	Profit on sale of fixed assets	-		0.54	
			716.90		464.78
	Operating profit before working capital changes		1,829.06		1,332.43
	Adjustment for increase/decrease in:				
	Increase in trade and other receivables	(265.82)		(287.97)	
	Increase in inventories	(150.40)		(189.43)	
	Decrease in trade payables	218.30		215.32	
			(197.92)		(262.08)
	Cash generated from operating activities		1,631.14		1,070.35
	Income tax paid		(111.60)		(41.75)
	NET CASH FROM OPERATING ACTIVITIES		1,519.54		1,028.60
B)	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Purchase of fixed assets (Includes increase in capital work in progress)	(692.85)		(1,006.80)	
	Sale of fixed assets	-		0.97	
	Dividend received	0.03		0.03	
	Interest received	17.64		8.61	
	Payments for future contracts, forward contracts, option contracts and swap contracts	(263.73)		(243.84)	
	Investments in subsidiaries/others	-		(79.42)	
	sale of investments	-		0.09	
	NET CASH FROM INVESTING ACTIVITIES		(938.91)		(1,320.36)

Cash Flow Statement

For the year ended March 31 2010

(Currency: Indian Rupees in Million)

		Year Ended March 31, 2010		Year Ended March 31, 2009	
C)	**CASH FLOW FROM FINANCING ACTIVITIES**				
	Proceeds from borrowings	1,263.86		1,501.79	
	Repayment of borrowings	(1,165.53)		(1,236.06)	
	Loans given to subsidiaries	(275.29)		(116.46)	
	Interest paid	(366.18)		(362.59)	
	Dividend paid	-		(70.57)	
	Allotment of equity shares	-		634.44	
	NET CASH FROM FINANCING ACTIVITIES		(543.13)		350.55
	NET INCREASE IN CASH AND CASH EQUIVALENTS		37.50		(58.80)
	Cash and cash equivalents as at March 31,2009 (Opening balance)		87.19		28.39
	Cash and Cash Equivalents as at March 31,2010 (Closing balance)		124.69		87.19

NOTES TO THE CASH FLOW STATEMENT

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' set out in Accounting Standard 3, 'Cash Flow Statements', issued by the Institute of Chartered Accountants of India.
2. Cash and cash equivalents represent :

	Year Ended March 31, 2010	Year Ended March 31, 2009
Cash	1.17	1.41
With Banks		
- Current accounts	108.30	74.10
- Fixed Deposits*	15.22	11.68
Total cash and cash equivalents	124.69	87.19

(* Of above Rs. 15.22 million (2009: Rs 10.08 million) is under lien with banks)

As per our report of even date attached
For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W
Vijay N Bhatt
Partner
Membership No: 036647
Place: Mumbai
Date: April 30, 2010

For and on behalf of the Board of Directors
Jai Hiremath
Vice Chairman & Managing Director
Kannan K. Unni
Director
Sham Wahalekar
Company Secretary
Place: Mumbai
Date: April 30, 2010

Schedules to the financial statements

For the year ended March 31 2010

(Currency: Indian Rupees in Million)

Statement pursuant to approval u/sec. 212 (8) of the Companies Act,1956

	Particulars	Hikal International BV	Acoris Research Limited
a	Share Capital	4.36	150.50
b	Reserves	(9.16)	(130.60)
c	Total Assets	679.40	804.54
d	Total Liabilities	679.40	804.54
e	Details of Investment	-	-
f	Turnover	-	33.71
g	Profit before taxation	(1.43)	(130.26)
h	Provision for taxation	-	(33.26)
i	Profit after Taxation	(1.43)	(97.00)
j	Proposed dividend	-	-

Auditors' Report

To the Board of Directors of Hikal Limited

1. We have examined the attached consolidated Balance Sheet of Hikal Limited ('the Company' or 'the Parent Company') and its subsidiaries (collectively referred to as the 'Hikal Group'), as at 31 March 2010 and the related consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Hikal Group'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. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We have audited the financial statements of the parent company, Hikal Limited, whose financial statements reflect total assets of Rs 10,251.02 million (31 March 2009: Rs 9,371.60 million) as at 31 March 2010, total revenues of Rs 5,360.03 million (31 March 2009: Rs 4,780.05 million) and net cash inflows aggregating Rs 37.50 million (31 March 2009: Rs 58.80 million) for the year ended 31 March 2010. Our opinion, in so far as it relates to the amounts included in respect thereof, is based on our Auditors' Report.

4. We did not audit the financial statements of two subsidiaries whose financial statements reflect total assets of Rs 717.36 million as at 31 March 2010, total revenues of Rs 33.71 million and net cash inflows aggregating Rs 1.41 million for the year ended on that date. These financial statements have been audited by another firm of Chartered accountants whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the auditor.

5. We report that the consolidated financial statements have been prepared by the Hikal Group management in accordance with the requirements of Accounting Standards (AS) 21, consolidated financial statements, specified in the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of the Company and its subsidiaries.

6. *The Company has not provided for a "mark-to-market" loss on derivative contracts aggregating to Rs 458.80 million as at 31 March 2010 (31 March 2009: Rs 1,498.57 million (Refer Note iii (b) to Schedule 21) for the reasons stated by the management in the said note. Consequently, without considering the tax effect, the profit before tax for the year and reserves and surplus are overstated by Rs 458.80 million (31 March 2009: Rs 1,498.57 million) and current liabilities are understated by Rs 458.80 million (31 March 2009: Rs 1,498.57 million). Had the effect of observation made by us above been considered, the profit before tax and minority interest would turn into loss before tax and minority interest of Rs 28.80 million (31 March 2009: Rs 1,104.21 million) (as against the reported figure of profit before tax and minority interest of Rs 430.00 million) (31 March 2009: Rs 394.36 million), the reserves and surplus would have been Rs 3,228.66 million (31 March 2009: Rs 1983.80 million) (as against the reported figure of Rs 3,687.46 million) (31 March 2009: Rs 3482.37 million) and the current liabilities would have been Rs 1,759.39 million (31 March 2009: Rs 2,841.18 million) (as against the reported figure of Rs 1,300.59 million (31 March 2009: Rs 1,342.61 million).*

7. In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements, *subject to our comments in paragraph 6 above*, give a true and fair view in conformity with the accounting principles generally accepted in India:

a) in the case of the consolidated Balance Sheet, of the consolidated state of affairs of the Hikal Group as at 31 March 2010;

b) in the case of the consolidated Profit and Loss Account, of the consolidated results of operations of the Hikal Group for the year ended on that date; and

c) in the case of the consolidated Cash Flow Statement, of the consolidated cash flows of the Hikal Group for the year ended on that date;

For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W

Vijay N.Bhatt
Partner
Membership No.: 036647

Place: Mumbai
Date: April 30, 2010

Consolidated Balance Sheet

as at March 31, 2010

(Currency: Indian Rupees in Million)

	Schedule	As At March 31, 2010		As At March 31, 2009
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share capital	3	164.40		164.40
Reserves & surplus	4	3,687.47		3,482.37
			3,851.87	3,646.77
Minority interest			-	107.86
LOAN FUNDS				
Secured loans	5	4,326.75		4,392.63
Unsecured loans	6	660.57		1,424.34
			4,987.32	5,816.97
Deferred payment credits/Lease obligations	7		1.04	1.37
DEFERRED TAX LIABILITY (NET) [Refer note no.x to schedule 22]			-	3.04
			8,840.23	9,576.01
APPLICATION OF FUNDS				
FIXED ASSETS	8			
Gross block		8,195.54		7,185.48
Less: accumulated Depreciation / amortization		1,951.92		1,707.77
Net block		6,243.62		5,477.71
Capital work-in-progress (including capital advances)		355.14		1,104.67
			6,598.76	6,582.38
Goodwill (on consolidation)			-	158.02
INVESTMENTS	9		31.17	210.36
DEFERRED TAX ASSETS (NET) [Refer Note no.x to Schedule 22]			23.44	-
CURRENT ASSETS, LOANS & ADVANCES				
Inventories	10	1,831.31		1,846.37
Sundry debtors	11	995.39		1,238.99
Cash and bank balances	12	132.66		99.91
Loans and advances	13	888.85		830.81
		3,848.21		4,016.08
LESS : CURRENT LIABILITIES & PROVISIONS				
Lliabilities	14	1,300.59		1,342.61
Provisions	15	364.17		55.64
		1,664.76		1,398.25
NET CURRENT ASSETS			2,183.45	2,617.83
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	16		3.41	7.42
			8,840.23	9,576.01
Significant Accounting Policies	2			
Notes to Accounts	22			

The schedules referred to above form an integral part of this balance sheet

As per our report of even date attached
For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W
Vijay N Bhatt
Partner
Membership No: 036647
Place: Mumbai
Date: April 30, 2010

For and on behalf of the Board of Directors
Jai Hiremath
Vice Chairman & Managing Director
Kannan K. Unni
Director
Sham Wahalekar
Company Secretary
Place: Mumbai
Date: April 30, 2010

Consolidated Profit and Loss Account

for the year ended March 31, 2010

(Currency: Indian Rupees in Million)

	Schedule		Year Ended March 31, 2010	Year Ended March 31, 2009
INCOME				
Sales of products / income from services			5,458.90	5,776.28
Less: Excise duty			69.38	47.58
			5,389.52	5,728.70
Other income	17		2.17	13.99
			5,391.69	5,742.69
EXPENDITURE				
Materials and manufacturing cost	18		2,775.12	3,508.00
Personnel costs	19		485.22	506.97
Administrative and other operating expenses	20		416.29	578.16
Interest and finance charges	21		380.18	281.80
Depreciation/amortisation	8	365.32		-
Less: Transfer from Revaluation Reserve		(7.69)	357.63	229.56
			4,414.44	5,104.49
PROFIT BEFORE TAXATION, EXCEPTIONAL ITEM AND MINORITY INTEREST			977.25	638.20
Exchange loss			263.72	243.84
Reversal of cashflow hedge reserve			283.52	-
Exceptional item				
Adjustments Pursuant to Scheme of Arrangement for Merger of Hikal Pharmaceutical Limited into the Company				
Less : Diminution of investment in subsidiary	-		-	651.24
Add : Equivalent amount withdrawn from General Reserve-			-	(651.24)
PROFIT BEFORE TAXATION AND MINORITY INTEREST			430.01	394.36
Provision for taxation				
- Current tax			102.03	-
- Less: MAT tax credit			(102.03)	-
- Deferred tax expense/ (credit)			(69.99)	25.45
- Fringe benefit tax			-	6.89
PROFIT AFTER TAXATION AND BEFORE MINORITY INTEREST AND ADJUSTMENT ON LIQUIDATION OF SUBSIDIARY			500.00	362.02
Less: Adjustment on liquidation of subsidiary [Refer Note (iv) to Schedule 22]			427.11	-
Less : Minority interest share of loss			-	(42.94)
NET PROFIT FOR THE YEAR			72.89	404.96
Accumulated balance brought forward from previous year			783.54	378.58
PROFIT AVAILABLE FOR APPROPRIATION			856.43	783.54
APPROPRIATIONS				
Transfer to general reserve			125.00	-
Interim dividend on equity shares			65.76	-
Proposed dividend on equity shares			65.76	-
Tax on dividend			22.35	-
BALANCE CARRIED TO THE BALANCE SHEET			577.56	783.54
EARNINGS PER SHARE (Face Value of Rs 10)				
Before adjustment on liquidation of subsidiary				
- Basic earning per share Rs.			30.42	25.87
- Diluted earning per share Rs.			29.30	24.71
After adjustment on liquidation of subsidiary				
- Basic earning per share Rs.			4.44	25.87
Diluted earning per share Rs.			4.42	24.71
Face value per share Rs 10 [Refer Note no. (ix) to Schedule 22]				
Significant Accounting Policies	2			
Notes to accounts	22			

As per our report of even date attached

For B S R & Company

Chartered Accountants

Firm's Registration No: 128032W

Vijay N Bhatt

Partner

Membership No: 036647

Place: Mumbai

Date: April 30, 2010

For and on behalf of the Board of Directors

Jai Hiremath

Vice Chairman & Managing Director

Kannan K. Unni

Director

Sham Wahalekar

Company Secretary

Place: Mumbai

Date: April 30, 2010

Schedules to the consolidated financial statements

for the year ended March 31, 2010

(Currency: Indian Rupees in Million)

1. **Background**

Hikal Limited ('Hikal' or 'the Company') was incorporated as a public limited company on 08 July 1988 having its registered office at 717/718, Maker Chamber V, Nariman Point, Mumbai 21.

The company is engaged in the manufacturing of various chemical intermediates, specialty chemicals, Active pharma ingrediants and Contracts Research activities.

The company is operating in the crop protection and pharmaceuticals space.

The company has following subsidiaries:

a) **Acoris Research Limited :** A 100% subsidiary of the company engaged in Contract Research activities. Acoris has setup a Research and Development (R & D) facility for carrying out process development, custom synthesis, analytical development & fermentation.

b) **Hikal International BV:** A 100% subsidiary of the company engaged in trading activities and is based in Netherlands.

2. **Summary of Significant accounting policies**

a. **Basis of preparation of consolidated financial statements**

The financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting, except for certain financial instruments which are measured at fair values, in accordance with the provisions of the Companies Act 1956 ("the Act") and accounting principles generally accepted in India ("GAAP") and comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable.

The consolidated financial statements relate to Hikal Limited ('the Company'), its subsidiaries and share of profits / losses in associates (collectively referred to as 'the Group'). The consolidated financial statements have been prepared in accordance with the principles and procedures required for the preparation and presentation of financial statements as laid down under the accounting standards. The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and transactions and resulting unrealized gain/losses. The financial statements of the associates are considered following equity method.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

Where the cost of the investment is higher than the share of equity in the subsidiary at the time of acquisition, the resulting difference is treated as goodwill. Minority interests have been excluded. Minority interest represents that part of the net profit or loss and net assets of subsidiaries that is not, directly or indirectly, owned or controlled.

The revenue and expense transactions during the year reflected in profit and loss account have been translated into Indian Rupees at the average exchange rate for the year under consideration. Assets and liabilities in the balance sheet have been translated into Indian Rupees at the closing exchange rate at the year end. The resultant translation exchange gain/loss is disclosed as foreign currency translation reserve.

b. **Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

c. **Fixed assets and capital work-in progress**

Fixed assets, both tangible and intangible, are stated at cost of acquisition/construction or at revalued amount less accumulated depreciation and impairment, if any. Cost includes purchase price, taxes, duties, freight and other directly attributable expenses of bringing the assets to its working condition for the intended use. Borrowing costs attributable to acquisition, construction of qualifying asset (i.e. assets requiring substantial period of time to get ready for intended use) are capitalized. Other pre-operative expenses for major projects are also capitalized, where appropriate.

Capital work-in-progress comprises advances paid to acquire fixed assets and cost of fixed assets that are not yet ready for their intended use at the year end.

d. **Depreciation and amortization**

Depreciation on tangible fixed assets other than on leasehold land is provided pro rata to the period of use on straight-line method, at rates and in the manner prescribed in Schedule XIV to the Act.

Leasehold land is amortized over the primary period of the lease.

Assets individually costing upto Rs 5,000 are fully depreciated in the year of purchase. Assets acquired on hire purchase/finance lease are generally depreciated over the period of useful life of assets on a straight-line basis unless there is no reasonable certainty that the ownership of the asset would be obtained at the end of the agreement term. Where there is no reasonable certainty that the ownership of the asset would be obtained at the end of the agreement term such assets are depreciated over the shorter of the contract term or the asset's useful life in accordance with the Company's normal depreciation policy.

The additional depreciation charge on account of revaluation of fixed assets is spread over the balance useful life of the revalued assets. The additional charge of depreciation on account of revaluation is withdrawn from revaluation reserve and credited to Profit and Loss Account.

The management estimates the useful lives of intangible assets viz. computer software, of 5 years and expects economic benefits from such assets to be consumed evenly over the period of its useful life. Accordingly, intangible assets are amortized over a period of five years on a straight-line basis

e. **Impairment of assets**

In accordance with AS 28 'Impairment of Assets' issued by the Institute of Chartered Accountants of India, the carrying amounts of the Company's assets are reviewed at each Balance Sheet date to determine whether there is any impairment. Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment loss is recognized in the profit and loss account or against revaluation surplus, where applicable.

f. **Investments**

Long term investments are carried at cost. Provision for diminution, is made to recognize a decline, other than temporary in the value of long term investments and is determined separately for each individual investment. The fair value of a long term investment is ascertained with reference to its market value, the investee's assets and results and the expected cash flows from the investment.

Current investments are carried at lower of cost and fair value, computed separately in respect of each category of investment

g. **Inventories**

Raw material, packing material, stores, spares and consumables are valued at lower of cost and net realizable value. Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost is ascertained on weighted average method and in case of work-in-process includes appropriate production overheads and in case of finished products includes appropriate production overheads and excise duty, wherever applicable.

Provision is made for the cost of obsolescence and other anticipated losses, whenever considered necessary.

h. **Revenue recognition**

Revenue from sale of goods is recognized on transfer of all significant risks and rewards of ownership to the buyer ,which coincides with dispatch of goods from factory to the customers in case of domestic sales and is stated net of trade discount and exclusive of sales tax but inclusive of excise duty. Export sales are recognized based on date of bill of lading.

Income from services is accounted for when the services are rendered.

Excise duty collected on sales is separately reduced from turnover.

i. **Foreign currency transactions**

-Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

-Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Schedules to the consolidated financial statements

for the year ended March 31, 2010

(Currency: Indian Rupees in Million)

- Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except for long term foreign currency liabilities and assets and foreign currency loans taken for hedging purposes.

-Pursuant to the notification issued by the Ministry of Corporate Affairs dated 31 March, 2009 , the Company has exercised the option available under the newly inserted paragraph 46 to the Accounting Standard AS-11 "The Effect of Changes in Foreign Exchange Rates" to adjust the exchange differences arising on long term foreign currency liabilities and assets to the cost of depreciable capital assets in so far as it relates to the acquisition of such assets and in other cases, by transfer to "Foreign currency monetary item translation difference reserve", to be amortized over the balance period of such long term foreign currency liabilities or 31 March, 2011, whichever is earlier.

-In respect of foreign currency loans taken to hedge the risks associated with foreign currency fluctuations relating to firm commitments and highly probable forecast transactions, with effect from 1 April, 2008, the Company has early adopted AS 30 'Financial Instruments: Recognition and Measurement". Accordingly, foreign currency fluctuations relating to firm commitments and highly probable forecast transactions are fair valued at each reporting date.

Changes in the fair value of these hedging instruments that are designated and considered as effective hedges of highly probable forecasted transactions are recognized directly in shareholders' funds under 'Hedging Reserve Account' to be recognized in the Profit and Loss Account when the underlying transaction occurs. Changes in the fair value of the hedging instruments that do not qualify for hedge accounting are recognized in the Profit and Loss Account as they arise.

- In case of forward contracts with underlying assets or liabilities, the difference between the forward rate and the exchange rate on the date of inception of a forward contract is recognized as income or expense and is amortized over the life of the contract.

j. **Retirement benefits**

-Gratuity

The Company provides for gratuity, a defined benefit plan covering eligible employees. Liabilities with regard to the gratuity benefits payable (except for Panoli plant staff) in future are determined by actuarial valuation by an independent actuary at each Balance Sheet date using the Projected Unit Credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as at the Balance Sheet date. When the calculation results in a benefit to the Company, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. Actuarial gains and losses are recognized immediately in the Profit and Loss account. Gratuity for Panoli staff is funded through group gratuity insurance scheme of the Life Insurance Corporation of India ('LIC').

-Superannuation

The Company makes contribution to the Superannuation Scheme, a defined contribution scheme, administered by Life Insurance Corporation of India, based on a specified percentage of eligible employees' salary.

-Leave encashment / Compensated absences

The Company provides for the encashment of leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment / availment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

-Provident fund

The Company makes contribution to statutory provident fund in accordance with Employees provident fund and miscellaneous provisions Act, 1952 which is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which services are rendered by the employee.

-Short term employee benefits

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee

k. **Leases (including assets acquired under deferred payment terms)**

Assets acquired under the finance leases are capitalized at fair value of the leased asset at the inception of lease and included within fixed assets. Such assets are depreciated as per the depreciation policy for such assets stated in Note (d) above. Liabilities under finance leases less interest not yet charged are included under deferred payment credits/lease obligations in the financial statements. Finance charges are debited to the profit and loss account over the term of the contract so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term

l. **Provision for Taxation**

Tax expense comprises current income tax and deferred tax charge or credit. Current tax provision is made annually based on the tax liability computed in accordance with provision of the Income tax Act, 1961.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets other than on unabsorbed tax depreciation and unabsorbed tax losses are recognized only to the extent that there is a reasonable certainty of their realization. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognized only to the extent that there is virtual certainty of their realization. Deferred tax assets are reviewed as at each Balance Sheet date to reassess realization.

m. **Research and development**

Capital expenditure is shown separately under respective heads of fixed assets. Revenue expenses including depreciation are charged to Profit and Loss account under the respective heads of expenses.

n. **Export incentives**

Export incentives principally comprises of Duty Drawback, Duty Entitlement Pass Book credit and Excise Duty rebate. The benefits under these incentive schemes are available based on the guideline formulated for respective schemes by the government authorities. These incentives are recognized as revenue on accrual basis to the extent it is probable that realization is certain.

o. **Provisions and contingencies**

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

p. **Share Issue Expenses**

Preliminary/public issue expenses are written off equally over a period of ten years. Expenses incurred on subsequent preferential issue of shares are adjusted against securities premium.

Issue costs of FCCB and preference shares are amortized over the term of the instrument by adjusting against the balance in securities premium account.

q. **Earnings per share**

Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year except where the result would be anti dilutive

r. **Cash and cash equivalent**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with a maturity of less than or three months

s. **Proposed Dividend**

Dividend recommended by the Board of directors is provided for in the accounts, pending approval at the Annual General meeting.

Schedules forming part of the Consolidated Balance Sheet

as at March 31 2010

(Currency: Indian Rupees in Million)

	As At March 31, 2010	As At March 31, 2009
Schedule 3		
SHARE CAPITAL		
Authorised		
25,000,000 Equity Shares of Rs. 10/- each (previous year 25,000,000 equity shares of Rs.10/- each)	250.00	250.00
5,000,000 Cumulative Redeemable Preference Shares of Rs. 100/- each (previous year 50,000,000 Cumulative Redeemable Preference of Rs.100/- each)	500.00	500.00
	750.00	750.00
Issued, subscribed and paid up capital		
Equity share capital		
16,440,100 Equity Shares of Rs. 10/- each fully paid-up (Previous year 16,440,100 equity Shares of Rs. 10/- each fully paid up)	164.40	164.40
Of the above:		
- 150,000,equity shares of Rs. 10/- each were allotted as fully paid-up without payment being received in cash.		
- 10,647,326,equity shares of Rs. 10/- each are allotted as fully paid-up bonus shares by capitalisation of general reserve.		
	164.40	164.40

Schedules forming part of the Consolidated Balance Sheet

as at March 31 2010

(Currency: Indian Rupees in Million)

	As At March 31, 2010	As At March 31, 2009
Schedule 4		
RESERVES AND SURPLUS		
Capital Reserve		
Balance as per last year	11.50	5.91
Add: Value adjustment for hedging instrument (foreign subsidiaries)	-	5.59
Less: Adjustment on liquidation of subsidiary	11.06	-
	0.44	11.50
Capital redemption reserve		
Balance as per last year	509.82	509.82
Add: On redemption of preference shares	-	-
	509.82	509.82
Securities premium account		
At the commencement of the year	1,329.85	12.37
Add: Premium received during the year on issue of equity shares	-	1,331.15
Less: Amortised cost of issue expenses of foreign currency convertible bonds and preference share capital	3.47	3.48
Less: Provision for premium on redemption of 0.5% Coupon Foreign Currency convertible Bonds ('FCCB')	156.98	-
Less: Share issue expenditure	-	10.19
	1,169.40	1,329.85
Revaluation reserve		
On revaluation of Free hold and Lease hold land	1,111.42	1,111.42
Less: Amount withdrawn and credited to Profit and Loss Account	9.69	2.00
	1,101.73	1,109.42
State subsidy	5.50	5.50
Contingency reserve	30.00	30.00
General reserve		
Balance as per last year	103.48	680.87
Less: Adjustments made pursuant to amendment in Accounting Standard- 11 The Effect of Changes in Foreign Exchange Rates	-	72.36
Less: Amount withdrawn and credited to Profit and Loss account as per the arrangement	-	646.38
Add: Transfer on Amalgamation as per the scheme of arrangement	-	141.35
	103.48	103.48
Add: Transfer from profit and loss account	125.00	-
	228.48	103.48
Cash flow hedge reserve	95.95	(283.55)
[Refer Note iii (a) to Schedule 22]		
Foreign currency monetary item translation difference reserve	(1.48)	(30.29)
Surplus in profit and and loss account	577.56	783.54
Foreign currency translation reserve	(29.93)	(86.91)
	3,687.47	3,482.37

Schedules forming part of the Consolidated Balance Sheet

as at March 31 2010

(Currency: Indian Rupees in Million)

	As At March 31, 2010	As At March 31, 2009
Schedule 5		
SECURED LOANS		
Term loans		
From banks	1,234.77	1,700.99
From financial institutions	1,431.42	1,018.61
(Loans under different categories are secured against certain assets, property, equipment and other immovable property, inventories and receivable of the parent company or concerned subsidiary.)		
Working capital loans		
From banks	1,660.56	1,673.03
(Loans under different categories are secured against certain assets, property, equipment and other immovable property, inventories and receivable of the parent company or concerned subsidiary.)		
	4,326.75	4,392.63
Due within one year	642.41	293.60
Schedule 6		
UNSECURED LOANS		
Deferred sales tax liability	12.77	15.03
Short-term loans from banks	106.00	721.22
Short-term loan from directors	-	76.57
0.5% Foreign currency convertible bonds	541.80	611.52
	660.57	1,424.34
Due within one year	650.50	536.35
Schedule 7		
DEFERRED PAYMENT CREDITS / LEASE OBLIGATIONS		
Vehicle Loan	1.04	1.37
(Secured by hypothecation of specific item acquired under hire purchase/lease agreements)		
	1.04	1.37
Due within one year	0.40	0.40

(Currency: Indian Rupees in Million)

Schedule 8

Fixed Assets

[At cost / valuations less depreciation / amortisation and impairment provision]

Description	Gross block				
	As at April 01, 2009	Foreign Exchange Adjustments	Additions	Deductions/ Adjustments	As at March 31, 2010
Tangible Assets					
Freehold land	713.79	-	69.61	-	783.40
Leasehold land	715.81	(0.00)	-	-	715.81
Leasehold Improvements	26.77	-	-	26.77	-
Buildings	1.159.54	(0.00)	284.59	-	1,444.13
Plant and machinery*	3846.06	0.00	1,087.29	208.90	4,724.45
Electrical installations	200	(0.00)	36.75	-	236.92
Office equipments	130.79	-	3.88	25.63	109.04
Furniture and fixtures	101.03	-	5.45	4.90	101.58
Vehicles					
- Owned	20.70	-	-	4.23	16.47
- On deferred payment credits	3.67	-	-	1.41	2.26
Ships	56.00	-	-	-	56.00
Intangible Assets					
Licence rights	205.67	-	-	205.67	-
Computer software	5.48	-	-	-	5.48
	7,185.48	-	1,487.57	477.51	8,195.54
Previous year	3,708.90	28.24	3,525.54	77.20	7,185.48
Capital work-in-progress including capital advances					
Total					

Note:-

1. In order to reflect the current reinstatement cost/market value, the Company revalued its Leasehold and Freehold Land located at its factory sites as on 31st December, 2008 on the basis of valuation carried out by approved valuers based on reinstatement / market values. The resultant appreciation aggregating to Rs 1,111.42 millions has been added to the assets and credited to revaluation reserve. The additional depreciation aggregating to Rs 7.69 million (2009: Rs 2 million) on account of revaluation has been charged to Profit and Loss account and a similar amount has been withdrawn from the Revaluation reserve and credited to Profit and Loss Account.

Depreciation					Net block	
Upto March 31,2009	Foreign Exchange Adjustments	For the Year	Deductions/ Adjustments	Upto March 31, 2010	As at March 31, 2010	As at March 31, 2009
-	-	-	-	-	783.40	713.79
11.00	(0.00)	8.75	-	19.75	696.06	704.81
14.93	-	-	14.93	-	-	11.84
157.56	(0.00)	42.03	-	199.59	1,244.54	1001.98
1,256.99	(0.00)	294.51	10.26	1,541.24	3183.21	2589.07
65.99	(0.00)	10.10	-	76.09	160.83	134.18
72.89	-	9.54	18.44	63.99	45.05	57.90
25.09	-	6.38	1.88	29.59	71.99	75.94
11.05	-	-	2.92	8.13	8.34	9.65
1.51	-	2.21	1.46	2.26	-	2.16
4.52	-	1.28	-	5.80	50.20	51.48
81.52	-	-	81.52	-	-	124.15
4.72	-	0.76	-	5.48	-	0.76
1,707.77	-	375.56	131.41	1,951.92	6,243.62	5,477.71
1,479.31	16.21	231.54	19.29	1,707.77	5,477.71	
					355.14	1,104.67
					6.598.76	6,582.38

Schedules forming part of the Consolidated Balance Sheet

as at March 31 2010

(Currency: Indian Rupees in Million)

	As At March 31, 2010	As At March 31, 2009
Schedule 9		
INVESTMENTS		
(Long-term and at cost)		
Quoted,Non-trade		
2,000 (Previous year 2,000) Equity Shares of Bank of Baroda of Rs.10/- each fully paid up.	0.17	0.17
2,900 (Previous year 2,900) Equity Shares of Union Bank of India Rs.10/- each fully paid up.	0.05	0.05
Unquoted, trade		
2,23,164(Previous year 98,664) Equity Shares of Bharuch Eco Aqua Infrastructure Ltd. of Rs.10/- each, fully paid up. .	2.23	2.23
30,000 (Previous year 30,000) Equity Shares of Panoli Enviro Technology Ltd. of Rs.10/- each, fully paid up.	0.30	0.30
14,494 (Previous year 14,494) Equity Shares of MMA CETP Co-operative Society Limited of Rs.100/- each, fully paid up	1.45	1.45
16% (previous year 16%)of Registered capital of Jiangsu Chemstar Chemical Co. Limited. fully paid up.	26.97	26.97
Investment in Associates *	-	179.19
	31.17	210.36
Aggregate amount of quoted investments	0.22	0.22
Aggregate market value of quoted investments	2.12	0.90
Aggregate amount of unquoted investments	30.94	210.14

**Represents investments in foreign associates through foreign subsidiary and the local regulation of foreign subsidiary permits the company not to disclose the name of associates for trade reasons.*

	As At March 31, 2010	As At March 31, 2009
Schedule 10		
INVENTORIES		
[Refer note (g) to schedule 2 for basis of valuation]		
Stores, spares and consumables	86.49	85.28
Raw materials	967.24	865.21
[Includes goods in transit of Rs 62.49 million (2009: Rs. 87.77 million)]		
Packing materials	11.59	13.62
Work-in-progress	381.24	403.69
Finished goods	384.75	478.57
	1,831.31	1,846.37

Schedules forming part of the Consolidated Balance Sheet

as at March 31 2010

(Currency: Indian Rupees in Million)

		As At March 31, 2010	As At March 31, 2009
Schedule 11			
SUNDRY DEBTORS			
(Unsecured)			
Debts outstanding for period exceeding six months			
Considered good		32.81	23.49
Considered doubtful		36.29	63.81
		69.10	87.30
Less : Provision for doubtful debts		39.46	63.81
		29.64	23.49
Other debts			
Considered good		965.75	1,215.50
		995.39	1,238.99
Schedule 12			
CASH AND BANK BALANCES			
Cash on hand		1.63	3.15
Balance with banks in			
- current accounts		110.81	82.58
- deposit accounts		20.22	14.18
(of above Rs. 17.72 million (2009: Rs.10.08 million) is under lien with banks)			
		132.66	99.91
Schedule 13			
LOANS AND ADVANCES			
(Unsecured, considered good)			
Advances recoverable in cash or in kind or for value to be received		480.04	531.35
Deposits		95.44	87.78
Balances with customs, excise etc.		105.86	98.50
Advance tax (net of provision for tax)		206.64	112.88
Advance fringe benefit tax (net of provision for fringe benefit tax)		0.87	0.30
(Unsecured and considered doubtful)			
Advances recoverable in cash or in kind or for value to be received	2.02		0.52
Less: Provision for doubtful advances	2.02	-	(0.52)
		888.85	830.81
Schedule 14			
CURRENT LIABILITIES			
Sundry creditors		984.77	1,248.95
Advances from customers		83.03	1.91
Other liabilities		107.22	0.34
Book overdraft		98.33	44.44
Interest accrued but not due on loans		27.24	46.97
		1,300.59	1,342.61

Schedules forming part of the Consolidated Balance Sheet
as at March 31 2010

(Currency: Indian Rupees in Million)

	As At March 31, 2010	As At March 31, 2009
Schedule 15		
PROVISIONS		
Proposed dividend on equity shares	**131.52**	-
Dividend tax	**22.35**	-
Provision for employees benefit	**53.32**	55.65
Provision for redemption premium on foreign currency convertible bonds	**156.98**	-
	364.17	55.65

	As At March 31, 2010	As At March 31, 2009
Schedule 16		
MISCELLANEOUS EXPENDITURE *(to the extent not written off or adjusted)*		
Capital issue expenses		
As at the beginning of the year	**2.06**	2.49
Less: Written off during the year	**0.55**	0.44
Closing balance	**1.51**	2.05
Issue cost of foreign currency convertible bonds		
As at the beginning of the year	**5.37**	8.85
Less: Amortized during the year against securities	**3.47**	3.48
Closing balance	**1.90**	5.37
	3.41	7.42

Schedules forming part of the Consolidated profit and loss account

for the year ended March 31 2010

(Currency: Indian Rupees in Million)

	Year Ended March 31, 2010	Year Ended March 31, 2009
Schedule 17		
OTHER INCOME		
Insurance claim received	-	0.59
Interest on bank and other accounts	1.94	3.87
Dividend on long- term investments	0.03	0.03
Profit on sale of assets	-	1.17
Miscellaneous Income	0.20	8.34
	2.17	13.99
Schedule 18		
INCREASE/ (DECREASE) IN STOCKS		
Opening stock		
Work-in-progress	403.69	424.89
Finished goods	472.54	677.16
	876.23	1,102.05
Less: Adjustment on liquidation of subsidiary	161.22	-
Closing stock	715.01	1,102.05
Work-in-progress	381.24	403.69
Finished goods	384.75	472.55
	765.99	876.24
Less: Goods returned	-	6.10
	(50.98)	(219.71)
Raw materials consumed	2,104.43	2,067.68
Goods for resale	54.78	695.59
Stores, spares and consumables	91.42	87.61
Processing charges	28.41	63.48
Power and fuel	513.94	341.44
Repairs and maintenance - Plant and machinery	33.12	32.49
	2,775.12	3,508.00
Schedule 19		
PERSONNEL COSTS		
Salaries, wages and bonus	419.82	428.42
Contribution to provident and other funds	19.99	23.76
Staff welfare expenses	45.41	54.79
	485.22	506.97

Schedules forming part of the consolidated profit and loss account

for the year ended March 31 2010

(Currency: Indian Rupees in Million)

	Year Ended March 31, 2010	Year Ended March 31, 2009
Schedule 20		
ADMINISTRATION AND OTHER OPERATING EXPENSES		
Advertisement	1.68	7.21
Rent	7.05	32.00
Rates and taxes	4.85	5.02
Insurance	9.67	25.01
Repairs and maintenance		
- Buildings	9.54	8.02
- Others	21.49	21.45
Printing and stationery	10.34	8.01
Legal and professional charges		
- Legal Charges	4.98	5.13
- Professional charges	59.33	107.70
Travelling and conveyance	28.18	47.78
Vehicle expenses	11.63	14.42
Postage, telephone and telegrams	7.22	13.76
Auditors' remuneration	3.22	7.48
Director’s fees	0.45	0.71
Sales and distribution expenses	55.99	88.43
Commission on sales	9.93	28.78
Security service charges	12.34	11.16
Amortisation of miscellaneous expenditure	0.55	0.80
Provision for doubtful debts	13.40	18.08
Information and technology expenses	-	3.62
Office expenses	-	5.39
Excise duty on closing stock	0.67	(0.39)
Foreign exchange loss (gain)	74.79	11.43
Loss on sale of assets	-	2.25
Miscellaneous expenses	68.99	104.91
	416.29	578.16

	Year Ended March 31, 2010	Year Ended March 31, 2009
Schedule 21		
INTEREST AND FINANCE CHARGES		
Interest on fixed period loans	179.56	86.89
Other interest and charges	200.62	194.91
	380.18	281.80

Schedules to the consolidated financial statements

for the year ended March 31, 2010

(Currency: Indian Rupees in Million)

The Company's financial reporting is organized into two major operating divisions viz. crop protection and pharmaceuticals. These divisions are the basis on which the Company is reporting its primary segment information. Joint revenues and expenses, if any, are allocated to the business segments on a reasonable basis. All other segment revenues and expenses are directly attribut~~able to the segments~~. Segmen~~t assets include all~~ operating assets used by a segment comprising debtors, inventories, fixed assets and loans and advances. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities of the segment comprising creditors and other liabilities.

Primary segment information

Particulars	Crop Protection	Pharmaceuticals		Total
		Indian operation	Overseas operation	
Revenue (external sales)	1,790.50	3,599.02	-	5,389.52
	2,020.69,	*2,760.82*	*947.19*	*5,728.70*
Segment result	379.80	1,162.50	(1.40)	1,540.90
	366.32	*962.65*	*(160.23)*	*1,168.74*
Interest expenses				380.18
				281.80
Other unallocable expenditure (net of unallocable income)				183.47
				248.74
Profit before tax, exceptional expenditure and minority interest				977.25
				638.20
Exchange Loss				263.72
				243.84
Reversal of cashflow hedge reserve				283.52
				-
Net Profit before tax and minority interest				430.01
				394.36
Segment assets	3,383.20	6.169.78	0.47	9,553.45
	3,179.36	*5,807.27*	*1,286.33*	*10,272.96*
Unallocated corporate assets				951.54
				701.30
Total assets				10,504.99
				10,974.26
Segment liabilities	450.90	996.98	0.47	1,448.35
	579.92	*1,145.61*	*729.61*	*3,582.64*
Unallocated corporate liabilities				5,204.77
				3,657.00
Total liabilities				6,653.12
				7,219.64
Capital expenditure for the year	171.40	317.75	-	489.15
	739.70	*2,226.74*	*20.62*	*2,987.06*
Unallocated capital expenditure				39.99
				266.61
Depreciation for the year	96.00	250.44	-	346.44

(Currency: Indian Rupees in Million)

	72.93	*132.94*	*12.41*	*218.26*
Unallocated depreciation				**11.19**
				11.28

Secondary segment information

	Sales revenue	Assets employed	Capital expenditure
India	**839.35**	**10,504.52**	**529.14**
	387.00	*9,687.93*	*3,235.29*
USA and Canada	**812.91**	**-**	**-**
	1,367.27	-	-
Europe	**927.91**	**0.47**	**-**
	1,924.38	*1,286.33*	*18.38*
South East Asia	**2,791.90**	**-**	**-**
	2,017.81	-	-
Others	**17.45**	**-**	**-**
	32.24	-	-
Total	**5,389.52**	**10,504.99**	**529.14**
	5,728.70	*10,974.26*	*3,253.67*

vii Related Party Disclosures

List of related parties

Entities where control exists

Hikal International B.V. ("HIBV")

Acoris Research Limited ("ARL")

Key Management Personnel

Jai Hiremath	Vice Chairman and Managing Director
Sameer Hiremath	Deputy Managing Director

Relatives of Key Management Personnel

Sugandha Jai Hiremath

Enterprises over which key management personnel and their relatives exercise significant influence

Decent Electronics Private Limited

Marigold Investments Private Limited

Iris Investments Private Limited'

Karad Engineering Consultancy Private Limited

Ekdant Investments Private Limited

Rameshwar Investment Private Limited ("RIPL")

Badrinath Investment Private Limited ("BIPL")

Schedules to the consolidated financial statements

for the year ended March 31, 2010

(Currency: Indian Rupees in Million)

Secondary segment information

	Sales revenue	Assets employed	Capital expenditure
India	**839.35**	**10,504.52**	**529.14**
	387.00	*9,687.93*	*3,235.29*
USA and Canada	**812.91**	**-**	**-**
	1,367.27	-	-
Europe	**927.91**	**0.47**	**-**
	1,924.38	*1,286.33*	*18.38*
South East Asia	**2,791.90**	**-**	-
	2,017.81	-	-
Others	**17.45**	**-**	**-**
	32.24	-	-
Total	**5,389.52**	**10,504.99**	**529.14**
	5,728.70	*10,974.26*	*3,253.67*

vii Related Party Disclosures

List of related parties

Entities where control exists

Hikal International B.V. ("HIBV")

Acoris Research Limited ("ARL")

Key Management Personnel

Jai Hiremath	Vice Chairman and Managing Director
Sameer Hiremath	Deputy Managing Director

Relatives of Key Management Personnel

Sugandha Jai Hiremath

Enterprises over which key management personnel and their relatives exercise significant influence

Decent Electronics Private Limited

Marigold Investments Private Limited

Iris Investments Private Limited'

Karad Engineering Consultancy Private Limited

Ekdant Investments Private Limited

Rameshwar Investment Private Limited ("RIPL")

Badrinath Investment Private Limited ("BIPL")

Schedules to the consolidated financial statements

for the year ended March 31, 2010

(Currency: Indian Rupees in Million)

Transactions with related parties

Nature of transaction	Entities where control exists	Key management personnel	Relative of Key management personnel	Enterprises over which key management personnel or their relatives have significant influence
Remuneration				
Jai Hiremath		**9.10**		
		16.29		
Sameer Hiremath		**5.94**		
		8.49		
Commission Paid				
Jai Hiremath		**6.00**		
		-		
Sameer Hiremath		**4.40**		
		-		
Sitting fees				
Sugandha Hiremath			**0.11**	
			0.18	
Interest Paid				
-BIPL				-
				0.25
-KECPL				**0.23**
				-
-DEPL				**0.23**
				-
Management fees				
-Trademan Netherlands		**0.24**	-	-
		0.23		-
Administration fees				
-Trademan Netherlands		**0.82**	-	-
		1.81	-	-
Dividend paid				
BIPL				**21.16**
				10.61
RIPL				**10.64**
				-
Sugandha Hiremath			**10.55**	
			5.35	
Jai Hiremath		**1.42**		
		0.82		
Sameer Hiremath		**0.30**		
		0.15		
Lease rent paid				
Sugandha Hiremath			**2.40**	
			1.86	
RIPL				**0.72**
				0.72
Loans/Advance Granted/(taken) net				
-Marsing		**(27.28)**		
		-		
Outstanding balance debit/(Credit)				
-Marsing				**81.40**
				-
Jai Hiremath				**(6.00)**
				(6.00)
Sameer Hiremath				**(4.40)**
				(3.00)

Schedules to the consolidated financial statements

for the year ended March 31, 2010

(Currency: Indian Rupees in Million)

		Year ended March 31, 2010	Year ended March 31, 2009
viii.	**Operating Leases**		
	In respect of assets taken on finance lease on or after April 1, 2001:		
	Lease rental charges for the year	7.05	0.02
	Future lease rental obligation payable:		
	- not later than one year	4.21	0.02
	- later than one year but not later than five years	6.98	0.02
	- later than five years	-	-

Rupees in Million, except per share data

		Year ended March 31, 2010	Year ended March 31, 2009
ix.	a) **Earning per share before adjustment on liquidation of subsidiary**		
	Basic earnings per share		
	Profit after taxation	500.00	404.96
	Numerator used for calculating basic earnings per share	500.00	404.96
	Calculation of weighted average number of equity shares		
	Number of equity shares at the beginning of the year	16,440.100	15,080,100
	Equity shares issued during the year	NIL	1,360,00
	Number of equity shares outstanding at the end of the year	16,440,100	16,440,100
	Weighted average number of equity shares outstanding during the year used as denominator for calculating basic earnings per share (based on date of issue of shares)	16,440,100	15,773,041
	Basic earnings per share (Rs.)	30.42	25.67
	Nominal value of shares (Rs.)	10.00	10.00
	Diluted earnings per share		
	Profit after taxation	500.01	404.96
	Add: Interest paid on Foreign Currency Convertible Bonds	2.80	2.80
	Numerator used for calculating diluted earnings per share	502.81	407.76
	Calculation of weighted average number of equity shares		
	Number of equity shares at the beginning of the year	16,440,100	16,440,100
	Equity shares issued during the year	Nil	1,360,000
	Number of equity shares outstanding at the end of the year	16,440,100	16,440,100
	Weighted average number of equity shares outstanding during the year	16,440,100	15,773,041
	Add: Equity shares to be issued on conversion of Foreign Currency Convertible Bonds	723,705	723,705
	Weighted average number of equity shares outstanding during the year used as denominator for calculating diluted earnings per share (based on date of issue of shares)	17,163,805	16,496,746
	Diluted earnings per share (Rs.)	29.30	24.71
	Nominal value of shares (Rs.)	10.00	10.00
	b) **Earning per share after adjustment on liquidation of subsidiary**		
	Basic earnings per share		
	Profit for the year	72.89	404.96
	Numerator used for calculating basic earnings per share	72.89	404.96
	Calculation of weighted average number of equity shares		
	Number of equity shares at the beginning of the year	16,440.100	15,080.100
	Equity shares issued during the year	NIL	1,360,00
	Number of equity shares outstanding at the end of the year	16,440,100	16,440,100
	Weighted average number of equity shares outstanding during the year used as denominator for calculating basic earnings per share (based on date of issue of shares)	16,440,100	15,773,041

Consolidated Cash Flow Statement

for the year ended March 31, 2010

(Currency: Indian Rupees in Million)

		As at March 31, 2010	As at March 31, 2009
	Basic earnings per share (Rs.)	4.44	25.67
	Nominal value of shares (Rs.)	10.00	10.00
	Diluted earnings per share		
	Profit for the year	72.89	404.96
	Add: Interest paid on Foreign Currency Convertible Bonds	2.80	2.80
	Numerator used for calculating diluted earnings per share	75.69	407.76
	Calculation of weighted average number of equity shares		
	Number of equity shares at the beginning of the year	16,440,100	15,080,100
	Equity shares issued during the year	Nil	1,360,000
	Number of equity shares outstanding at the end of the year	16,440,100	16,440,100
	Weighted average number of equity shares outstanding during the year	16,440,100	15,773,041
	Add: Equity shares to be issued on conversion of Foreign Currency Convertible Bonds	723,705	723,705
	Weighted average number of equity shares outstanding during the year used as denominator for calculating diluted earnings per share (based on date of issue of shares)	17,163,805	16,496,746
	Diluted earnings per share (Rs.)	4.42	24.71
	Nominal value of shares (Rs.)	10.00	10.00
x.	**Deferred tax**		
	Deferred tax asset:		
	Amounts that are deducted for tax purpose when paid	29.58	13.56
	Others	13.41	8.86
	Unabsorbed depreciation	421.31	303.31
	Total deferred tax assets	464.30	325.73
	Deferred tax liabilities:		
	Additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	440.86	328.77
	Total deferred tax liabilities	440.86	328.77
	Net deferred tax Assets/(liabilities)	23.44	(3.04)

Deferred tax asset on unabsorbed depreciation/ business losses is recognized as the management believes that there is a virtual certainty as to its realisation against future taxable profit arising out of existing contracts.

xi Disclosure in relation to Derivative Instruments

Category	No. of contracts	Amount in foreign currency (Million)	Equivalent amount in Rupees (Million)	Purpose
Forward covers	14	USD 90.25	4,074.79	Hedging of exposure to fluctuations in foreign exchange of future exports
	19	*USD 145.83*	*7,431.24*	
Currency / swap	2	USD 11.50	519.23	Hedging of term loan/ interest
	3	*USD 13.32*	*678.93*	

xii Figures in italics are for the previous year. Figures for the previous year have been regrouped where necessary to conform to current year's classification.

xiii The figures of previous year ended 31 March 2009 were audited by another firm of Chartered Accountants

Signatures to Schedules 1 to 22

For and on behalf of the Board of Directors

Jai Hiremath
Vice Chairman & Managing Director

Kannan Unni
Director

Sham Wahalekar
Company Secretary

Place : Mumbai,
Dated : April 30, 2010

Consolidated Cash Flow Statement

for the year ended March 31, 2010

(Currency: Indian Rupees in Million)

		Year ended March 31, 2010		Year Ended March 31, 2009	
A)	**CASH FLOW FROM OPERATING ACTIVITIES**				
	Net profit before taxation exceptional item and minority interest		977.25		638.20
	Adjusted for –				
	Depreciation/amortization	357.63		229.56	
	Interest income	(1.94)		(3.87)	
	Dividend income	(0.03)		(0.03)	
	(Gain)/Loss on sale of investments	-		9.36	
	Unrealised Profit (Loss) on translation of foreign currency(Net)	1.48		(6.09)	
	Interest expense	380.18		329.34	
	Amortisation of miscellaneous expenditure	0.55		0.80	
	Provision for diminution in value of inventory	22.00		-	
	Sundry balance written off	18.18		-	
	Provision for doubtful debts and advances	14.90		18.08	
	Gain/loss on sale of fixed assets	-		(0.63)	
	Foreign currency translation reserve-for the year	0.54		(17.51)	
			793.49		559.01
	Operating profit before working capital changes		1,770.74		1,197.21
	Adjustment for Increase/ decrease in:				
	increase in trade and other receivables	(262.92)		(164.80)	
	increase in inventories	(158.33)		(76.91)	
	Increase/ (decrease) in trade payables	203.07		(78.69)	
			(218.18)		(320.40)
	Cash generated from operating activities		1552.57		876.81
	Income tax paid		(111.60)		(42.32)
	NET CASH FROM OPERATING ACTIVITIES		1440.96		834.49
B)	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Purchase of fixed assets (includes increase in capital work in progress)	(743.26)		(1,376.68)	
	Proceeds from sale of fixed assets	-		1.60	
	Dividend received	0.03		0.03	
	Interest received	1.94		3.01	
	Payments for future contracts, forward contracts, option contracts and swap contracts	(263.72)		(243.84)	
	Investments in subsidiaries/ others	-		(13.68)	
	Proceeds from sale of investments	-		15.10	-
	NET CASH FROM INVESTING ACTIVITIES		(1,005.01)		(1,614.46)

Consolidated Cash Flow Statement
for the year ended March 31, 2010
(Currency: Indian Rupees in Million)

	Year Ended March 31, 2010		Year Ended March 31, 2009	
C) CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from borrowings	1,264.12		1,899.05	
Repayment of borrowings	(1,165.80)		(1,236.06)	
Loans given to subsidiaries	(95.45)		-	
Minority Interest	-		(48.43)	
Dividend paid(inculding dividend tax)	-		(70.57)	
Interest paid	(399.91)		(431.29)	
Proceeds from issue of equity shares (Net of issue expenditure)	-		634.45	
NET CASH FROM FINANCING ACTIVITIES		(397.04)		747.15
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		38.91		(32.82))
Opening balance of Cash and cash equivalents		99.91		132.65
Less: adjustment on liquidation of subsidiary		6.16		-
		93.75		132.65
Cash and Cash Equivalents acquired on Scheme of Arrangement for Amalagamation		-		0.08
Closing balance of Cash and cash equivalents		132.66		99.91

Notes to the cash flow statement

1) The above Cash Flow Statement has been prepared under the 'Indirect Method' set out in Accounting Standard 3, 'Cash Flow Statements', issued by the Institute of Chartered Accountants of India.

2) Cash and cash equivalents represent :

	2010	2009
Cash With Banks	1.63	3.15
- Current accounts	110.81	82.58
- Fixed Deposits *	20.22	14.18
Total cash and cash equivalents	132.66	99.91

(* Of above Rs. 17.72 million (2009: Rs 10.08 million) is under lien with banks)

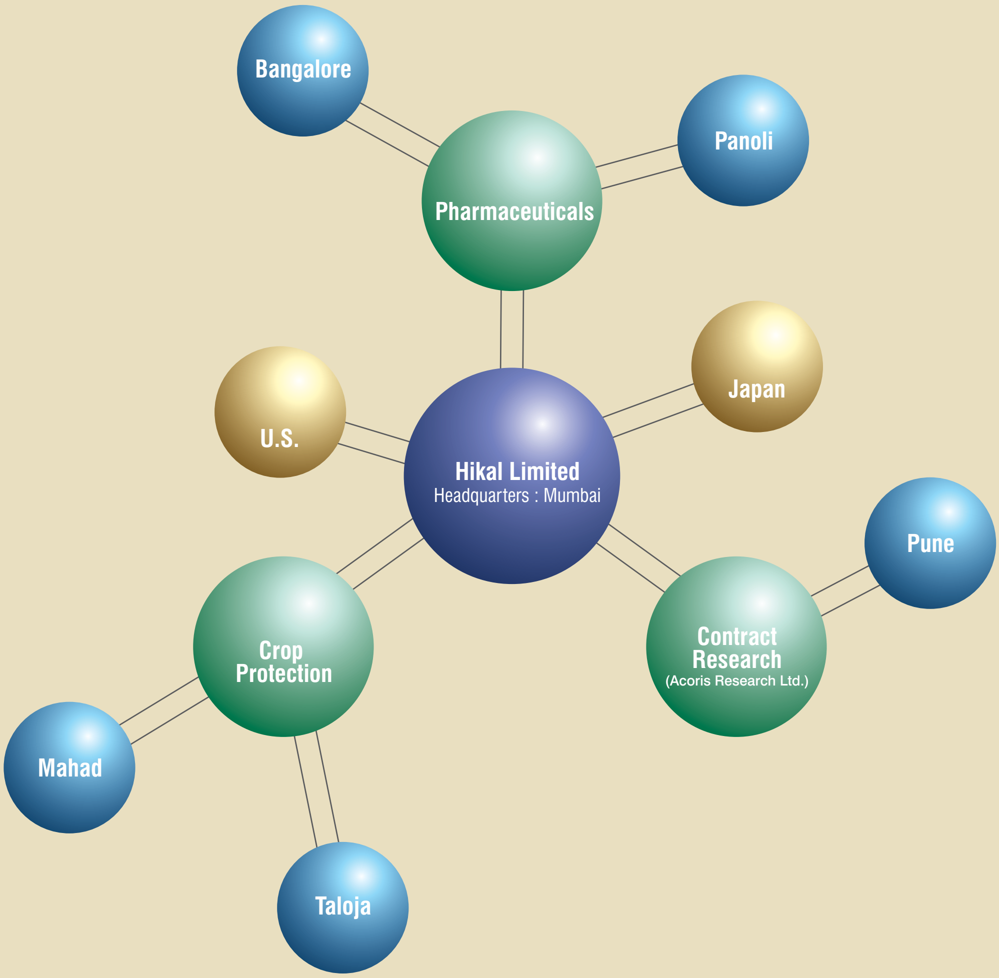
As per our report of even date attached
For B S R & Company
Chartered Accountants
Firm's Registration No: 128032W
Vijay N Bhatt
Partner
Membership No: 036647
Place: Mumbai
Date: April 30, 2010

For and on behalf of the Board of Directors
Jai Hiremath
Vice Chairman & Managing Director
Kannan K. Unni
Director
Sham Wahalekar
Company Secretary
Place: Mumbai
Date: April 30, 2010

NOTES

NOTES

CORPORATE INFORMATION


Bangalore
Panoli
Pharmaceuticals
Japan
U.S.
Hikal Limited
Headquarters : Mumbai
Pune
Crop Protection
Contract Research
(Acoris Research Ltd.)
Mahad
Taloja

Board of Directors

Baba Kalyani	-	Chairman
Jai Hiremath	-	Vice Chairman & Managing Director
Sameer Hiremath	-	Deputy Managing Director
Prakash Mehta		
Shivkumar Kheny		
Dr. Peter Pollak		
Kannan Unni		
Sugandha Hiremath		

Audit Committee

Kannan Unni
Prakash Mehta
Sugandha Hiremath

Company Secretary

Sham Wahalekar

Auditors

B S R & Company
Chartered Accountants

Bankers & Financial Institutions

Axis Bank Ltd.
Bank of Baroda
Barclays Bank PLC
Central Bank of India
Citibank N.A.
DBS Bank Ltd
Export Import Bank of India
HDFC Bank Ltd
International Finance Corporation
ICICI Bank Limited
IDBI Bank Ltd
ING Vysya Bank
Laxmi Vilas Bank
SBI Global Factors Ltd
State Bank of India
Standard Chartered Bank
Royal Bank of Scotland
Union Bank of India
Yes Bank Ltd.

Legal Advisor

Malvi Ranchoddas & Co.

Registered Office / Corporate Office

717/718, Maker Chambers V
Nariman Point
Mumbai 400 021

Administrative Office

Great Eastern Chambers, 6th Floor
Sector 11, C. B. D. Belapur
Navi Mumbai 400 614.

Works

Mahad, Maharashtra
Taloja, Maharashtra
Panoli, Gujarat
R&D Unit Bannerghatta, Karnataka
Pharmaceutical Unit-I II Jigani, Karnataka
Pune, Maharashtra

Registrars & Transfer Agents

Mondkar Computers Pvt. Ltd.
21, Shakil Niwas
Mahakali Caves Road
Andheri (E), Mumbai 400 093.
Tel / Fax: 91-22-2836 6620/ 2826 2920

Website

www.hikal.com

Email

info@hikal.com

Our 'Why Not' philosophy helps us reconcile business imperatives with interests of the environment. It cultivates responsible behavior among employees, stakeholders and customers. 'Why Not' helps us pursue sustainable growth while protecting the environment.

Design : **vartul.com** Print : pragati.com

JUST THE RIGHT CHEMISTRY

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E-mail : info@hikal.com **Website : www.hikal.com**