



**25th Annual Report
2011-2012**

IOL Chemicals and Pharmaceuticals Limited

Board of Directors

Mr Varinder Gupta - *Chairman & Managing Director*
 Dr M A Zahir
 Mr Chandra Mohan
 Mr Yogesh Goel
 Mr Ravi Pratap Singh
 Mr Vijay Singla - *Director (Works)*
 Mr N K Pundir - *Director (Commercial)*
(upto 14 August 2012)

Vice President & Company Secretary

Mr Krishan Singla

Statutory Auditors

M/s S. C. Vasudeva & Co.
 Chartered Accountants,
 New Delhi

Cost Auditors

M/s Ramanath Iyer & Co.
 Cost Accountants,
 New Delhi

Bankers

Punjab National Bank
 Allahabad Bank
 Oriental Bank of Commerce
 State Bank of India
 Export-Import Bank of India

Registrar and Share Transfer Agents

Alankit Assignments Limited
 (Unit: IOL Chemicals and Pharmaceuticals Limited)
 2E/21, Jhandewalan Extension,
 New Delhi- 110 055.
 Phone : +91-11-23541234, 42541234
 Fax : +91-11-42541967
 E-mail : rta@alankit.com

Board's Committees**Audit and Risk Management Committee**

Dr M A Zahir - *Chairman*
 Mr Ravi Pratap Singh
 Mr Vijay Singla
 Mr Yogesh Goel

Investors' Grievance Committee

Dr M A Zahir - *Chairman*
 Mr Varinder Gupta
 Mr Vijay Singla

Remuneration Committee

Dr M A Zahir - *Chairman*
 Mr Chandra Mohan
 Mr Ravi Pratap Singh

| Contents | |
|---|----|
| Notice | 2 |
| Directors' Report | 8 |
| Management Discussion and Analysis Report | 12 |
| Corporate Governance Report | 16 |
| Auditors' Report | 24 |
| Balance Sheet | 26 |
| Profit & Loss Account | 27 |
| Cash Flow Statement | 28 |
| Notes to Financial Statements | 29 |

Registered Office :

Trident Complex, Raikot Road,
 Barnala – 148 101 (Punjab)
 Phone : +91-1679 - 244701-07
 Fax : +91-1679 - 244708
 E-mail : contact@iolcp.com

Corporate Office :

85, Industrial Area, 'A'
 Ludhiana – 141 003
 Phone : +91-161 - 2225531-35
 Fax : +91-161 - 2608784
 E-mail : contact@iolcp.com

Works :

Village Fatehgarh Chhana,
 Mansa Road, Barnala - 148101
 Phone : +91-1679 - 285285-86
 Fax : +91-1679 - 285292
 E-mail : contact@iolcp.com

Please visit Company's website : www.iolcp.com



NOTICE

NOTICE is hereby given that the Twenty-fifth Annual General Meeting of the members of IOL Chemicals and Pharmaceuticals Limited will be held on Saturday, 29 September 2012 at 10:00 AM at the Registered Office of the Company, Trident Complex, Raikot Road, Barnala, Punjab to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31 March 2012 and the Profit & Loss Account for the financial year ended on that date together with the Reports of the Auditors and Board of Directors thereon.
2. To appoint a director in place of Dr M A Zahir, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr Chandra Mohan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

M/s. S. C. Vasudeva & Co., Chartered Accountants, New Delhi, the retiring Statutory Auditors, being eligible, offer themselves for re-appointment.

Special Business:

5. Appointment of Mr Narender Kumar Pundir as Director (Commercial) of the Company

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Special Resolution:

“RESOLVED that in accordance with the provisions of Section 269, Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and subject to the approval of Central Government and other authorities, if required, Mr Narender Kumar Pundir be and is hereby appointed as a Director (Commercial) of the Company w.e.f. 31 March 2012 to 14 August 2012, on the terms and conditions including remuneration as given below:

- 1 a) Basic Salary: ₹ 98,000/- (Rupees ninety eight thousand only) per month
- b) Perquisites and allowances: Perquisites and allowances shall be in addition to salary as follows:

| | |
|--|------------------|
| a) House Rent Allowance | 50% of salary |
| b) Conveyance Allowance | 20% of salary |
| c) Communication Allowance | 10% of salary |
| d) Medical Allowance | 8.33% of salary |
| e) Newspaper and Periodicals Allowance | 5% of salary |
| f) Children Education Allowance | 5% of salary |
| g) Provident Fund Contribution | 12% of salary |
| h) Bonus | 10% of salary |
| i) Gratuity | 4.17% of salary |
| j) Uniform Allowance | 8% of salary |
| k) Self Development Allowance | 13.33% of salary |
| l) Medical CL/GIS | 4.17% of salary |

2. Other Terms

The Director (Commercial) shall also be entitled to the benefits under other benefits, schemes, privileges and amenities, amended salary structure as are granted to the senior executives of the Company in accordance with the Company's practice, rules and regulations in force from time to time.

“RESOLVED FURTHER that notwithstanding anything to the contrary herein contained, where in any financial year, the Company has no profits or its profits are inadequate, the Company will pay aforesaid remuneration as minimum remuneration to the Director (Commercial) as per the provisions of Schedule XIII of the Companies Act 1956 .”

“RESOLVED FURTHER that the Board of Directors be and is hereby authorised to do all acts, deeds, matters and things which may be considered necessary to give effect to the appointment of Mr Narender Kumar Pundir as Director (Commercial).”

6. Re-appointment of Mr Varinder Gupta as Managing Director

To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED that in accordance with the provisions of Section 269 Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and subject to the approval of Central Government and other authorities, if required, Mr Varinder Gupta be and is hereby re-appointed as Managing Director of the Company, for a period of three years with effect from 01 September 2012 to 31 August 2015, on the terms and conditions including remuneration as given below:

- 1 a) Basic Salary: ₹ 1,60,000/- (Rupees one lac sixty thousand only) per month
- b) Perquisites and allowances: Perquisites and allowances shall be in addition to salary as follows

| | |
|---------------------------------------|------------------|
| a House Rent Allowance | 50% of salary |
| b Conveyance Allowance | 20% of salary |
| c Communication Allowance | 10% of salary |
| d Medical Allowance | 8.33% of salary |
| e Newspaper and Periodicals Allowance | 5% of salary |
| f Children Education Allowance | 5% of salary |
| g Provident Fund Contribution | 12% of salary |
| h Bonus | 10% of salary |
| i Gratuity | 4.17% of salary |
| j Uniform Allowance | 5% of salary |
| k Self Development Allowance | 13.33% of salary |
| l Medical CL/GIS | 4.17% of salary |

2. Other Terms:

The Managing Director shall also be entitled to the benefits under other benefits, schemes, privileges and amenities, amended salary structure as are granted to the senior executives of the Company, in accordance with the Company's practice and rules and regulations in force from time to time.

“RESOLVED FURTHER that notwithstanding anything to the contrary herein contained, where in any financial year, the Company has no profits or its profits are inadequate, the Company will pay aforesaid remuneration as minimum remuneration to the Managing Director within Schedule XIII of the Companies Act, 1956 and such other guidelines or ceiling fixed by the Government from time to time.”

“RESOLVED FURTHER that the Board of Directors be and is hereby authorised to increase the remuneration and perquisites of Mr Varinder Gupta, Managing Director from time to time within Schedule XIII of the Companies Act, 1956 and such other guidelines or ceiling fixed by the Government from time to time.”

“RESOLVED FURTHER that Board of Directors be and is hereby authorised to do all acts, matters, things and deeds to give effect to the re-appointment of Mr Varinder Gupta as Managing Director.”

7. Amending the Memorandum of Association of the Company

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that in accordance with the provisions of Section 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956, the existing Authorised Share Capital of the Company i.e ₹ 54,00,00,000/- (Rupees fifty four crore only) divided into 4,90,00,000 equity shares of ₹ 10/- each and 50,00,000 preference shares of ₹10/- each be and is hereby re-classified into 3,20,00,000 (Three crore twenty lacs) equity shares of ₹ 10/- each and 2,20,00,000 (Two crore twenty lacs) preference shares of ₹ 10/- each and consequently, Clause V of the Memorandum of Association of the Company relating to share capital be and is hereby altered by deleting the same and substituting in its place and stead, the following as new Clause V:

V. The Authorised Share Capital of the Company is ₹ 54,00,00,000/- (Rupees fifty four crores only) divided into 3,20,00,000 (Three crore twenty lacs) equity shares of ₹10/- each and 2,20,00,000 (Two crore twenty lacs) preference shares of ₹ 10/- each with power to increase or decrease its capital from time to time and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges, conditions or restrictions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to comply all the formalities relating re-classification of the authorised share capital of the Company and to do all other acts, deeds, matters and things as may be deemed necessary, expedient and/or incidental for attainment of the above objects."

8. Amending the Articles of Association of the Company

To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED that in accordance with the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 the existing Article 5 of the Articles of Association of the Company be and is hereby altered by deleting the same and substituting in its place and stead, the following as new Article 5:

5. The Authorised Share Capital of the Company is ₹ 54,00,00,000/- (Rupees fifty four crores only) divided into 3,20,00,000 (Three crore twenty lacs) equity shares of ₹10/- each and 2,20,00,000 (Two crore twenty lacs) preference shares of ₹ 10/- each with power to increase or decrease its capital from time to time and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges, conditions or restrictions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company and also to acquire, purchase, hold, re-sell, any of its own fully/partly paid shares and /or preference shares whether redeemable or not and to make any payment out of capital or out of the funds at its disposal, for and in respect of such purchase, subject to the provisions of the Act in force from time to time".

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do all other acts, deeds, matters and things as may be deemed necessary, expedient and/or incidental for attainment of the above objects."

9. Issue of equity share on preferential basis

To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED that pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) and the enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreement entered into by the Company with the stock exchanges where the shares of the Company are listed and the prevailing statutory guidelines/regulations in that behalf and subject to all necessary consents, permissions and approvals and/or sanctions from all the appropriate authorities, including the Securities and Exchange Board of India (SEBI), Government of India, Reserve Bank of India, Financial Institutions, Banks, Agents and Trustees, Stock Exchanges and all other bodies and institutions as may be relevant (hereafter singly or collectively referred to as "the Appropriate Authorities") and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting any such consents, permissions, approvals and/or sanctions (hereafter singly or collectively referred to as "the requisite approvals") and which may be agreed to by the Board of Directors of the Company (herein referred to as "the Board which term shall be deemed to include any committee(s) consisting of one or more members of the Board and/or one or more officials of the Company appointed by the Board in this behalf which the Board may constitute to exercise the powers of the Board) the consent, permission and approval of the Company be and is hereby accorded to the Board to issue, offer and allot:

upto 26,64,000 equity shares of face value of ₹ 10/- each at a premium of ₹ 68/- per share aggregating to ₹ 20,77,92,000 (Rupees twenty crore seventy seven lacs ninety two thousand only) to following, Promoter/ Promoter Group Companies, being the price as determined in accordance with the SEBI Regulations.

| Category/ Name of allottee | No. of Shares |
|----------------------------|---------------|
| NM Merchandiles Ltd | 7,00,000 |
| Mayadevi Polycot Ltd | 1,64,000 |
| IOL Lifesciences Ltd | 8,00,000 |
| NCG Enterprises Ltd | 10,00,000 |

"RESOLVED FURTHER that such allotment shall be made in accordance with the extant SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred as "SEBI Regulations"). The relevant date for the purpose of determining the price for the issue of the equity shares in accordance with the SEBI Regulations is 30 August 2012."

"RESOLVED FURTHER that the equity shares to be issued by the Company shall rank pari-passu with existing shares of the Company in all respects."

"RESOLVED FURTHER that the Board is authorized to issue, offer and allot the requisite number of equity shares at such time or times and in one or more tranches, as the Board may in its absolute discretion decide, subject however to the SEBI Regulations and the other applicable laws and on such terms and conditions including the terms of payment as may be mutually agreed between the Board and the proposed allottee(s) and shall also be entitled to vary, modify or alter any of the terms and conditions, including the size of the issue, as may be deemed expedient by the Board and the Proposed allottee(s)."



"RESOLVED FURTHER that for giving effect to this resolution, the Board be and is hereby specifically authorized to take all such steps and actions, to give such direction as it may in its absolute discretion, deem necessary or desirable and also to settle any question or difficulty that may arise with regard to the proposed issue, offer and allotment of the equity shares."

"RESOLVED FURTHER that the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of the Board or the Chairman and Managing Director or any other officer or authorized representative of the Company to give effect to the aforesaid resolution."

10. Issue of Preference Shares

To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :

"RESOLVED that pursuant to Section 80, 81, 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, other applicable statutes and subject to such sanctions and approvals as may be necessary, the consent of the Company be and is hereby accorded to the Board of Directors of the Company and/or a duly authorised Committee thereof (hereinafter referred to as the "Board") to issue and allot upto 1,70,00,000 preference shares of ₹ 10/- each for cash at par, aggregating to ₹ 17,00,00,000/- (Rupees seventeen crores only) in one or more tranches, on private placement basis to Companies/Individuals/Body Corporates/ Trusts and/or any other entities whether or not they are members of the Company at such time or times and/or at such additional terms as the Board in its absolute discretion thinks fit."

"RESOLVED FURTHER that the issue of aforesaid preference shares shall be within the following terms and conditions:

- The said preference shares shall carry a fixed non-cumulative dividend at the rate not exceeding of 1% per annum on the paid up value of shares payable annually and shall be redeemable at par on or before expiry of twenty years from the date of its allotment.
- The said shares rank for dividend in priority to the equity shares for the time being of the Company
- The said shares shall in winding up entitled to rank in priority, as regards repayment of capital, up to the commencement of the winding up, in priority to equity shares but shall not be entitled to any further participation in profits or assets.
- The voting rights of the persons holding the said shares shall be in accordance with Section 87 of the Companies Act, 1956.
- The Company shall not create and/or issue in future preference shares ranking in priority to the said shares and in the event of the Company creating and/or issuing preference shares in future ranking parri-passu with the said shares, it would do so only with the consent in writing of the holders of not less than three - fourths of the said shares then outstanding.
- The dividend on any such shares becoming liable to redemption shall cease to accrue from the due date for redemption thereof."

"RESOLVED FURTHER that the Preference Shares so issued and to be allotted shall be subject to the provisions of the Companies Act, 1956, Memorandum of Association and Articles of Association of the Company."

"RESOLVED FURTHER that the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion, deem necessary and to settle any or all matters with

respect to the issue, allotment and utilization of the proceeds of the issue of preference shares and further to do all such acts, deeds, matters and things and to finalise and execute for the purpose aforesaid, deeds, documents, agreements and writings as may be necessary for the purpose of giving effect to this resolution."

By order of the Board
For IOL Chemicals and Pharmaceuticals Limited

Sd/-

[Krishan Singla]

Place : Barnala

Dated: 01 September 2012 Vice President and Company Secretary

Registered Office:

Trident Complex, Raikot Road,
Barnala-148101 (Punjab)

NOTES:

- The explanatory statement, pursuant to Section 173 of the Companies Act, 1956, in respect of special business is annexed hereto.
- A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on poll instead of himself/ herself and the proxy need not be a member. Proxy form in order to be effective must be received by the Company not less than 48 hours before the meeting. The blank proxy form is enclosed.**
- All activities for transfer of shares, dematerialization of shares, change of address etc. are carried out by the Company through its Registrar and Share Transfer Agents (RTA). Members are requested to make their requests to RTA at the following address:
Alankit Assignments Limited
2E/21, Jhandewalan Extention, New Delhi-110 055
- The Register of Members and Share Transfer Books will remain closed from Tuesday, 25 September 2012 to Saturday, 29 September 2012 (both days inclusive).
- Members who are holding shares in identical order of names under more than one folio are requested to send the relative share certificates to the RTA for consolidation of the entire holding under one folio.
- Documents referred to in the Notice are open for inspection at the Registered Office of the Company on all working days, except holidays, between 11.00 AM to 1.00 PM.
- Members desiring any information on Accounts or other items of Agenda are requested to write to the Company at its Registered Office at least ten days before the date of the Annual General Meeting so as enable the Management to keep the information ready.
- Members are requested to:
 - Intimate their Permanent Account Number (PAN).
 - Send nomination form (format available on Company's website), if not sent earlier.
 - Notify the change of address with pin code, to ensure quick delivery of letters and quote their folio/ client ID & DP ID in all correspondence.

- d) Bring their copies of Annual Report at the meeting.
- e) Complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall.
- f) Intimate their e-mail Id for quick correspondence with them at investor@iolcp.com and/ or register themselves at Company's website www.iolcp.com

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 5

Mr N K Pundir was appointed as Additional Director and Director (Commercial) on the Board for a period of three years w.e.f. 31 March 2012 to 30 March 2015 on the term and conditions approved by the Board of Directors, subject to the approval of the members, Central Government, and other authorities if required. The Remuneration Committee in its meeting held on 31 March 2012 has also approved the appointment and remuneration payable to him.

Mr N K Pundir has 26 years experience in commercial activities of the chemical and pharmaceutical products and has international exposure in the industry. He heads the commercial department and is responsible for domestic as well as the international market. He holds masters degree in Science and Post Graduate Diploma in Business Management.

There has been a substantial increase in the operation of the Company. The Company is also implementing a major expansion and diversification projects in pharmaceuticals. Considering his role, responsibilities and experience, it is proposed to appoint him as Director (Commercial) at a remuneration and other terms and conditions as set out in the resolution of the Agenda of this meeting. The Board feels that remuneration is reasonable having regard to the prevailing industry trends.

However he has resigned from the directorship of the Company w.e.f. 14 August 2012. As per Section 269 and all other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Act, the proposal to appoint him and payment of the remuneration given in the notice is placed for approval of the members. The Board recommends the resolution for your approval.

None of the Directors except Mr N K Pundir being the proposed appointee, is concerned or interested in the resolution.

Item No. 6

Mr Varinder Gupta was re-appointed as Managing Director of the Company for a period of three years w.e.f. 01 September 2012 to 31 August 2015, on the terms and conditions approved by the Board of Directors in the meeting held on 14 August 2012 subject to the approval of the members, Central Government and other authorities, if required, as approved by Remuneration Committee in its meeting held on 14 August 2012.

There has been a substantial increase in the operation of the Company. The Company is also implementing a major expansion and diversification projects in pharmaceuticals. At this crucial juncture, considering valuable contribution made by him and his role, responsibilities and experience, it is proposed to re-appoint him at a remuneration and other terms and conditions as set out in the resolution of the Agenda of this meeting.

Term & Conditions of appointment:

1. Tenure : 3 years from the date of appointment i.e. 01 September 2012
2. Remuneration: The remuneration will be paid as follow:
 - a) Basic Salary: ₹ 1,60,000 /- (Rupees one lac sixty thousand only) per month
 - b) Perquisites and allowances: Perquisites and allowances shall be in addition to salary as follows:

| | |
|---------------------------------------|------------------|
| a House Rent Allowance | 50% of salary |
| b Conveyance Allowance | 20% of salary |
| c Communication Allowance | 10% of salary |
| d Medical Allowance | 8.33% of salary |
| e Newspaper and Periodicals Allowance | 5% of salary |
| f Children Education Allowance | 5% of salary |
| g Provident Fund Contribution | 12% of salary |
| h Bonus | 10% of salary |
| i Gratuity | 4.17% of salary |
| j Uniform Allowance | 5% of salary |
| k Self Development Allowance | 13.33% of salary |
| l Medical CL/GIS | 4.17% of salary |

3. Other Terms

The Managing Director shall also be entitled to the benefits under other benefits, schemes, privileges and amenities, amended salary structure as are granted to the senior executives of the Company, in accordance with the Company's practice and rules and regulations in force from time to time.

The Board feels that remuneration is reasonable having regard to the prevailing industry trends and is within the ceiling limit on remuneration laid down under the Companies Act, 1956 read with schedule XIII to the Act. All the conditions of the schedule XIII are being complied with, except that the Company could not make the repayment of debts and interest payable thereon in time. The Board recommends the resolution for your approval.

The above may be treated as an abstract of the term and conditions of the appointment of Mr Varinder Gupta pursuant to Section 302 of the Companies Act, 1956.

None of the Directors except Mr Varinder Gupta being the proposed appointee, is concerned or interested in the resolution.

Item No. 7 & 8

At present the authorised share capital of the Company is ₹ 54,00,00,000/- (Rupees fifty four crore) divided into 4,90,00,000 (Four crore ninety lac) equity shares of ₹ 10/- (Ten) each and 50,00,000 (Fifty lac) preference shares of ₹ 10/- (Ten) each. For issuing the further equity shares and preference shares, the Memorandum and Articles of Association is required to be altered by re-classifying the existing authorised capital by dividing into 3,20,00,000 (Three crore twenty lacs) equity shares of ₹ 10/- each and 2,20,00,000 (Two crore twenty lacs) preference shares of ₹ 10/- each. For amending the Memorandum of Association and Articles of Association approval of members is required. Hence the Board recommends the resolutions for your approval.

None of the Directors is interested in the resolution.

Item No. 9

The Company requires funds in near future to achieve economic growth in the business and for meeting present and future capital expenditure for expansion/ modernization of activities, working capital requirements arising out of increased volume of business and for other corporate purposes as may be required from time to time.

The promoters/ promoters group companies of the Company have contributed unsecured loan to part finance the expansion projects undertaken by the Company. They have shown their interest/ willingness to convert their part of unsecured loan into equity shares.

The Board proposes to issue equity shares on preferential basis for cash consideration, in terms of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred as "SEBI Regulations") and other applicable laws in the following manners:

upto 26,64,000 equity shares of face value of ₹ 10/- each at a premium of ₹ 68/- per share aggregating to ₹ 20,77,92,000 (Rupees twenty crore seventy seven lacs ninety two thousand only) to NM Merchants Limited, NCG Enterprises Limited, Mayedavi Polycot Limited and IOL Lifesciences Limited, Promoter/ Promoter Group Companies, being the price not less than as determined in accordance with the SEBI Regulations.

Objective of the Issue:

To convert the unsecured loan, brought in by the Promoters/ Promoter Group Companies to part finance the expansion projects, into equity shares and for meeting present and future capital expenditure for expansion /modernization of activities, working capital requirements arising out of increased volume of business and for other corporate purposes as may be required from time to time.

Pricing of the issue:

The minimum price for the issue of equity shares shall be determined in accordance with SEBI Regulations. The relevant date for the purpose of determining the price is 30 August 2012, The equity shares proposed to be allotted on preferential basis would be issued at a price determined by the SEBI pricing formula or ₹ 78/- per share, which ever is higher.

Intention of subscribers:

The letters of intent from NM Merchants Limited, NCG Enterprises Limited, Mayedavi Polycot Limited and IOL Lifesciences Limited, Promoters/ Promoters Group Companies to convert their a part unsecured loan into the equity shares has been received. In the event any of the equity share remaining unsubscribed by the aforesaid promoters/ promoters group companies for any reason whatsoever, the same will be offered and allotted by the Board at its absolute discretion to any other entity owned and controlled by Promoters.

Proposed time for completion of allotment:

The allotment of equity shares shall be completed within a period of 15 days from the date of the passing of this resolution, provided where the allotment is pending on account of any statutory approval or approval from any regulatory authority or the Central Government, the allotment shall be completed within 15 days of such approval.

Lock-in-period:

These equity shares shall be subject to lock-in for a period as prescribed under SEBI Regulations.

Identity of proposed allottee & percentage of holding

| Category/ Name of allottee | Pre-issue shareholding | | Post-issue shareholding after issue of equity shares | |
|-------------------------------|------------------------|-------|--|-------|
| | Shares | %age | Shares | %age |
| NM Merchants Ltd | 26,84,500 | 10.27 | 33,84,500 | 11.75 |
| Mayadevi Polycot Ltd | 98,42,323 | 37.64 | 1,00,06,323 | 34.73 |
| IOL Lifesciences Ltd | 5,50,500 | 2.11 | 13,50,500 | 4.69 |
| NCG Enterprises Ltd | 1,37,965 | 0.53 | 11,37,965 | 3.95 |

Shareholding Pattern before and after the proposed preferential allotment

| Category/ Name of allottee | Pre-issue shareholding | | Post-issue shareholding after issue of equity shares | |
|-------------------------------|------------------------|--------------|--|--------------|
| | Shares | %age | Shares | %age |
| Promoters | | | | |
| Indian Promoters | 1,43,74,553 | 54.97 | 1,70,38,553 | 59.13 |
| Sub Total | 1,43,74,553 | 54.97 | 1,70,38,553 | 59.13 |
| Non-promoters | | | | |
| Mutual Fund | 10,400 | 0.04 | 10,400 | 0.04 |
| NRIs/ OBCs | 42,25,566 | 16.16 | 42,25,566 | 14.66 |
| Bodies Corporate | 44,80,103 | 17.13 | 44,80,103 | 15.55 |
| Indian Public | 30,60,542 | 11.70 | 30,60,542 | 10.62 |
| Sub Total | 1,17,76,611 | 45.03 | 1,17,76,611 | 40.87 |
| Total | 2,61,51,164 | 100 | 2,88,15,164 | 100 |

Auditors' certificate

The Statutory Auditors' certificate as per SEBI Regulations shall be placed before the members.

Pursuant to the provisions of Section 81(1A) of Companies Act, 1956, any offer or issue of securities in a Company to any person other than the holders of the equity shares of a Company or to such holders otherwise than in proportion to the capital paid-up, requires prior approval of the members in general meeting by a Special Resolution.

The Board, accordingly recommend the resolution for approval of the members.

Mr Varinder Gupta being the promoter Director, may be deemed concerned or interested in this Resolution to the extent of equity shares that may be subscribed by the Promoters/ Promoters Group Companies. None of other Directors of the Company is, in any way, concerned or interested in the resolution.

Item No. 10

It is proposed to issue 1,70,00,000 preference shares of ₹ 10/- per share to increase the network and augment working capital requirements in one or more tranches.

The approval of shareholders is required for issuing the preference shares on private placement basis under Section 80 and 81(1A) of the Companies Act, 1956. So, the Board of Directors recommends the resolution for your approval.

The Directors of the Company may be deemed to be concerned or interested to the extent of shares that may be subscribed to by them or their relatives or by the Company in which they or their relatives are directors/members.

Information pursuant to Clause 49 of the Listing Agreement regarding the directors seeking re-appointment / appointment at the Annual General Meeting.

| Name of the Director | Dr M A Zahir | Mr Chandra Mohan | Mr N K Pundir | Mr Varinder Gupta |
|--|--|--|--|---|
| Date of Birth | 18 December 1942 | 30 December 1932 | 01 January 1963 | 06 December 1962 |
| Date of Appointment | 30 July 1998 | 27 October 2005 | 31 March 2012 | 01 September 2007 |
| Expertise in specific functional area | Business management education and executive training at senior levels of different institutions | An inventor-engineer, pioneering R&D scientist, gummy entrepreneur, business leader, educationist & community builder | Domestic and International trade | Industrialist |
| Total experience | 46 years | More than 50 years | 26 years | 27 years |
| Present profession | Chairman of Syntetic Business School | Consultant | Director (Commercial) in IOL Chemicals and Pharmaceuticals Limited | Chairman & Managing Director in IOL Chemicals and Pharmaceuticals Ltd |
| Qualification | Ph.D. in Management and M. Com. | BA (Hons), B.Sc. in Mechanical Engineering | M.Sc., PGDBM | Under graduate |
| Directorships in other companies | <ol style="list-style-type: none"> 1. Hero Cycles Ltd 2. Ralson (India) Ltd 3. Sohrab Spinning Mills Ltd 4. Rockman Industries Ltd 5. Hero FinCrop Ltd 6. Lotus Integrated Texpark Ltd 7. Majestic Autos Ltd 8. Trident Ltd | <ol style="list-style-type: none"> 1. Rico Auto Industries Ltd 2. Engineering Innovations Ltd 3. Sandhar Technologies Ltd 4. Winsome Yarns Ltd 5. DCM Engineering Ltd 6. Kamla Dials & Devices Ltd 7. Winsome Textiles Industries Ltd | Nil | <ol style="list-style-type: none"> 1. Mayadevi Polycot Ltd 2. Trident Towels Ltd 3. IOL Lifesciences Ltd 4. NM Merchandises Ltd 5. NCG Enterprises Ltd |
| Chairmanship of Board Committees | <p><i>Audit Committee</i></p> <ol style="list-style-type: none"> 1. Hero Cycles Ltd 2. IOL Chemicals and Pharmaceuticals Ltd <p><i>Investors' Grievance Committee</i></p> <ol style="list-style-type: none"> 1. IOL Chemicals and Pharmaceuticals Ltd | Nil | Nil | Nil |
| Membership of Board Committees | <p><i>Audit Committee</i></p> <ol style="list-style-type: none"> 1. Rockman Industries Ltd 2. Lotus Integrated Texpark Ltd 3. Trident Ltd 4. Majestic Auto Ltd <p><i>Investors' Grievance Committee</i></p> <ol style="list-style-type: none"> 1. Trident Ltd | <p><i>Audit Committee</i></p> <ol style="list-style-type: none"> 1. Winsome Yarns Ltd 2. DCM Engineering Ltd 3. Winsome Textiles Industries Ltd <p><i>Investors' Grievance Committee</i></p> <ol style="list-style-type: none"> 1. Winsome Textiles Industries Ltd | Nil | <p><i>Investors' Grievance Committee</i></p> <ol style="list-style-type: none"> 1. IOL Chemicals and Pharmaceuticals Ltd |
| No of shares held | 300 | Nil | Nil | 11,59,265 |
| Relationship with other directors | Not related to any other directors | Not related to any other directors | Not related to any other directors | Not related to any other directors |

Registered Office:

Trident Complex, Raikot Road,
Barnala-148101 (Punjab)
Place : Barnala
Dated : 01 September 2012

By order of the Board
For IOL Chemicals and Pharmaceuticals Limited
Sd/-
[Krishan Singla]
Vice President and Company Secretary

DIRECTORS' REPORT

Dear Members

Your Directors are pleased to present the Twenty-fifth Annual Report and Audited Accounts for the financial year ended 31 March 2012.

1. Financial Results

Financial results of the Company for the financial year under report are given below:

(₹ in crore)

| Particulars | Year ended 31 March 2012 | Year ended 31 March 2011 |
|--|-----------------------------|-----------------------------|
| Net sales and other income | 473.02 | 391.30 |
| Profit before interest & depreciation | 70.94 | 69.60 |
| Interest | 43.20 | 36.80 |
| Profit before depreciation | 27.74 | 32.80 |
| Depreciation | 23.94 | 23.76 |
| Profit before tax | 3.80 | 9.04 |
| Provision for tax (including deferred tax) | (0.96) | 2.86 |
| Profit after tax | 4.75 | 6.18 |
| Balance carried to the Balance Sheet | 44.45 | 52.37 |

2. Presentation of Financial Results

Notification dated 28 February 2011 issued by the Ministry of Corporate Affairs has stipulated a revised format for disclosure of financial statements under Schedule VI to the Companies Act, 1956. The financial results of the Company for the year ended 31 March 2012 are, therefore, disclosed as per the revised Schedule VI and the previous years' figures have been restated to align with the current year's presentation.

3. Performance Review

There was a healthy improvement in the overall performance of the Company in comparison to the previous year's performance. Net sales and other income of the Company has increased by 20.88% to ₹ 473.02 crore from ₹ 391.30 crore during the previous year. Profit before interest & depreciation has increased by 1.91% to ₹ 70.94 crore during the year under review against from ₹ 69.60 crore during the previous year. The Company has earned net profit after tax ₹ 4.75 crore during the year under review against ₹ 6.18 crore during the previous year.

4. Cash Flow Statement

A Cash Flow Statement for the financial year 2011-12 is included in the annexed Statement of Accounts.

5. Dividend

The Board of Directors has not recommended any dividend keeping in view the ongoing expansion, modification and other future investment possibilities and decided to plough back profit.

6. Merger

The Board for Industrial and Financial Reconstruction (BIFR) the competent authority under the Sick Industrial Companies (Special Provisions) Act, 1985 vide its order dated 15 March 2012 sanctioned merger of G Drugs and Pharmaceuticals Limited (GDPL) with the Company with appointed date of 1 April 2010. The merger become effective on 20 April 2012 with the filing of order with the Registrar of Companies. Consequently GDPL ceased to exist from that date.

Pursuant to the aforesaid scheme, 4,34,500 equity shares of the Company were issued to the shareholders of GDPL on 2 May 2012 in swap ratio of 1:20 i.e. one fully paid equity share of ₹ 10/- each of the Company for every 20 equity shares of ₹ 10/- each of GDPL. With this issue, the paid-up equity share capital of the Company has increased from ₹ 25.72 crore consisting of 2,57,16,664 equity shares of face value of ₹ 10/- each to ₹ 26.15 crore consisting of 2,61,51,164 equity shares of face value of ₹ 10/- each. These shares are listed on BSE Limited (BSE) and the National Stock

Exchange of India Limited (NSE).

7. Change in Authorised share capital

Pursuant to merger of G Drugs and Pharmaceuticals Limited with the Company vide BIFR's order dated 15 March 2012 the Authorised share capital of the Company stands increased from ₹ 45 crore consisting of 4,00,00,000 equity shares of face value of ₹ 10/- each and 50,00,000 preference shares of ₹ 10/- each to ₹ 54 crore consisting of 4,90,00,000 equity shares of ₹ 10/- each and 50,00,000 preference shares of ₹ 10/- each.

8. Multi Product Plant and upgrading of R&D facilities

The project of capacity enhancement and multi product PPIs plant and other pharmaceutical intermediate products with a CAPEX of ₹ 130 crore has been completed and in process of stabilization.

The Company has undertaken another project of multi product plant for manufacture active pharmaceutical ingredients and upgrading of R&D facilities involving a CAPEX of ₹ 58.41 crore. The aforesaid project is on schedule and likely to be completed during the current year.

9. Credit Rating

The Credit Analysis & Research Ltd (CARE) has rated Company as "CARE BBB" for Long Term Facilities which indicates moderate safety for timely servicing of debt obligations and as "CARE A2" for Short Term Facilities which indicates adequate capacity for timely payment of short term debt obligations.

10. Awards

Members would be happy to note the receipt of following Awards by their Company during the year under review:

Awarded with "2nd prize in National Energy Conservation Award" consecutively for the years 2005, 2006, 2007, 2008, 2009 & 2011 by Ministry of Power, Government of India in Chemical Sector and awarded with "1st prize in National Energy Conservation Award" 2010 in Drugs and Pharmaceutical Sector by Ministry of Power, Government of India.

11. Recognitions

Following recognitions were received by the Company during the year under review:

- OHSAS 18001:2007 for Occupational Health & Safety Management System
- Recognition for In house R & D unit by Department of Scientific & Industrial Research (DSIR), Ministry of Science & Technology, Government of India.

12. Directors

According to Article 146 of the Articles of Association of the Company, one third of the directors for time being liable to retire by rotation, shall retire from the office. Accordingly, Dr M A Zahir and Mr Chandra Mohan, are liable to retire by rotation at the ensuing Annual General Meeting and, being eligible, have offered themselves for re-appointment. The Board has recommended the re-election of these directors to the members.

Mr N K Pundir was appointed as Additional Director and Director (Commercial) on the Board w.e.f. 31 March 2012 in terms of Article 133 of the Articles of Association of the Company.

Mrs Dimple Gupta and Mr Kanwal Pushkarnath Pandita, Directors resigned from the directorship of the Company w.e.f. 31 March 2012. Mr N K Pundir, Director (Commercial) resigned from the directorship of the Company w.e.f. 14 August 2012. The Board has placed on record their appreciation for the valuable services rendered by them during their tenure as Director of the Company

13. Corporate Governance

The Company has in place a system of Corporate Governance. A separate report on Corporate Governance alongwith Auditors'

Certificate regarding compliance with Clause 49 of the Listing Agreement is annexed to this Annual Report.

14. Management Discussion and Analysis Report

Management Discussion and Analysis Report is given separately in this Annual Report.

15. Safety, Health and Environment

Safety is Company's top priority with regard to employment and it is encouraging safety measures at all levels of operations especially at the floor level. Regular training programmes are being conducted to bring in awareness about the importance of safety at work place. Bi-monthly medical camps are also being organized for welfare of the members in addition to regular medical facilities provided to them.

16. Fixed Deposits

The Company has not accepted any fixed deposits from the public/ members during the year under review.

17. Investor Services

The Company is committed to provide the best services to the shareholders/ investors. M/s Alankit Assignments Limited, New Delhi are working as Registrars and Share Transfer Agents (RTA) of the Company for transfer, dematerialization of shares and other investor related services. No correspondence /enquiry from any shareholder/ investor is pending with the Company for reply.

18. Listing of Shares

The equity shares of the Company continued to be listed and traded on National Stock Exchange Limited (Script code; IOLCP) and BSE Limited (Script code; 524164). The Company has made all compliances of the Listing Agreements including payment of annual listing fee.

19. Statutory Auditors' Report

Auditors' Report on the accounts is self-explanatory and no comments are required.

20. Statutory Auditors

M/s S. C. Vasudeva and Co., Chartered Accountants, New Delhi (Firm Reg. No. 00235N) Statutory Auditors of the Company, retire at the conclusion of ensuing Annual General Meeting and being eligible, have offered themselves for re- appointment.

21. Cost Auditors

The Company has appointed M/s Ramanath Iyer & Co., Cost Accountants, New Delhi as Cost Auditors to conduct the audit of cost Accounts of chemicals and bulk drugs maintained by the Company, for the financial year 2012-13, subject to the approval of Central Government thereto. As mandated by Circular No.15/2011 dated 11 April 2011 issued by the Ministry of Corporate Affairs, Government of India, full particulars of Cost Auditor are given herein below:-

| | |
|---|---|
| Name | M/s Ramanath Iyer & Co., Cost Accountants |
| ICWA Membership No. | 13848 |
| Address | BL-4 (Paschmi), Shalimar Bagh, New Delhi - 110088 |
| Details of Cost Audit Report for the financial year ended 31 March 2011 | |
| (a) Due date of filing | 30 September 2011 |
| (b) Actual date of filing | 09 September 2011 |

22. Industrial Relations

Industrial relations remained cordial and harmonious throughout the year under review.

23. Energy Conservation / Technology Absorption and Foreign Exchange Earnings and Outgo

Energy conservation continues to be an area of major emphasis in the Company. A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with 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 is annexed hereto as Annexure I and forms part of the report.

The Company has Awarded with "2nd prize in National Energy Conservation Award" consecutively for the years 2005, 2006, 2007, 2008, 2009 & 2011 by Ministry of Power, Government of India in Chemical Sector. The Company has also Awarded with "1st prize in National Energy Conservation Award" for the year 2010 in Drugs & Pharmaceuticals Sector by Ministry of Power, Government of India.

24. Information on personnel

Statement showing particulars of the employees as required by the provisions of Section 217(2A) of the Companies Act, 1956 is not given as no employee was in receipt of remuneration equal to or exceeding ₹ 60 lacs per annum or ₹ 5 lacs per month if employed for the part of the year.

25. Directors' Responsibility Statement

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed that:

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

26. Acknowledgement

We are pleased to place on record our sincere gratitude and appreciation for assistance and co-operation received from the Union Government, Punjab Government, Company's Bankers, Members, Customers and Business Constituents.

We also place on record our sincere appreciation for contribution made by the employees at all levels. Our consistent growth is made possible by their devout, sincere and unstinted services.

For and on behalf of the Board

Sd/-

Place : Ludhiana

Varinder Gupta

Dated : 14 August 2012

Chairman and Managing Director

ANNEXURE I TO THE DIRECTORS' REPORT

Information as per 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 and forming part of the Directors' Report for the year ended 31 March 2012.

I CONSERVATION OF ENERGY

1.1 Energy conservation measures taken:

- a) Installation of extractive distillation acetic acid recovery in place of azeotropic process for the saving of thermal energy.
- b) Installation of new acetic anhydride distillation column with increased no. of stages to reduce the thermal energy requirement for desired product quality.
- c) Installation of float type steam trap in place of bucket type steam trap for the saving of thermal energy in the chemical section.
- d) Installation of intercoolers in between vacuum boosters to enhance the vacuum in the system with low energy consumption.
- e) Installation of 1800 mm diameter column in place of 1000mm diameter column to reduce the vacuum drop in acetic anhydride final purification column for saving of thermal energy.
- f) Installation of molten tank in MCA section for reducing the steam consumption.
- g) Process stream flow replaced from counter-current to co-current in the reaction section of MCA for improving quality and productivity hence reducing the energy consumption.
- h) Installation of flash tank for increasing the productivity with same utility rates.
- i) Re- engineering the plants by using simulation software and process optimized.
- j) Installation of acetyl condenser (Re- Engineering /Process Optimization activity) to distribute the vapor load and shifting the service utility from chilled water to cooling water, hence chilling machine & its set up availed for saved.
- k) Implementation of MCA column feed transfer through pressure instead of pump transfer saved 25HP, 10HP motors (1 nos. each) and power.
- l) We are using hot water in soda ash reactor to save the steam 1MT per day, which was used for heating the water to maintain the temperature 75 deg c.
- m) Installation of submersible pump for process pump seal water circulation activity to save the raw water consumption.
- n) Increased the no. of batches with same energy consumption: by providing valve in circulation line, PHE backwashing assembly, toluene washing of PHE and reactor coil, increasing toluene flow.
- o) By installing variable frequency drivers on pumps having variable flow applications, reduces the electrical power with flow requirement.

- p) Installation of vacuum pump discharge water cooler decreased the water and power consumption.
- q) Dump kettle installed to recover crude from sludge, hence increased ibb production with same power.
- r) By creating pressure in flash steam tank condensate transferred by pressure without pump, hence saved pump power energy.
- s) VFD's installed on boiler feed pump and boiler FD fan to save electricity.
- t) Interconnecting the chilled water of chemical section & ibuprofen section for optimization of running load against requirement.
- u) Centralization of brine plant for chemical & ibuprofen section for minimize the energy losses & running load optimization.
- v) Utility Integration system and automation of IPCA plant to save steam and Power.

1.2 Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

- a) Acetyl scrubbers 2 & 3 will be shifted to height to use the single pump for both scrubbers scrubbing operation for the saving of power.
- b) Spent acid recovery dump kettle will be installed in the IPCA section for saving the IPCA & IPA traces.
- c) Heat exchanger will be planned in flash tank vapor line to scrubber-3 to save the acetic acid contents.
- d) Scrubber to be installed to increase number of batches by using same power.
- e) Two potassium carbonate batches will be prepared with single batch timing by providing two containers of potassium carbonate hence power and thermal energy will be reduced.
- f) VFD's to be installed on boiler PA fan and cooling tower water pump to save electricity
- g) New ketene fired heater will be installed in the acetic anhydride section of the saving of furnace oil.
- h) Automation to be made in ibuprofen plant like dispensing system for all liquid raw material or solvents etc. to reduce the time cycle i.e. to increase the productivity in same facility, so reducing the energy norms.
- i) To prepare dilute caustic lye & dilute sulfuric acid in separate facility with automization to reduce the energy norms.
- j) To Install the distillation columns & evaporators for solvent recovery instead of doing recovery in reactors.

1.3 Impact of measures taken at (1.1) and (1.2) above for reduction of energy consumption and consequent impact on the cost of production of goods:

Consumption per unit of production is lower from that of previous year due to better capacity utilization and measures taken to conserve the energy.

1.4 Total energy consumption and consumption per unit of production as per Form-A of the annexure in respect of industries specified in the schedule thereto.

| Particulars | Unit | Year ended 31 March 2012 | Year ended 31 March 2011 |
|--|------------|-----------------------------|-----------------------------|
| A. Power and Fuel Consumption | | | |
| 1. Electricity | | | |
| a) Purchased Units | | | |
| Total Amount | KWH in lac | 51.67 | 63.51 |
| Rate/Unit | ₹ in lac | 304.72 | 346.15 |
| | ₹/KWH | 5.9 | 5.45 |
| b) Own Generation | | | |
| i) Through Diesel Generator | | | |
| Units | KWH in lac | 1.03 | 1.54 |
| Units per liter of HSD | KWH | 3.52 | 3.52 |
| Cost/Unit | ₹/KWH | 10.82 | 9.18 |
| ii) Through Turbine Generator | | | |
| Units | KWH in lac | 351.61 | 336.98 |
| Units per MT of Steam | KWH | 106 | 110 |
| Cost/Unit | ₹/KWH | 4.09 | 3.70 |
| 2. Coal | | | |
| 3. Furnace Oil | | | |
| 4. Others/Internal Generation | | | |
| | MT | 45,750 | 29,360 |
| | KL | 447 | 1,920 |
| | | NIL | NIL |
| B. Consumption per unit of production | | | |
| Acetic Acid | KWH/MT | 358 | 352 |
| Ethyl Acetate | KWH/MT | 82 | 60 |
| Acetic Anhydride | KWH/MT | 309 | 257 |
| Ibuprofen | KWH/MT | 2,976 | 3,048 |
| Mono Chloro Acetic Acid | KWH/MT | 391 | 432 |
| Acetyl Chloride | KWH/MT | 712 | 975 |
| Iso Butyl Benzene | KWH/MT | 663 | 799 |

II TECHNOLOGY ABSORPTION

Efforts made in technology absorption are as per Form B of the annexure

FORM-B

Disclosure of particulars with respect to technology absorption

1. Research & Development (R & D):

a) Specific areas in which R & D is carried out by the Company:

- Process parameters study of ibuprofen intermediate to reduce time cycle.
- Development of new API's like tramadol, lamotrigine, glimepiride, ibuprofen sodium, losartan, valsartan in R&D for commercial development.
- Trial run of checking corrosion rate of different materials with different chemicals.
- Working on parameters of existing products to improve quality and product norms.
- Implementation of continuous processes instead of conventional processes in ibuprofen plant.
- Study of process parameters for acetic acid, ethyl acetate, anhydride, mono chloro acetic acid and iso butyl benzene plant distillation columns for improvement in product quality and minimize losses using software.
- Find out impurities in new products and develop same in R&D.
- Installing more instruments in R&D lab for better efficiency of analysis.

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

- Successful development of lamotrigine process, validation at R&D followed by scale-up at commercial scale & pilot plant validation completed, DMF under preparation.
- Preparation of ibuprofen sodium and validation completed.

- After successful synthesis of omeprazole, lansoprazole in R&D, process validation completed, scale up at pilot level along with validation completed and DMF ready for filing.
- Preparation of pantoprazole sodium.
- Tramadol R&D validation completed and pilot plant validation batches under progress.
- Glimepiride R&D validation completed, process scale-up & pilot plant validation under planning.
- Ibuprofen crystalline has been re-engineered to meet Japan & Korea market requirement, process validation completed, scale up at pilot level for filing of DMF is also completed.
- Reduction in solvents and catalysts in drugs section by providing new processes like distillation in column instead of reactor.
- Development of desloratidine in R&D has been completed.

c) Future plan of action:

Synthesis of new products like meloxicam, olmesartan, telmisartan, fluconazole, atovaquone, ropinirole valsartan, sertraline in R&D and transfer technology into pilot plant and then in commercial scale.

2. Technology Absorption, Adaptation & Innovation: Nil

3. Foreign Exchange Earnings and Outgo: (₹ in crore)

| | |
|--------|-------|
| Used | 33.44 |
| Earned | 98.81 |

For and on behalf of the Board

Place : Ludhiana
Dated : 14 August 2012

Sd/-
Varinder Gupta
Chairman and Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT
World Economy

After suffering a major setback during 2011, global prospects are gradually strengthening again, but downside risks remain elevated. Improved activity in the United States during the second half of 2011 and better policies in the euro area in response to its deepening economic crisis have reduced the threat of a sharp global slowdown. Accordingly, weak recovery will likely resume in the major advanced economies, and activity is expected to remain relatively solid in most emerging and developing economies. Global growth is projected to drop from about 4 percent in 2011 to about 3½ percent in 2012 because of weak activity during the second half of 2011 and the first half of 2012. The January 2012 World Economic Outlook (WEO) update had already marked down the projections of the September 2011 World Economic Outlook, mainly on account of the damage done by deteriorating sovereign and banking sector developments in the euro area. For most economies, including the euro area, growth is now expected to be modestly stronger than predicted in the January 2012 WEO update. Real GDP growth in the emerging and developing economies is projected to slow from 6¼ percent in 2011 to 5¾ percent in 2012 but then to reaccelerate to 6 percent in 2013, (Source: IMF)

Indian Economy

The Indian economy has emerged with remarkable rapidity from the slowdown caused by the global financial crisis from 2007 to 2009. The Indian economy is estimated to grow by 6.9% in 2011-12, after having grown at the rate of 8.4% in each of the two preceding years. Inflation as measured by the WPI was high during most of the current fiscal year,

though by the year's end there was a slowdown. It is estimated that the GDP growth would accelerate to 7.6% and 8.6% in the next two years, along with falling inflation and fiscal consolidation. The Government also expects to raise the tax GDP ratio from the current 10.5% to at least 13% by 2016-17.

([http://www.ey.com/Publication/vwLUAssets/India_Budget_2012/\\$FILE/IndiaBudget2012.pdf](http://www.ey.com/Publication/vwLUAssets/India_Budget_2012/$FILE/IndiaBudget2012.pdf))

Indian Industrial Sector and Chemical Industry

The chemical industry, which includes basic chemicals and its products, petrochemicals, fertilizers, paints & varnishes, gases, soaps, perfumes & toiletries and pharmaceuticals is one of the most diversified of all industrial sectors covering thousands of commercial products. It plays an important role in the overall development of the Indian economy. It contributes about 3% in the GDP of the country. The chemical and petrochemical sector in India presently constitutes 14% of the domestic industrial activity. The growth of petrochemicals and chemicals is projected at 12.6% and 8% respectively in 11th Five Year Plan.

The Index of Industrial Production (IIP) with base 2004-05 for the month of August, 2011 released by the Central Statistical Organization show that the General Index stands at 162.4 which is at 4.1% higher as compared in the level in the month of August, 2010. The cumulative growth for the period April-August, 2011-12 stands at 5.6% over the previous year in respect of general IIP

The actual production of major chemicals during the years 2007-08 to 2010-11 and up to September for the year 2011-12 as under:

(Figures in 000' MT)

| Years | Alkali Chemicals | Other Inorganic Chemical | Organic Chemicals (Tech.) | Pesticides | Dyes & Dyestuffs | Total Major Chemicals |
|-----------------------------|------------------|--------------------------|---------------------------|------------|------------------|-----------------------|
| 2007-08 | 5,443 | 609 | 1,552 | 83 | 44 | 7,731 |
| 2008-09 | 5,442 | 512 | 1,254 | 85 | 32 | 7,325 |
| 2009-10 | 5,602 | 518 | 1,280 | 82 | 42 | 7,524 |
| 2010-11 | 5,981 | 572 | 1,342 | 82 | 47 | 8,024 |
| 2011-12 Upto September 2011 | 3,876 | 310 | 672 | 37 | 22 | 4,011 |
| Growth (%) | 6.77 | 10.42 | -2.78 | 0.00 | 11.90 | 6.65 |

International Trade

The Trends in exports and imports of chemicals and petrochemicals during 2007-08 to 2011-12 (upto December 2011) as under

Exports and imports—Chemicals and Petrochemicals

(₹ in crore)

| Items | 2007-08 | 2008-09 | 2009-10 | 2010-11 (up to December 2012) |
|----------------------------|---------------|---------------|-----------------|-------------------------------|
| Exports: | | | | |
| (a) Chemicals | 43,482 | 53,738 | 54,948 | 51,425 |
| (b) Petrochemicals | 22,199 | 24,226 | 29,272 | 25,908 |
| (c) Sub-Total (a+b) | 65,681 | 77,964 | 84,220 | 77,333 |
| Imports: | | | | |
| (a) Chemicals | 54,422 | 74,857 | 1,00,834 | 67,458 |
| (b) Petrochemicals | 19,577 | 24,020 | 30,221 | 29,787 |
| (c) Sub-Total (a+b) | 73,999 | 98,877 | 1,31,055 | 97,245 |

Source: Annual Report 2011-12, Department of Chemicals and Petrochemicals, Government of India

Pharmaceutical Industry

India is among the most significant emerging markets for the global pharma industry, given that it will feature among the world's top 10 sales markets by 2020. Currently, it is regarded as one of the fastest-growing pharma industries globally, primarily driven by a large population, evolving

patient demographics, increasing health care expenditure, growing urbanisation, rising life expectancy, and active private-sector participation. (Source: Sanofi and Kantar health presentation at EphMrA)

The Indian pharmaceutical industry is growing at about 8 to 9 percent annually according to "A Brief Report Pharmaceutical Industry in India,"

published in January 2011. The Pharmaceutical industry in India meets around 70% of the country's demand for bulk drugs, drug intermediates, pharmaceutical formulations, chemicals, tablets, capsules, orals and injectables. There are approximately 250 large units and about 8000 Small Scale Units, which form the core of the pharmaceutical industry in India (including 5 Central Public Sector Units)

India's pharmaceutical market grew at 15.7% during December 2011. Globally, India ranks third in terms of manufacturing pharma products by volume. According to McKinsey, the Pharmaceutical Market is ranked 14th in the world. By 2015 it is expected to reach top 10 in the world beating Brazil, Mexico, South Korea and Turkey. More importantly, the incremental market growth of US\$ 14 billion over the next decade is likely to be the third largest among all markets. The US and China are expected to add US\$ 200bn and US\$ 23bn respectively

Generics

India tops the world in exporting generic medicines worth US\$ 11 billion. The Indian generic drug market is to grow at a CAGR of around 17% between 2010-11 and 2012-13.

Over the next few years, it is expected that the patent laws will provide impetus to the launch of patent-protected products. Such products have the potential to capture upto a 10% share of the market by 2015, implying the market size of US \$2bn

Government Initiatives

The Department of Pharmaceuticals has prepared "Pharma Vision 2020," aimed at making India one of the leading destinations for end-to-end drug discovery and innovation. It envisages meeting this objective by building top-notch infrastructure for talent and research, encouraging public-private partnership (PPP) models, offering financial incentives to encourage and incubate innovation and shaping a favourable regulatory environment. The Government also aims to position India among the top five pharma innovation hubs by 2020, with one out of every five to 10 drug discovered worldwide by 2020 originating from the country.

The Government's long-term vision is to provide quality and affordable health care services to all classes of Indian society. Consequently, the Government plans to cover at least 50% of the country's population under health insurance by 2020, compared with the current average of 15%. <http://www.expresspharmaonline.com/20120115/market03.shtml>

2. Opportunities and Threats

Opportunities

1. Major raw material for pharma division in house.
2. Large domestic market, with good potential for growth.
3. Technically and qualified trained manpower.
4. Backward and Forward Integration of Products.

Threats:

1. Cost of power & cost of finance in India is very high as compared to prevailing in developed countries.
2. Infrastructure facilities are not of world class. Transport and Communications are complex resulting in delays and slow movement of goods.

3. Business Segment Performance

The Company deals in main two segments i.e. Chemicals and Drugs. While under chemical segment, Company manufactures specialty chemicals i.e. ethyl acetate, acetic anhydride, acetyl chloride, mono chloro acetic acid, iso butyl benzene and under Drugs segment, it manufactures active pharmaceutical ingredient i.e. ibuprofen and PPI's. The segment wise performance is given below:

Chemicals

The sale of chemicals has increased by 16.16% to ₹ 290.61 crore from ₹ 250.19 crore during the previous year. Inter segment transfer increased to ₹ 49.44 crore from ₹ 38.33 crore during the previous year. Total revenue from chemicals segment (including inter - segment) increased 17.86% to

₹ 340.05 crore from ₹ 288.52 crore during the previous year.

Drugs

The sale of drugs has increased by 28.68% to ₹ 178.48 crore from ₹ 138.70 crore during the previous year

Unallocated

The sale of unallocated increased to ₹ 1.60 crore from ₹ 0.52 crore during the previous year

Other Income

The other income has increased to ₹ 2.33 crore from ₹ 1.95 crore during the previous year

Total Revenue

The total revenue of the Company has increased by 20.88% to ₹ 473.02 crore from ₹ 391.30 crore during the previous year

4. Future prospectus

Chemical Industry

India emerges as one of the focus destinations for chemical companies worldwide. With the current size of approximately \$108 billion, the Indian chemical industry accounts for 3% of the global chemical industry and approximately 7% of Indian GDP. Two distinct scenarios for the future emerge, based on how effectively the industry leverages its strengths and manages challenges. In the base case scenario, with current initiatives of industry & government, the Indian chemical industry could grow at 11% p.a. to reach size of \$224 billion by 2017. However, the industry could aspire to grow much more and its growth potential is limited only by its aspirations. In such an optimistic scenario, high end-use demand based on increasing per capita consumption, improved export competitiveness and resultant growth impact for each sub-sector of the chemical industry could lead to an overall growth rate of over 15% p.a. and a size of \$290 billion by 2017 (~6% of global industry). This has a potential for further upside in the future considering India's increasing competitiveness in manufacturing. (Source: INDIAN CHEMICAL INDUSTRY Five Year Plan - 2012-2017)

Pharmaceutical Industry

India is among the most significant emerging markets for the global pharma industry, given that it will feature among the world's top 10 sales markets by 2020. Currently, it is regarded as one of the fastest-growing pharma industries globally, primarily driven by a large population, evolving patient demographics, increasing health care expenditure, growing urbanisation, rising life expectancy, and active private-sector participation. (Source: Sanofi and Kantar health presentation at EphMRA)

5. Risk Management

Company believes that there is no activity without risk but at the same time one has to tread very cautiously and with care. Company encourages the members to take appropriate measures to manage risk in their sphere to maximize value addition in their every activity which will result in wealth maximization of every stake holder. It enables to protect margins in adverse business conditions and maximize them in favorable markets.

A description of main risks to which Company is exposed as well as approach taken by the management to control and mitigate those risks is shown below:

Competition risk

The Company may face competition from indigenous as well as foreign suppliers. Over the years Company has de-bottlenecked and expanded installed capacities of its chemicals and pharmaceuticals divisions. Company has further increased the installed capacities of its chemicals & pharmaceuticals divisions with appropriate investment and set up the manufacturing facilities of other value added products i.e. acetyl chloride, mono chloro-acetic acid and iso butyl benzene, towards backward and forward integration to strengthen its position. Further, Company has diversified other value added pharmaceutical products such as proton pumps inhibitors (PPI's), anti ulcer drugs.

Geographic risk

A significant dependence on a particular market could be a risk in the event of a selective downturn in that region. Company's sales are spread throughout the country and has also expanded export to about 50 countries to mitigate this kind of risk.

Technological risk

Technological advances could result in asset obsolescence warranting a high cost of replacement. Company is using the latest technology in the manufacturing, processing and quality control measures and keeps itself in touch with the latest advancement in technology and tries to adopt the same to remain efficient in productivity and cost minimization.

Environmental risk

Non compliance with environmental regulatory issue might effect operations. Company conducts periodic checks to compare effluents and stack emissions and comply with all applicable rules and regulations to protect the environment. Moreover, Company has obtained ISO 14001:2004 certification.

Credit risk

Credit risk is associated with losses that occur when debtors are unable to meet their repayment obligations on time. Company has established internal policies to determine credit worthiness and reliability of potential customers.

Liquidity risk

This refers to the possibility of default of a Company to meet its obligations because of unavailability of funds to meet both operational and capital requirements. In order to ensure adequacy of its funding, cash flow forecasts are prepared regularly and actions taken appropriately.

Foreign exchange risk

The Company is exposed to foreign exchange risk with respect to foreign currencies, denominated mainly in US dollars, on revenue and supplies. However, risk is naturally hedged as Company is engaged both in imports and exports and is used to take future cover as the situation so warrants.

Personnel risk

Personnel risk deals with risks that affect safety or stability of personnel within an organization. These are managed by through occupational health and safety management and maintaining good industrial relations which minimize these risks and provides an organization with a competitive edge through maintaining high moral and highly experienced staff. Moreover the company has obtained BS OHSAS 18001:2007.

Insurance

In order to reduce and mitigate identifiable risks all the insurable immovable as well as movable assets of the Company including stocks continued to be properly insured and all insurance policies are in force as on the date of the report.

6. Internal Control Systems

Well established and well defined internal controls, checks and systems are in place at all levels and in all departments of the Company, supported by an internal audit conducted by independent firm of Chartered Accountants. Company's Audit and Risk Management Committee comprises three independent directors and one executive director. The Committee reviews report submitted by Internal Auditors and monitors follow-up & corrective action taken.

7. Financial Performance**Overview**

There was improvement in the overall performance of the Company in comparison to previous year's performance. Net sales and other income of the Company were to the tune of ₹ 473.02 crore against ₹ 391.30 crore achieved during the previous year. Profit before interest & depreciation increased by 1.91% to ₹ 70.94 crore during the year under

review against ₹ 69.60 crore during the previous year. Profit after tax has decreased to ₹ 4.75 crore during the year under review against ₹ 6.18 crore during the previous year due to increased financial cost.

Share Capital

Authorized share capital of the Company is ₹ 5,400 lacs divided into 4,90,00,000 equity shares of ₹ 10/- each and 50,00,000 Preference shares of ₹ 10/- each.

On 02 May 2012 Company has allotted 4,34,500 shares of ₹ 10/- each to the shareholders of G Drugs and Pharmaceuticals Limited as per merger scheme sanctioned by BIFR vide order dated 15 March 2012. The paid-up share capital of the Company has increased from 2,57,16,664 equity shares of ₹ 10/- each to 2,61,51,164 equity shares of ₹ 10/- each.

Reserves and Surplus

The Company in accordance with SEBI guideline for preferential issue, forfeited ₹ 210 lacs, the amount paid by the allottees for issue of 15 lacs warrants due to non exercise of option attached with these warrants within given period. The said forfeited amount has been shown in Capital Reserve under the head Reserve and surplus.

Long Term Borrowings

Long term secured borrowing at the end of financial year 2012 were ₹ 198.26 crore, against ₹ 179.76 crore at the end of previous year. unsecured long term borrowings at the end of financial year 2012 stood at ₹ 76.47 crore against ₹ 55.42 crore at the end of previous year.

Deferred Tax Liability

The Company had a deferred tax liability (net of deferred tax assets) of ₹ 9.29 crore as on 31 March 2012 as against ₹ 10.06 crore at the end of previous year.

Other Long Term Liabilities

Other Long term Liabilities at the end of financial year 2012 were ₹ 3.99 crore against ₹ 4.32 crore at the end of previous year.

Long Term Provisions

Long term provisions decreased to ₹ 0.12 crore at 31 March 2012 compared to ₹ 0.33 crore as at 31 March 2011 .

Short Term Borrowings

Short term secured borrowing at the end of financial year 2012 were ₹ 76.48 crore, against ₹ 63.15 crore at the end of previous year.

Trade Payable

The trade payables as at 31 March, 2012 was ₹ 79.41 crore compared to ₹ 61.01 crore as at 31 March, 2011.

Other Current Liabilities

Other current liabilities at the end of financial year 2012 were ₹ 69.29 crore, against ₹ 56 crore at the end of previous year.

Short Term Provisions

Short term provisions decreased to ₹ 0.05 crore at 31 March 2012 compared to ₹ 0.48 crore as at 31 March 2011 due to lower tax provisions corresponding to lower profits during the year.

Fixed Assets

During the year, Company added ₹ 133.06 crore to its gross block of tangible assets. Gross block of tangible assets as on 31 March 2012 stood at ₹ 558.66 crore as against ₹ 420.34 crore as on 31 March 2011. The increase in gross block was due to major additions in Plant and Machinery of ₹ 117.75 crore during the year. Addition in intangible assets ₹ 0.04 crore during the year and stood at ₹ 0.33 crore as on 31 March 2012 against ₹ 0.28 crore as at end of the previous year.

Long-Term Loans and Advances

Long term loan and advances as on 31 March 2012 were ₹ 11.01 crore as compared to ₹ 15.12 crore as on 31 March 2011.

Other Non-current Assets

Other non-current assets include the bank balance as on 31 March 2012 were ₹ 2.34 crore as compared to ₹ 1.86 crore as on 31 March 2011.

Inventories

Company had inventories of ₹ 131.77 crore as on 31 March 2012 against ₹ 99.56 crore as on 31 March 2011.

Trade Receivable

Trade Receivable amounted to ₹ 21.59 crore as on 31 March 2012 as compared with ₹ 31.14 crore as on 31 March 2011.

Cash and Bank balance

As on 31 March 2012, Company had cash and bank balances of ₹ 8.70 crore as compared to ₹ 18.08 crore as on 31 March 2011.

Short Term Loans and Advances

Short term loans and advances as on 31 March 2012 were ₹ 37.20 crore as compared to ₹ 29.36 crore as on 31 March 2011.

Revenue from operations

The Company has net revenue from operations of ₹ 470.68 crore as compared to ₹ 389.41 crore during the previous year. The revenue from operations during the year grew by 20.87% over the previous financial year. The share of export turnover in total operation revenue improved to 20.99% as compared to 20.71% during the previous year.

Other Income

Other income for the year ended 31 March 2012 was ₹ 2.33 crore as against ₹ 1.90 crore in the previous year. Interest received during the year was ₹ 1.33 crore as against ₹ 1.22 Crore during the previous year.

Cost of Material Consumed

During the year, the percentage of material consumption to net sales was 69.08% as against 69.24% for the previous year, representing a decrease of 0.16%.

Employee Benefit Expenses

During the year, employee benefit expenses to net sales during the year was 4.28% against 4.37% for the previous year.

Financial Cost

During the year, the percentage of financial expenses to net sales was 9.18% against 9.45% in the previous year, showing decrease of 0.27%.

Depreciation

Depreciation charged to the profit and loss account marginally increased during the year to ₹ 23.94 crore as compared to ₹ 23.76 crore in the previous year.

Other Expenses

During the year, the percentage of other expenses to net sales was 17.42% against 16.20% in the previous year, showing increase of 1.22%.

Provision for tax

Tax expenses for the year under review was ₹ (0.96) crore in comparison to ₹ 2.86 crore during the previous year due to deferred tax

Profit after tax

During the year, profit after tax was ₹ 4.75 crore against ₹ 6.18 crore during the previous year.

Cash flows

Company's net cash flow from operating activities for the year ended 31 March 2012 increased to ₹ 54.91 crore against ₹ 23.64 crore during the previous year.

Company's net cash used in investing activities amounted to ₹ 86.88 crore during the year ended 31 March 2012 against ₹ 69.33 crore during the previous year.

During the year, net cash flow from financing activities decreased to ₹ 23.04 crore as against ₹ 59.02 crore during the previous year.

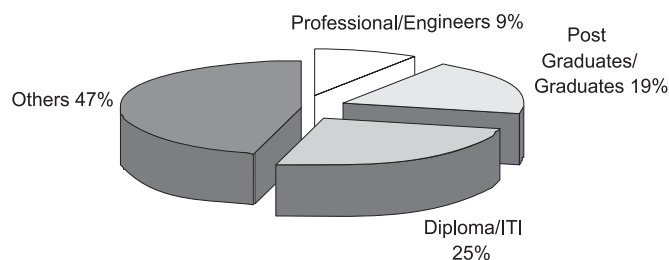
8. Contribution to National Exchequer

Company has contributed a sum of ₹ 34.84 crore as compared to ₹ 33.00 crore during the previous year to National Exchequer by way of central excise duty in addition to contribution through other direct and indirect taxes.

9. Human Assets

Company has a team of about 1048 strong members as on 31 March 2012 consisting of 9% Professionals /Engineers, 20% Post Graduates/ Graduates, 24% Diploma/ITI and 47% others.

Company stresses on all around development of the human resources. Company's HR policies entail injecting Company with a high degree of expertise, professional depth, dynamism and power of the youth. Company belief in respect of human resources and dignity of labour and consider human resources very valuable and vital assets for the development of the organization. To continuously enhance competencies of the employees, Company organizes a series of in-house as well as external training programs.

**10. Cautionary Statement**

Statement in Management Discussion and Analysis describing Company's objectives, projections, estimates and expectations may be "Forward Looking Statements" with in the meaning of applicable laws & regulations. Actual results may differ materially from those expressed or implied. Important factors that could make a difference to Company's operations include but are not restricted to the economic conditions affecting demand/ supply and price conditions in the domestic and overseas markets in which Company operates, changes in the Government regulations, tax laws, and other statues, as also other incidental factors.

For and on behalf of the Board

Place : Ludhiana
Dated : 14 August 2012

Sd/-
Varinder Gupta
Chairman and Managing Director

CORPORATE GOVERNANCE REPORT
Company's Philosophy on Corporate Governance

It has been continuous endeavour of the Company to exceed and excel through better corporate governance and fair & transparent governance practices, many of which were in place before they were mandated by SEBI. For creation and maximization of wealth of shareholders on a sustainable and long-term basis, it is imperative for the management to institutionalize a "Framework of Corporate Governance and Code of Practices" as an enabling methodology to further strengthen management and decision-making process. We believe in leveraging the resources to translate dreams into opportunities and opportunities into reality; to infuse people with a vision which sparks dynamism and entrepreneurship; to create a system of succession which combines stability with flexibility and continuity with change.

1. Board of Directors:
a) Composition of the Board:

The Board comprises three executive, and four independent directors as on 31 March 2012. The Company is having majority of independent directors on the Board. Detail of composition of the Board, number of directorship held, chairmanship & membership of the committees and shareholding in the Company are as given below:

| Name of the Director | Category | No. of Directorship held* | No. of Committees** | | Shareholding in Company |
|---|-------------|---------------------------|---------------------|--------------|-------------------------|
| | | | Chairman-ships | Member-ships | |
| Mr Varinder Gupta (Chairman and Managing Director) | Executive | 6 | — | 1 | 11,59,265 |
| Dr M A Zahir | Independent | 9 | 3 | 5 | 300 |
| Mr Chandra Mohan | Independent | 8 | — | 4 | — |
| Mr Yogesh Goel | Independent | 9 | — | 2 | — |
| Mr Ravi Pratap Singh | Independent | 2 | — | 1 | — |
| Mr Vijay Singla (Director (Works)) | Executive | 1 | — | 1 | — |
| Mr N K Pundir*** (Director (Commercial)) | Executive | 1 | — | 1 | — |

* Including the Company and does not include unlimited Company, private limited Company, foreign Company and Company registered under Section 25 of Companies Act, 1956

** Board Committees for this purpose includes Audit and Risk Management Committee and Investors' Grievance Committee only (including Board Committees of the Company)

*** Ceased to be director w.e.f. 14 August 2012

Notes:

- None of directors is a chairman of more than 5 (five) committees and member of more than 10 (ten) committees.
- There is no inter-se relationship between the directors

b) Change in directorship during the year:

| Name of Director | Position | Nature of Change | Date of event |
|-------------------------------|-----------------------|------------------|---------------|
| Dr (Mrs) H K Bal | Director | Resign | 21 May 2011 |
| Mr R K Thukral | Executive Director | Resign | 11 July 2011 |
| Mr Vijay Singla | Director (Works) | Appointment | 11 July 2011 |
| Mrs Dimple Gupta | Director | Resign | 31 March 2012 |
| Mr Kanwal Pushkarnath Pandita | Director | Resign | 31 March 2012 |
| Mr N K Pundir | Director (Commercial) | Appointment | 31 March 2012 |

The Company has appointed Mr N K Pundir as Additional Director and Director (Commercial) w.e.f. 31 March 2012. However he has resigned from the directorship of the Company w.e.f. 14 August 2012.

c) Attendance of Directors at the Board Meetings and last Annual General Meeting:

During the financial year 2011-12, the Board of Directors met 6 (six) times on 21 May 2011, 11 July 2011, 12 August 2011, 14 November 2011, 11 February 2012 and 31 March 2012. There was no gap of more than four months between any two consecutive meetings. Attendance of the directors at Board Meetings and previous Annual General Meeting (AGM) held on 24 September 2011 is as given below:

| Name of the Director | Board Meetings Attended | Attendance at last AGM |
|----------------------------------|-------------------------|------------------------|
| Mr Varinder Gupta | 6 | Yes |
| Dr M A Zahir | 6 | Yes |
| Mr Chandra Mohan | 3 | No |
| Dr (Mrs) H K Bal* | 0 | N.A |
| Mr Yogesh Goel | 6 | No |
| Mr Ravi Pratap Singh | 2 | No |
| Mr R K Thukral** | 0 | N.A |
| Mr Kanwal Pushkarnath Pandita*** | 0 | No |
| Mrs Dimple Gupta*** | 5 | No |
| Mr Vijay Singla | 4 | Yes |
| Mr N K Pundir**** | 0 | N.A |

* Ceased to be director w.e.f. 21 May 2011

** Ceased to be director w.e.f. 11 July 2011

*** Ceased to be director w.e.f. 31 March 2012

**** Ceased to be director w.e.f. 14 August 2012

d) Meetings Procedure:

The Company holds Board Meetings regularly. The Board is informed venue and date of meeting in advance in writing at their usual address and also through e-mail. Detailed agenda papers alongwith explanatory statements are circulated to the directors in advance. The Board has complete access to all information with the Company. All information stipulated in Clause 49 is regularly provided to the Board as a part of agenda papers. Directors actively participate in the Board Meetings and contribute significantly by expressing their views, opinions and suggestions. Decision is taken after proper and through discussion.

e) Remuneration of Directors:

- Executive Directors: The Company pays remuneration to its Managing Director and Executive Directors as approved by Remuneration Committee, Board of Directors and Members of the Company. Detail of remuneration paid to the Managing Director and the Executive Directors during the financial year 2011-2012 is given below:

| (Amount in ₹) | | | | | | |
|-------------------|-----------------------|-----------|-------------|---|--------------------------------|-----------|
| Name | Position | Salary | Commis-sion | Contribution to Provident & other Funds | Other perquisites & allowances | Total |
| Mr Varinder Gupta | Managing Director | 19,20,000 | — | 2,30,400 | 26,57,465 | 48,07,865 |
| Mr R K Thukral | Executive Director | 3,35,484 | — | 40,258 | 4,62,967 | 8,38,709 |
| Mr Vijay Singla | Director (Works) | 5,20,645 | — | 62,477 | 7,18,492 | 13,01,614 |
| Mr NK Pundir | Director (Commercial) | 3,161 | — | 379 | 4,362 | 7,902 |

- Non-Executive Directors: Non-Executive Directors have not paid any remuneration except sitting fees @ ₹ 7,500/- for

attending each Board Meeting and ₹ 5,000/- for attending each Committee Meeting. Details of sitting fees paid during the year 2011- 2012 is given below:

(Amount in ₹)

| Name of Director | Fee paid for Board Meetings | Fee paid for Committee* Meetings | Total fee paid |
|----------------------|-----------------------------|----------------------------------|-----------------|
| Dr Mr M A Zahir | 45,000 | 75,000 | 1,20,000 |
| Mr Chandra Mohan | 22,500 | 10,000 | 32,500 |
| Mr Yogesh Goel | 45,000 | 0 | 45,000 |
| Mr Ravi Pratap Singh | 15,000 | 10,000 | 25,000 |
| Mrs Dimple Gupta | 37,500 | 5,000 | 42,500 |
| TOTAL | 1,65,000 | 1,00,000 | 2,65,000 |

* The fees paid for Committees includes Audit & Risk Management Committee, Banking & Finance Committee, Remuneration Committee, Investors' Grievance Committee and Allotment Committee.

During the year 2011-12, The Company did not advance any loans to any of its directors except advance for travel or other purposes to discharge official duties in the normal course of business. There is no provision of any severance fee payable to any director on cessation of directorship of the Company.

f) Profile of Directors

Brief profile of the Directors of the Company is furnished hereunder:

1. Mr Varinder Gupta

Mr Varinder Gupta, Promoter Director, aged 49 years is presently Chairman and Managing Director of the Company. He is an industrialist with more than 27 years experience in the chemical and pharmaceutical industry. He has also been associated as Joint Managing Director with Varinder Agro Chemicals Limited, now merged with Trident Limited from 1989 to 1991. He holds 11,59,265 equity shares of the Company.

2. Dr M A Zahir

Dr M A Zahir, aged 69 years, has been a Director of the Company since 1998. He has more than 46 years of experience in business management education and has been involved in imparting training to executives at senior levels of different institutions in the public as well as private sector. He has remained Dean, College of Basic Science and Humanities, Punjab Agricultural University, Ludhiana. He holds a Masters' Degree in Commerce and a Ph.D. Presently, he is Chairman of Synetic Business School (SBS), Ludhiana. He holds 300 equity shares of the Company.

3. Mr Chandra Mohan

Mr Chandra Mohan, aged 79 years, has been a Director of the Company since 2005. He has more than five decades of experience in Indian industry. He was Vice Chairman and Managing Director of Punjab Tractors Limited for 28 years, the longest serving Chief Executive Officer in the Indian corporate world. He was instrumental in designing and developing the Indian tractor named Swaraj with completely indigenous technology that not only competed successfully with foreign technology but exceeded it. He has received numerous awards including Padmashree in 1985 for his contribution to both industry and society. Since Punjab Tractors Limited, he has been involved in further developing Indian engineering capabilities. He holds a BA (Hons) and B.Sc. in Mechanical Engineering.

4. Mr Yogesh Goel

Mr Yogesh Goel, aged 57 years, has been a Director of the Company since 2008. He is currently working with the Punjab State Industrial Development Corporation Limited (PSIDC) and has 35 years of experience in the identification, promotion and implementation of industrial units in joint / assisted sectors. He has also served as Chairman of Punjab Pollution Control Board. He has a graduate degree in Chemical Engineering from Panjab University, Chandigarh.

5. Mr Ravi Pratap Singh

Mr Ravi Pratap Singh, aged 53 years, has been a Director of the Company since 2008. He is a Partner of Sycamore Ventures, where he focuses on India related investments. Over the course of his 28 year career, he has structured and led numerous public and private financings, mergers and acquisitions and global investments. He has a BS in Mechanical Engineering from University of Delhi and an MBA from Columbia University.

6. Mr Vijay Singla

Mr Vijay Singla, aged 37 years, has been a Director (Works) of Company from July 2011. He has 12 years experience in Pharmaceutical and Chemical Industries. He holds the Degree of Chemical Engineering from Punjab Technical University, Jalandhar and Degree in Electrical Engineering from Institution of Engineers (India) Calcutta.

g) Detail of other Directorship:

| Name of the Director | Name of the Company |
|----------------------|--|
| Mr Varinder Gupta | Mayadevi Polycot Ltd Trident Towels Ltd IOL Lifesciences Ltd NM Merchantiles Ltd NCG Enterprises Ltd |
| Dr M A Zahir | Hero Cycles Ltd Ralsion (India) Ltd Sohrab Spinning Mills Ltd Rockman Industries Ltd Hero FinCrop Ltd Lotus Integrated Texpark Ltd Majestic Auto Ltd Trident Ltd |
| Mr Chandra Mohan | Rico Auto Industries Ltd Engineering Innovations Ltd Sandhar Technologies Ltd Winsome Yarns Ltd DCM Engineering Ltd Kamla Dials & Devices Ltd Winsome Textiles Industries Ltd |
| Mr Yogesh Goel | Punjab Venture Capital Ltd Nahar Industrial Infrastructure Corp. Ltd Globus Industries & Services Ltd Healthcap India Ltd Punjab Alkalies & Chemicals Ltd Krishna Engg. Works Ltd Punjab Venture Investors Ltd Cephem Milk Specialities Ltd |
| Mr Ravi Pratap Singh | Surana Power Ltd |

h) Detail of Chairmanship and Membership of the Committees:

| Director | Audit Committee | Investors' Grievances Committee |
|----------------------|--|--|
| | | |
| Mr Varinder Gupta | NIL | Member - IOL Chemicals and Pharmaceuticals Ltd. |
| Dr M A Zahir | Chairman - IOL Chemicals and Pharmaceuticals Ltd - Hero Cycles Ltd Member - Rockman Industries Ltd - Lotus Integrated Texpark Ltd - Trident Ltd - Majestic Auto Ltd | Chairman - IOL Chemicals and Pharmaceuticals Ltd Member - Trident Ltd |
| Mr Chandra Mohan | Member - Winsome Yarns Ltd - DCM Engineering Ltd - Winsome Textiles Industries Ltd | Member - Winsome Textiles Industries Ltd |
| Mr Yogesh Goel | Member - Healthcaps India Ltd - IOL Chemicals and Pharmaceuticals Ltd | NIL |
| Mr Ravi Pratap Singh | Member - IOL Chemicals and Pharmaceuticals Ltd | NIL |
| Mr Vijay Singla | Member - IOL Chemicals and Pharmaceuticals Ltd | Member - IOL Chemicals and Pharmaceuticals Ltd |

2. Committees of the Board:
a) Audit and Risk Management Committee

Audit and Risk Management Committee consists of four directors, three being independent directors viz. Dr M A Zahir (Chairman), Mr Ravi Pratap Singh, Mr Yogesh Goel and one being executive director viz. Mr Vijay Singla. Statutory Auditors, Internal Auditors and Finance head are invitees on the Committee. Company Secretary acts as Secretary to the Committee.

Terms of reference of Audit and Risk Management Committee are as contained in the Section 292A of the Companies Act, 1956 and also as contained in the Clause 49 of the Listing Agreement. Primary objective of the Committee is to monitor and provide effective supervision of management's financial reporting process with a view to ensure accurate, timely and proper disclosures, transparency, integrity & quality of financial reporting and minimisation of risk.

During the year 2011-2012, Audit and Risk Management Committee met four times on 21 May 2011, 12 August 2011, 14 November 2011 and 11 February 2012. There was no gap of more than four months between any two consecutive meetings. Attendance record of Audit and Risk Management Committee members is given below:

| Name of the Members | Category | No. of Meetings | |
|-------------------------|-------------|-----------------|----------|
| | | Held | Attended |
| Dr M A Zahir (Chairman) | Independent | 4 | 4 |
| Mr Ravi Pratap Singh | Independent | 4 | 2 |
| Dr (Mrs) HK Bal* | Independent | 4 | – |
| Mr Yogesh Goel** | Independent | 4 | – |
| Mr Vijay Singla | Executive | 4 | 3 |

* Ceased to be Director of the Company w.e.f. 21 May 2011

** Appointed to be Member of Audit & Risk Management Committee w.e.f. 31 March 2012

Chairman of Audit and Risk Management Committee was present at last Annual General Meeting to give answer to the queries of shareholders.

b) Remuneration Committee

Remuneration Committee consists of three directors, all being independent Directors viz. Dr M A Zahir (Chairman), Mr Chandra Mohan and Mr Ravi Pratap Singh. Terms of reference of Remuneration Committee include determination of remuneration packages of the executive directors including remuneration policy, pension rights etc. During the year, two meetings were held on 11 July 2011 and 31 March 2012.

| Name of the Members | Category | No. of Meetings | |
|-------------------------|----------------------|-----------------|----------|
| | | Held | Attended |
| Dr M A Zahir (Chairman) | Independent Director | 2 | 2 |
| Mr Chandra Mohan | Independent Director | 2 | 2 |
| Mr Ravi Pratap Singh | Independent Director | 2 | – |

c) Investors' Grievance Committee

Investors' Grievance Committee consists of three Directors viz., Dr M A Zahir (Chairman), Mr Varinder Gupta and Mr Vijay Singla to specifically look into the redressal of Investors' complaints, transfer/transmission of securities. During the year, one meeting was held on 21 May 2011.

| Name of the Members | Category | No. of Meetings | |
|--------------------------------|----------------------|-----------------|----------|
| | | Held | Attended |
| Dr M A Zahir (Chairman) | Independent Director | 1 | 1 |
| Dr (Mrs) H K Bal ¹ | Independent Director | 1 | – |
| Mr Vijay Singla ² | Executive | 1 | – |
| Mrs Dimple Gupta ³ | Non-executive | 1 | 1 |
| Mr Varinder Gupta ⁴ | Executive | 1 | – |
| Mr N K Pundir ⁵ | Executive | 1 | – |

¹ Ceased to be member of Investors' Grievance Committee w.e.f. 21 May 2011

² Appointed to be member of Investors' Grievance Committee w.e.f. 11 July 2011 and ceased to be member w.e.f. 31 March 2012 and re-appointed as member w.e.f. 14 August 2012

³ Ceased to be member of Investors' Grievance Committee w.e.f. 31 March 2012

⁴ Appointed to be member of Investors' Grievance Committee w.e.f. 31 March 2012

⁵ Appointed to be member of Investors' Grievance Committee w.e.f. 31 March 2012 and ceased to be member of Investors' Grievance Committee w.e.f. 14 August 2012

Investors' Grievance Committee Report for the year ended 31 March 2012

The Committee expresses satisfaction with Company's performance in dealing with investors' grievances and its share transfer system. During the year, all complaints received by the Company has been resolved and no complaint/ query is pending as on 31 March 2012.

Sd/-
Dated : 30 May 2012
Place : Ludhiana

(Dr M A Zahir)
Chairman
Investors' Grievances Committee

d) Other Committees

Besides the above three Committees, the Board of Directors has delegated banking and finance matters to Banking and Finance Committee; allotment of warrants/shares/debentures/other securities to Allotment Committee. Detail of meetings of abovesaid committees held during the financial year 2011-12 is as under:

| Name of Committees | No of Meetings held | Date of Meeting |
|-------------------------------|---------------------|--|
| Banking and Finance Committee | 7 | 07 July 2011, 26 August 2011, 04 October 2011, 09 November 2011, 01 December 2011, 17 January 2012 and 30 March 2012 |
| Allotment Committee | 1 | 16 July 2011 |

3. Management Discussion and Analysis Report

Management Discussion and Analysis Report has been included in this Annual Report and includes discussion on the matters specified in the Clause 49 of the Listing Agreement.

4. Corporate Ethics

Company adheres to high standards of business ethics, compliance with statutory and legal requirements and commitment to transparency in business dealings. Following codes as detailed below has been adopted by the Company:

a) Combined Code of Corporate Governance and Conduct

The 'Combined Code of Corporate Governance and Conduct' has been adopted by the Company for its Board Members and senior management of the Company. Code of Conduct is available on the website of the Company - www.iolcp.com. All Board Members and senior management personnel affirmed the compliance with the said code. A certificate signed by Chairman and Managing Director as required under Clause 49(I)(D)(iii) affirming compliance of said code is given in this Annual Report.

b) Code of Conduct for prevention of Insider Trading

As per SEBI (Prohibition of Insider Trading) Regulations, 1992, Code for Prevention of Insider Trading has been formulated and adopted by Board of Directors of the Company. The code lay down guidelines and procedures to be followed and disclosures to be made by designated employees including directors whilst dealing in the shares of the Company.

c) Code of Corporate Disclosures practices for prevention of Insider Trading

As per SEBI (Prohibition of Insider Trading) Regulations, 1992, Code for Corporate Disclosures practices for prevention of insider trading has been formulated and adopted by Board of Directors of the Company. Purpose of this code is to ensure timely and adequate disclosure of price sensitive information.

5. Subsidiary Company

The Company does not have any subsidiary Company.

6. Shareholders**a) Disclosures regarding appointment or re- appointment of Directors**

According to Article 146 of the Articles of Association of the Company, one third of directors for the time being liable to retire by rotation, shall retire from the office. Accordingly Dr M A Zahir and Mr Chandra Mohan are liable to retire by rotation in the ensuing

Annual General Meeting and being eligible offer themselves for re-appointment. The Board has recommended re-election of these directors to the members.

b) Means of Communication:

Timely disclosure of consistent, comparable, relevant and reliable information on corporate financial performance is at the core of good governance. Towards this end:

a) **Quarterly/Half Yearly/Annual Results:** Quarterly, half yearly and annual results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board.

b) **Publication of Quarterly/Half Yearly/Annual Results:** Quarterly, half yearly and annual results of the Company are published in the prescribed performa within 48 hours of the conclusion of the meeting of the Board atleast in one english newspaper circulating in the whole or substantially the whole of India and in one vernacular newspaper of the State of Punjab where the registered office of the Company is situated.

Quarterly financial results during the financial year 2011-12 were published as detailed below:

| Quarter ended | Date of Board Meeting | Date of Publication | Name of the Newspapers |
|-------------------|-----------------------|-------------------------------------|--|
| 30 June 2011 | 12 August 2011 | 13 August 2011 & 14 August 2011 | Economic Times, Desh Sewak & Business Standard |
| 30 September 2011 | 14 November 2011 | 15 November 2011 & 16 November 2011 | Economic Times, Desh Sewak & Business Standard |
| 31 December 2011 | 11 February 2012 | 12 February 2012 & 13 February 2012 | Economic Times, Desh Sewak & Financial Express |
| 31 March 2012 | 30 May 2012 | 31 May 2012 & 01 June 2012 | Economic Times, Punjabi Jagran & Financial Express |

c) **Press Releases:** To provide information to investors, press releases are sent to the Stock Exchanges as well as displayed on Company's website before it is released to the Media.

d) **Website:** Company's website www.iolcp.com contains a separate dedicated section "Investors" where information for shareholders is available. Quarterly/half yearly /annual results are simultaneously posted on the website. Latest official press releases are also available on the website.

e) **E-mail:** Quarterly/half yearly /annual results are also send to the members & investors on their e-mail Ids registered with the Company.

f) **Annual Report:** Annual Report containing, inter alia, Audited Annual Accounts, Directors' Report, Auditor's Report and other important information is circulated to members and others entitled thereto. Management Discussion and Analysis Report forms part of the Annual Report. The Annual Report is also available on Company's website⁴.

g) **Chairman's Communiqué:** Printed copy of Chairman's Speech is distributed to all shareholders at the Annual General Meeting.

Members/ investors are requested to register their e-mail Id with the Company through registering on Company's website www.iolcp.com or sending the same by e-mail on investor@iolcp.com for getting latest information.

c) Compliance Officer

Mr Krishan Singla, Vice President and Company Secretary is Compliance Officer. Any investor / shareholder of the Company can contact him on the matters related with the Company at 85,

Industrial Area, 'A', Ludhiana, Phone: +91-161-2225531-35, Fax: +91-161- 2608784 and e-mail: krishan@iolcp.com & investor@iolcp.com

(d) Annual General Meetings

Last three Annual General Meetings were held at the Registered Office of the Company at Trident Complex, Raikot Road, Barnala as per details given below:

| Meetings | Date | Day | Time | No. of Special Resolutions |
|----------------------|-------------------|----------|-----------|---|
| 24 th AGM | 24 September 2011 | Saturday | 10:00 A.M | 1. Revise the remuneration of Mr Varinder Gupta, Managing Director of the Company 2. Revise the remuneration of Mr R K Thukral, Executive Director of the Company 3. Merger of G Drugs and Pharmaceuticals Ltd with the Company 4. Issue and allot equity shares to the persons who are the members of G Drugs and Pharmaceuticals Ltd |
| 23 rd AGM | 14 August 2010 | Saturday | 10.00 A.M | 1. Issue of warrants/equity shares on preferential basis. |
| 22 nd AGM | 12 September 2009 | Saturday | 10:00 A.M | NIL |

(e) Postal Ballot

During the year ended 31 March 2012, the Company has not passed any resolution through postal ballot.

7. Disclosures

a) Related Party Transactions

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its directors or promoters that may have potential conflict with the interests of the Company at large except details of transactions annexed to the Balance Sheet. All details relating to financial and commercial transactions, where directors may have a potential interest are provided to the Board and interested directors neither participate in the discussion nor do they vote on such matters.

b) Compliance made by the Company

Company has continued to comply with the requirements of the Stock Exchanges, SEBI and other Statutory Authorities on all matters related to capital markets and no penalties or strictures have been imposed on the Company by any Stock Exchange, SEBI or any other Statutory Authority relating to the above.

c) Whistle Blower Policy

Company has whistle blower policy which provides opportunity to employees to access in good faith, to Audit and Risk Management Committee in case they observe unethical and improper practices or any other alleged wrongful conduct in the Company and to prohibit managerial personnel from taking any adverse personnel action against those employees. It is affirmed that no personnel has been denied access to Audit and Risk Management Committee during the year.

d) Compliance of Clause 49 pertaining to Mandatory Requirements

Company has complied all provisions of Clause 49 of the Listing Agreement which are mandatory to comply. Status of compliances made during the year is as follow:

| Particulars | Clause of Listing Agreement | Compliance Status Yes/No |
|--|-----------------------------|--------------------------|
| I. Board of Directors | 49 (I) | - |
| (A) Composition of Board | 49 (IA) | Yes |
| (B) Non-executive Directors' compensation & disclosures | 49 (IB) | Yes |
| (C) Other provisions as to Board and Committees | 49 (IC) | Yes |
| (D) Code of Conduct | 49 (ID) | Yes |
| II. Audit Committee | 49 (II) | - |
| (A) Qualified & Independent Audit Committee | 49 (IIA) | Yes |
| (B) Meeting of Audit Committee | 49 (IIB) | Yes |
| (C) Powers of Audit Committee | 49 (IIC) | Yes |
| (D) Role of Audit Committee | 49 (IID) | Yes |
| (E) Review of Information by Audit Committee | 49 (IIE) | Yes |
| III. Subsidiary Companies | 49 (III) | Not applicable |
| IV. Disclosures | 49 (IV) | - |
| (A) Basis of related party transactions | 49 (IV A) | Yes |
| (B) Disclosure of Accounting Treatment | 49 (IV B) | Yes |
| (C) Board Disclosures- Risk Management | 49 (IV C) | Yes |
| (D) Proceeds from public issues, rights issues, preferential issues etc. | 49 (IV D) | Yes |
| (E) Remuneration of Directors | 49 (IV E) | Yes |
| (F) Management | 49 (IV F) | Yes |
| (G) Shareholders | 49 (IV G) | Yes |
| V. CEO/CFO Certification | 49 (V) | Yes |
| VI. Report on Corporate Governance | 49 (VI) | Yes |
| VII. Compliance | 49 (VII) | Yes |

8. General Shareholders Information

Following information would be useful to the members:

- Annual General Meeting of the Company will be held on Saturday, 29 September, 2012 at 10.00 AM at the Registered Office of the Company at Trident Complex, Raikot Road, Barnala, Punjab.
- Financial Calendar: Last financial year of the Company was of twelve months from 1 April 2011 to 31 March 2012. Tentative financial calendar of the Company for the year 2012-13 shall be as follow:

| Board meetings to take on record | Schedule |
|--|----------------------|
| Financial Results for the quarter ending 30 June 2012 | During August 2012 |
| Financial Results for the quarter/half year ending 30 September 2012 | During November 2012 |
| Financial Results for the quarter ending 31 December 2012 | During February 2013 |
| Financial Results for the quarter/year ending 31 March 2013 | During May 2013 |

c) Date of Book Closure

Tuesday, the 25th day of September, 2012 to Saturday, 29th day of September, 2012 (both days inclusive).

d) Shares of the Company are listed on the following Stock Exchange

| Name and Address of the Stock Exchange | Stock Code |
|--|------------|
| National Stock Exchange of India Limited (NSE) Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 | IOLCP |
| BSE Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai | 524164 |

Company has made all the compliances of Listing Agreement including payment of annual listing fee.

e) Distribution of Shareholding

The Distribution Schedule of the Company as on 31 March 2012 is as follow:

| Range No. of Shares | Shareholders | | Shares | |
|---------------------|--------------|-----------------------|--------------------|-----------------------|
| | Number | %age of total holders | Number | %age of total capital |
| Upto 5000 | 9067 | 91.08 | 12,64,262 | 4.92 |
| 5001 to 10000 | 447 | 4.49 | 3,74,044 | 1.45 |
| 10001 to 20000 | 214 | 2.15 | 3,28,161 | 1.28 |
| 20001 to 30000 | 64 | 0.65 | 1,61,868 | 0.63 |
| 30001 to 40000 | 38 | 0.38 | 1,34,106 | 0.52 |
| 40001 to 50000 | 29 | 0.29 | 1,34,001 | 0.52 |
| 50001 to 100000 | 51 | 0.51 | 3,60,455 | 1.40 |
| 100001 and Above | 45 | 0.45 | 2,29,59,767 | 89.28 |
| Total | 9,955 | 100.00 | 2,57,16,664 | 100.00 |

f) The shareholding pattern of the Company as on 31 March 2012 is as follow:

| Category | As on 31 March 2012 | | | As on 31 March 2011 | | |
|--------------------------------------|---------------------|--------------------|---------------|---------------------|--------------------|---------------|
| | Share-holders | Shares | % age | Share-holders | Shares | % age |
| Promoter | | | | | | |
| Indians | 5 | 1,39,40,053 | 54.21 | 5 | 1,39,40,053 | 54.21 |
| Foreign | — | — | — | — | — | — |
| Sub – total | 5 | 1,39,40,053 | 54.21 | 5 | 1,39,40,053 | 54.21 |
| Non-Promoters | | | | | | |
| Financial Institutions/ Mutual Funds | 6 | 3,08,365 | 1.2 | 6 | 2,31,190 | 0.90 |
| Bodies Corporate | 199 | 44,51,238 | 17.31 | 240 | 45,33,999 | 17.63 |
| Individuals | 9,704 | 30,89,526 | 11.02 | 10,038 | 30,81,669 | 11.98 |
| NRI | 40 | 1,20,818 | 0.47 | 46 | 1,23,089 | 0.48 |
| Foreign Companies | 1 | 38,06,664 | 14.80 | 1 | 38,06,664 | 14.80 |
| Sub -total | 9,950 | 1,17,76,611 | 45.79 | 10,331 | 1,17,76,611 | 45.79 |
| Total | 9,955 | 2,57,16,664 | 100.00 | 10,336 | 2,57,16,664 | 100.00 |

g) Investors' complaints/ queries received and resolved:

Detail of investors' complaints/queries received and resolved during the year 2011-12 are as under:

| Sr. No | Nature of complaints/queries | No. of complaints/ during the year | | |
|--------|--|------------------------------------|----------|---------|
| | | Received | Attended | Pending |
| 1 | Transfer/Transmission of shares | 27 | 27 | NIL |
| 2 | Dividend | - | - | NIL |
| 3 | Loss/Issue of duplicate shares certificate | 16 | 16 | NIL |
| 4 | SEBI/Stock Exchange | - | - | NIL |
| 5 | Change of Company Name | 24 | 24 | NIL |
| 6 | Change of Address | 68 | 68 | NIL |
| 7 | Split/Consolidation | - | - | NIL |
| 8 | Others | 13 | 13 | NIL |

h) Designated e-mail id for investors

In terms of Clause 47(f) of the listing agreement, the designated E-mail address for investor queries is **investor@iolcp.com**

i) Legal proceeding related to the Investors

There are no legal proceedings against the Company or by the Company.

j) Market price data

Monthly high and low prices of equity shares of IOL Chemicals and Pharmaceuticals Limited at the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) are as follow:

(in ₹)

| Financial Year 2011-12 | BSE | | | |
|------------------------|-------------|-----|------------|-------|
| | Share price | | BSE SENSEX | |
| | High | Low | High | Low |
| April 2011 | 45 | 38 | 19811 | 18976 |
| May 2011 | 44 | 36 | 19254 | 17786 |
| June 2011 | 40 | 32 | 18873 | 17314 |
| July 2011 | 40 | 34 | 19132 | 18132 |
| August 2011 | 39 | 29 | 18440 | 15766 |
| September 2011 | 35 | 27 | 17212 | 15801 |
| October 2011 | 35 | 28 | 17908 | 15745 |
| November 2011 | 37 | 26 | 17702 | 15479 |
| December 2011 | 30 | 18 | 17004 | 15136 |
| January 2012 | 26 | 20 | 17259 | 15358 |
| February 2012 | 28 | 24 | 18524 | 17062 |
| March 2012 | 29 | 23 | 18041 | 16921 |

Source: bseindia.com

(in ₹)

| Financial Year 2011-12 | NSE | | | |
|------------------------|-------------|-----|-------|------|
| | Share price | | NIFTY | |
| | High | Low | High | Low |
| April 2011 | 45 | 37 | 5944 | 5693 |
| May 2011 | 45 | 31 | 5775 | 5329 |
| June 2011 | 38 | 30 | 5658 | 5196 |
| July 2011 | 38 | 30 | 5740 | 5454 |
| August 2011 | 39 | 29 | 5552 | 4720 |
| September 2011 | 32 | 27 | 5169 | 4759 |
| October 2011 | 33 | 28 | 5400 | 4728 |
| November 2011 | 33 | 23 | 5326 | 4639 |
| December 2011 | 29 | 19 | 5099 | 4531 |
| January 2012 | 26 | 19 | 5217 | 4588 |
| February 2012 | 31 | 22 | 5630 | 5159 |
| March 2012 | 27 | 22 | 5499 | 5136 |

Source: nseindia.com

k) Registrar and Share Transfer Agents

Alankit Assignments Limited,
(Unit: IOL Chemicals and Pharmaceuticals Limited)
"Alankit House", 2E/21, Jhandewalan Extension,
New Delhi - 110055
Phone : +91-11-23541234, 42541234
Fax : +91-11-42541967
E mail : **rta@alankit.com**

l) Dematerialisation and Transfer of shares

Equity shares of Company are under rolling settlement and are compulsory traded and settled only in the dematerialised form. During the financial year 2011-12 10,600 (0.04%) equity shares of the Company have been dematerialised and in total 2,49,93,743 (97.19%) shares of the Company have been dematerialised as on 31 March 2012.

No case is pending for transfer as well as dematerialisation of shares as on 31 March 2012. The ISIN No. of the Company is **INE485C01011**.

m) Reconciliation of Share Capital Audit

M/s B. K. Gupta & Associates, Company Secretaries, carried out a secretarial audit to reconcile total admitted capital with NSDL & CDSL, total issued and listed capital. Audit report for quarter ended 31 March 2012 confirms that total admitted capital with both the depositories, NSDL & CDSL, total issued and listed capital are same and no case is pending for dematerialisation for more than 21 days as on that date.

n) Outstanding GDR/ADR/Warrants/Convertible Instrument

Company have no outstanding GDR/ADR/ warrants as on 31 March 2012.

o) Plant Location

Village Fatehgarh Chhana, Mansa Road,
Barnala-148 001.

Phone : 91-1679-285285-86

Fax : 91-1679-285292

p) Address for Correspondence

For general correspondence:

Vice President and Company Secretary
IOL Chemicals and Pharmaceuticals Limited
85, Industrial Area 'A', Ludhiana - 141 003.

Phone : +91-161-2225531-35

Fax : +91-161-2608784

E-mail : investor@iolcp.com,

For share transfer/ dematerialisation/ change of address etc:

Alankit Assignments Limited,
(Unit: IOL Chemicals and Pharmaceuticals Limited)
"Alankit House", 2E/21, Jhandewalan Extension,
New Delhi - 110 055

Phone : +91-11-23541234, 42541234

Fax : +91-11-42541967

E mail : rtat@alankit.com

q) Address of stock exchanges / regulatory authorities

National Stock Exchange of India Limited (NSE)

Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla

Complex, Bandra (E)

Mumbai - 400 051

Phone : +91-22- 26598100 - 8114

Fax : +91-22- 26598120

BSE Limited (BSE)

Phiroze Jeejeebhoy Tower,

Dalal Street,

Mumbai- 400001

Phone : +91-22-22721233/4

Fax : +91-22-22721919

Securities and Exchange Board of India

Head Office : Plot No.C4-A,

'G' Block,Bandra Kurla Complex,

Bandra(East), Mumbai 400051

Tel : +91-22-26449000 / 40459000

Fax : +91-22-26449016-20 / 40459016-20

E-mail : sebi@sebi.gov.in

r) Address of Depositories

National Securities Depository Limited

Trade World, A wing, 4th & 5th Floors,

Kamala Mills Compound,

Lower Parel, Mumbai - 400 013

Tel : +91-22-2499 4200 (60 lines)

Fax : +91-22-2497 2993/ 2497 6351

Email : info@nsdl.co.in

Central Depository Services (India) Limited

Phiroze Jeejeebhoy Towers,

16th Floor, Dalal Street

Mumbai - 400 001

Phone : +91-22-22723333

Fax : +91-22-22723199 / 22722072

Email : investors@cdslindia.com

s) Online address for Information through Electronic mode.

All shareholders/members are requested to provide their e-mail ID at investor@iolcp.com and/or register themselves at Company's website www.iolcp.com to enable Company to provide Notice, Balance Sheet, Profit & loss, annual return, audit report etc. under Section 219 of the Companies Act, 1956 and other Information through Electronic mode.

9. CEO and CFO certificate

Certificate from the Chairman and Managing Director (CEO) and President (Finance) (CFO) under Clause 49 (V) of Listing Agreement is given in this Annual Report.

10. Auditor's Certificate on Compliance

Certificate from the Statutory Auditors confirming compliance of Clause 49 (VII) is given in this Annual Report.

11. Compliance of Clause 49 pertaining Non-Mandatory requirements

So far as Non-Mandatory requirements are concerned, the Company has constituted Remuneration Committee of the Board.

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

We, Varinder Gupta, Chairman and Managing Director and Rakesh Mahajan, President (Finance) of IOL Chemicals and Pharmaceuticals Limited, certify that:

1. We have reviewed the financial statements and the cash flow statement for the year ended 31 March 2012 and that to the best of our knowledge and belief :
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) 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;
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's code of conduct;
3. 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 to the auditors and the Audit & Risk Management 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;
4. We have indicated to the Auditors and the Audit & Risk Management Committee
 - a) significant changes in internal controls during the year;
 - b) significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements; and
 - c) instances of significant fraud of which we have become aware and involvement therein, if any, of the management or other employees who have a significant role in the Company's internal controls system.

Place : Ludhiana
Date : 30 May 2012

Sd/-
Varinder Gupta
Chairman and Managing Director

Sd/-
Rakesh Mahajan
President (Finance)

Auditors' Certificate on Compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement

To
The Members
IOL Chemicals and Pharmaceuticals Limited

We have examined the compliance of conditions of Corporate Governance by IOL Chemicals and Pharmaceuticals Limited for the year ended on 31 March 2012 as stipulated in clause 49 of the Listing Agreement of the Company with Stock Exchange in India. The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the 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 certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

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

For S.C. VASUDEVA & CO.
Chartered Accountants
Regn. No. 000235N

Place : Ludhiana
Dated : 14 August 2012

Sd/-
(Sanjiv Mohan)
Partner
M. No. 086066

Declaration under Clause 49 (1) (D) (II)

I, Varinder Gupta, Chairman and Managing Director hereby certify that all board members and senior managerial personnel have affirmed compliance with the Combined Code of Corporate Governance and Conduct for the financial year ended 31 March 2012.

For and on behalf of the Board

Place : Ludhiana
Dated : 14 August 2012

Sd/-
Varinder Gupta
Chairman and Managing Director



AUDITORS' REPORT

The Members,
IOL Chemicals and Pharmaceuticals Limited

1. We have audited the attached Balance sheet of M/s IOL Chemicals and Pharmaceuticals Ltd. as at 31 March 2012 and also the statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that :
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the balance sheet, statement of profit and loss and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of the written representations received from the directors as on 31 March 2012 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i) in the case of balance sheet, of the state of affairs of the Company as at 31st March, 2012;
 - ii) in the case of statement of profit and loss, of the profit for the year ended on that date; and
 - iii) in the case of cash flow statement, of the cash flows for the year ended on that date.

for S. C. VASUDEVA & CO.
Chartered Accountants
Firm Reg. No.00235N

Sd/-
(Sanjiv Mohan)
Partner
M. No. 86066

Place : Ludhiana
Dated : 30 May 2012

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3)

- (1) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) According to the information and explanations given to us, the fixed assets have been physically verified by the management during the year. No discrepancies were noticed on such physical verification. In our opinion the frequency of physical verification of fixed assets is reasonable having regard to the size of the Company and nature of its business.
 - c) According to information and explanations given to us, the Company has not disposed off substantial part of its fixed assets during the year.
- (2) a) According to the information and explanations given to us, the inventories have been physically verified by the management at the close of the year. In our opinion the frequency of verification is reasonable.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management as evidenced by the written procedures and instructions are reasonable and adequate in relation to the size of the company and nature of its business.
 - c) In our opinion, the Company is maintaining proper records of inventory. As explained to us, no discrepancies were noticed on physical verification of inventory as compared to the book records.
- (3) a) According to the information and explanations given to us, the Company has not granted loans secured or unsecured to companies, firm or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly the provisions of Clause 4 (iii) (b) (c) and (d) of the above said order are not applicable to the Company.
 - b) According to the information and explanations given to us, the Company has taken interest free unsecured loans from four companies and one party covered in the register maintained under Section 301 of the Companies Act, 1956. The amount involved in the transaction and payable as at the close of the year is ₹ 3581.82 lacs.
 - c) According to the information and explanations given to us and in our opinion, terms and conditions in respect of unsecured loans taken by the Company are not prima-facie prejudicial to the interest of the Company.
 - d) According to the information and explanations given to us, these unsecured loans are not repayable during the currency of the credit facilities availed by the Company from various banks.
- (4) According to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (5) (a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register 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 or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding ₹ 5 lacs or more in respect of each party during the year, have been made at prices at the relevant time.
- (6) According to the information and explanations given to us, the

Company has not accepted any deposits from public. Therefore, the provisions of Section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable to the Company. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.

- (7) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (8) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and we 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 with a view to determine whether they are accurate or complete.
- (9) (a) According to the records of the Company, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues applicable to the Company, if any, have been regularly deposited with appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31 March 2012, for a period of more than six months from the date they became payable.
- (b) According to information and explanations given to us, there are no disputed statutory dues in respect of income tax, sales tax, service tax, custom duty, wealth tax, excise duty and cess.
- (10) The Company does not have accumulated losses as at 31 March 2012. The latter part of the question regarding net worth is not applicable. Further, the Company has not incurred cash losses during the financial year covered under audit and in the immediately preceding financial year.
- (11) According to the information and explanations given to us, the Company has defaulted in repayment of dues to bank. The details of the defaults are as under:

| Sr. No. | Particulars | Amount (₹ in Lacs) | Nature of Dues | Period of default of repayment |
|---------|----------------------|--------------------|---------------------|--------------------------------|
| 1. | Punjab National Bank | 314.42* | Principal repayment | Jan 2012 - March 2012 |
| | | 163.02** | Interest | Feb 2012 |

* Out of which ₹ 50 lacs is pending.

** Since cleared.

- (12) In our opinion and according to the information and explanations given to us, the Company has not granted any

loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the above said order are not applicable to the Company.

- (13) According to the information and explanations given to us, the Company is not a chit fund, or a nidhi/mutual benefit fund/society. Accordingly, the provisions of Clause 4 (xiii) of the above said order are not applicable to the Company.
- (14) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of Clause 4(xiv) of the above said order are not applicable to the Company.
- (15) According to the information and explanations given to us, the Company has not given guarantee for loans taken by others from banks and financial institutions. Therefore, the provisions of Clause 4(xv) of the above said order are not applicable to the Company.
- (16) According to the information and explanations given to us, the Company has applied the term loans for the purpose for which the loans were taken.
- (17) In our opinion and according to information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that short term funds of ₹ 5.41 Crores have temporarily been utilised for long term purpose.
- (18) According to the information and explanation given to us, the Company has not made preferential allotment to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of Clause 4(xviii) of the above said order are not applicable to the Company.
- (19) According to the information and explanations given to us, the Company has not issued debentures during the year. Accordingly, the provisions of Clause 4(xix) of the above said order are not applicable to the Company.
- (20) According to the information and explanations given to us, the Company has not raised money by way of public issue during the year. Accordingly, the provisions of Clause 4(xx) of the above said order are not applicable to the Company.
- (21) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the period covered by our audit.

for S. C. VASUDEVA & CO.
Chartered Accountants
Firm Reg. No.00235N

Sd/-
(Sanjiv Mohan)
Partner
M. No. 86066

Place : Ludhiana
Dated : 30 May 2012

BALANCE SHEET AS AT 31 MARCH 2012

| Particulars | Note No. | As at 31 March 2012 ₹ | As at 31 March 2011 ₹ |
|--|----------|-----------------------------|-----------------------------|
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholders Funds | | | |
| (a) Share capital | 3 | 30,71,66,640 | 30,71,66,640 |
| (b) Reserves and surplus | 4 | 1,42,45,15,395 | 1,39,52,14,559 |
| (c) Money received against share warrants | 5 | - | 2,10,00,000 |
| | | <u>1,73,16,82,035</u> | <u>1,72,33,81,199</u> |
| (2) Equity Share Capital pending allotment pursuant to scheme of merger | | 43,45,000 | - |
| (3) Non current liabilities | | | |
| (a) Long term borrowings | 6 | 2,74,72,48,218 | 2,35,18,73,202 |
| (b) Deferred tax liabilities (Net) | 7 | 9,28,83,480 | 10,05,57,062 |
| (c) Other long term liabilities | 8 | 3,99,17,272 | 4,31,90,602 |
| (d) Long term provisions | 9 | 11,78,253 | 32,54,758 |
| | | <u>2,88,12,27,223</u> | <u>2,49,88,75,624</u> |
| (4) Current Liabilities | | | |
| (a) Short term borrowings | 10 | 76,47,76,868 | 63,14,73,369 |
| (b) Trade payables | 11 | 79,40,66,340 | 61,00,87,621 |
| (c) Other current liabilities | 12 | 69,28,94,806 | 56,00,28,887 |
| (d) Short term provisions | 13 | 5,26,327 | 48,32,822 |
| | | <u>2,25,22,64,341</u> | <u>1,80,64,22,699</u> |
| TOTAL | | <u>6,86,95,18,599</u> | <u>6,02,86,79,522</u> |
| II ASSETS | | | |
| (1) Non-Current Assets | | | |
| (a) Fixed assets | | | |
| (i) Tangible assets | 14 | 4,61,90,01,129 | 3,50,90,38,168 |
| (ii) Intangible assets | | 7,54,544 | 5,24,755 |
| (iii) Capital work in progress | | 12,37,56,834 | 56,80,31,111 |
| | | <u>4,74,35,12,507</u> | <u>4,07,75,94,034</u> |
| (b) Non-current investments | | - | - |
| (c) Long-term loans and advances | 15 | 11,01,08,743 | 15,12,16,284 |
| (d) Other non current assets | 16 | 2,33,73,752 | 1,86,19,414 |
| | | <u>4,87,69,95,002</u> | <u>4,24,74,29,732</u> |
| (2) Current Assets | | | |
| (a) Current investments | | - | - |
| (b) Inventories | 17 | 1,31,76,60,173 | 99,55,62,487 |
| (c) Trade receivables | 18 | 21,59,26,722 | 31,13,59,653 |
| (d) Cash and bank balances | 19 | 8,69,53,847 | 18,07,74,008 |
| (e) Short term loans and advances | 20 | 37,19,82,856 | 29,35,53,642 |
| (f) Other current assets | | - | - |
| | | <u>1,99,25,23,598</u> | <u>1,78,12,49,790</u> |
| TOTAL | | <u>6,86,95,18,599</u> | <u>6,02,86,79,522</u> |

See accompanying notes forming part of the financial statements 2

As per our report of even date attached
for S.C.VASUDEVA & CO.

Chartered Accountants
Firm Regn. No. 000235N

Sd/-
Sanjiv Mohan
Partner
M.No. 86066

Sd/-
Varinder Gupta
Chairman and Managing Director

Sd/-
Vijay Singla
Director (Works)

Sd/-
N.K. Pundir
Director (Commercial)

Place : Ludhiana
Dated : 30 May 2012

Sd/-
Krishan Singla
Vice President and
Company Secretary

Sd/-
Rakesh Mahajan
President (Finance)

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2012

| Particulars | Note No. | For the year ended 31 March 2012 ₹ | For the year ended 31 March 2011 ₹ |
|---|----------|---------------------------------------|---------------------------------------|
| I. Revenue from operations (Gross) | 21 | 5,05,51,93,735 | 4,22,40,46,752 |
| Less: excise duty | | 34,83,67,773 | 32,99,73,024 |
| Revenue from operations (Net) | | 4,70,68,25,962 | 3,89,40,73,728 |
| II. Other income | 22 | 2,33,41,635 | 1,89,72,720 |
| III. Total revenue (I+II) | | 4,73,01,67,597 | 3,91,30,46,448 |
| IV. Expenses: | | | |
| (a) Cost of material consumed | 23 | 3,25,16,44,579 | 2,69,62,15,745 |
| (b) Purchase of stock-in-trade | 24 | 3,71,119 | 1,45,27,167 |
| (c) Changes in inventories of finished goods, work in progress and stock in trade | 25 | (25,24,94,347) | (29,46,18,895) |
| (d) Employee benefit expense | 26 | 20,13,70,577 | 17,00,90,253 |
| (e) Finance cost | 27 | 43,19,84,572 | 36,79,65,348 |
| (f) Depreciation and amortization expense | 14 | 23,93,60,749 | 23,76,28,459 |
| (h) Other expenses | 28 | 81,99,53,752 | 63,08,07,096 |
| Total expenses | | 4,69,21,91,001 | 3,82,26,15,173 |
| V. Profit before exceptional and extraordinary items and tax (III-IV) | | 3,79,76,596 | 9,04,31,275 |
| VI. Exceptional items | | - | - |
| VII. Profit before extraordinary items and tax (V±VI) | | 3,79,76,596 | 9,04,31,275 |
| VIII. Extraordinary items | | - | - |
| IX. Profit before tax (VII±VIII) | | 3,79,76,596 | 9,04,31,275 |
| X. Tax expense | | | |
| (a) Current tax | | 75,98,262 | 1,80,23,405 |
| (b) Tax of earlier year | | (18,82,639) | - |
| (c) MAT credit entitlement | | (75,98,262) | (1,80,23,405) |
| (d) Deferred Tax | | (76,73,582) | 2,86,39,257 |
| Total tax expense | | (95,56,221) | 2,86,39,257 |
| XI. Profit for the year (IX-X) | | 4,75,32,817 | 6,17,92,018 |
| XII. Earnings per equity share of ₹ 10/- each | 37 | | |
| - Basic | | 1.85 | 2.52 |
| - Diluted | | 1.83 | 2.52 |
| - Cash | | 10.49 | 12.69 |

See accompanying notes forming part of the financial statements 2

As per our report of even date attached
for S.C.VASUDEVA & CO.Chartered Accountants
Firm Regn. No. 000235NSd/-
Sanjiv Mohan
Partner
M.No. 86066Sd/-
Varinder Gupta
Chairman and Managing DirectorPlace : Ludhiana
Dated : 30 May 2012

For and on behalf of the Board of Directors

Sd/-
Vijay Singla
Director (Works)Sd/-
Krishan Singla
Vice President and
Company SecretarySd/-
N.K. Pundir
Director (Commercial)Sd/-
Rakesh Mahajan
President (Finance)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

| | 31 March 2012 ₹ | 31 March 2011 ₹ |
|--|-----------------------|--------------------|
| Cash flow from operating activities | | |
| Profit before tax | 3,79,76,596 | 9,04,31,275 |
| Adjustments for: | | |
| Depreciation | 23,93,60,749 | 23,76,28,459 |
| Loss /(Profit) on sale of assets | 25,95,091 | (19,752) |
| Interest expense | 40,61,56,821 | 34,53,10,074 |
| Interest income | (1,33,23,003) | (1,21,81,431) |
| Dividend income | - | (5,49,040) |
| Operating profit before working capital changes | 67,27,66,254 | 66,06,19,585 |
| Movement in working capital: | | |
| Increase/(Decrease) in trade payables and other liabilities | 17,49,69,847 | 7,31,33,739 |
| Decrease/(Increase) in trade and other receivables | 3,30,76,554 | (14,59,63,666) |
| Decrease/(Increase) in inventories | (32,19,07,246) | (32,69,08,255) |
| Cash generated from/(used in) operations | 55,89,05,409 | 26,08,81,403 |
| Direct taxes paid (net of refunds) | (97,99,728) | (2,44,41,913) |
| Net cash flow from/(used in) operating activities (A) | 54,91,05,681 | 23,64,39,490 |
| Cash flows from investing activities | | |
| Purchase of fixed assets including intangible assets | (88,67,32,918) | (70,74,55,627) |
| Proceeds from sale of fixed assets | 31,90,036 | 3,20,000 |
| Interest & dividend received | 1,47,36,369 | 1,38,33,410 |
| Net cash flow from/(used in) investing activities (B) | (86,88,06,513) | (69,33,02,217) |
| Cash flows from financing activities | | |
| Proceeds from issuance of share capital | - | 18,00,00,000 |
| Proceeds from long term borrowings (net) | 48,19,53,704 | 51,21,61,504 |
| Proceeds from short term borrowing | 13,33,03,499 | 23,76,49,096 |
| Interest paid | (38,48,04,743) | (33,95,76,221) |
| Net cash flow from/(used in) financing activities (C) | 23,04,52,460 | 59,02,34,379 |
| Net increase/(decrease) in cash and cash equivalents (A+B+C) | (8,92,48,372) | 13,33,71,652 |
| Cash and cash equivalents at the beginning of the period | 19,93,93,422 | 6,60,21,770 |
| Cash and cash equivalents of the merged Company at the beginning of the period | 1,82,549 | - |
| Cash and cash equivalents at the end of the period | 11,03,27,599 | 19,93,93,422 |
| Components of cash and cash equivalents | | |
| Cash on hand | 24,42,703 | 77,68,138 |
| Balances with banks on current accounts | 19,53,881 | 47,18,566 |
| Deposits with maturity for less than 12 months | 8,25,57,263 | 16,82,87,304 |
| Deposits with maturity for more than 12 months | 2,33,73,752 | 1,86,19,414 |
| Total cash and cash equivalents (note 19) | 11,03,27,599 | 19,93,93,422 |

See accompanying notes forming part of the financial statements

As per our report of even date attached
for **S.C.VASUDEVA & CO.**

Chartered Accountants
Firm Regn. No. 000235N

Sd/-
Sanjiv Mohan
Partner
M.No. 86066

Sd/-
Varinder Gupta
Chairman and Managing Director

Place : Ludhiana
Dated : 30 May 2012

For and on behalf of the Board of Directors

Sd/-
Vijay Singla
Director (Works)

Sd/-
N.K. Pundir
Director (Commercial)

Sd/-
Krishan Singla
Vice President and
Company Secretary

Sd/-
Rakesh Mahajan
President (Finance)

Notes to financial statements for the year ended 31 March 2012**1. Corporate information**

IOL Chemicals and Pharmaceuticals Limited (The Company) is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on 29th September 1986. Its shares are listed on two stock exchanges in India. The Company is engaged in the manufacturing and selling of Organic Chemicals and Bulk Drugs. The Company caters to both domestic and international market.

2. Significant accounting policies and notes on accounts**a. Basis of preparation of financial statements:**

The accounts are prepared on accrual basis under the historical cost convention in accordance with the applicable accounting standards referred to in sub section (3C) of Section 211 and other relevant provisions of the Companies Act, 1956.

b. Use of estimates

The preparation of financial statements, in conformity with the generally accepted accounting principles require estimates and assumptions to be made that affect the reported amount of asset and liabilities as on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between actual results and estimates are recognised in the period in which the results materialise.

c. Revenue Recognition**i) Sale:**

Sales comprise sale of goods and export incentives. Revenue from sale of goods is recognised:

- a) when all significant risks and rewards of ownership is transferred to the buyer and the Company retains no effective control of the goods transferred to a degree usually associated with ownership and
- b) no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods.

ii) Export Incentives

The revenue in respect of the export incentives is recognised on post export basis.

iii) Dividend

Dividend income is recognised when the right to receive the payment is established.

iv) Interest

Interest Income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

v) Insurance and other claims

Revenue in respect of claims is recognized when no significant uncertainty exists with regard to the amount to be realized and the ultimate collection thereof.

d. Employee Benefits**a) Short Term Employee Benefits:**

Short Term Employee Benefits are recognised as an expense on an undiscounted basis in the statement of profit and loss for the year in which the related service is rendered.

b) Post Employment Benefits:**i) Defined Contribution Plans:**

Provident Fund: Contributions to provident fund are made in accordance with the provisions of the Employee's Provident Fund and Miscellaneous Provisions Act, 1952 and are charged to the statement of profit and loss in the period in which such contributions fall due.

ii) Defined Benefit Plans:

Gratuity: Provision for gratuity liability to employees is made on the basis of actuarial valuation as at close of the year.

c) Leave encashment:

Provision for leave encashment with wages and long term compensated absences is made on the basis of actuarial valuation as at close of the year.

d) The actuarial gain or loss:

The actuarial gain or loss is recognised in statement of profit and loss account.

e. Tangible fixed assets

- a) Fixed assets are stated at historical cost less accumulated depreciation.
- b) The cost of fixed asset comprises of its purchase price and any attributable expenditure (directly or indirectly) for bringing the asset to its working condition for its intended use.
- c) The exchange difference arising on reporting of long term foreign currency monetary items at rate different from those at which they were initially recorded during the period or reported in previous financial statements attributable to the acquisition of fixed assets are capitalised.

f. Intangible assets

Intangible assets are stated at cost less accumulated amount of amortisation.

g. Depreciation on tangible fixed assets

- i) Depreciation on all fixed assets is provided on the straight line method in accordance with and in the manner specified in Schedule XIV to the Companies Act, 1956.
- ii) Depreciation on assets costing ₹ 5,000/- or below is charged @ 100% per annum.
- iii) The lease hold land is amortised over the lease period, i.e. 99 years.
- iv) Addition or deduction to the fixed assets arising from exchange rate variation is depreciated over the residual life of the respective fixed assets.

h. Amortisation

Intangible assets are amortised on straight line method over their estimated useful life.

i. Investments

Long term investments are carried at cost less provisions, if any, for diminution in value which is other than temporary. Current Investments are carried at lower of cost and fair value.

j. Inventories

Inventories are valued at cost or net realisable value which

ever is lower. The cost in respect of various items of inventories is computed as under:

- | | |
|------------------------|--|
| a) Raw Material | First in First out method plus direct expenses |
| b) Stores and Spares | Weighted Average method plus direct expenses |
| c) Work-in-progress | Cost of material plus appropriate share of overheads thereon at different stage of completion. |
| d) Finished Goods | Cost of material plus conversion cost, packing cost, excise duty and other overheads incurred to bring the goods to their present conditions and location. |
| e) Material in Transit | Actual cost plus direct expenses to the extent incurred. |

k. Cenvat Credit

Cenvat credit of excise duty paid on inputs, capital assets and input services is recognised in accordance with the Cenvat Credit Rules, 2004.

l. Government Grants and Subsidies

Government grants available to the Company are recognised when there is a reasonable assurance of compliance with the conditions attached to such grants and where benefits in respect thereof have been earned and it is reasonably certain that the ultimate collection will be made. Government subsidy in the nature of promoter's contribution is credited to capital reserve. Government subsidy received for a specific asset is reduced from the cost of the said asset.

m. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of cost of such asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

n. Segment information

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial of the enterprise as a whole.

o. Operating lease

Assets acquired on leases wherein a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals paid for such leases are recognised as an expense on systematic basis over the term of lease.

p. Foreign currency transactions

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

b. Foreign currency monetary items are reported using the closing rate. Exchange differences arising on the settlement of monetary items or on reporting the same at rate different from those at which these were initially recorded during the period or reported in previous financial statement are recognised as income or expense in the period in which they arise except in case of long term liabilities which relate to acquisition of fixed assets, these exchange differences are adjusted to the carrying cost of such assets.

q. Accounting for taxes on income

The accounting treatment followed for taxes on income is to provide for Current tax and Deferred tax. Current tax is the aggregate amount of income tax determined to be payable in respect of taxable income for the period. Deferred Tax is the tax effect of timing differences between taxable income and accounting income for the period that originate in one period and are capable of reversal in one or more subsequent periods.

r. Earning Per Share

Basic Earning per share is computed by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earning per share is computed by taking into account weighted average number of equity shares outstanding during the period and the weighted average number of equity shares which would be issued on conversion of all dilutive potential equity shares into equity shares.

s. Impairment of fixed assets

At each Balance Sheet date an assessment is made whether any indication exists that an asset has been impaired, if any such indication exists, an impairment loss i.e. the amount by which the carrying amount of an asset exceeds its recoverable amount is provided in the books of account.

t. Provisions and Contingent Liabilities

i. Provisions are recognised (for liabilities that can be measured by using a substantial degree of estimation) when;

- a) the Company has a present obligation as a result of a past event;
- b) a probable outflow of resources embodying economic benefits is expected to settle the obligation; and
- c) the amount of the obligation can be reliably estimated.

ii. Contingent liability is disclosed in case there is:

- a) possible obligation that arises from past events and existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the enterprise; or
- b) a present obligation arising from a past event but is not recognised
 - (i) when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) a reliable estimate of the amount of the obligation cannot be made.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

3 Share Capital

| Particulars | As at 31 March 2012 | | As at 31 March 2011 | |
|---|---------------------|--------------|---------------------|--------------|
| | Number of shares | ₹ | Number of shares | ₹ |
| a) Authorised | | | | |
| Equity shares of ₹ 10/- each (par value) | 4,00,00,000 | 40,00,00,000 | 4,00,00,000 | 40,00,00,000 |
| Increase pursuant to scheme of merger | 90,00,000 | 9,00,00,000 | - | - |
| Total authorised equity share capital | 4,90,00,000 | 49,00,00,000 | 4,00,00,000 | 40,00,00,000 |
| Non cumulative preference shares ₹ 10/- each (par value) | 50,00,000 | 5,00,00,000 | 50,00,000 | 5,00,00,000 |
| | 5,40,00,000 | 54,00,00,000 | 4,50,00,000 | 45,00,00,000 |
| b) Issued and subscribed | | | | |
| Equity shares of ₹ 10/- each | 2,57,16,664 | 25,71,66,640 | 2,57,16,664 | 25,71,66,640 |
| 7% Non cumulative preference shares ₹ 10/- each | 50,00,000 | 5,00,00,000 | 50,00,000 | 5,00,00,000 |
| | 3,07,16,664 | 30,71,66,640 | 3,07,16,664 | 30,71,66,640 |
| c) Paid up | | | | |
| Equity shares of ₹ 10/- each | 2,57,16,664 | 25,71,66,640 | 2,57,16,664 | 25,71,66,640 |
| 7% Non cumulative preference shares ₹ 10/- each | 50,00,000 | 5,00,00,000 | 50,00,000 | 5,00,00,000 |
| | 3,07,16,664 | 30,71,66,640 | 3,07,16,664 | 30,71,66,640 |

a. Reconciliation of the number of shares and the amount outstanding at the beginning and at the end of the reporting period**Equity Shares**

| | As at 31 March 2012 | | As at 31 March 2011 | |
|---|---------------------|---------------------|---------------------|---------------------|
| | Number of shares | ₹ | Number of shares | ₹ |
| At the beginning of the reporting period | 2,57,16,664 | 25,71,66,640 | 2,27,16,664 | 22,71,66,640 |
| Add: Issued during the year | - | - | 30,00,000 | 3,00,00,000 |
| Outstanding at the end of the reporting period | 2,57,16,664 | 25,71,66,640 | 2,57,16,664 | 25,71,66,640 |

Preference Shares

| | As at 31 March 2012 | | As at 31 March 2011 | |
|---|---------------------|--------------------|---------------------|--------------------|
| | Number of shares | ₹ | Number of shares | ₹ |
| At the beginning of the reporting period | 50,00,000 | 5,00,00,000 | 50,00,000 | 5,00,00,000 |
| Add: Issued during the year | - | - | - | - |
| Outstanding at the end of the reporting period | 50,00,000 | 5,00,00,000 | 50,00,000 | 5,00,00,000 |

b. Terms/rights attached to equity shares

The Company presently has one class of equity shares having a par value of ₹ 10/- each. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

The Company has not declared dividend during the year ended 31 March 2012.

c. Terms/rights attached to preference shares

The rate of dividend on preference shares is decided by the Board of Directors as and when issued. Preference shares have the non-cumulative right to receive dividend as and when declared and shall have preferential right of repayment of amount of capital.

The Company has issued 7% non-cumulative preference shares shall be redeemable at par on expiry of 10 years from the date of allotment i.e. 20 March 2004. The earliest date of redemption is 20 March 2014.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
d. Details of shares held by holding Company or the ultimate holding Company or their subsidiaries and associates

There is no holding Company of the Company and therefore no subsidiary/ associate of holding /ultimate holding Company.

e. Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 years immediately preceding the balance date:

| | Aggregate number of shares As at 31 March 2012 | Aggregate number of shares As at 31 March 2011 |
|--|---|---|
| Equity Shares allotted as fully paid up by way of bonus shares | - | - |
| Equity Shares allotted as fully paid up pursuant to contract (s) without payment being received in cash | - | - |
| Equity Shares bought back by the Company | - | - |
| | - | - |

f. Detail of shares held by each shareholder holding more than 5% shares

| Class of share / Name of the shareholder | As at 31 March 2012 | | As at 31 March 2011 | |
|---|--------------------------|---------|--------------------------|---------|
| | Number of shares held | % | Number of shares held | % |
| a) Equity shares | | | | |
| i) Mayadevi Polycot Limited | 97,81,323 | 38.03% | 97,81,323 | 38.03% |
| ii) IndiaSTAR (Mauritius) Limited | 38,06,664 | 14.80% | 38,06,664 | 14.80% |
| iii) NM Merchantiles Limited | 25,00,000 | 9.72% | 25,00,000 | 9.72% |
| iv) G Consultants and Fabricators Limited | 15,00,000 | 5.83% | 15,00,000 | 5.83% |
| b) Preference shares | | | | |
| Trident Limited | 50,00,000 | 100.00% | 50,00,000 | 100.00% |

g. Foreign Currency Convertible Bonds

The Company has issued zero coupon unsecured foreign currency convertible bonds (FCCB) aggregating to US \$ 7 Million.

The bond holders have option to convert into equity shares of the Company at price of ₹ 78 per share (subject to adjustment, if any) with a fixed exchange rate of ₹ 47.57 per US \$ at any time on or after 28 May 2010 but on or before 28 May 2015 subject to satisfaction of certain conditions.

The Company has also option to convert all outstanding bonds into equity shares at the prevailing conversion price at any time on or after 28 November 2014 but on or before 28 May 2015.

4 Reserves and surplus

| Particulars | As at 31 March 2012 ₹ | As at 31 March 2011 ₹ |
|---|-----------------------------|-----------------------------|
| a) Capital reserves | | |
| Balance as per the last financial statements | 1,05,45,651 | 1,05,45,651 |
| Add: Forfeiture of warrants (refer note no.5) | 2,10,00,000 | - |
| Add: Capital reserve transferred from transferor company | 50,00,000 | - |
| Add: Reserve created on merger of transferor company (refer note no.47) | 8,25,55,000 | - |
| Outstanding at the end of the reporting period | <u>11,91,00,651</u> | <u>1,05,45,651</u> |
| b) Securities premium reserve | | |
| Balance as per the last financial statements | 86,09,23,160 | 68,99,23,160 |
| Add: Amount received during the year | - | 17,10,00,000 |
| Closing Balance | <u>86,09,23,160</u> | <u>86,09,23,160</u> |
| c) Surplus i.e. balance in statement of profit and loss | | |
| Balance as per the last financial statements | 52,37,45,748 | 46,19,53,730 |
| Less: Debit balance of profit and loss account of transferor company | 12,67,86,981 | - |
| Add: Profit for the year transferred from statement of profit and loss | 4,75,32,817 | 6,17,92,018 |
| Net surplus in the statement of profit and loss | <u>44,44,91,584</u> | <u>52,37,45,748</u> |
| | <u>1,42,45,15,395</u> | <u>1,39,52,14,559</u> |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

5 Money received against share warrants

| | As at 31 March 2012 | | As at 31 March 2011 | |
|--|---------------------------|-------------|---------------------------|--------------|
| | Number of shares warrants | ₹ | Number of shares warrants | ₹ |
| Share warrants at the beginning of the reporting period | 15,00,000 | 2,10,00,000 | 30,00,000 | 4,20,00,000 |
| Add: Amount received against opening share warrants | - | - | - | 6,30,00,000 |
| Add: Issue of fresh share warrants and amount received during the reporting period | - | - | 15,00,000 | 11,70,00,000 |
| Less: Issue of shares of ₹ 10/- each at a premium of ₹ 46/- per share against share warrants | - | - | 15,00,000 | 8,40,00,000 |
| Less: Issue of shares of ₹ 10/- each at a premium of ₹ 68/- per share against share warrants | - | - | 15,00,000 | 11,70,00,000 |
| Less: Forfeited warrants (amount originally paid up) | 15,00,000 | 2,10,00,000 | - | - |
| Share warrants outstanding at the end of the reporting period | - | - | 15,00,000 | 2,10,00,000 |

The allottees of 15,00,000 warrants expressed their unwillingness to convert these warrants to equity shares. The Company, in accordance with SEBI guidelines for preferential issue, forfeited ₹ 210 lacs, the amount paid by the allottees for these warrants.

The said forfeited amount has been shown in Capital Reserve under the head Reserves and surplus.

6 Long term borrowings

| Particulars | As at 31 March 2012 | | | As at 31 March 2011 | | |
|--|---------------------|----------------------|----------------------------|---------------------|----------------------|----------------------------|
| | Total Outstanding ₹ | Current Maturities ₹ | Net long term borrowings ₹ | Total Outstanding ₹ | Current Maturities ₹ | Net long term borrowings ₹ |
| a) Term Loans (secured) | | | | | | |
| i) From banks | 2,19,53,66,807 | 46,06,99,107 | 1,73,46,67,700 | 2,08,35,66,661 | 39,07,78,922 | 1,69,27,87,739 |
| ii) From financial institutions | 26,64,10,417 | 1,92,96,131 | 24,71,14,286 | 10,38,00,000 | - | 10,38,00,000 |
| iii) From others | 20,53,199 | 12,63,841 | 7,89,358 | 16,89,290 | 6,28,139 | 10,61,151 |
| Total secured borrowings | 2,46,38,30,423 | 48,12,59,079 | 1,98,25,71,344 | 2,18,90,55,951 | 39,14,07,061 | 1,79,76,48,890 |
| b) Other loans and advances (unsecured) | | | | | | |
| i) From banks | | | - | | | 7,29,05,997 |
| ii) Foreign Currency Convertible Bonds | | | 40,64,94,466 | | | 33,11,83,293 |
| c) From related parties | | | 35,81,82,408 | | | 15,01,35,022 |
| Total unsecured borrowings | | | 76,46,76,874 | | | 55,42,24,312 |
| Total | | | 2,74,72,48,218 | Total | | 2,35,18,73,202 |

a. Details of security for term loans

- Term loans from banks and financial institutions are secured by way of equitable mortgage of all present and future immovable properties of the Company ranking pari-passu charge by way of hypothecation of all the Company's movable properties, save and except Book Debts but including movable machinery, spares, tools and accessories both present and future subject to prior charges created / to be created in favour of the Company's Bankers on specified movable properties for securing borrowings for working capital requirements.
- Further, the term loans from banks and financial institutions are secured by second pari-passu charge on all current assets present and future and the personal guarantee of the Managing Director of the Company.
- Term loan from others are secured by hypothecation of vehicles purchased against these loans.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
b. Terms of repayment of term loans from banks

- 1 Term Loan from Punjab National Bank amounting to ₹ 477.49 lacs carries interest rate @ base rate + 3.75% + Term Premium 0.50%.
The term loan is repayable in 5 quarterly installments of ₹ 79.17 lacs each and one installment of ₹ 81.64 lacs.
- 2 Term Loan from Punjab National Bank amounting to ₹ 306.98 lacs carries interest rate @ base rate + 3.75% + Term Premium 0.50%.
The term loan is repayable in 5 quarterly installments of ₹ 50 lacs each and one installment of ₹ 56.98 lacs.
- 3 Term Loan from Punjab National Bank amounting to ₹ 389.56 lacs carries interest rate @ base rate + 3.75% + Term Premium 0.50%.
The term loan is repayable in 10 quarterly installments of ₹ 35.42 lacs each and one installment of ₹ 35.36 lacs.
- 4 Term Loan from Punjab National Bank amounting to ₹ 4,650 lacs carries interest rate @ base rate + 3.75% + Term Premium 0.50%.
The term loan is repayable in 18 quarterly installments of ₹ 250 lacs each and one installment of ₹ 150 lacs.
- 5 Term Loan from Punjab National Bank amounting to ₹ 471.83 lacs carries interest rate @ base rate + 3.75% + Term Premium 0.50%.
The term loan is repayable in 18 quarterly installments of ₹ 24.83 lacs each and one installment of ₹ 24.89 lacs.
- 6 Term Loan from Punjab National Bank amounting to ₹ 2,375 lacs carries interest rate @ base rate + 3.75% + Term Premium 0.50%.
The term loan is repayable in 19 quarterly installments of ₹ 125 lacs each.
- 7 Term Loan from Punjab National Bank amounting to ₹ 4,994.05 lacs carries interest rate @ base rate + 3.50% + Term Premium 0.50%.
The term loan is repayable in 27 quarterly installments of ₹ 178.57 lacs each and one installment of ₹ 172.66 lacs.
- 8 Term Loan from Allahabad Bank amounting to ₹ 131.73 lacs carries interest rate @ base rate + 4%.
The term loan is repayable in 4 quarterly installments of ₹ 26.33 lacs each and one installment of ₹ 26.41 lacs.
- 9 Term Loan from Allahabad Bank amounting to ₹ 150 lacs carries interest rate @ base rate + 4%.
The term loan is repayable in 6 quarterly installments of ₹ 25 lacs each.
- 10 Term Loan from Allahabad Bank amounting to ₹ 126.73 lacs carries interest rate @ base rate + 4%.
The term loan is repayable in 4 quarterly installments of ₹ 26.33 lacs each and one installment of ₹ 21.41 lacs.
- 11 Term Loan from Allahabad Bank amounting to ₹ 2,624.57 lacs carries interest rate @ base rate + 2.75%.
The term loan is repayable in 17 quarterly installments of ₹ 145.83 lacs each and one installment of ₹ 145.46 lacs.

- 12 Term Loan from Allahabad Bank amounting to ₹ 1,500 lacs carries interest rate @ base rate + 3.25%.
The term loan is repayable in 27 quarterly installments of ₹ 53.57 lacs each and one installment of ₹ 53.61 lacs.
- 13 Term Loan from State Bank of India amounting to ₹ 1,505.95 lacs carries interest rate @ base rate + spread of 4.50%.
The term loan is repayable in 18 quarterly installments of ₹ 79.33 lacs each and one installment of ₹ 78.01 lacs.
- 14 Term Loan from Oriental Bank of Commerce amounting to ₹ 49.88 lacs carries interest rate @ base rate + 4% + Term Premium 0.50%.
The term loan is repayable in 5 quarterly installments of ₹ 8.33 lacs each and one installment of ₹ 8.23 lacs.
- 15 Term Loan from Oriental Bank of Commerce amounting to ₹ 1,500 lacs carries interest rate @ base rate + 4% + Term Premium 0.50%.
The term loan is repayable in 17 quarterly installments of ₹ 83.33 lacs each and one installment of ₹ 83.39 lacs.
- 16 Term Loan from Oriental Bank of Commerce amounting to ₹ 700 lacs carries interest rate @ base rate + 4% + Term Premium 0.50%.
The term loan is repayable in 28 quarterly installments of ₹ 25 lacs each.

c. Terms of repayment of term loans from financial institutions

- 1 Term Loan from Export-Import Bank of India amounting to ₹ 1,764 lacs (sanctioned amount ₹ 1800 lacs) carries interest rate @ 11.50% for ₹ 1038 Lacs and @ 11.75% for ₹ 762 lacs.
The term loan is repayable in 27 quarterly installments of ₹ 64.29 lacs each and one installment of ₹ 64.17 lacs.
- 2 Term Loan from Export-Import Bank of India amounting to ₹ 900 lacs (sanctioned amount ₹ 4,000 lacs) carries interest rate @ G-Sec (1 year) + 4%. The term loan is repayable in 27 quarterly installments of ₹ 143 lacs each and one installment of ₹ 139 lacs.

d. Terms of repayment of term loans from others

- 1 Vehicle loan from Kotak Mahindra Prime Limited amounting to ₹ 2.19 lacs carries interest @ 8.96%. The loan is repayable in 8 monthly installments (including interest) of ₹ 28,350 each.
- 2 Vehicle loan from Kotak Mahindra Prime Limited amounting to ₹ 2.13 lacs carries interest @ 8.35%. The loan is repayable in 7 monthly installments (including interest) of ₹ 31,350 each.
- 3 Vehicle loan from Kotak Mahindra Prime Limited amounting to ₹ 9.02 lacs carries interest @ 12.19%. The loan is repayable in 51 monthly installments (including interest) of ₹ 23,030 each.
- 4 Vehicle loan from Tata Capital Financial Services Limited amounting to ₹ 7.19 lacs carries interest rate @ 10.77%. The loan is repayable in 13 monthly installments (including interest). 5 monthly installments of ₹ 71,820 each and 8 monthly installments of ₹ 51,300 each.

* Figures of term loan stated above in para (b), (c) and (d) includes current maturities of long term debt shown separately in note 12.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

- e. The Company has defaulted in repayment of loans and interest in respect of the following:

| Particulars | As at 31 March 2012 Period of default | ₹ | As at 31 March 2011 Period of default | ₹ |
|-----------------------------|---|--------------------|---|----------|
| Term loans from banks: | | | | |
| Punjab National Bank | | | | |
| Principal | Jan - March 2012 | 3,14,42,000 | - | - |
| Interest | Feb 2012 | 1,63,02,423 | - | - |
| | | <u>4,77,44,423</u> | | <u>-</u> |

- f. Reconciliation of the Foreign Currency Convertible Bonds at the beginning and at the end of the reporting period

| Particulars | As at 31 March 2012 | ₹ | As at 31 March 2011 | ₹ |
|--|------------------------|---|------------------------|---|
| Balance as per the last financial statements | 33,11,83,293 | | - | |
| Add: Issued during the reporting period | - | | 33,29,90,000 | |
| Add: Amount accredited during the reporting period | 2,51,53,928 | | 1,98,51,865 | |
| Add: Provision for currency exchange rate fluctuation at the end of reporting period | 5,01,57,245 | | (2,16,58,572) | |
| Outstanding at the end of the reporting period | 40,64,94,466 | | 33,11,83,293 | |

- g. Terms of repayment of Foreign Currency Convertible Bonds
Foreign Currency Convertible Bonds are redeemable on 05 June 2015 at a premium of 41.25% of their principal amount unless previously redeemed, repurchased and cancelled or converted.

- h. Loan from related parties is as per stipulation of banks. These loans are interest free and not repayable during the currency of the credit facilities availed from these banks.

7 Deferred tax liabilities (Net)

| Particulars | As at 31 March 2012 | ₹ | As at 31 March 2011 | ₹ |
|---|------------------------|---|------------------------|---|
| Deferred tax liabilities | | | | |
| Fixed assets: Impact of difference between tax depreciation and depreciation charged for the financial reporting period | 60,40,24,313 | | 50,90,73,759 | |
| Deferred tax assets | | | | |
| Unabsorbed depreciation (to the extent covered in DTL) | 51,11,40,833 | | 40,85,16,697 | |
| Net deferred tax liability | <u>(9,28,83,480)</u> | | <u>(10,05,57,062)</u> | |

8 Other long term liabilities

| Particulars | As at 31 March 2012 | ₹ | As at 31 March 2011 | ₹ |
|--------------------------|------------------------|---|------------------------|---|
| Long term trade deposits | 3,99,17,272 | | 4,31,90,602 | |
| | <u>3,99,17,272</u> | | <u>4,31,90,602</u> | |

9 Long term provisions

| Particulars | As at 31 March 2012 | ₹ | As at 31 March 2011 | ₹ |
|---|------------------------|---|------------------------|---|
| Provision for employee benefits: | | | | |
| - Leave encashment | 11,78,253 | | 20,06,355 | |
| - Gratuity | - | | 12,48,403 | |
| | <u>11,78,253</u> | | <u>32,54,758</u> | |

10 Short term borrowings

| Particulars | As at 31 March 2012 | ₹ | As at 31 March 2011 | ₹ |
|---------------------------------|------------------------|---|------------------------|---|
| Loan repayable on demand | | | | |
| - From Banks (secured) | 76,47,76,868 | | 63,14,73,369 | |

Details of security

Loans repayable on demand from banks are secured by way of first pari-passu charge on all present and future finished goods, work-in-progress, raw materials, stores and spares, book debts and second pari-passu charge on fixed assets and further secured by personal guarantee of the Managing Director.

Terms of repayment

Working capital borrowings from Punjab National Bank and Oriental Bank of Commerce are repayable on demand and carries interest @ 4% over base rate.

Working capital borrowings from Allahabad Bank are repayable on demand and carries interest @ 3.25% over base rate.

11 Trade Payable

| Particulars | As at 31 March 2012 | ₹ | As at 31 March 2011 | ₹ |
|--------------------------|------------------------|---|------------------------|---|
| Trade payables | | | | |
| - Acceptances | 47,13,31,921 | | 50,25,36,985 | |
| - Other than Acceptances | 32,27,34,419 | | 10,75,50,636 | |
| | <u>79,40,66,340</u> | | <u>61,00,87,621</u> | |

12 Other current liabilities

| Particulars | As at 31 March 2012 | ₹ | As at 31 March 2011 | ₹ |
|--|---------------------------|---|------------------------|---|
| Current maturities of long term borrowings | 48,12,59,079 | | 39,14,07,061 | |
| Interest accrued but not due on borrowings | 2,84,90,220 | | 2,34,28,928 | |
| Interest accrued and due on borrowings | 1,63,12,840 | | 22,054 | |
| Others payables | | | | |
| -Statutory remittances | 76,69,544 | | 43,81,231 | |
| -Dues to Employees | 2,66,06,658 | | 2,56,41,474 | |
| -Expenses payable | 3,46,96,626 | | 2,17,81,676 | |
| (a) | <u>59,50,34,967</u> | | <u>46,66,62,424</u> | |
| Payable on purchase of capital goods | (b) 9,78,59,839 | | 9,33,66,463 | |
| Total | (a+b) 69,28,94,806 | | 56,00,28,887 | |

13 Short term provisions

| Particulars | As at 31 March 2012 | ₹ | As at 31 March 2011 | ₹ |
|--|------------------------|---|------------------------|---|
| Provision for employee benefits: | | | | |
| - Medical leave | 3,26,370 | | 5,48,760 | |
| Provision for Current tax | 1,99,957 | | 42,84,062 | |
| Net of advance tax ₹ 60,00,000/- (previous year ₹ 1,25,00,000/-) | | | | |
| | <u>5,26,327</u> | | <u>48,32,822</u> | |

Notes to financial statements for the year ended 31 March 2012

14 FIXED ASSETS

| Particulars | GROSS BLOCK | | | | ACCUMULATED DEPRECIATION | | | | NET BLOCK | | | |
|--|---------------------------------|----------------|----------------|---|--------------------------|----------------------------------|---------------------------------|---|---------------------------------------|------------------------|----------------------------------|----------------------------------|
| | Balance as at 1 April 2011 ₹ | Additions ₹ | Disposals ₹ | Acquisitions through business combinations ₹ | Other adjustments ₹ | Balance as at 31 March 2012 ₹ | Balance as at 1 April 2011 ₹ | Depreciation / amortisation expense for the year ₹ | Eliminated on disposal of assets ₹ | Other adjustments ₹ | Balance as at 31 March 2012 ₹ | Balance as at 31 March 2011 ₹ |
| Tangible Assets | | | | | | | | | | | | |
| Freehold Land | 8,27,59,093 | 48,78,404 | - | 73,32,456 | - | 9,49,69,953 | - | - | - | - | 9,49,69,953 | 8,27,59,093 |
| Leasehold Land | 25,24,273 | - | - | - | - | 25,24,273 | 5,00,503 | 43,522 | - | - | 19,80,248 | 20,23,770 |
| Buildings | 38,12,37,152 | 14,06,34,287 | - | 1,13,69,179 | - | 53,32,40,618 | 3,13,09,413 | 1,25,68,906 | - | - | 48,56,86,361 | 34,99,27,739 |
| Plant and Machinery | 3,71,39,89,484 | 1,17,75,34,137 | 79,85,094 | 4,34,20,734 | - | 4,92,69,59,261 | 65,30,22,396 | 22,45,78,784 | 30,50,504 | - | 4,01,82,34,833 | 3,06,09,67,088 |
| Office Equipments | 69,62,887 | 6,47,969 | 52,000 | 28,318 | - | 75,87,174 | 29,97,930 | 2,61,674 | 4,773 | - | 43,04,025 | 39,64,957 |
| Furniture and Fixtures | 65,25,515 | 6,13,459 | - | 1,19,911 | - | 72,58,885 | 35,67,579 | 4,75,656 | - | - | 31,54,491 | 29,57,936 |
| Vehicles | 94,40,914 | 62,51,800 | 16,05,207 | - | - | 1,40,87,507 | 30,03,329 | 12,14,857 | 8,01,897 | - | 1,06,71,218 | 64,37,585 |
| Total Tangible Assets | 4,20,34,39,318 | 1,33,05,60,056 | 96,42,301 | 6,22,70,598 | - | 5,58,66,27,671 | 69,44,01,150 | 23,91,43,399 | 38,57,174 | - | 4,61,90,01,129 | 3,50,90,38,168 |
| Intangible Assets | | | | | | | | | | | | |
| Computer Softwares | 28,30,386 | 4,47,139 | - | - | - | 32,77,525 | 23,05,631 | 2,17,350 | - | - | 7,54,544 | 5,24,755 |
| Total Tangible and Intangible Assets | 4,20,62,69,704 | 1,33,10,07,195 | 96,42,301 | 6,22,70,598 | - | 5,58,99,05,196 | 69,67,06,781 | 23,93,60,749 | 38,57,174 | - | 4,61,97,55,673 | 3,50,95,62,923 |
| Previous year | | | | | | | | | | | | |
| Tangible Assets | 4,18,48,48,637 | 2,93,82,718 | 1,07,92,037 | - | - | 4,20,34,39,318 | 45,77,39,424 | 23,71,53,515 | 4,91,789 | - | 3,50,90,38,168 | |
| Intangible Assets | 27,71,481 | 56,905 | - | - | - | 28,30,386 | 18,30,687 | 4,74,944 | - | - | 5,24,755 | |
| Total Tangible and Intangible Assets previous year | 4,18,76,20,118 | 2,94,41,623 | 1,07,92,037 | - | - | 4,20,62,69,704 | 45,95,70,111 | 23,76,28,459 | 4,91,789 | - | 3,50,95,62,923 | |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

15 Long term loans and advances

| Particulars | As at | |
|-------------------------------------|---------------------|---------------------|
| | 31 March 2012 | 31 March 2011 |
| | ₹ | ₹ |
| (Unsecured considered good) | | |
| Capital advances | 86,01,783 | 4,96,51,140 |
| Security deposit | | |
| PSPCL | 1,17,050 | 1,17,050 |
| Others | 14,95,824 | 14,95,824 |
| Prepaid expenses | 18,367 | 23,719 |
| Fair value of plan assets | 1,65,195 | - |
| Balances with Government department | 1,45,421 | 79,61,710 |
| MAT credit entitlement | 9,95,65,103 | 9,19,66,841 |
| | <u>11,01,08,743</u> | <u>15,12,16,284</u> |

16 Other non current assets

| Particulars | As at | |
|---|--------------------|--------------------|
| | 31 March 2012 | 31 March 2011 |
| | ₹ | ₹ |
| Others | | |
| - Bank Balances (non current) (refer note no.19) | 2,33,73,752 | 1,86,19,414 |
| | <u>2,33,73,752</u> | <u>1,86,19,414</u> |

17 Inventories (At lower of cost and net realisable value)

| Particulars | As at | |
|--|-----------------------|---------------------|
| | 31 March 2012 | 31 March 2011 |
| | ₹ | ₹ |
| Raw Material {includes in transit ₹ 3,35,36,218 (previous year ₹ 1,60,90,984)} | 7,67,19,515 | 6,33,48,060 |
| Work in Progress | 97,92,74,196 | 69,74,76,089 |
| Finished Goods | 5,60,19,207 | 8,53,22,967 |
| Stores and Spares | 20,56,47,255 | 14,94,15,371 |
| | <u>1,31,76,60,173</u> | <u>99,55,62,487</u> |

18 Trade receivables

| Particulars | As at | |
|---|---------------------|---------------------|
| | 31 March 2012 | 31 March 2011 |
| | ₹ | ₹ |
| Trade receivable outstanding for a period exceeding six months from the date they are due for payment | | |
| - Unsecured, Considered Good | 1,21,31,538 | 1,28,21,146 |
| - Doubtful | 15,13,194 | 14,50,889 |
| Less: Allowance for doubtful trade receivables | (15,13,194) | (14,50,889) |
| | <u>1,21,31,538</u> | <u>1,28,21,146</u> |
| Other trade receivables | | |
| - Unsecured, Considered Good | 20,37,95,184 | 29,85,38,507 |
| | <u>21,59,26,722</u> | <u>31,13,59,653</u> |

19 Cash and bank balances

| Particulars | As at | |
|--|---------------------|---------------------|
| | 31 March 2012 | 31 March 2011 |
| | ₹ | ₹ |
| i) Cash and cash equivalents | | |
| a) Balances with banks | | |
| - In current accounts | 24,42,703 | 77,68,138 |
| - In deposit accounts with maturity of less than three months | - | 2,00,00,000 |
| - In deposit accounts with maturity more than three months but less than twelve months | - | 9,49,62,925 |
| b) Cash on hand | 19,53,881 | 47,18,566 |
| ii) Balances with banks to the extent held as margin money | | |
| - In deposit accounts with maturity of less than three months | 2,97,36,340 | - |
| - In deposit accounts with maturity more than three months but less than twelve months | 5,28,20,923 | 5,33,24,379 |
| - In deposit accounts with more than twelve months maturity | 2,33,73,752 | 1,86,19,414 |
| | <u>11,03,27,599</u> | <u>19,93,93,422</u> |
| Amount disclosed under non-current assets (note 16) | (2,33,73,752) | (1,86,19,414) |
| | <u>8,69,53,847</u> | <u>18,07,74,008</u> |

20 Short term loans and advances

| Particulars | As at | |
|--------------------------------------|---------------------|---------------------|
| | 31 March 2012 | 31 March 2011 |
| | ₹ | ₹ |
| Unsecured considered good | | |
| Others: | | |
| - Loans and advances to employees | 5,28,291 | 6,91,290 |
| - Prepaid expenses | 1,41,73,638 | 1,45,42,797 |
| - Interest receivables | 43,43,317 | 57,56,683 |
| - Other recoverable : | | |
| - Balance with government department | 34,56,86,498 | 26,85,57,126 |
| - Others | 72,51,112 | 40,05,746 |
| | <u>37,19,82,856</u> | <u>29,35,53,642</u> |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
21 Revenue from operations

| Particulars | For the | For the |
|--|-----------------------------|-----------------------------|
| | year ended 31 March 2012 | year ended 31 March 2011 |
| | ₹ | ₹ |
| (a) Sale of products | 4,99,50,68,290 | 4,17,67,86,732 |
| (b) Other operating revenue | | |
| (i) Export incentives | 4,31,36,635 | 4,17,72,904 |
| (ii) Miscellaneous sales | 1,69,88,810 | 54,87,116 |
| Revenue from operations (Gross) | 5,05,51,93,735 | 4,22,40,46,752 |
| Less: Excise Duty related to sales | 34,83,67,773 | 32,99,73,024 |
| Revenue from operations (Net) | 4,70,68,25,962 | 3,89,40,73,728 |
| Detail of products sold | | |
| - Chemicals | 2,66,40,01,391 | 2,48,15,18,276 |
| - Drug Intermediates | 30,63,12,831 | 16,94,84,399 |
| - Bulk Drugs | 1,74,50,03,154 | 1,37,46,81,335 |
| - Others | 27,92,79,243 | 13,52,95,581 |
| - Traded goods | 4,71,671 | 1,58,07,141 |
| | 4,99,50,68,290 | 4,17,67,86,732 |

22 Other income

| Particulars | For the | For the |
|--|-----------------------------|-----------------------------|
| | year ended 31 March 2012 | year ended 31 March 2011 |
| | ₹ | ₹ |
| Interest income (Gross) | | |
| - From bank deposits | 1,33,23,003 | 1,21,81,431 |
| TDS ₹ 13,72,389/- (Previous year ₹ 12,16,138/-) | | |
| Dividend income | | |
| - From current investment | - | 5,49,040 |
| Net gain on fixed assets sold | - | 19,752 |
| Prior period items (Net) | 2,412 | - |
| Rent received | 1,80,000 | 1,80,000 |
| Net gain on foreign currency transactions | 85,10,104 | 56,85,742 |
| Miscellaneous | 13,26,116 | 3,56,755 |
| | 2,33,41,635 | 1,89,72,720 |

23 Cost of material consumed

| Particulars | For the | For the |
|------------------------------|-----------------------------|-----------------------------|
| | year ended 31 March 2012 | year ended 31 March 2011 |
| | ₹ | ₹ |
| Opening Stocks | | |
| Raw Material - Indigenous | 3,57,34,690 | 5,18,07,765 |
| Raw Material - Imported | 94,75,816 | 1,61,31,406 |
| Total Opening Stocks | 4,52,10,506 | 6,79,39,171 |
| Add : Purchases | | |
| Raw Material - Indigenous | 2,94,85,20,661 | 2,55,51,15,373 |
| Raw Material - Imported | 30,54,23,342 | 11,83,71,707 |
| Total Purchases | 3,25,39,44,003 | 2,67,34,87,080 |
| Consumption during trial run | 22,80,063 | - |
| Less : Closing Stocks | | |
| Raw Material - Indigenous | 3,97,52,219 | 3,57,34,690 |
| Raw Material - Imported | 54,77,648 | 94,75,816 |
| Total Closing Stocks | 4,52,29,867 | 4,52,10,506 |
| Total Consumption | 3,25,16,44,579 | 2,69,62,15,745 |

| Detail of material consumed | Qty | Value | Qty | Value |
|-----------------------------|-------------|-----------------------|----------------|-----------------------|
| | Acetic Acid | 3,70,04,284 | 1,06,94,06,622 | 3,50,78,526 |
| Industrial Alcohol | 2,91,89,758 | 82,47,98,643 | 3,80,07,188 | 86,99,45,202 |
| Toluene | 44,43,402 | 28,80,38,565 | 35,86,829 | 17,31,25,127 |
| Sodium Dichromate | 22,19,014 | 23,15,34,281 | 19,38,801 | 15,82,68,382 |
| Propylene Gas | 30,16,951 | 18,15,72,349 | 27,33,459 | 13,45,87,146 |
| Aluminium Chloride | 32,44,124 | 13,05,21,422 | 27,85,988 | 11,35,45,552 |
| Sodium Metal | 8,72,149 | 11,54,34,544 | 6,98,863 | 7,99,82,002 |
| Iso propyl Alcohol | 13,14,082 | 9,65,50,323 | 8,95,256 | 5,78,41,812 |
| Hexane | 11,12,484 | 5,10,77,881 | 10,46,569 | 3,77,56,301 |
| Others | | 26,27,09,949 | | 25,42,66,737 |
| | | 3,25,16,44,579 | | 2,69,62,15,745 |

Detail of closing stock

| | | | | |
|--------------------|----------|--------------------|--------|--------------------|
| Acetic Acid | 1,24,741 | 38,19,195 | - | - |
| Hexane | 66,996 | 34,69,697 | 59,484 | 25,18,553 |
| Sodium Dichromate | 75,400 | 81,12,286 | 46,414 | 42,50,594 |
| Aluminium Chloride | 86,522 | 33,40,614 | 85,396 | 34,57,684 |
| Iso propyl Alcohol | 64,609 | 48,54,684 | 32,271 | 22,50,545 |
| Sodium Metal | 31,168 | 39,83,270 | 63,317 | 81,37,501 |
| Toluene | 43,250 | 31,03,205 | 49,837 | 26,75,250 |
| Propylene Gas | 54,654 | 39,05,575 | 20,315 | 11,23,135 |
| Others | | 1,06,41,341 | | 2,07,97,244 |
| | | 4,52,29,867 | | 4,52,10,506 |

24 Purchase of stock-in-trade

| Particulars | For the | For the |
|-------------|-----------------------------|-----------------------------|
| | year ended 31 March 2012 | year ended 31 March 2011 |
| | ₹ | ₹ |
| Acetic Acid | 2,48,105 | 1,45,27,167 |
| Benzene | 1,23,014 | - |
| | 3,71,119 | 1,45,27,167 |

25 Changes in inventories of finished goods, work-in-progress and stock in trade

| Particulars | For the | For the |
|--|-----------------------------|-----------------------------|
| | year ended 31 March 2012 | year ended 31 March 2011 |
| | ₹ | ₹ |
| Inventories at the beginning of the year | | |
| Work-in-progress | 69,74,76,089 | 37,18,81,793 |
| Finished goods | 8,53,22,967 | 11,62,98,368 |
| | | 48,81,80,161 |
| Inventories at the end of the year | | |
| Work-in-progress | 97,92,74,196 | 69,74,76,089 |
| Finished goods | 5,60,19,207 | 8,53,22,967 |
| | (25,24,94,347) | (29,46,18,895) |
| Detail of inventory | | |
| Work in progress | | |
| - Chemicals | 35,23,84,498 | 28,63,10,967 |
| - Drug Intermediates | 11,92,07,275 | 9,87,20,424 |
| - Bulk Drugs | 50,76,82,423 | 31,24,44,698 |
| | 97,92,74,196 | 69,74,76,089 |
| Finished goods | | |
| - Chemicals | 66,179 | 38,49,684 |
| - Drug Intermediates | 2,10,050 | 1,80,55,797 |
| - Bulk Drugs | 65,048 | 3,05,13,536 |
| - Others | | 36,00,190 |
| | 5,60,19,207 | 8,53,22,967 |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

26 Employees benefit expense

| Particulars | For the year ended 31 March 2012 ₹ | For the year ended 31 March 2011 ₹ |
|--|---|---|
| Salaries and Wages | 18,43,77,722 | 15,63,77,029 |
| Contribution to provident and other funds | 1,40,07,443 | 1,13,23,801 |
| Staff welfare expenses | 29,85,412 | 23,89,423 |
| | <u>20,13,70,577</u> | <u>17,00,90,253</u> |

27 Finance Cost

| Particulars | For the year ended 31 March 2012 ₹ | For the year ended 31 March 2011 ₹ |
|--------------------------|---|---|
| a) Interest expense on: | | |
| i) borrowings | 35,04,22,335 | 30,02,07,478 |
| ii) others | 5,57,34,486 | 4,51,02,596 |
| b) Other borrowing costs | 2,58,27,751 | 2,26,55,274 |
| | <u>43,19,84,572</u> | <u>36,79,65,348</u> |

28 Other expenses

| Particulars | For the year ended 31 March 2012 ₹ | For the year ended 31 March 2011 ₹ |
|----------------------------------|---|---|
| Power and Fuel | 48,31,97,287 | 34,90,09,178 |
| Consumption of stores and spares | 10,61,30,136 | 5,87,44,220 |
| Repairs to Plant and Machinery | 31,56,997 | 26,26,111 |
| Rent | 10,70,760 | 10,02,696 |
| Insurance | 87,85,862 | 80,34,135 |
| Auditor's Remuneration | 5,43,707 | 4,29,705 |
| Rates and Taxes | 16,32,621 | 22,67,208 |
| Repairs to Building | 14,61,757 | 12,07,993 |
| Net loss on fixed assets sold | 25,95,091 | - |
| Prior Period Expenses (net) | - | 6,31,302 |
| Allowances for Doubtful Debts | 62,305 | 13,600 |
| Miscellaneous expenses | 21,13,17,229 | 20,68,40,948 |
| | <u>81,99,53,752</u> | <u>63,08,07,096</u> |

29. Contingent liabilities and provisions (to the extent not provided for) (No cash outflow is expected)

| Particulars | As at 31 March 2012 ₹ | As at 31 March 2011 ₹ |
|---|-----------------------------|-----------------------------|
| I Contingent liabilities | | |
| i) Claims not acknowledged as debts | 42,85,732 | 37,71,561 |
| ii) Letter of Credit outstanding | 3,39,90,075 | 1,55,68,200 |
| iii) Bills discounted with bankers against irrevocable letter of credit | 2,16,49,121 | 6,03,57,890 |
| iv) Bank Guarantee issued in favour of others | 5,00,000 | - |
| | <u>6,04,24,928</u> | <u>7,96,97,651</u> |

| Particulars | As at 31 March 2012 ₹ | As at 31 March 2011 ₹ |
|--|-----------------------------|-----------------------------|
| II Commitments | | |
| i) Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances) | 5,93,14,851 | 9,38,22,184 |
| ii) Export obligations under Advance Authorisation / Duty Free Import Authorisation # | 64,59,04,365 | 74,23,38,596 |
| | <u>70,52,19,216</u> | <u>83,61,60,780</u> |

The Company has executed bonds for an aggregate amount of ₹ 3,62,65,000 (Previous Year ₹ 22,97,000) in favour of The President of India under sub section (l) of the section 142 of the Custom Act 1962 for fulfillment of the obligation under the said Act.

30 Prior period items are as follows:-

| Particulars | For the year ended 31 March 2012 ₹ | For the year ended 31 March 2011 ₹ |
|----------------------------|---|---|
| a) Prior period income: | | |
| i) - Export Incentives | 34,966 | 4,03,534 |
| ii) - Interest | 1,29,086 | - |
| | <u>1,64,052</u> | <u>4,03,534</u> |
| b) Prior period expenses: | | |
| i) - Export Incentives | 65,576 | - |
| ii) - CST expense | 8,450 | - |
| iii) - Service Tax | - | 10,34,836 |
| iv) - Business promotion | 75,864 | - |
| v) - Staff welfare expense | 11,750 | - |
| | <u>1,61,640</u> | <u>10,34,836</u> |
| Prior period items (Net) | 2,412 | (6,31,302) |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
31 Employee Benefits

The summarized position of post-employment benefits and long term employee benefits recognized in the profit and loss account and Balance Sheet is as under:-

I Gratuity and Leave Encashment (Funded)

| | Gratuity (Funded) | | Leave Encashment (Funded) | |
|--|--|--------------------------|------------------------------|--------------------------|
| | 31 March 2012 ₹ | 31 March 2011 ₹ | 31 March 2012 ₹ | 31 March 2011 ₹ |
| a) Benefit recognised in the statement of profit and loss | | | | |
| Current service cost | 26,50,229 | 18,82,233 | 13,76,000 | 11,37,209 |
| Interest cost on benefit obligation | 11,21,475 | 8,09,080 | 4,68,406 | 3,43,124 |
| Expected return on plan assets | (11,77,686) | (8,36,059) | (3,54,526) | (3,37,389) |
| Net actuarial (gain)/loss recognised in the year | 13,33,713 | 17,30,339 | 41,972 | 9,68,307 |
| Net benefit expense | 39,27,731 | 35,85,593 | 15,31,852 | 21,11,251 |
| b) Amount recognised in the Balance Sheet | | | | |
| Present value of the defined benefit obligation | 1,89,07,209 | 1,39,80,143 | 67,99,892 | 58,39,073 |
| Fair value of plan assets | 1,90,72,404 | 1,27,31,740 | 56,21,639 | 38,32,718 |
| Net asset/(liability) | 1,65,195 | (12,48,403) | (11,78,253) | (20,06,355) |
| c) Changes in the present value of the obligation | | | | |
| Opening defined benefit obligation | 1,39,80,143 | 1,01,13,503 | 58,39,073 | 42,89,044 |
| Acquisition adjustment | 9,99,861 | - | 2,11,843 | - |
| Current service cost | 26,50,229 | 18,82,233 | 13,76,000 | 11,37,209 |
| Interest cost | 11,21,475 | 8,09,080 | 4,68,406 | 3,43,124 |
| Benefits paid | (14,06,425) | (6,93,740) | (11,75,464) | (8,84,733) |
| Actuarial (gain)/loss | 15,61,926 | 18,69,067 | 80,034 | 9,54,429 |
| Closing defined benefit obligation | 1,89,07,209 | 1,39,80,143 | 67,99,892 | 58,39,073 |
| d) Changes in the fair value of plan assets | | | | |
| Opening fair value of plan assets | 1,27,31,740 | 90,38,480 | 38,32,718 | 36,47,445 |
| Expected return | 11,77,686 | 8,36,059 | 3,54,526 | 3,37,389 |
| Contribution by employee | 52,34,284 | 34,12,213 | 21,98,361 | 7,46,495 |
| Benefits paid | (14,06,425) | (6,93,740) | (11,75,464) | (8,84,733) |
| Actuarial gain/(loss) | 2,28,213 | 1,38,728 | 38,062 | (13,878) |
| Plan Assets of G Drugs and Pharmaceuticals Ltd. | 11,06,906 | - | 3,73,436 | - |
| Closing fair value of plan assets | 1,90,72,404 | 1,27,31,740 | 56,21,639 | 38,32,718 |
| e) The major categories of plan assets as a percentage of the fair value of total plan assets | | | | |
| Investment with the insurer | 100% | 100% | 100% | 100% |
| f) Principal actuarial assumptions at the Balance Sheet date (expressed as weighted average) | | | | |
| Discount rate (per annum) | 8.00% | 8.00% | 8.00% | 8.00% |
| Rate of increase in compensation levels (per annum) | 7.00% | 7.00% | 7.00% | 7.00% |
| Rate of return on plan assets (per annum) | 9.25% | 9.25% | 9.25% | 9.25% |
| Expected average remaining working lives of employees (years) | 27.17 | 27.31 | 27.17 | 27.31 |
| Method used | Projected Unit Credit | Projected Unit Credit | Projected Unit Credit | Projected Unit Credit |
| g) | The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. | | | |
| h) | The financial assumptions considered for the calculations are as under:- | | | |
| i | Discount Rate: The discount rate has been chosen as 8.00% on long-term basis as desired by the Company. | | | |
| ii | Salary Increases: Salary Increase rate has been chosen as 7.00% on long-term basis as desired by the Company. | | | |
| iii | Expected Rate of Return: In case of gratuity, the actual return has been taken. | | | |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

I) Short term employee's benefits

| Particulars | As at | |
|---------------------------------------|--------------------|--------------------|
| | 31 March 2012 ₹ | 31 March 2011 ₹ |
| Short term leave encashment liability | 56,238 | 3,89,773 |
| Contribution to gratuity liability | 1,29,464 | 8,67,441 |

II) Medical leave liability (unfunded)

a) Benefit recognised in the statement of profit and loss

| | | |
|--|-------------------|-----------------|
| Current service cost | 50,643 | 1,16,628 |
| Interest cost on benefit obligation | 44,021 | 22,264 |
| Expected return on plan assets | - | - |
| Net actuarial (gain)/loss recognised in the year | (3,17,054) | 1,31,569 |
| Net benefit expense | <u>(2,22,390)</u> | <u>2,70,461</u> |

b) Amount recognised in the Balance Sheet

| | | |
|---|-------------------|-------------------|
| Present value of the defined benefit obligation | 3,26,370 | 5,48,760 |
| Fair value of plan assets | - | - |
| Plant net asset/(liability) | <u>(3,26,370)</u> | <u>(5,48,760)</u> |

c) Changes in the present value of the obligation

| | | |
|------------------------------------|-----------------|-----------------|
| Opening defined benefit obligation | 5,48,760 | 2,78,299 |
| Current service cost | 50,643 | 1,16,628 |
| Interest cost | 44,021 | 22,264 |
| Benefits paid | - | - |
| Actuarial (gain)/loss | (3,17,054) | 1,31,569 |
| Closing defined benefit obligation | <u>3,26,370</u> | <u>5,48,760</u> |

d) Changes in the fair value of plan assets

| | | |
|-----------------------------------|----------|----------|
| Opening fair value of plan assets | - | - |
| Expected return | - | - |
| Contribution by employee | - | - |
| Benefits paid | - | - |
| Actuarial gain/(loss) | - | - |
| Closing fair value of plan assets | <u>-</u> | <u>-</u> |

e) The major categories of plan assets as a percentage of the fair value of total plan assets:

Not applicable since unfunded

f) Principal actuarial assumptions at the Balance Sheet date (expressed as weighted average)

| | 31 March 2012 ₹ | 31 March 2011 ₹ |
|---|-----------------------|-----------------------|
| Discount rate (per annum) | 8% | 8% |
| Rate of increase in compensation levels (per annum) | 7% | 7% |
| Rate of return on plan assets (per annum) | N.A. | N.A. |
| Expected average remaining working lives of employees (years) | 27.17 | 27.31 |
| Method used | Projected Unit Credit | Projected Unit Credit |

g) The estimates of future salary increases considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

32 ₹ 2,193.33 lacs (previous year ₹ 433.12 lacs) being amount of borrowing cost, raw material expenses, power and fuel, personnel expenses and insurance etc (reduced by sales and foreign exchange fluctuation, if any) have been capitalized during the year.

33 Related party disclosures

Disclosure of related parties and relationship between the parties

| | |
|--|---|
| Enterprises over which Key Management Personnel (KMP) and relative of such personnel is able to exercise significant influence or control: | G. Drugs and Pharmaceuticals Ltd (up to 15 March 2012) NM Mercantiles Ltd IOL Lifesciences Ltd Mayadevi Polycot Ltd NCG Enterprises Ltd |
| Key Management Personnel: | Mr Varinder Gupta Mr Raj Kumar Thukral Mr Vijay Singla Mr N K Pundir |
| Relatives of Key Management Personnel: | Mrs Dimple Gupta |

Description of the nature of transactions with the related parties:

(₹ in lacs)

| Particulars | Enterprises over which KMP is able to exercise significant influence or control | | Key Management Personnel (KMP) | | Relatives of KMP | |
|---|---|---------------|--------------------------------|---------------|------------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| Sales and services | - | - | - | - | - | - |
| Purchase and receiving of services | 70.18 | 99.02 | - | - | - | - |
| Managerial Remuneration | - | - | 69.56 | 65.05 | - | - |
| Rent received | - | - | 1.80 | 1.80 | - | - |
| Loan taken (including opening balance) | 3,709.06 | 1,505.00 | 2.77 | 2.77 | - | - |
| Loan Repayment | 130.00 | 10.00 | - | - | - | - |
| Closing Balance | 3,579.06 | 1,495.00 | 2.77 | 2.77 | - | - |
| Amount received during the year against equity warrants (including opening balance) | - | 1,050.00 | - | - | - | - |
| Equity shares allotted | - | 840.00 | - | - | - | - |
| Director Sitting Fee | - | - | - | - | 0.43 | 0.50 |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

34 Remuneration paid to whole time directors is the minimum remuneration payable in case of no profit or inadequate profits in accordance with schedule XIII of Companies Act 1956 and duly approved by shareholders. However the appointment and remuneration of whole time director Mr N.K.Pundir appointed on 31 March 2012 by Board of Directors and paid a remuneration of ₹ 7,902/- during the year is subject to approval of shareholders.

35 Segment information

Segment information as required by Accounting Standard (AS)-17 on "Segment Reporting" issued by Companies (Accounting Standards) Rules 2006, has been complied on the basis of the financial statements and is disclosed in the notes to accounts forming part of the financial statements in accordance with the above standard.

The business segments have been identified based on the nature and class of the product and services, their customers and assessment of differential risks and returns and financial reporting system within the Company. Secondary information is reported geographically.

The operating businesses are organized and managed separately according to the nature of the products produced, with each

iii. Inter segment sales:

Inter segment sales are eliminated in consolidation.

segment representing a strategic business unit that offers different products and serves different markets.

The "Chemicals" segment produces and sells Acetic Acid, Ethyl Acetate, Acetic Anhydride, Acetyl Chloride, Mono Chloro Acetic Acid and Iso Butyl benzene.

The "Drugs" segment produces and sells Ibuprofen.

Segment accounting policies: In addition to the significant accounting policies, applicable to the business the accounting policies in relation to segment accounting are as under:

i. Segment assets and liabilities:

Segment assets include all operating assets used by a segment and consists principally of cash, debtors, inventories and fixed assets, net of allowances and provisions, which are reported as direct off set in the balance sheet. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities.

ii. Segment revenue and expenses:

Joint revenue and expenses of segment are allocated amongst them on reasonable basis. All other segment revenue and expenses are directly attributable to the segments.

(₹ in lac)

| Particulars | Chemicals | | Drugs | | Unallocated | | Eliminations | | Total | |
|---|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| Segment Revenue | | | | | | | | | | |
| External Sales | 29,060.64 | 25,018.66 | 17,847.75 | 13,870.37 | 159.87 | 51.71 | | | 47,068.26 | 38,940.74 |
| Inter Segment transfer | 4,944.26 | 3,833.26 | - | - | - | - | (4,944.26) | (3,833.26) | - | - |
| Other Income | - | - | - | - | 233.42 | 189.72 | | | 233.42 | 189.72 |
| Total Revenue | 34,004.90 | 28,851.92 | 17,847.75 | 13,870.37 | 393.29 | 241.43 | (4,944.26) | (3,833.26) | 47,301.68 | 39,130.46 |
| Segment Results | 1,284.14 | 2,285.74 | 3,224.93 | 2,171.15 | - | - | | | 4,509.07 | 4,456.89 |
| Unallocated Income (net of unallocated Expenses) | - | - | - | - | - | - | | | (190.52) | (127.07) |
| Profit before tax and interest | - | - | - | - | - | - | | | 4,699.59 | 4,583.96 |
| Interest | - | - | - | - | - | - | | | 4,319.83 | 3,679.65 |
| Profit and Loss Before Tax | - | - | - | - | - | - | | | 379.76 | 904.31 |
| Other Information | | | | | | | | | | |
| Segment Assets | 38,411.97 | 35,010.15 | 25,411.73 | 18,177.15 | - | - | | | 63,823.70 | 53,187.30 |
| Unallocated assets including capital work in progress | - | - | - | - | 4,871.48 | 6,458.57 | | | 4,871.48 | 6,458.57 |
| Total Assets | 38,411.97 | 35,010.15 | 25,411.73 | 18,177.15 | 4,871.48 | 6,458.57 | | | 68,695.18 | 59,645.87 |
| Segment Liabilities | 29,629.02 | 27,868.97 | 18,303.86 | 11,962.03 | - | - | | | 47,932.88 | 39,831.00 |
| Unallocated Liabilities | - | - | - | - | 3,402.04 | 3,221.99 | | | 3,402.04 | 3,221.99 |
| Total Liabilities | 29,629.02 | 27,868.97 | 18,303.86 | 11,962.03 | 3,402.04 | 3,221.99 | | | 51,334.92 | 43,052.99 |
| Net Capital employed | 8,782.95 | 7,141.18 | 7,107.87 | 6,215.12 | 1,469.44 | 3,236.58 | | | 17,360.26 | 16,592.88 |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

Detail of secondary segment

| Particulars | 31 March 2012 ₹ in lacs | 31 March 2011 ₹ in lacs |
|-------------------|----------------------------|----------------------------|
| Export Turnover | 11,262.63 | 9,109.31 |
| Domestic Turnover | 35,805.63 | 29,831.42 |
| Total | 47,068.26 | 38,940.74 |

36 Leases:

The Company has leased facilities under cancellable and non-cancellable operating leases arrangements with a lease term ranging from one to five years, which are subject to renewal at mutual consent thereafter. The cancellable arrangements can be terminated by either party after giving due notice. The lease rent expenses recognized during the year amounts to ₹ 10,10,760 (previous year ₹ 10,02,696/-). The future minimum lease payments in respect of the non-cancellable operating leases as at 31st March 2012 are:

| Particulars | As at 31 March 2012 ₹ | As at 31 March 2011 ₹ |
|--|-----------------------------|-----------------------------|
| a) Not later than one year | 10,60,260 | 11,77,592 |
| b) Later than one year but not later than five years | 17,57,040 | 23,13,540 |
| c) later than five years | 22,40,734 | 21,03,134 |
| | <u>50,58,034</u> | <u>55,94,266</u> |

37 Earnings per share

The following reflects the profit and share data used in the basic and diluted EPS computations:

| Particulars | As at 31 March 2012 ₹ | As at 31 March 2011 ₹ |
|--|-----------------------------|-----------------------------|
| Total operations for the year | | |
| Net profit after tax attributable to equity shareholders | 4,75,32,817 | 6,17,92,018 |
| Weighted average number of basic equity shares | 2,57,16,664 | 2,45,16,664 |
| Weighted average number of dilutive equity shares | 2,59,72,724 | 2,45,16,664 |
| Basic earning per share (₹) | 1.85 | 2.52 |
| Diluted earning per share (₹) | 1.83 | 2.52 |
| Face value per equity share (₹) | 10.00 | 10.00 |

The potential equity shares in case of Foreign Currency Convertible Bonds are anti dilutive on their conversion into equity shares.

Therefore has not been considered for computing the diluted earning per share.

38 Amortisation of intangible assets

Softwares have been amortised @ 16.21% on straight line basis as estimated life is considered to be not more than six years.

39 In accordance with the Accounting Standard 28 "On Impairment of Assets" the Company has assessed on the balance sheet date whether there are any indications (as listed in paragraph 8 to 10 of the Standard) with regard to the impairment of any of the assets. Based on such assessment, it has been ascertained that no potential loss is present and therefore formal estimate of recoverable amount has not been made. Accordingly no impairment loss has been provided in the books of account.**40 Auditor's Remunerations**

| Particulars | For the year ended 31 March 2012 ₹ | For the year ended 31 March 2011 ₹ |
|-------------------------------|---|---|
| Audit fee | 2,35,000 | 1,85,000 |
| Tax audit fee | 65,000 | 65,000 |
| Limited review | 45,000 | 45,000 |
| In other capacity: | | |
| Company law and other matters | 1,62,000 | 1,09,000 |
| Reimbursement of expenses | 36,707 | 25,705 |
| | <u>5,43,707</u> | <u>4,29,705</u> |

41 The details of amounts outstanding to Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act), based on the available information with the Company are as under:

| Particulars | As at 31 March 2012 ₹ | As at 31 March 2011 ₹ |
|--|-----------------------------|-----------------------------|
| The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year | | |
| Principal amount due to micro and small enterprises | 6,74,520 | 2,47,043 |
| Interest due on above | - | - |
| | <u>6,74,520</u> | <u>2,47,043</u> |

The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year

| | | |
|---|---|---|
| The amount of interest due and payable for the period 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 Act 2006 | - | - |
| The amount of interest accrued and remaining unpaid at the end of each accounting year | - | - |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006 | - | - |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

42 Excise duty of ₹ 18,05,291/- (Previous year ₹ 28,92,533/-) related to the difference between the closing inventory and opening inventory has been included in miscellaneous expenses under Other expenses. (Refer note no.28)

43 Figures in bracket indicate deductions

44 (a) The financial statements for the year ended 31 March 2012 have been prepared as per Revised Schedule VI to the Companies Act, 1956. Accordingly the previous year figures have been reclassified to confirm to this year's classification.

(b) The figures of current year are not comparable with preceding year figures on account of merger of G. Drugs and Pharmaceuticals Ltd. with Company.

45 The Company uses forward contracts to hedge its risk associated with fluctuation in foreign currency relating to foreign currency assets and liabilities. The use of the aforesaid financial instruments is governed by the Company's overall strategy. The Company does not use forward contracts for speculative purposes. The details of the outstanding forward contracts as at 31 March 2012 is as under:

a) Category wise quantitative data

| Particulars | Current year | | Previous year | |
|---|------------------|----------------------------|------------------|----------------------------|
| | No. of contracts | Amount in foreign currency | No. of contracts | Amount in foreign currency |
| Forward contracts against imports (USD) | 3 | 2846198 | - | - |

b) Detail of foreign currency exposure that has not been hedged by a derivative instrument or otherwise is given below.

| Particulars | As at | | As at | |
|--|----------------------|--------|----------------------|--------|
| | 31 March 2012 USD | EURO | 31 March 2011 USD | EURO |
| Against Imports (Creditors) | 1405131 | - | 176880 | - |
| Against Exports (Debtors) | 1210340 | 165635 | 1228097 | 300538 |
| Against Foreign Currency Convertible Bonds | 7946096 | - | 7417319 | - |

46 The information required by the paragraph 5 of general instructions for preparation of the Statement of Profit and Loss as per Revised Schedule VI of the Companies Act, 1956 :

a) CIF value of imports

| | 31 March 2012 ₹ | 31 March 2011 ₹ |
|---------------|---------------------|---------------------|
| Raw Material | 30,44,26,715 | 10,30,64,801 |
| Capital Goods | 1,87,62,660 | 61,97,894 |
| | <u>32,31,89,375</u> | <u>10,92,62,695</u> |

b) Expenditure in foreign currency

| | | |
|------------|--------------------|------------------|
| Travelling | 5,36,600 | 6,09,792 |
| Others | 1,06,62,887 | 67,63,957 |
| | <u>1,11,99,487</u> | <u>73,73,749</u> |

c) Imported and indigenous material, components and spare parts consumed

| Particulars | 31 March 2012 | | 31 March 2011 | |
|-----------------------------------|------------------------|-----------------------|------------------------|-----------------------|
| | % of total consumption | ₹ | % of total consumption | ₹ |
| Raw material | | | | |
| Imported | 9.62% | 31,30,80,687 | 37.49% | 1,01,63,57,484 |
| Indigenous | 90.38% | 2,94,12,15,074 | 62.51% | 1,69,43,85,428 |
| Subtotal | 100.00% | 3,25,42,95,761 | 100.00% | 2,71,07,42,912 |
| Less: Capitalised during the year | | 22,80,063 | | - |
| Cost of material consumed | | <u>3,25,20,15,698</u> | | <u>2,71,07,42,912</u> |
| Stores and Spares | | | | |
| Imported | - | - | - | - |
| Indigenous | 100% | 10,61,30,136 | 100% | 5,87,44,220 |
| Total stores and spares | 100% | <u>10,61,30,136</u> | 100% | <u>5,87,44,220</u> |

d) Earnings in foreign currency

| | 31 March 2012 ₹ | 31 March 2011 ₹ |
|----------------------|--------------------|--------------------|
| FOB value of exports | 98,80,95,255 | 80,62,81,553 |

47 Accounting for amalgamation

In accordance with the scheme of merger between G Drugs and Pharmaceuticals Limited (Transferor Co) and IOL Chemicals and

Pharmaceuticals Limited (Transferee Co), all assets and liabilities of Transferor Company have been vested in Transferee Company with effect from 01 April 2010 i.e. the appointed date in terms of scheme of merger sanctioned by H'ble Board for Industrial and Financial Reconstruction (BIFR) vide its order 15 March 2012. In terms of such order, all assets, liabilities, rights, debts, duties and obligations of the Transferor Company stand transferred and vested in transferee Company with effect from said date. As a result the following assets, liabilities and debit balance in profit and loss

account of the transferor Company stand vested in the Company:

| Particulars | Amounts (₹) |
|--|---------------------|
| Gross Fixed Assets | 6,22,70,598 |
| Depreciation | 3,79,39,167 |
| Net Fixed Assets | 2,43,31,431 |
| Inventories | 1,90,440 |
| Sundry debtors | 9,25,105 |
| Cash and Bank balance | 1,82,549 |
| Loans and Advances | 10,55,316 |
| Debit Balances of profit and loss account | 12,67,86,981 |
| Total Assets | 15,34,71,822 |
| Reserves and Surplus | 50,00,000 |
| Unsecured Loan | 2,20,48,684 |
| Current Liabilities | 3,95,23,138 |
| Total Liabilities | 6,65,71,822 |
| Net | 8,69,00,000 |
| Share Capital to be issued to the shareholders of Transferor Company | 43,45,000 |

₹ 8,25,55,000 i.e. the difference between the share capital to be issued and the amount of share capital of the Transferor Company is treated as Capital Reserve.

In consideration of the aforesaid assets and liabilities vested to Company, the Company had to issue 4,34,500 equity shares of ₹ 10/- each aggregating to ₹ 43,45,000 in the ratio of 1 equity share of transferee Company for every 20 equity shares of ₹ 10/- each held in transferor Company. The said shares have been allotted on 02 May 2012. In view of the pending allotment of the aforesaid shares, a sum of ₹ 43,45,000 has been shown as "Equity Share Capital pending allotment pursuant to scheme of merger".

The Amalgamation is in the nature of merger and the Company has applied pooling of interest method of accounting to give the impact of merger in the books of accounts.

As per our report of even date attached

for S.C.VASUDEVA & CO.

Chartered Accountants
Firm Regn. No. 000235N

Sd/-
Sanjiv Mohan
Partner
M.No. 86066

Sd/-
Varinder Gupta
Chairman and Managing Director

Place : Ludhiana
Dated : 30 May 2012

For and on behalf of the Board of Directors

Sd/-
Vijay Singla
Director (Works)

Sd/-
N.K. Pundir
Director (Commercial)

Sd/-
Krishan Singla
*Vice President and
Company Secretary*

Sd/-
Rakesh Mahajan
President (Finance)



IOL CHEMICALS AND PHARMACEUTICALS LIMITED

Regd. Office : Trident Complex, Raikot Road, Barnala - 148 101 (Punjab)

MEMBERS FEEDBACK FORM 2011-12

Members are requested to send this **FEEDBACK FORM** duly filled to the Corporate Governance and Compliance Department, IOL Chemicals and Pharmaceuticals Limited, 85, Industrial Area 'A', Ludhiana - 141003

Please rate on a 5 point scale of 1 to 5 by marking (?) in the box

| Sr No. | Areas | Excellent | Very Good | Good factory | Satis-factory | Unsatis |
|--------|---|-----------|-----------|--------------|---------------|---------|
| | | 1 | 2 | 3 | 4 | 5 |
| 1. | Turnaround time for response to shareholder query | | | | | |
| 2. | Quality of Response | | | | | |
| 3. | Timely receipt of Annual Report | | | | | |
| 4. | Presentation of information on Company's Website | | | | | |
| 5. | Promptness in confirming demat/remat requests | | | | | |
| 6. | Overall Rating | | | | | |

Suggestion/Question

In case you have any suggestion/question for the betterment of your Company, please do write to us. The Management would be pleased to consider and reply the same

NameFolio/Client ID No.e-mail.....

Address

Signatures



IOL CHEMICALS AND PHARMACEUTICALS LIMITED

Regd. Office : Trident Complex, Raikot Road, Barnala - 148 101 (Punjab)

PROXY FORM

I/Weof.....in the district ofbeing a member/members of M/s IOL Chemicals and Pharmaceuticals Limited, hereby appoint.....of.....in the district of.....failing himof.....of the district of.....as my/our Proxy to vote for me/us on my/our behalf at the **25th Annual General Meeting** of the Company to be held on **Saturday, 29 September 2012 at 10.00 A M** at the Registered Office of the Company situated at Trident Complex, Raikot Road, Barnala-148101, Punjab, and at any adjournment thereof.

Affix Re 1/-
Revenue Stamp

Signature.....

hereFolio/Client ID No.
Signature(s)

Note :

If it is intended to appoint a proxy, the form of proxy should be completed and deposited at the Registered Office of the Company at least 48 hours before the commencement of the meeting.



IOL CHEMICALS AND PHARMACEUTICALS LIMITED

Regd. Office : Trident Complex, Raikot Road, Barnala - 148 101 (Punjab)

ATTENDANCE SLIP

Registered Folio/Client ID No. : Name of the Member :

Name of the Proxy :No. of shares held :

I hereby record my presence at the **25th Annual General Meeting** of the Company held on **Saturday, 29 September 2012 at 10.00 A M** at Trident Complex, Raikot Road, Barnala - 148 101, Punjab.

Signature of Member/Proxy

Notes :

- Members/ Proxies are requested to produce the attendance slip duly signed for admission to the meeting hall.
- Members are requested to bring their copy of the Annual Report.

