



KILITCH DRUGS (INDIA) LTD.

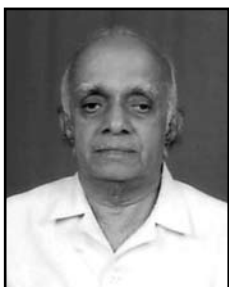
20th ANNUAL REPORT
2011 - 12





KILITCH DRUGS (INDIA) LTD.





CHAIRMAN'S MESSAGE.....!

Dear valued shareholders,

I welcome you all at 20th AGM of our company.

This year also remain of high volatility in entire World and the scenario in Indian Pharma market too was no different. Trouble in Euro Zone and worrying about US market remain concern at the World scenario.

2011-12 was a landmark year for Kilitch Drugs (India) Ltd. During the year, Company sold it's plant at Poanta Sahib location at an exceedingly good value to America based Akorn India Pvt Ltd.

One time dividend of 300 % must have been accrued to all the shareholders on account of the asset sale.

Above transaction has brought about restructuring and following will be our focus in the times to come, Mumbai Plant with beta lactam facility and more than 13 countries export opportunities. These 13 countries comprises of World's most developing countries. In order to grab this market at an early stage company started it's office at 1] South Sudan capital of Juba 2] Benin – from where we will be cattering to most of Francophone countries of West Africa.

In the last 2 years Kilitch has been successful in developing and building a team dedicated to managing the export business with great strength, experience and optimism. We look forward to deliver a significant growth in export in these countries.

I take this opportunity to share that our Director Mr. Bhavin Mukund Mehta has been appointed in Managing Committee of Administration for PHARMEXCIL and also got elected in IDMA as committee member. This will further boost our recognition in the pharmaceutical market.

After the demise of my wife, I am not keeping well and wish to handover the commands of the business to younger generation and wish them all the success in endeavor to strive for the higher growth in the company.

Pratap K.Mehta



20TH ANNUAL REPORT 2011 -12

BOARD OF DIRECTORS

PRATAP K. MEHTA (Chairman)
MUKUND P MEHTA (Managing Director)
PARESH P MEHTA (Joint Managing Director)
BHAVIN M. MEHTA (Executive Director)
MUKESH SHAH (Independent Director)

NEELIMA A. WAINGANKAR (Wholetime Director)(Mrs.)
PANKAJ KAMDAR (Independent Director)
SHAILESH CHHEDA (Independent Director)
HEMANG ENGINEER (Independent Director)

AUDITORS

R.N.R. IYER & CO.

COMPANY SECRETARY

Kanika Bareja

BANKERS

THE SHAMRAO VITHAL CO-OP BANK LTD.
AXIS BANK LTD
STATE BANK OF INDIA
ICICI BANK LTD.

REGISTERED OFFICE

C-301/2, M.I.D.C. TTC Industrial Area,
Pawane Village, Thane. 400 705
Tel.: 022-27670322, 27680913, 65144185
Fax: 022-27680912

ADMINISTRATIVE OFFICE

Ujagar Industrial Estate, Unit No. 37,
W.T. Patil Marg, Deonar, Mumbai - 400 088
Tel.: 022-67033322 / Fax: 022-67031658
Website: www.kilitch.com
e-mail: info@kilitch.com

REGISTRARS & TRANSFER AGENTS

LINK INTIME INDIA PRIVATE LIMITED
C -13, Pannalal Silk Mills Compound, L.B.S. Marg,
Bhandup (W), Mumbai-400 078
Tel.:022-25963838 / Fax: 022-25946969

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DEMATERIALISATION OF SHARES

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

ATTN : SHAREHOLDERS

As informed through 20th Annual Report please send all communication including any request for change of address and Share transfer to the Registrars' Office Shareholder seeking information of accounts published here in are requested to furnish their queries to the Company at least 10 days before the date of meeting 20th Annual General Meeting on Saturday the 29th September, 2012 at 9.30 a.m. at Registered Office of the Company.

NOTICE

Notice is hereby given that the 20th Annual General Meeting of the Members of **KILITCH DRUGS (INDIA) LIMITED** will be held at C-301/2, MIDC, TTC Industrial Area, Pawane Village, Thane-400701, on **Saturday, 29th September, 2012 at 9.30 A.M.** to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at March 31, 2012 and Statement of Profit and Loss for the year ended as on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Shailesh Chheda, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Hemang Engineer, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint M/s. RNR Iyer & Co., Chartered Accountants as Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and 311 of the Companies Act, 1956 and further subject to the provisions of Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof) and further subject to such other approvals as may be necessary, the Company hereby approves the revision of the remuneration package of Mr. Mukund Mehta for the remaining period of his tenure as Managing Director of the Company, as detailed in the Explanatory Statement attached to the Notice, **w.e.f. September 1, 2012** as also set out in the draft agreement submitted to the meeting duly initialed, for the purpose of identification, which is hereby specifically approved and sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or the Agreement so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto, as may be agreed to between the Board of Directors and Mr. Mukund Mehta.”

“RESOLVED FURTHER THAT Mr. Mukesh Shah, Director of the Company be and is hereby authorised to obtain necessary approvals/ to file with the Registrar of Companies, Mumbai, Maharashtra all the necessary Form/documents to carry out the effect of the above resolution and further to initiate and undertake all such steps as may be deemed expedient by him to give effect to this resolution for and on behalf of the Board of Directors of the Company.”
6. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and 311 of the Companies Act, 1956 and further subject to the provisions of Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof) and further subject to such other approvals as may be necessary, the Company hereby approves the change in designation of Mr. Bhavin Mehta as the Whole time Director designated as the Executive Director of the Company for a period of **five years commencing from September 1, 2012 and ending on August 31, 2017** on the remuneration package as detailed in the Explanatory Statement attached to the Notice and as also set out in the draft agreement submitted to the meeting duly initialed, for the purpose of identification, which is hereby specifically approved and

sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or the Agreement so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto, as may be agreed to between the Board of Directors and Mr. Bhavin Mehta.”

“RESOLVED FURTHER THAT Mr. Mukesh Shah, Director of the Company be and is hereby authorised to obtain necessary approvals/ to file with the Registrar of Companies, Mumbai, Maharashtra all the necessary Form/documents to carry out the effect of the above resolution and further to initiate and undertake all such steps as may be deemed expedient by him to give effect to this resolution for and on behalf of the Board of Directors of the Company.”

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

**Place : Mumbai
Date : 30/08/2012**

**MUKUND MEHTA
MANAGING DIRECTOR**

NOTES:

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM SHOULD BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE AT LEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- 2) The Register of Members and Share Transfer Books of the Company shall remain closed on 25th September 2012 [being the Record Date] for the purpose of declaration of Special Interim Dividend and there will be no further closure of Register of Members and Share Transfer Books of the Company for the purpose of 20th Annual General Meeting.
- 3) Members are requested to promptly notify any changes in their addresses to the Company at its Registered Office.
- 4) All documents referred to in the Notice are open for inspection at the Registered Office of the Company during office hours on all days except Sunday & public holidays between 11.00 a.m. and 1.00 p.m. up to the date of Annual General Meeting.
- 5) Corporate members intending to send their authorized representatives to attend the Meeting are requested to send to the Company in advance a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
- 6) Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 for all the items under Special Business is annexed to the Notice.
- 7) For convenience of members, an attendance slip is annexed to the proxy form. Members are requested to affix their signature at the space provided and hand over the attendance slips at the place of meeting. The proxy of a member should mark on the attendance slip as 'proxy'.
- 8) IF THE MEMBERS HAVE ANY QUERIES ON THE AUDITED ACCOUNTS, DIRECTORS' REPORT & AUDITOR'S REPORT, THE SAME SHOULD BE FORWARDED TO THE COMPANY IN WRITING AT ITS REGISTERED OFFICE AT LEAST 10 DAYS BEFORE THE MEETING SO THAT THE SAME CAN BE REPLIED AT THE TIME OF ANNUAL GENERAL MEETING TO THE MEMBERS' SATISFACTION.



- 9) Members are requested to bring their copies of the reports to Annual General Meeting.
- 10) Members holding shares in physical form in the same set of names under different ledger folios are requested to apply for consolidation of such folios along with share certificates to the Company.
- 11) In order to exercise strict control over the transfer documents, members are requested to send the transfer documents/ correspondence, if any, directly to:

UNIT: KILITCH DRUGS (INDIA) LIMITED
C/o. Link Intime India Private Limited
Registrar & Share Transfer Agent
 C-13, Pannalal Silk Mills Compound,
 L.B.S. Marg, Bhandup(W), Mumbai-400078
 Tel: 022- 25963838; Fax: 022-25946969

Important Communication to Members

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants.

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

Item No.5:

Mr.Mukund Mehta, aged 57 years is a Commerce and Law graduate and has a rich experience of banking and other related financial matters. He was instrumental in signing a Joint Venture MoU with the large trade organizations in various African nations to set up there an ultra-modern manufacturing facilities for manufacturing of pharmaceutical formulations. He is responsible for guiding the Company's management and global operation to its next phase of growth.

In view of the above and taking into consideration the leadership qualities, your Board proposes to award Mr.Mukund Mehta by way of upward revision in his remuneration package as detailed below and as recommended and approved by the Remuneration Committee.

| CATEGORY | PARTICULARS |
|-----------------------------------|--|
| Basic Salary | Upto maximum ₹ 5,00,000/- (Rupees Five Lacs Only) per month or ₹ 60,00,000/- (Rupees Sixty Lacs Only) per annum based on merit and taking into account the Company's Performance. |
| Perquisites and Allowances | <p>Category A</p> <p>Medical Reimbursement: Medical expenses actually incurred for self and family shall be reimbursed by the Company under the mediclaim Policy.</p> <p>Leave Travel Concession: Company shall provide leave travel fare for the Managing Director and his family once a year, anywhere in India as per the Rules applicable to the Company and per Income Tax Rules.</p> <p>Category B</p> <p>The Company shall contribute towards Provident Funds/ Superannuation Fund/Annuity Fund, as agreed upon, provided that such contributions either singly</p> |

or put together shall not exceed the tax free limit prescribed under the IT Act.

The Company shall pay Gratuity, as agreed upon, at the rate not exceeding half month's salary for each completed year of service.

Leave on full pay and allowances, as per rules of the Company, but not more than one month's leave for every eleven months of service. However, the leave accumulated but not availed of will be allowed to be encashed at the end of the term as per Company rules.

The perquisites under this category shall not be included in the computation of ceiling on remuneration.

Category C

The Company shall provide a car with a driver at the cost of the Company for business use of the Company.

The Managing Director shall be entitled to reimbursement of all expenses incurred in connection with the business of the Company.

Reimbursement of entertainment expenses actually and properly incurred in the course of business of the Company shall be reimbursed.

Any and all expenditure actually and properly incurred on Company's business shall be reimbursed to the Managing Director.

Sitting Fees

The Managing Director shall not be entitled to sitting fees for attending meetings of the Board of Directors or Committees thereof. He shall, however be reimbursed the actual travelling, lodging and boarding expenses incurred by him for attending meeting of the Board of Directors and the Committees thereof.

Minimum Remuneration

The remuneration referred to above is subject to the limit of 5% of the annual net profits of the Company and subject further to the overall limit of 10% of the annual net profits of the Company on the remuneration of the Managing Director and other Whole Time Directors of the Company taken together. Provided however that in the event of absence or inadequacy of profit, the Managing Director shall be entitled to remuneration mentioned under above and perquisites as above within the minimum remuneration specified in Schedule XIII of the Companies Act, 1956. However the Managing Director shall not be paid any sitting fees for attending the Board or Committee meetings.

Except Mr. Mukund Mehta (being himself), Mr. Pratap Mehta (being Father), Mr. Paresh Mehta (being Brother) and Mr. Bhavin Mehta (Being Son), no other Director of the Company may be deemed to be concerned or interested in passing of said resolution.

Your Directors recommend the said Resolution for your approval.

Item No.6:

Mr.Bhavin Mehta, aged 35 years, and one of the Promoters of the Company, is a Graduate in Pharmacy from M.E.T. Institute of Pharmacy. Mr.Bhavin Mehta is responsible for guiding the Company's operations to its next phase of growth. He has an experience of 10 years in the pharmaceutical industry.

Presently, he is responsible for spearheading the core management team and operations of our Company.

In view of the above, and taking into consideration the leadership qualities, your Board proposes to designate Mr. Bhavin Mehta as the Executive Director being the Whole time Director of the Company w.e.f. September 1, 2012 on the remuneration package as detailed below.

CATEGORY PARTICULARS

Basic Salary Upto maximum ₹ 5,00,000/- (Rupees Five Lacs Only) per month or ₹ 60,00,000/- (Rupees Sixty Lacs Only) per annum based on merit and taking into account the Company's performance.

Perquisites and Allowances **Category A**
Medical Reimbursement: Medical expenses actually incurred for self and family shall be reimbursed by the Company under the mediclaim Policy.

Leave Travel Concession: Company shall provide leave travel fare for the Whole time Director and his family once a year, anywhere in India as per the Rules applicable to the Company and per Income Tax Rules.

Category B

The Company shall contribute towards Provident Funds/ Superannuation Fund/Annuity Fund, as agreed upon, provided that such contributions either singly or put together shall not exceed the tax free limit prescribed under the IT Act.

The Company shall pay Gratuity, as agreed upon, at the rate not exceeding half month's salary for each completed year of service.

Leave on full pay and allowances, as per rules of the Company, but not more than one month's leave for every eleven months of service. However, the leave accumulated but not availed of will be allowed to be encashed at the end of the term as per Company rules.

The perquisites under this category shall not be included in the computation of ceiling on remuneration.

Category C

The Company shall provide a car with a driver at the cost of the Company for business use of the Company.

Sitting Fees

The Whole time Director shall be entitled to reimbursement of all expenses incurred in connection with the business of the Company.

Reimbursement of entertainment expenses actually and properly incurred in the course of business of the Company shall be reimbursed.

Any and all expenditure actually and properly incurred on Company's business shall be reimbursed to the Whole time Director.

The Whole time Director shall not be entitled to sitting fees for attending meetings of the Board of Directors or Committees thereof. He shall, however be reimbursed the actual travelling, lodging and boarding expenses incurred by him for attending meeting of the Board of Directors and the Committees thereof.

Minimum Remuneration

The remuneration referred to above is subject to the limit of 5% of the annual net profits of the Company and subject further to the overall limit of 10% of the annual net profits of the Company on the remuneration of the Managing Director and other Whole Time Directors, if any, of the Company taken together. Provided however that in the event of absence or inadequacy of profit, the Whole time Director shall be entitled to remuneration mentioned under above and perquisites as above within the minimum remuneration specified in Schedule XIII of the Companies Act, 1956. However, Whole time Director shall not be paid any sitting fees for attending the Board or Committee meetings.

Except Mr. Bhavin Mehta (being himself), Mr. Mukund Mehta (being father) and Mr. Pratap Mehta (being Grandfather), no other Director of the Company may be deemed to be concerned or interested in passing of said resolution.

Your Directors recommend the said Resolution for your approval.

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

**Place : Mumbai
Date : 30/08/2012**

**MUKUND MEHTA
MANAGING DIRECTOR**

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

| Name of Directors | Age [in yrs.] | Qualifications | Experience | No. of shares held |
|---------------------|---------------|--|--|--------------------|
| Mr. Shailesh Chheda | 56 | M.Com., D. Pharm. | Mr. Shailesh Chheda is a registered pharmacist, having rich experience of 32 years in retail pharmacy. | NIL |
| Mr. Hemang Engineer | 47 | B.Com., LL.B. | Mr. Hemang Engineer is the Managing Partner in Gordhan & Fozdar, Advocates & Solicitors. The said firm is more than 80 years old. His practice includes areas such as Construction and Real Estate, Banking and Finance, Intellectual Property Rights, Commercial Contracts, Alternative Dispute Resolution. He has represented a vast range of clients including Private and Public Companies, Banks, Real Estate Developers, Individuals, Government Institutions and Organizations. | NIL |
| Mr. Bhavin Mehta | 35 | Graduate in Pharmacy from M.E.T. Institute of Pharmacy | 10 years in the pharmaceutical industry | 103300 |



DIRECTORS' REPORT

Your Directors have pleasure in presenting their 20th Annual Report together with the Audited Statement of Accounts of the Company for the year ended March 31, 2012.

FINANCIAL RESULTS:

(₹ in Lacs)

| PARTICULARS | F.Y. 2011-12 | F.Y. 2010-11 |
|--|---------------------|---------------------|
| Total Income | 10,796.24 | 14,622.36 |
| Profit (Loss) before Interest, Tax, Depreciation and Exceptional Items | 1,526.70 | 2,235.68 |
| Less: Depreciation | 483.37 | 558.74 |
| Less: Interest Charges | 295.33 | 368.81 |
| Profit/(Loss) before exceptional and extraordinary items and Taxation | 748.00 | 1,308.13 |
| Add/(Less) : Exceptional Items | (1,552.82) | Nil |
| Add/(Less) : Extraordinary Items | 10,704.79 | Nil |
| Profit (Loss) before Taxation | 9,899.97 | 1,308.13 |
| Less: Provision for Taxation | | |
| - Current Year | 2,105.00 | 261.00 |
| - Deferred Tax | - | 1.07 |
| Profit (Loss) after Taxation | 7,794.97 | 1,046.06 |
| Balance brought forward | 3,379.96 | 2,588.19 |
| Less: Appropriations | | |
| - Proposed dividend | 3969.55 | 132.32 |
| - Dividend distribution tax | 644.26 | 21.97 |
| - Transfer to Reserves | 800.00 | 100.00 |
| Balance Carried to Balance Sheet | 5,761.12 | 3,379.96 |
| Basic Earnings Per Share (₹ per share) | 58.91 | 7.91 |

REVIEW OF PERFORMANCE:

During the year under review, Net Profit after Tax was ₹ 7,794.97 lacs as against Net Profit after Tax of ₹ 1,046.06 lacs for the corresponding previous year. The said increase in Net profit of the Company is result of slump sale and transfer of business undertaking located at Paonta Sahib, Himachal Pradesh.

DIVIDEND:

Considering the aforesaid sale of assets, the Board of Directors declared Special Interim Dividend @300% [i.e. ₹ 30/- per share on ₹ 10/- face value] on the equity share capital of the Company. Further, the Board not recommend any additional dividend for the financial year 2011-2012 and hence the said Special Interim Dividend be considered as the Final Dividend.

SALE OF BUSINESS:

During the year under review, the Company sold its business located at Paonta Sahib, Himachal Pradesh as a going concern on a slump sale basis along with transfer of services of related employees on the terms and condition as set forth in the Business Transfer Agreement (BTA). The undertaking was sold and transferred on 28th February 2012 after getting all the necessary clearances as indicated in the BTA. The Company has retained its Name, Trademark (Kilitch) and all other properties and assets at Mumbai.

The Company also transferred certain products by entering into a Product Transfer Agreement (PTA) with Akorn India Pvt. Ltd. (AIPL) by which the right to manufacture certain products by the Company at Mumbai were sold to AIPL.

The above referred sale and transfer of business was approved by the Members of the Company through Postal Ballot conducted by the Company.

FUTURE OUTLOOK:

After the sale of Paonta Sahib Facility Company now has in its fold 1) Mumbai Plant 2) APP 15 + Countries Export.

In most of countries which remain with for the Company for export which are fastest developing countries and we propose to register all our products during this year in these countries.

Senior management is on the job of penetrating the business in all Francophone countries and south Sudan as the same hold great potential for the business.

In line with the steps being taken to focus on exports, Company's export business volume is expected to pick up substantially.

FOCUS ON HUMAN RESOURCE:

The year 2011-12 has been quite significant for human resource where several initiatives were taken forward. Talent management was taken up as a specific focus area in HR towards integrating employee development and successful planning.

Employee engagement is one of the key elements in the success of our organization. Your organization has embarked upon a path for building up the same through appreciative enquiry methodology.

DIRECTORS:

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

Further, Mr. Bhavin Mehta is being designated as the Executive Director of the Company for a period of five years w.e.f. September 1, 2012.

FIXED DEPOSITS:

The Company has not accepted any loans or deposits from public in pursuant to Section 58A of the Companies Act, 1956, and rules framed under the Companies (Acceptance of Deposits) Rules, 1975.

AUDITORS:

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

EXPLANATION U/S. 217(3) OF THE COMPANIES ACT, 1956 ON THE OBSERVATIONS IN THE AUDITORS' REPORT:

- Note No. 3 (f) regarding Gratuity:

The clarification regarding said observation by the Auditors is given in Note No. 1-K of Significant Accounting Policies.

STATEMENT U/S. 212 REGARDING SUBSIDIARY COMPANY:

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

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

| | | |
|------------------------------|-------------|-------------|
| Power and Fuel Consumption | 2011-12 | 2010-11 |
| a) Electricity | | |
| Purchased Unit (in Thousand) | 7,207.62 | 8,777.73 |
| Total Amount (₹ in Thousand) | 38,427.66 | 42,131.13 |
| Rate/ Unit (₹) | 5.33 | 4.80 |
| b) Own Generator | | |
| Fuel (Diesel) | 1,54,109.00 | 2,07,205.97 |
| Total Amount (₹ in Thousand) | 5,477.77 | 6,307.64 |
| Rate per Litre (₹) | 35.54 | 32.85 |
| Fuel (Furnace Oil) | 4,80,805.00 | 4,73,176.00 |
| Total Amount (₹ in Thousand) | 21,444.11 | 16,282.74 |
| Rate per Litre (₹) | 44.60 | 29.06 |

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION:

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

FOREIGN EXCHANGE EARNING & OUTGO:

| | | |
|----------|----------------|----------------|
| | [₹ In Lacs] | |
| | 2011-12 | 2010-11 |
| Earnings | 668.18 | 699.05 |
| Outgo | 390.02 | 1618.61 |

PARTICULARS OF EMPLOYEES:

The Company considers human resources as its greatest asset and strength in the process of development and progress. In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended by the Companies (Particulars of Employees) Rules, 2011, none of the employees of the company are in receipt of remuneration exceeding ₹ 60,00,000/- per annum, if employed for whole of the year or ₹ 5,00,000/- per month if employed for part of the year.

INSURANCE:

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

MANAGEMENT DISCUSSION AND ANALYSIS:

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

EMPLOYEE STOCK OPTION SCHEME:

As per Employee stock options Scheme (Kilitch ESOS 2007), each option is convertible into one equity shares ₹ 10/- each at exercise price of ₹ 47.50 per share. During the year fresh options were not granted and employees did not exercise any options. However, due to separations, 87150 options were surrendered and are available for reissue. 73 employees have been shifted to Akorn India Pvt. Ltd. after the execution of deal for sale of part of business during the year. As these employees have technically separated from Company due to sale of business, it was decided that options held

by them will be available for exercise as long as such employees are in the service of Akorn India Pvt. Ltd. Details of the same are given in the annexure to this report.

DIRECTORS' RESPONSIBILITY STATEMENT:

In pursuant to Sec. 217(2AA), the Board do and hereby states:

- that in the preparation of annual accounts for the Financial year 2011-12, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that the directors had selected such accounting policies and applied them consistently and made judgments and estimated that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period.
- that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- that the directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE:

The Company is committed to maintain the highest standard of Corporate Governance and adhere to the Corporate Governance requirements set out by SEBI. The Company continued to believe in and accordingly upgrade itself with concept of Corporate Governance. The company has successfully maintained a code of Corporate Governance in all its concerned operations comprehensively. Corporate Governance and Management Discussion & Analysis Report forms part of this Annual Report. The Company has obtained a Certificate from Practicing Company Secretary for maintenance of Code of Corporate Governance.

APPRECIATION:

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

For and On behalf of the Board of Directors

| | | |
|--------------------------|------------------------|--------------------------|
| Place : Mumbai | PRATAP K. MEHTA | MUKUND P. MEHTA |
| Date : 30/08/2012 | CHAIRMAN | MANAGING DIRECTOR |



Annexure to the Directors' report

| | | Kilitch ESOS 2007 | | | | |
|-------|--|--|----------|-----------|----------|---------|
| | | Grant I | Grant II | Grant III | Grant IV | Total |
| (a) | Options granted (in the previous years and nil in current year) | 186600 | 14000 | 64575 | 64525 | 329700 |
| (b) | Pricing Formula | ₹ 47.50 | ₹ 47.50 | ₹ 47.50 | ₹ 47.50 | |
| (c) | Options vested (upto March 2012) | 186600 | 14000 | 33579 | 33553 | 267732 |
| (d) | Options exercised (upto March 2011 & Nil in 2011-12) | 25206 | 2415 | 908 | 1177 | 29706 |
| (e) | Total number of shares arising as a result of exercise of options | 25206 | 2415 | 908 | 1177 | 29706 |
| (f) | Options lapsed (during 2011-12 & upto 31/03/2012) | 24500 | 3000 | 33925 | 25725 | 87150 |
| (g) | Variation of terms options (during the year ended 31 March 2012) | Nil | Nil | Nil | Nil | Nil |
| (h) | Money realized by exercise of options | 1197285 | 114713 | 43130 | 55907.5 | 1411035 |
| (I) | Total number of options in force (as at 31st March 2012) | 136894 | 8585 | 29742 | 37623 | 212844 |
| (j) | Employee wise details of options granted to | | | | | |
| 2 | Employees to whom more than 5% options granted during the year | Nil | Nil | Nil | Nil | |
| 3 | Employees to whom options more than 1% of issued capital granted during the year | Nil | Nil | Nil | Nil | |
| (k) | Diluted EPS,pursuant to issue of shares on exercise of options | | | | | 53.68 |
| (l),1 | Method of calculation of employee compensation cost | Calculation is based on intrinsic value method | | | | |
| 2 | Intrinsic Value per share | ₹ 67.50 | ₹ 61.60 | ₹ 22.75 | ₹ 89.00 | |
| 3 | Difference between the above and employee compensation cost that shall have been recognized if it had used the fair value of the options | Employee compensation cost would have been higher by ₹ 14,81,445/- had the Company used fair value method for accounting the options issued under ESOS | | | | |
| 4 | Impact of this difference on Profits and on EPS of the Company | Profits would have been lower by ₹ 14,81,445/- and EPS would have been lower by ₹ 0.11, had the Company used fair value method of accounting the options issued under ESOS | | | | |
| (m) 1 | Weighted average exercise price | ₹ 47.50 | ₹ 47.50 | ₹ 47.50 | ₹ 47.50 | |
| 2 | Weighted average fair value of options based on Black Scholes methodology | ₹ 85.13 | ₹ 79.89 | ₹ 43.12 | ₹ 108.30 | |
| (n) | Significant assumptions used to estimate fair value of options including weighted average | | | | | |
| 1 | Risk free interest rate | 7.00% | 7.00% | 7.00% | 7.00% | |
| 2 | Expected life | Average life taken as 2 years from date of grant | | | | |
| 3 | Expected volatility | 70.00% | 71.00% | 65.00% | 81.00% | |
| 4 | Expected dividends | Not separately included, factored in volatility working | | | | |
| 5 | Closing market price of share on a date prior to date of grant | ₹ 115.00 | ₹ 109.10 | ₹ 70.25 | ₹ 136.50 | |

Statement pursuant to Section 212 of the Companies Act, 1956:

| Sr. No. | Name of the Subsidiary | EYE KARE KILITCH LTD. | |
|---------|---|--------------------------|---|
| 1 | Financial Year Ended | 31/03/2012 | b Not dealt with in the accounts of Kilitch Drugs (India) Ltd. (₹ 1,07,99,872/-) |
| 2 | Shares of Subsidiary held as on 31 st March, 2012 | 32,94,930 | 4 Net aggregate amount of profit/(loss) of the subsidiary so far as it concerns the members of Kilitch Drugs (India) Ltd. for the previous financial year |
| a. | Total Number of Shares and face value | 50,00,000 of ₹ 10/- each | a Dealt with in the accounts of Kilitch Drugs (India) Ltd. No. |
| b. | Extent of holding | 65.90% | b Not dealt with in the accounts of Kilitch Drugs (India) Ltd. ₹ 1,86,370/- |
| 3 | Net aggregate amount of profit/(loss) of the subsidiary so far as it concerns the members of Kilitch Drugs (India) Limited for current financial year | | |
| a | Dealt with in the accounts of Kilitch Drugs (India) Ltd. | No | |

For and On behalf of the Board of Directors

**Place : Mumbai PRATAP K. MEHTA MUKUND P.MEHTA
Date : 30/08/2012 CHAIRMAN MANAGING DIRECTOR**

MANAGEMENT DISCUSSION AND ANALYSIS:

A. INDUSTRY STRUCTURE AND DEVELOPMENT:

The Pharmaceutical industry in India is the world's third-largest in terms of volume and stands 14th in terms of value. Pharmaceutical sales are growing at a fast rate in India, China, Malaysia, South Korea and Indonesia due to the rising disposable income, several health insurance schemes (that ensures the sales of branded drugs), and intense competition among top pharmaceutical companies in the region (that has boosted the availability of low cost drugs). China's pharmaceutical market will continue to grow at more than 20% annually, and will contribute 21% of overall global growth through 2013. India - 3rd Largest Producer of Pharmaceuticals Across the World- is already a US\$ 8.2 Billion pharmaceutical market. The Indian pharmaceutical industry is further expected to grow by 10% in the year 2013.

SWOT ANALYSIS OF PHARMACEUTICAL INDUSTRY:

Strengths:

1. India with a population of over a billion is a largely untapped market. In fact the penetration of modern medicine is less than 30% in India. To put things in perspective, per capita expenditure on health care in India is US\$ 93 while the same for countries like Brazil is US\$ 453 and Malaysia US\$189.
2. The growth of middle class in the country has resulted in fast changing lifestyles in urban and to some extent rural centers. This opens a huge market for lifestyle drugs, which has a very low contribution in the Indian markets.
3. Indian manufacturers are one of the lowest cost producers of drugs in the world. With a scalable labor force, Indian manufacturers can produce drugs at 40% to 50% of the cost to the rest of the world. In some cases, this cost is as low as 90%.
4. Indian pharmaceutical industry possesses excellent chemistry and process reengineering skills. This adds to the competitive advantage of the Indian companies. The strength in chemistry skill helps Indian companies to develop processes, which are cost effective.

Weakness:

1. The Indian pharma companies are marred by the price regulation. Over a period of time, this regulation has reduced the pricing ability of companies. The NPPA (National Pharma Pricing Authority), which is the authority to decide the various pricing parameters, sets prices of different drugs, which leads to lower profitability for the companies. The companies, which are lowest cost producers, are at advantage while those who cannot produce have either to stop production or bear losses.
2. Indian pharma sector has been marred by lack of product patent, which prevents global pharma companies to introduce new drugs in the country and discourages innovation and drug discovery. But this has provided an upper hand to the Indian pharma companies.
3. Indian pharma market is one of the least penetrated in the world. However, growth has been slow to come by. As a result, Indian majors are relying on exports for growth. To put things in perspective, India accounts for almost 16% of the world population while the total size of industry is just 1% of the global pharma industry.
4. Due to very low barriers to entry, Indian pharma industry is highly fragmented with about 300 large manufacturing units and about 18,000 small units spread across the country. This makes Indian pharma market increasingly competitive. The industry witnesses price competition, which reduces the growth of the industry in value term. To put things in perspective, in the year 2003, the industry actually grew by 10.4% but due to price competition, the growth in

value terms was 8.2% (prices actually declined by 2.2%)

Opportunities

1. The migration into a product patent based regime is likely to transform industry fortunes in the long term. The new patent product regime will bring with it new innovative drugs. This will increase the profitability of MNC pharma companies and will force domestic pharma companies to focus more on R&D. This migration could result in consolidation as well. Very small players may not be able to cope up with the challenging environment and may succumb to giants.
2. Large number of drugs going off-patent in Europe and in the US between 2005 to 2009 offers a big opportunity for the Indian companies to capture this market. Since generic drugs are commodities by nature, Indian producers have the competitive advantage, as they are the lowest cost producers of drugs in the world.
3. Opening up of health insurance sector and the expected growth in per capita income are key growth drivers from a long-term perspective. This leads to the expansion of healthcare industry of which pharma industry is an integral part.
4. Being the lowest cost producer combined with FDA approved plants, Indian companies can become a global outsourcing hub for pharmaceutical products.

Threats:

1. There are certain concerns over the patent regime regarding its current structure. It might be possible that the new government may change certain provisions of the patent act formulated by the preceding government.
2. Threats from other low cost countries like China and Israel exist. However, on the quality front, India is better placed relative to China. So, differentiation in the contract manufacturing side may wane.
3. The short-term threat for the pharma industry is the uncertainty regarding the implementation of VAT. Though this is likely to have a negative impact in the short-term, the implications over the long-term are positive for the industry.

B. OUTLOOK:

Pharma being growing at approx 15 -16 % p.a , your companies growth in the sector of export to FRANCOPHONE countries will boost the over all performance of your company.

CAUTIONARY STATEMENT:

Statement in Management discussion and analysis describing the Company's objective and expectations or predictions may be forward looking within the meaning of applicable laws and regulations. Actual result may differ materially from those expressed in the statement.

CORPORATE GOVERNANCE REPORT

In accordance with Clause 49 of the Listing Agreement with the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE) (Clause 49) also by applicable provisions of the Companies (Amendment) Act, 2000, the report containing the details of Corporate Governance system and process at Kilitch Drugs (India) Limited is as under:

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Corporate Governance is a set of systems and practices to ensure that the affairs of the company are being managed in a way which ensures accountability, transparency, and fairness in all its transactions in the widest sense and meet its stakeholder's aspirations and societal expectations. Your Company has committed to bring about the good corporate governance practices. It strongly believes in attaining transparency, accountability and equity, in all its operations, and in its interaction with stakeholders including shareholders, employees, the government and the lenders.

2. BOARD OF DIRECTORS:

As on 31st March, 2012 the strength of Board of Directors was 09, comprising of 04 Executive Directors, 05 Non-Executive Directors including 02 Promoter Directors and 04 Independent Directors. The Chairman of the Company is Non-Executive Promoter Director.

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

The composition of the Board of Directors and also the number of other Companies of which he/she is a Director and Member/Chairman as on March 31, 2012, are as under:

| Names of Directors | Category of Directorship | Directorship in other companies | Committee Membership(s) of other Companies | | No. of shares held |
|------------------------------|--|---------------------------------|--|----------|--------------------|
| | | | Member | Chairman | |
| Mr. Mukund Prataprai Mehta | Managing Director | 3 | - | - | 858,278 |
| Mr. Bhavin Mukund Mehta | Executive Director | 4 | - | - | 103,300 |
| Mr. Paresh Prataprai Mehta | Jt. Managing Director | 3 | - | - | 1,256,347 |
| Mr. Pratap Keshavji Mehta | Chairman, Non Executive Director | 3 | - | - | NIL |
| Ms. Neelima Abhay Waigankar | Whole time Director | - | - | - | - |
| Mr. Mukesh Damji Shah | Independent and Non Executive Director | 1 | - | - | 4000 |
| Mr. Pankaj Ottamchand Kamdar | Independent and Non Executive Director | - | - | - | - |
| Mr. Hemang Jagdish Engineer | Independent and Non Executive Director | 1 | - | - | - |
| Mr. Shailesh Hansraj Chheda | Independent and Non Executive Director | - | - | - | - |

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

BOARD PROCEDURE:

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

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

During the year 08 (Eight) Board Meetings were held during the financial year ended March 31, 2012, the dates of which are 14/05/2011, 06/07/2011, 25/07/2011, 12/08/2011, 22/09/2011, 06/10/2011, 14/11/2011 and 06/02/2012.

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

| Name of the Director | No. of Board meetings attended | Attendance of last AGM held on 10/09/2011. |
|------------------------------|--------------------------------|--|
| Mr. Pratap Keshavji Mehta | 8 | Absent |
| Mr. Mukund Prataprai Mehta | 8 | Present |
| Mr. Paresh Prataprai Mehta | 8 | Present |
| Mr. Bhavin Mukund Mehta | 8 | Present |
| Mr. Mukesh Damji Shah | 5 | Present |
| Mr. Pankaj Ottamchand Kamdar | 4 | Present |
| Mr. Hemang Jagdish Engineer | 3 | Absent |
| Mr. Shailesh Hansraj Chheda | NIL | Absent |
| Ms. Neelima Abhay Waigankar | NIL | Absent |

3. AUDIT COMMITTEE:

BROAD TERMS OF REFERENCE:

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

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

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

COMPOSITION:

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

The constitution of the Audit Committee is as follows:

| S.N | Name of Director | Executive/Non-Executive Independent |
|-----|------------------------------|-------------------------------------|
| 1. | Mr. Mukesh Damji Shah. | Chairman, Independent |
| 2. | Mr. Shailesh Hansraj Chheda | Independent |
| 3. | Mr. Hemang Jagdish Engineer | Independent |
| 4. | Mr. Pankaj Ottamchand Kamdar | Independent |

MEETINGS AND ATTENDANCE

During the financial year ended March 31, 2012, Four Audit Committee Meetings were held on 14/05/2011, 02/08/2011, 14/11/2011 and 06/02/2012.

The attendance at the Audit Committee Meetings is as under:

| Name of Director | No. of meetings attended |
|------------------------------|--------------------------|
| Mr. Mukesh Damji Shah | 4 |
| Mr. Shailesh Hansraj Chheda | 4 |
| Mr. Hemang Jagdish Engineer | 4 |
| Mr. Pankaj Ottamchand Kamdar | 4 |

The Chairman of the Committee was present at the Annual General Meeting of the Company held on 10/09/2011 to attend the shareholders' queries.

4. SHARE TRANSFER/INVESTOR GRIEVANCE COMMITTEE:

FUNCTIONS:

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

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

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



COMPOSITION:

The constitution of the Committee of Directors is as under:

| Name of Director | Designation |
|------------------------------|-----------------------|
| Mr. Mukesh Damji Shah. | Chairman, Independent |
| Mr. Shailesh Hansraj Chheda | Independent |
| Mr. Hemang Jagdish Engineer | Independent |
| Mr. Pankaj Ottamchand Kamdar | Independent |

5. COMPENSATION COMMITTEE:

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

The composition of the said Compensation Committee is as under:

| Name of Director | Designation |
|------------------------------|-----------------------|
| Mr. Mukesh Damji Shah | Chairman, Independent |
| Mr. Pankaj Ottamchand Kamdar | Independent |
| Mr. Bhavin Mehta | Executive |

As per Employee stock options Scheme (Kilitch ESOS 2007), each option is convertible into one equity shares ₹ 10/- each at exercise price of ₹47.50 per share. During the year fresh options were not granted and employees did not exercise any options. However, due to separations, 87150 options were surrendered and are available for reissue. Disclosure as required by SEBI guidelines on ESOS is annexed to the Directors' report.

6. REMUNERATION POLICY:

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

The details of Remuneration paid to Executive Directors for the Financial Year 2011-12.

| Sr.No. | Name of Directors | Remuneration paid (₹ In Lacs) |
|--------|-----------------------------|--------------------------------|
| 1. | Mr. Paresb Prataprai Mehta | 9.00 |
| 2. | Mr. Mukund Prataprai Mehta | 9.00 |
| 3. | Ms. Neelima Abhay Waigankar | 8.54 |

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

The Company had received 11 investor complaints, which were resolved to the satisfaction of the said investors. Thus there are no investor complaints which are pending for the year ended 31st March 2012.

7. GENERAL BODY MEETINGS:

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

| Financial Year | Date | Location of the Meeting | Time | Special Resolution Passed |
|----------------|------------|--|-----------|---------------------------|
| 2008-2009 | 22/09/2009 | C-301/2, M.I.D.C. TTC Industrial Area, Pawane Village, Thane-400705. | 9.00 A.M | NIL |
| 2009-2010 | 20/09/2010 | C-301/2, M.I.D.C. TTC Industrial Area, Pawane Village, Thane-400705. | 9.00 A.M | NIL |
| 2010-2011 | 10/09/2011 | C-301/2, M.I.D.C. TTC Industrial Area, Pawane Village, Thane-400705. | 9.00 A.M. | NIL |

8. DISCLOSURES:

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

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

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

9. MEANS OF COMMUNICATION:

The Quarterly Reports of the Company are published in accordance with the Requirements of the Listing Agreement of the National Stock Exchange of India Ltd. and Bombay Stock Exchange Ltd.

News Papers in which results are normally published:

- Free Press Journal (English)
- Navshakti (Marathi)

10. IMPLEMENTATION OF CODE OF CONDUCT FOR INSIDER TRADING:

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

11. SECRETARIAL AUDIT FOR RECONCILIATION OF CAPITAL:

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

12. GENERAL SHAREHOLDERS' INFORMATION:

1. Annual General Meeting Scheduled to be Held:

Date : Saturday, 29th September, 2012

Time : 9.30 A.M.

Venue [Regd. Off.]: C-301/2, M.I.D.C. TTC Industrial Area, Pawane Village, Thane-400705.

2. Date of Book Closure: The Register of Members and Share Transfer Books of the Company shall remain closed on 25th September 2012 [being the Record Date] for the purpose of declaration of Special Interim Dividend and there will be no further closure of Register of Members and Share Transfer Books of the Company for the purpose of 20th Annual General Meeting.

3. Financial Calendar:

The next financial calendar year of the Company will be from 1st April, 2012 to 31st March, 2013.

Financial Reporting for:

Financial Reporting for the quarter ending 30th June, 2012.

Financial Reporting for the quarter ending 30th September, 2012.

Financial Reporting for the quarter ending 31st December, 2012.

Financial Reporting for the quarter ending 31st March, 2013.

Date:

Up to 15th August, 2012

Up to 15th November 2012

Up to 15th February 2013

Up to 15th May 2013

4. Listing on Stock Exchanges:

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

5. Stock Codes:

National Stock Exchange of India Limited (NSE) - KILITCH

Bombay Stock Exchange Limited: (BSE): B2 - 524500

6. Stock Price Data:

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

| MONTH | BSE, MUMBAI | | |
|--------------|-------------|---------|----------------------|
| | High (₹) | Low (₹) | No. of shares Traded |
| April, 2011 | 72.50 | 58.50 | 1,30,182 |
| May, 2011 | 65.00 | 48.85 | 1,13,469 |
| June, 2011 | 68.00 | 49.00 | 1,14,215 |
| July, 2011 | 79.75 | 50.00 | 3,01,304 |
| August, 2011 | 74.95 | 54.10 | 1,58,277 |
| Sept, 2011 | 88.40 | 68.55 | 2,11,558 |
| Oct, 2011 | 88.20 | 62.15 | 1,82,711 |
| Nov, 2011 | 64.85 | 55.35 | 33,538 |
| Dec, 2011 | 59.00 | 40.90 | 39,848 |
| Jan, 2012 | 53.85 | 40.05 | 92,279 |
| Feb, 2012 | 63.50 | 51.80 | 79,473 |
| March, 2012 | 68.85 | 54.10 | 94,165 |



| MONTH | NSE, MUMBAI | | |
|--------------|-------------|---------|----------------------|
| | High (₹) | Low (₹) | No. of shares Traded |
| April, 2011 | 63.00 | 61.05 | 24729 |
| May, 2011 | 66.00 | 58.50 | 25,161 |
| June, 2011 | 52.00 | 52.00 | 29651 |
| July, 2011 | 72.40 | 67.80 | 290,764 |
| August, 2011 | 68.90 | 65.05 | 87,774 |
| Sept, 2011 | 83.95 | 78.00 | 150,416 |
| Oct, 2011 | 65.75 | 62.00 | 87,091 |
| Nov, 2011 | 59.05 | 58.5 | 21393 |
| Dec, 2011 | 44.00 | 41.00 | 9834 |
| Jan, 2012 | 54.30 | 50.15 | 18,718 |
| Feb, 2012 | 57.95 | 57.95 | 56,912 |
| March, 2012 | 63.90 | 60.00 | 94,678 |

7. Address for Correspondence:

| | | |
|---------------------------------|---|--|
| Administrative Office | : | Ujagar Industrial Estate, 37, W.T. Patil Marg, Deonar, Mumbai: 400 088. |
| Share Transfer in physical form | : | Link Intime India Private Limited and in other communication in Registrar & Share Transfer Agent that regards including C-13, Pannalal Silk Mills Compound, share certificates, dividends L.B.S. Marg, Bhandup (W), and change of address etc. Mumbai-400078 |
| may be addressed to | : | Tel. Nos. : 022-25963838, Fax No. : 022-25946969 |
| Web Site | : | www.kilitch.com |
| e-mail | : | investor_complaints@kilitch.com |

8. Share Transfer System:

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

9. Dematerialisation of shares:

As on 31st March, 2012, 1,24,17,348 shares are held in dematerialized form with NSDL and CDSL out of total Equity Shares of 1,32,31,828 aggregating to 93.84%.

10. Distribution of shareholding as on 31st March, 2012:

| No. of shares held | No. of shareholders | No. of shares held | % of shareholding |
|--------------------|---------------------|--------------------|-------------------|
| 1 to 5000 | 8019 | 14,76,334 | 11.16 |
| 5001 to 10000 | 557 | 4,55,664 | 3.44 |
| 10001 to 20000 | 229 | 3,55,170 | 2.68 |
| 20001 to 30000 | 78 | 1,97,586 | 1.49 |
| 30001 to 40000 | 36 | 1,28,996 | 0.98 |
| 40001 to 50000 | 32 | 1,49,705 | 1.13 |
| 50001 to 100000 | 56 | 4,20,236 | 3.18 |
| 100001 and Above | 59 | 1,00,48,137 | 75.94 |
| TOTAL | 9066 | 1,32,31,828 | 100.00 |

11. Shareholding Pattern as on 31st March, 2012:

| Category | Number of Shareholders | Number | Shares % to total Capital |
|--|------------------------|-------------|---------------------------|
| (A) PROMOTER AND PROMOTER GROUP HOLDING | | | |
| 1. Individual / Hindu Undivided Family | 2 | 21,14,625 | 15.98 |
| Bodies Corporate | 1 | 60,12,742 | 45.44 |
| Others | 2 | 3,98,068 | 3.01 |
| Total (A) | 5 | 85,25,435 | 64.43 |
| (B) NON – PROMOTER HOLDING INSTITUTIONS | | | |
| Financial Institutional Investors (FIIs) | 1 | 100 | -- |
| Trusts | 1 | 1000 | 0.01 |
| NON-INSTITUTIONS | | | |
| Bodies Corporates | 111 | 5,08,962 | 3.85 |
| Indian Public | 8795 | 38,78,712 | 29.31 |
| NRIs | 106 | 2,83,654 | 2.14 |
| Clearing Members | 47 | 33,965 | 0.26 |
| Total (B) | 9061 | 47,06,393 | 35.56 |
| Grand Total (A)+(B) | 9066 | 1,32,31,828 | 100.00 |

Note:

The total foreign shareholding for the year ended 31st March, 2012 is 2,83,654 shares which in percentage terms is 2.14% of the issued and subscribed capital.

There is no any Equity Shares under Lock-in for the period as on 31/03/2012.

Shareholding pattern in case of demated shares has been prepared based on download of data received from NSDL / CDSL as on 31st March 2012.

DECLARATION

I, Mukund Mehta, Managing Director of Kilitch Drugs (India) Limited, based on confirmations received from all the Directors and Senior Management of the Company, do hereby state that all Board Members and senior management personnel have affirmed compliances with the Code of Conduct of the Company for the year ended 31st March 2012.

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

**Place : Mumbai
Date : 30/08/2012**

**Mukund Mehta
Managing Director**



CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of

KILITCH DRUGS (INDIA) LIMITED

We have examined the compliance of conditions of Corporate Governance by KILITCH DRUGS (INDIA) LIMITED for the year ended on 31st March, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

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

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

**For: M/s. Deep Shukla & Associates
Company Secretaries**

Deep Shukla
(Proprietor)
FCS No. 5652, CP No. 5364

**Place : Mumbai
Date : 30/08/2012**

Auditors Report

To

The Members of Kilitch Drugs (India) Limited

- 1 We have audited the attached Balance Sheet of Kilitch Drugs (India) Limited (the "Company") as at 31st March, 2012, the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

- a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) On the basis of written representations received from the directors, as on 31st March, 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto subject to Note No 1-K of the Significant Accounting Policies give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012
 - (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For M/S R.N.R. Iyer and Co.,

Chartered Accountants

Firm Registration No 103786W

Rajkumar Iyer

(Proprietor)

Membership No 33964

Place : Mumbai

Dated : 30th August, 2012



ANNEXURE TO THE AUDITOR'S REPORT

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

1. The Company has maintained proper records showing full particulars, including Quantitative details and situation of its fixed assets. According to the information and explanations given to us the fixed assets have been physically verified by the Management at regular intervals. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and the nature of its assets. We were informed that no material discrepancies between the book records and the physical Inventory have been noticed. The Company has disposed of a substantial portion of its fixed assets, and in our opinion and according to the information and explanations given to us by the management that has not affected the Company as a "Going Concern".
2. The inventory has been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business. On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of Inventory as compared to book records were not material and have been properly dealt with in the books of account.
3. The Company has not granted secured / unsecured loans, to any companies, firms or other parties registered in the register maintained under Section 301 of the Act.
4. The Company has not taken any loans, secured or unsecured, from companies, firms and other parties listed in the register maintained under Section 301 of the Act.
5. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. During the course of Audit no major weakness has been noticed in the internal control system.
6. In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangement and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
7. The Company has not accepted any deposit from the Public within the meaning and provisions of Section 58A and 58AA of the Companies Act, 1956.
8. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
9. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under Clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
10. According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, and other statutory dues as applicable with the appropriate authorities. There are no outstanding dues in respect of the above items, which are more than six months as at the balance sheet date.
11. The Company has no accumulated losses as at 31st March, 2012 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
12. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank.
13. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
14. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
15. In our opinion the company is not a dealer or trader in shares, securities, debentures and other investments.
16. In our opinion and according to the information and explanations given to us the Company has not given guarantees for loans taken by others from banks and other financial institutions
17. The Term Loans obtained by the Company have been applied for the purposes for which they were obtained.
18. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
19. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
20. The Company has not issued any debentures during the year.
21. The Company has not raised any money by public issues during the year.

22. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For M/S R.N.R. Iyer and Co.,

Chartered Accountants

Firm Registration No 103786W

Rajkumar Iyer

(Proprietor)

Membership No 33964

Place : Mumbai

Dated : 30/08/2012



Balance Sheet as at 31st March 2012

(₹ in lakhs)

| | Particulars | Note No. | 2011-12 | 2010-11 |
|-----|------------------------------------|----------|--------------------|------------------|
| I. | EQUITY AND LIABILITIES | | | |
| | Shareholders' funds | | | |
| | (a) Share capital | 3 | 1,323.18 | 1,323.18 |
| | (b) Reserves and surplus | 4 | 10,253.71 | 7,121.54 |
| | Non-current liabilities | | | |
| | (a) Long-term borrowings | 5 | - | 1.00 |
| | (b) Deferred tax liabilities (Net) | 6 | 26.14 | 50.91 |
| | (c) Other Long term liabilities | 7 | 37.03 | 37.03 |
| | Current liabilities | | | |
| | (a) Short-term borrowings | 8 | 876.91 | 1,563.47 |
| | (b) Trade payables | 9 | 478.61 | 1,261.91 |
| | (c) Other current liabilities | 10 | 124.98 | 3,798.52 |
| | (d) Short-term provisions | 11 | 4,644.78 | 218.52 |
| | TOTAL | | 17,765.34 | 15,376.08 |
| II. | ASSETS | | | |
| | Non-current assets | | | |
| | (a) Fixed assets | 12 | | |
| | (i) Tangible assets | | 836.55 | 4,185.11 |
| | (ii) Intangible assets | | 10.69 | 7.62 |
| | (iii) Capital work-in-progress | | - | 4,315.23 |
| | (b) Non-current investments | 13 | 441.08 | 218.08 |
| | (c) Long-term loans and advances | 14 | 17.55 24.59 | |
| | Current assets | | | |
| | (a) Current investments | 15 | 13,577.37 | - |
| | (b) Inventories | 16 | 193.81 | 1,675.62 |
| | (c) Trade receivables | 17 | 1,447.19 | 3,844.86 |
| | (d) Cash and cash equivalents | 18 | 1,164.28 | 932.92 |
| | (e) Short-term loans and advances | 19 | 20.10 | 124.07 |
| | (f) Other current assets | 20 | 49.68 | 55.02 |
| | TOTAL | | 17,765.34 | 15,376.08 |

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

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

Rajkumar Iyer
Proprietor
Membership No.33964

Place : Mumbai
Dated : 30/08/2012

For and on behalf of Board of Directors

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

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

Kanika Bareja (Ms.) : Company Secretary

Profit and loss statement for the year ended 31st March 2012

(₹ in lakhs)

| | Refer Note No. | 2011-12 | 2010-11 |
|--|----------------|-------------------|-----------|
| Revenue from operations | 21 | 10,685.99 | 14,599.53 |
| Other income | 22 | 110.25 | 22.83 |
| Total Revenue | | 10,796.24 | 14,622.36 |
| Expenses: | | | |
| Cost of materials consumed | 23 | 7,058.99 | 10,314.41 |
| Changes in inventories of finished goods work-in-progress and Stock-in-Trade | 24 | 135.13 | (217.03) |
| Employee benefits expense | 25 | 499.78 | 535.36 |
| Finance costs | 26 | 295.33 | 368.81 |
| Depreciation and amortization expense | 12 | 483.37 | 558.74 |
| Other expenses | 27 | 1,575.64 | 1,753.94 |
| | | - | |
| Total expenses | | 10,048.24 | 13,314.23 |
| Profit before exceptional and extraordinary items and tax | | 748.00 | 1,308.13 |
| Exceptional items | 28 | (1,552.82) | |
| Profit before extraordinary items and tax | | (804.82) | 1,308.13 |
| Extraordinary Items | 29 | 10,704.79 | - |
| Profit before tax | | 9,899.97 | 1,308.13 |
| Tax expense: | | | |
| (1) Current tax | | 2,105.00 | 261.00 |
| (2) Deferred tax | | - | 1.07 |
| Profit (Loss) for the period (VII-VIII) | | 7,794.97 | 1,046.06 |
| includes profit from discontinued operations | 30 | 1726.93 | 1,218.20 |
| Earnings per equity share: | 31 | | |
| (1) Basic | | 58.91 | 7.91 |
| (2) Diluted | | 53.68 | 7.73 |

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

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

Rajkumar Iyer
Proprietor
Membership No.33964

Place : Mumbai
Dated : 30/08/2012

For and on behalf of Board of Directors

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

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

Kanika Bareja (Ms.) : Company Secretary



Cash Flow Statement for the year ended 31 March, 2012

(₹ in lakhs)

| Particulars | For the year ended 31 March, 2012 | | For the year ended 31 March, 2011 | |
|--|--------------------------------------|------------|--------------------------------------|----------|
| A. Cash flow from operating activities | | | | |
| Net Profit / (Loss) before extraordinary items and tax | | (804.82) | | 1,308.13 |
| Adjustments for: | | | | |
| Depreciation and amortisation | 483.37 | | 558.74 | |
| Expense on employee stock option scheme | 18.57 | | | |
| Finance costs | 295.33 | | 368.81 | |
| Interest income | (46.53) | | (12.75) | |
| Dividend income | (58.12) | | (0.83) | |
| Rental income from operating leases | (6.00) | | (6.00) | |
| Provision for doubtful trade and other receivables, loans and advances | 24.40 | | - | |
| Net unrealised exchange (gain) / loss | | | 20.91 | |
| | | 711.02 | | 928.88 |
| Operating profit / (loss) before working capital changes | | (93.80) | | 2,237.01 |
| Changes in working capital: | | | | |
| Adjustments for (increase) / decrease in operating assets: | | | | |
| Inventories | 1,481.81 | | (430.62) | |
| Trade receivables | 2,397.67 | | 949.95 | |
| Short-term loans and advances | 103.97 | | 16.07 | |
| Long-term loans and advances | (7.04) | | - | |
| Other current assets | (2,178.15) | | (296.87) | |
| Adjustments for increase / (decrease) in operating liabilities: | | | | |
| Trade payables | (783.30) | | - | |
| Other current liabilities | (3,673.54) | | 76.77 | |
| Short-term provisions | (187.55) | | - | |
| | | (2,846.13) | | 315.30 |
| Net cash flow from / (used in) operating activities (A) | | (2,939.93) | | 2,552.31 |

(₹ in lakhs)

| Particulars | For the year ended 31 March, 2012 | | For the year ended 31 March, 2011 | |
|---|--------------------------------------|-------------|--------------------------------------|------------|
| B. Cash flow from investing activities | | | | |
| Capital expenditure on fixed assets, including capital advances | (2,727.58) | | (2,430.14) | |
| Current investments not considered as Cash and cash equivalents | | | | |
| - Purchased | (13,577.37) | | - | |
| Proceeds from sale of long-term investments | | | | |
| - Subsidiaries | (173.00) | | (71.50) | |
| - Others | (50.00) | | - | |
| Interest received | | | | |
| - Others | 46.53 | | 12.75 | |
| Dividend received | | | | |
| - Others | 58.12 | | 0.83 | |
| Rental income from operating leases | 6.00 | | 6.00 | |
| | | (16,417.30) | | (2,482.06) |
| Cash flow from extraordinary items | | 20,720.89 | | |
| Net cash flow from / (used in) investing activities (B) | | 4303.58 | | -2482.06 |

Cash Flow Statement for the year ended 31 March, 2012

(₹ in lakhs)

| Particulars | For the year ended 31 March, 2012 | | For the year ended 31 March, 2011 | |
|---|--------------------------------------|------------|--------------------------------------|--------|
| C. Cash flow from financing activities | | | | |
| Increase in Share Capital | - | | 14.11 | |
| Repayment of long-term borrowings | (1.00) | | 1,006.74 | |
| Repayment of other short-term borrowings | (686.56) | | - | |
| Finance cost | (295.33) | | (368.81) | |
| Dividends paid(Inclusive of tax) | (149.41) | | (154.45) | |
| | | (1,132.30) | | 497.59 |
| Cash flow from extraordinary items | | | | |
| Net cash flow from / (used in) financing activities (C) | | (1,132.30) | | 497.59 |
| Net increase / (decrease) in Cash and cash equivalents (A+B+C) | | 231.36 | | 567.84 |
| Cash and cash equivalents at the beginning of the year | | 932.92 | | 365.09 |
| Cash and cash equivalents at the end of the year | | 1,164.28 | | 932.92 |
| Cash and cash equivalents at the end of the year * | | | | |
| * Comprises: | | | | |
| (a) Cash on hand | | 0.84 | | 1.21 |
| (b) Balances with banks | | | | |
| (i) In current accounts | | 570.56 | | 708.28 |
| (iv) In earmarked accounts (give details) (Refer Note (ii) below) | | 592.88 | | 223.43 |
| | | 1,164.28 | | 932.92 |

Notes:

- (i) The Cash Flow Statement reflects the combined cash flows pertaining to continuing and discounting operations.
(ii) These earmarked account balances with banks can be utilised only for the specific identified purposes.

See accompanying notes forming part of the financial statements

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

Rajkumar Iyer
Proprietor
Membership No.33964

Place : Mumbai
Dated : 30/08/2012

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

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

Kanika Bareja (Ms.) : Company Secretary



Note: 1

Significant Accounting Policies

A. Accounting Convention

The financial statements are prepared under the historical cost convention, on accrual basis of accounting, in conformity with the accounting principles generally accepted in India and comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government to the extent applicable and the relevant provisions of the Companies Act, 1956.

B. Use of Estimates

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles (GAAP) in India requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of the financial statements and of the reported amounts of the revenues and expenses for the year. Actual results could differ from these estimates. Any revision to the accounting estimates is recognized prospectively in current and future periods.

C. Revenue Recognition

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

D. Fixed Assets and Depreciation

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

E. Impairment of Assets

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

F. Investments

Current investments are carried at lower of cost and quoted/fair value, computed category wise. Long Term Investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary.

G. Inventories

Raw Material, Packing Material, Stores and spare parts are valued at cost or net realizable value whichever is lower. Work-in-progress and Finished Goods inventories include production overheads, to the extent applicable. Cost of Raw Materials, Packing Materials and Stores & Spare part are determined on last purchase price.

H. Borrowing Costs

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

I. Foreign Currency Transactions

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

J. Taxation

Excise Duty and Value Added Tax (VAT) :- Excise Duty and VAT is accounted net of purchase tax benefit availed on purchase inputs, fixed assets and eligible service.

Taxes on Income

- a) Tax expenses comprises current and deferred tax.
- b) Current Tax is measured as the amount expected to be paid in accordance with the provisions of The Income Tax Act, 1961.
- c) Deferred Tax reflects the impact of current year timing differences between book and tax profits and reversal of timing difference of earlier years.

Deferred Tax is measured based on the tax rates and laws that have been enacted or substantially enacted as of the Balance Sheet date.

- d) Deferred Tax Assets are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

K. Retirement Benefits

Contributions in respect of defined retirement schemes such as Provident Funds are charged to the Profit and loss Account as incurred. The company does not provide for gratuity as required under AS 15 accounting guidelines prescribed by Institute of Chartered Accountants of India (ICAI). However, whenever an eligible employee retires/ resigns services the company computes liability for gratuity as per payment of gratuity Act, and charges it to the profit and loss accounts subject to Note no. 2 Business Transfer.

L. Employee Stock Option Plan

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

M. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

N. Earnings Per Share

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

O. Cash Flow Statement

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

P. Proposed Dividend

Special Interim Dividend as recommended by the Board is provided in the Accounts. Further, the Board do not recommend any additional dividend for the financial year 2011-2012 and hence the said Special Interim Dividend be considered as the Final Dividend.

Note 2

Business Transfer

The Company entered into a Business Transfer Agreement (BTA) on 6th October 2011 with Akorn India Private Limited (AIPL), a Company incorporated under the Companies Act 1956 and having its registered office at 101-104, Banaji House, First Floor, Flora Fountain, Fort Mumbai 400001(Purchaser). As per this agreement the Company sold its business located at Paonta Sahib, Himachal Pradesh as a going concern on a slump sale basis as defined in section 2(42C) of the Income Tax Act, 1961 along with their employees on the terms and condition as set forth in the BTA. The undertaking was sold and transferred on 28th February 2012 after getting all the necessary clearances as indicated in the BTA. The Company has retained its Name, Trademark(Kilitch) and all other properties and assets at Mumbai

The Cash consideration for the sale of Paonta Sahib plant exclusive of all applicable transfer taxes was ₹ 207.49 crores inclusive of the amount received towards net working capital ₹ 14.40 crores. The Company's net working capital at Paonta Sahib on the date of transfer was estimated at ₹ 14.40 crores which will be identified after 180 days from the date of transfer by adjusting the net realized working capital from the purchase value based on which the amount payable or receivable by the Company will be determined by mutual agreement.

The Company also transferred certain products by entering into a Product Transfer Agreement (PTA) with AIPL by which the right to manufacture certain products by the Company at Mumbai was sold for a consideration of ₹ 14.11 crores to Purchaser.

The Company has been restricted from exporting the products sold to AIPL under the PTA to all the countries except to 13 countries where they are allowed to export their other products. Profit on sale and export sale of products under the PTA will have to be paid to AIPL.



Note 3

Share capital

(₹ in lakhs)

| Share Capital | 2011-12 | | 2010-11 | |
|--|------------|----------|------------|----------|
| | Number | Amount | Number | Amount |
| Authorised | | | | |
| 20,00,0000 Equity Shares of ₹ 10 each fully paid | 20,00,0000 | 2,000.00 | 20,00,0000 | 2,000.00 |
| Issued | | | | |
| 1,32,31,828 Equity Shares of ₹ 10 each | 13,231,828 | 1,323.18 | 13,231,828 | 1,323.18 |
| Subscribed & Paid up | | | | |
| 1,32,31,828 Equity Shares of ₹ 10 each | 13,231,828 | 1,323.18 | 13,231,828 | 1,323.18 |
| Total | 13,231,828 | 1,323.18 | 13,231,828 | 1,323.18 |

Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

(₹ in lakhs)

| Particulars | 2011-12 | | 2010-11 | |
|---|------------|----------|------------|----------|
| | Number | Amount | Number | Amount |
| Opening | 13,231,828 | 1,323.18 | 13,202,122 | 1,320.21 |
| Additions | - | - | 29,706 | 2.97 |
| Shares bought back during the year | - | - | | |
| Shares outstanding at the end of the year | 13,231,828 | 1,323.18 | 13,231,828 | 1,323.18 |

Shares in the company held by each shareholder holding more than 5 percent shares

| Name of Shareholder | 2011-12 | | 2010-11 | |
|---------------------|--------------------|--------------|--------------------|--------------|
| | No. of Shares held | % of Holding | No. of Shares held | % of Holding |
| NBZ PHARMA LTD | 6,012,742 | 45.44 | 6,012,742 | 45.44 |
| PARESH P MEHTA | 1,256,347 | 9.49 | 841,068 | 6.36 |
| MUKUND P MEHTA | 858,278 | 6.49 | 655,592 | 4.95 |

Note 4

Reserves and surplus

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|------------------|-----------------|
| a. Capital Reserves | | |
| Opening Balance | 30.00 | 30.00 |
| 1 (+) Current Year Transfer | - | - |
| (-) Written Back in Current Year | 30.00 | - |
| Closing Balance | - | 30.00 |
| b. Securities Premium Account | | |
| Opening Balance | 2,778.13 | 2,747.24 |
| Add : Securities premium credited on Share issue | - | 30.89 |
| Closing Balance | 2,778.13 | 2,778.13 |
| c. General Reserves | | |
| Opening Balance | 688.51 | 588.51 |
| (+) Current Year Transfer | 830.00 | 100.00 |
| (-) Written Back in Current Year | - | - |
| Closing Balance | 1,518.51 | 688.51 |
| d. Share Options Outstanding Account | | |
| Opening Balance | 186.94 | 206.70 |
| (+) Current Year Transfer | - | - |
| (-) Written Back in Current Year | 48.99 | 19.76 |
| Closing Balance | 137.95 | 186.94 |
| e. Calls on shares forfeited | | |
| Opening Balance | 58.00 | 58.00 |
| (+) Current Year Transfer | - | - |
| (-) Written Back in Current Year | - | - |
| Closing Balance | 58.00 | 58.00 |
| f. Surplus | | |
| Opening balance | 3,379.96 | 2,588.19 |
| (+) Net Profit/(Net Loss) For the current year | 7,794.97 | 1,046.06 |
| (+) Transfer from Reserves | - | - |
| (-) Proposed Dividends | 4,613.81 | 154.29 |
| (-) Interim Dividends | - | - |
| (-) Transfer to Reserves | 800.00 | 100.00 |
| Closing Balance | 5,761.12 | 3,379.96 |
| Total | 10,253.71 | 7,121.54 |

Note 5

Long Term Borrowings

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|---------------------|----------|-------------|
| <u>Unsecured</u> | | |
| (a) Deposits | | |
| Others | - | 1.00 |
| Total | - | 1.00 |



Note 6

Deferred Tax Liability(Net)

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|--------------|--------------|
| Deferred tax Liability | | |
| On account of timing differences arising on | | |
| Depreciation of fixed assets | 26.14 | 50.91 |
| Total | 26.14 | 50.91 |

Note 7

Other Long Term Liabilities

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|--------------------|--------------|--------------|
| (a) Trade Payables | - | - |
| (b) Others | 37.03 | 37.03 |
| Total | 37.03 | 37.03 |

Note 8

Short Term Borrowings

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|-------------------------------|---------------|-----------------|
| Secured | | |
| (a) Loans repayable on demand | | |
| from banks | 88.50 | 1,563.47 |
| (Secured By Fixed Deposit) | 88.50 | 1,563.47 |
| (b) Other loans and advances* | 788.41 | - |
| | 788.41 | - |
| Total | 876.91 | 1,563.47 |

*Includes:

- (i) ₹ 326.42 lakhs payable to Akorn India Private Limited on realisation of trade receivables on their behalf as per BTA
- (ii) ₹ 439.50 lakhs payable to Akorn being the net working capital as per BTA(Ref Note2 : Business Transfer)

Note 9

Trade Payables

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|---------------|-----------------|
| Micro & Small Enterprises (Refer note 32) | - | - |
| Others | 478.61 | 1,261.91 |
| Total | 478.61 | 1,261.91 |

Trade payables stated above include due to:

| Particulars | 2011-12 | 2010-11 |
|--------------------|---------|---------|
| Subsidiary Company | 133.17 | 239.76 |
| | 133.17 | 239.76 |
| | | |

Note 10

Other Current Liabilities

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|---------------|-----------------|
| (a) Current maturities of long-term debt | - | 3,742.24 |
| (b) Unpaid dividends | 19.30 | 14.56 |
| (j) Other payables | - | - |
| Others | 14.51 | 32.08 |
| Statutory dues | 91.17 | 9.64 |
| Total | 124.98 | 3,798.52 |

Note 11

Short Term Provisions

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|-----------------|---------------|
| (a) Provision for employee benefits | | |
| Salary & Reimbursements | 30.97 | 64.23 |
| (b) Others | - | - |
| Provision for Dividend and Provision for Taxation | 4,613.81 | 154.29 |
| Total | 4,644.78 | 218.52 |



Note 12: Fixed Assets

(₹ in lakhs)

| | Fixed Assets | Gross Block | | | Accumulated Depreciation | | | | Net Block | |
|----------|---------------------------------|-------------------------------|----------------------------|-----------------------------------|-------------------------------|--|-----------------|-----------------------------------|-----------------------------------|-------------------------------|
| | | Balance as at 1 April 2011 | Additions/ (Disposals)* | Balance as at 31 March 2012 | Balance as at 1 April 2011 | Depreciation charge for the year | On disposals | Balance as at 31 March 2012 | Balance as at 31 March 2012 | Balance as at 1 April 2011 |
| a | Tangible Assets | | | | | | | | | |
| | Land | 226.73 | (196.86) | 29.87 | - | - | - | - | 29.87 | 226.73 |
| | Buildings | 2,327.87 | (2,066.86) | 261.01 | 956.84 | 126.19 | 876.83 | 206.20 | 54.81 | 1,371.03 |
| | Office Premises | 133.24 | | 133.24 | 48.12 | 4.26 | - | 52.38 | 80.86 | 85.12 |
| | Plant and Equipment | 3,575.16 | (2,604.19) | 970.97 | 1,523.65 | 270.42 | 1,309.32 | 484.75 | 486.22 | 2,051.51 |
| | Furniture and Fixtures | 226.45 | (131.21) | 95.24 | 127.13 | 17.12 | 79.47 | 64.78 | 30.46 | 99.32 |
| | Computer | 137.59 | (52.05) | 85.54 | 109.37 | 11.08 | 44.17 | 76.28 | 9.26 | 28.22 |
| | Vehicles | 69.69 | (39.73) | 29.96 | 49.40 | 5.05 | 30.49 | 23.96 | 6.00 | 20.29 |
| | Air Conditioners | 102.28 | - | 102.28 | 82.05 | 2.81 | | 84.86 | 17.42 | 20.23 |
| | Office equipment | 103.50 | (66.13) | 37.37 | 68.86 | 5.87 | 42.99 | 31.74 | 5.63 | 34.64 |
| | Electrical Installations | 255.32 | (193.33) | 61.99 | 139.73 | 15.14 | 106.55 | 48.32 | 13.67 | 115.59 |
| | Laboratory Equipments | 253.61 | (27.59) | 226.02 | 123.41 | 18.27 | 16.73 | 124.95 | 101.07 | 130.20 |
| | Mobile | 4.60 | (0.82) | 3.78 | 2.37 | 1.04 | 0.91 | 2.50 | 1.28 | 2.23 |
| | Total | 7,416.04 | (5,378.77) | 2,037.27 | 3,230.93 | 477.25 | 2,507.46 | 1,200.72 | 836.55 | 4,185.11 |
| | Previous year | 7,098.68 | 317.72 | 7,416.04 | 2,673.06 | 558.21 | 0.33 | 3,230.94 | 4,185.10 | 4,425.62 |
| b | Intangible Assets | | | | | | | | | |
| | Computer software | 8.15 | 9.19 | 17.34 | 0.53 | 6.12 | | 6.65 | 10.69 | 7.62 |
| | Total | 8.15 | 9.19 | 17.34 | 0.53 | 6.12 | - | 6.65 | 10.69 | 7.62 |
| | Previous year | | 8.15 | 8.15 | | 0.53 | | 0.53 | 7.62 | |
| c | Capital Work In Progress | 4,315.23 | 4,315.23 | | | | | | | 4,315.23 |
| | | 4,315.23 | 4,315.23 | - | - | - | - | - | - | 4,315.23 |
| | Previous year | | | 4,315.23 | | | | - | 4,315.23 | |

*Note : Refer note 2 -Business Transfer for sale of Paonta Sahib fixed assets

Note 13

Non-current investments

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|--------------|---------|
| Trade Investments (Refer A below) | | |
| Investment in Equity instruments | 441.08 | 218.08 |
| Total (A) | 441.08 | 218.08 |
| | (₹ in lakhs) | |
| Particulars | 2011-12 | 2010-11 |
| Aggregate amount of quoted investments (Market value of ₹ 1243604 (Previous Year ₹ 1308074)) | 21.59 | 21.59 |
| Aggregate amount of unquoted investments | 419.49 | 196.49 |

A. Details of Trade Investments

| Sr. No. | Name of the Body Corporate | Subsidiary / Associate / JV/ Controlled Entity / Others | No. of Shares / Units | | Quoted / Unquoted | Partly Paid / Fully paid | Amount (₹ in lakhs) | | Basis of Valuation |
|---------|---|---|-----------------------|---------|-------------------|--------------------------|---------------------|---------------|--------------------|
| | | | 2011-12 | 2010-11 | | | 2011-12 | 2010-11 | |
| (a) | Investment in Equity Instruments | | | | | | | | |
| | Century Enka Ltd | Others | 1000 | 1000 | Quoted | Fully Paid | 0.74 | 0.74 | At cost |
| | Colgate Pamolive India Ltd | Others | 100 | 100 | Quoted | Fully Paid | 0.95 | 0.95 | At cost |
| | JK Lakshmi Cement Ltd | Others | 720 | 720 | Quoted | Fully Paid | 0.33 | 0.33 | At cost |
| | Century Textile & Industries Ltd | Others | 500 | 500 | Quoted | Fully Paid | 2.28 | 2.28 | At cost |
| | Pfizer Ltd | Others | 400 | 400 | Quoted | Fully Paid | 4.94 | 4.94 | At cost |
| | Reliance Power Ltd | Others | 2616 | 2616 | Quoted | Fully Paid | 7.36 | 7.36 | At cost |
| | Bengal & Assam Company Ltd | Others | 15 | 15 | Quoted | Fully Paid | 4.99 | 4.99 | At cost |
| | Eye Kare Kilitch Ltd | Subsidiary | 3294930 | 1364930 | Unquoted | Fully Paid | 369.49 | 136.49 | At cost |
| | Eye Kare Kilitch Ltd | Subsidiary | | | Unquoted | Partly Paid | 0.00 | 60.00 | At cost |
| (b) | Investments in Debentures or Bonds | | | | | | | | |
| | Rural Electrification Bonds | | | 500 | unquoted | | 50 | | At cost |
| | Total | | | | | | 441.08 | 218.08 | |

Note 14

Long Term Loans and Advances

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|----------------------------|--------------|--------------|
| b. Security Deposits | | |
| Unsecured, considered good | 24.59 | 17.55 |
| Total | 24.59 | 17.55 |



Note 15

Current Investments

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|-----------------------------|-----------|---------|
| Investments in Mutual Funds | 13,577.37 | - |
| Total | 13,577.37 | - |

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|-----------|---------|
| Aggregate amount of quoted investments (Market value 13577.37 (Previous Year NIL)) | 13,577.37 | - |
| Aggregate amount of unquoted investments | - | - |

Details of Current Investments

| Sr. No. | Name of the Body Corporate | Subsidiary / Associate / JV/ Controlled Entity / Others | No. of Shares / Units | | Quoted / Unquoted | Partly Paid / Fully paid | Extent of Holding (%) | | Amount in ₹ lakhs | | Basis of Valuation |
|---------|--|---|-----------------------|---------|-------------------|--------------------------|-----------------------|---------|-------------------|-------------|--------------------|
| | | | 2011-12 | 2010-11 | | | 2011-12 | 2010-11 | 2011-12 | 2010-11 | |
| (a) | Investments in Mutual Funds | | | | | | | | | | |
| | Birla Sunlife Short Term FMP Series 30 Dividend -Payout | Others | 81,890,534.18 | | Quoted | Fully Paid | | | 8,189.05 | | At Cost |
| | ICICI Prudential Plan B Institutional Daily Dividend Option II | Others | 35,192,412.88 | | Quoted | Fully Paid | | | 3,521.88 | | At Cost |
| | Axis Liquid Fund- Institutional Daily dividend Reinvestment | Others | 66,636.91 | | Quoted | Fully Paid | | | 666.44 | | At Cost |
| | Axis Fixed Term Plan- Series 23 | Others | 12,000,000.00 | | Quoted | Fully Paid | | | 1,200.00 | | At Cost |
| | Total | | | | | | | | 13,577.37 | 0.00 | |

Note 16

Inventories

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|---------------|-----------------|
| a. Raw Materials and components (Valued at cost) | 136.12 | 1,165.34 |
| Goods-in transit | - | 1.32 |
| | 136.12 | 1,166.66 |
| b. Work-in-progress | 11.67 | 340.54 |
| c. Finished goods | 31.52 | 137.42 |
| e. Stores and spares | 14.50 | 31.00 |
| Total | 193.81 | 1,675.62 |

Note 17

Trade Receivables

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|-----------------|-----------------|
| Trade receivables outstanding for a period less than six months from the date they are due for payment. | | |
| Unsecured, considered good | 1,447.19 | 1,099.21 |
| | 1,447.19 | 1,099.21 |
| Trade receivables outstanding for a period exceeding six months from the date they are due for payment | | |
| Unsecured, considered good | | 2,745.65 |
| Unsecured, considered doubtful | 24.40 | - |
| | 24.40 | - |
| Less: Provision for doubtful debts | 0.00 | 2,745.65 |
| | | |
| Total | 1,447.19 | 3,844.86 |

Trade Receivable stated above include debts due by:

| Particulars | 2011-12 | 2010-11 |
|---|-----------------|---------------|
| Firm in which director/relative is a partner | 302.12 | - |
| Private Company in which director is a member | 717.89 | 659.44 |
| Total | 1,020.01 | 659.44 |

Note 18

Cash and cash equivalents

(₹ in lakhs)

| Particulars | 2011-12 | | 2010-11 | |
|--|---------|-----------------|---------|---------------|
| a. Balances with banks | | 1,163.44 | | 931.71 |
| This includes: | | | | |
| Earmarked Balances (eg/- unpaid dividend accounts) | 19.30 | | 14.56 | |
| Security against borrowings | 226.98 | | - | |
| LC/Bank Guarantees | 346.60 | | 208.87 | |
| b. Cash on hand* | | 0.84 | | 1.21 |
| Total | | 1,164.28 | | 932.92 |

Note 19

Short-term loans and advances

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|----------------------------|--------------|---------------|
| a. Others (specify nature) | | |
| Unsecured, considered good | 20.10 | 124.07 |
| Total | 20.10 | 124.07 |

Note 20

Other Current Assets

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|--------------|--------------|
| Deposit | - | 5.74 |
| Prepaid Exp | 0.76 | 5.80 |
| Tax recoverable from revenue authorities | 39.98 | (10.60) |
| Deferred employee compensation | 8.94 | 39.38 |
| Deferred Expenses | - | 14.70 |
| Total | 49.68 | 55.02 |



Note 21

Revenue from operations

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|---------------------------|------------------|------------------|
| Sale of products/services | 10,914.40 | 14,827.94 |
| Other operating revenues | 25.07 | - |
| less: Excise duty | 253.48 | 228.41 |
| Total | 10,685.99 | 14,599.53 |

Note 22

Other income

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|---------------|--------------|
| Interest Income | 46.53 | 12.75 |
| Dividend Income | 58.12 | 0.83 |
| Net gain/loss on sale of investments | (0.40) | - |
| Other non-operating income (net of expenses directly attributable to such income) | 6.00 | 9.25 |
| Total | 110.25 | 22.83 |

Note 23

Cost of materials consumed

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|-----------------------------|-----------------|------------------|
| Opening Stock | 1,165.34 | 938.93 |
| Purchases of Stock-in-Trade | 6,554.83 | 10,497.33 |
| Freight charges | 66.60 | 43.49 |
| Less: Closing Stock | 727.78 | 1,165.34 |
| Total | 7,058.99 | 10,314.41 |

Note 24

Changes in inventories of finished goods work-in-progress and Stock-in-Trade

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|----------------------------|---------------|-----------------|
| Opening Stock : | | |
| Work-in-Process | 340.54 | 178.98 |
| Finished Goods | 137.42 | 81.95 |
| | 477.96 | 260.93 |
| Less: Closing Stock | | |
| Work-in-Process | 238.12 | 340.54 |
| Finished Goods | 104.71 | 137.42 |
| | 342.83 | 477.96 |
| Total | 135.13 | (217.03) |

Note 25

Employee Benefits Expense

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|---------------|---------------|
| (a) Salaries and incentives | 483.76 | 416.73 |
| (b) Contributions to Provident Fund | 11.09 | 19.06 |
| (c) expense on Employee Stock Option Scheme (ESOP) | (18.57) | 66.94 |
| (d) Staff welfare expenses | 23.50 | 32.63 |
| Total | 499.78 | 535.36 |

Note 26

Finance costs

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|---------------|---------------|
| Interest expense | 246.17 | 372.53 |
| Other borrowing costs | 42.60 | - |
| Applicable net(gain)/loss on foreign currency transactions | 6.56 | (3.72) |
| Total | 295.33 | 368.81 |

Note 27

Other expenses

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|-----------------|-----------------|
| Consumption of stores and spare parts. | 60.08 | 195.02 |
| Labour Charges | 311.65 | 371.37 |
| Power and fuel. | 629.80 | 649.22 |
| water Charges | 5.53 | 6.92 |
| Lab Consumables | 66.14 | 68.48 |
| Repairs to buildings. | 3.24 | - |
| Repairs to machinery. | 90.41 | 82.07 |
| Insurance . | 5.12 | 11.58 |
| Rent,Rates and taxes, excluding, taxes on income. | 19.27 | 15.97 |
| Audit Fees(Refer Note: 33) | 3.25 | 3.00 |
| Miscellaneous expenses, | 119.50 | 75.75 |
| Foreign Travelling Expenses | 35.21 | 12.28 |
| Printing & stationery | 14.12 | 20.21 |
| Professional charges | 65.11 | 56.74 |
| Communication | 14.12 | 19.67 |
| Vehicle Expenses | 16.98 | 13.06 |
| Travelling Expenses | 35.72 | 38.43 |
| Selling & Distribution Expenses: | | |
| Freight Outward | 7.59 | 36.58 |
| Business Promotion | 57.57 | 53.72 |
| Advertising / Sales Comm. | 4.15 | 6.15 |
| Discount Allowed [Sales] | 6.38 | 9.49 |
| Export Expenses | 4.70 | 8.23 |
| Total | 1,575.64 | 1,753.94 |

Note 28

Exceptional Item

| Particulars | (₹ in Lakhs) |
|---|-----------------|
| Bad Debts written off | 1,571.02 |
| Provision for doubtful debts | 24.40 |
| In the earlier year provision made for expenses no longer required now written back | (42.60) |
| Total | 1,552.82 |

Note 29

Extraordinary Items

This consists of profit on sale of assets as per Note 2-Business Transfer and profit on Product manufactured by the Company under PTA during the month of March 2012 post business transfer payable to Akorn India Private Limited. (Corresponding previous year not applicable)

| | | (₹ in lakhs) |
|---|----------|-----------------|
| Consideration received as per Business Transfer Agreement | 20749.39 | |
| Consideration received as per Product Transfer Agreement | 1411.40 | |
| Less: | | 22160.79 |
| Profit on products manufactured in March 2012 | 11.60 | |
| Professional Fees for Business Transfer | 486.11 | |
| Towards Net Working capital(to be determined separately) | 1440.00 | |
| Net Written Down value of Fixed Assets as on 28.02.2012 (including capital work in progress) | 9518.29 | |
| Total | | 11456.00 |
| | | 10704.79 |



Note 30

Profit on Discontinued Operations

Based on the business transfer agreement between the Company and AIPL, the transfer was completed on 28th February 2012 and the Company discontinued its manufacturing activity from 29th February 2012 at Paonta Sahib but the manufacturing activity at the Mumbai plant continues. The profit on the discontinued operations as per AS 24 upto 28th February 2012 is given below

| | (₹ in lakhs) | |
|-------------------------|---------------|---------|
| Particulars | 2011-12 | 2010-11 |
| Revenue from operations | 8838.54 | 8434.98 |
| Total Expenses | 7111.61 | 7204.48 |
| Net Profit before Tax | 1726.93 | 1230.5 |
| Taxes (Including MAT) | 0 | 12.3 |
| Net Profit after Tax | 1726.93 | 1218.2 |

Note 31

Earnings per share

| Particulars | 2011-12 | 2010-11 |
|---|-------------|-------------|
| Net Profit attributable to equity shareholders | 7794.97 | 1046.06 |
| Weighted average number of equity shares outstanding during the year (based on date of issue of shares) | 1,32,31,828 | 1,32,31,828 |
| Basic earnings per equity share (Face value of ₹ 10 per share) | 58.91 | 7.91 |
| Diluted Number of Shares | 1,45,21,791 | 13591822 |
| Diluted Earnings per share | 53.68 | 7.73 |

Note 32

Micro, Small and Medium Enterprises

The company follows a trade policy as determined by them within Purchase Orders/ Sales Order for Trade Payables and Trade Receivables. The company has sent request to its creditors asking them if they are covered under micro small and medium industries. As no confirmation from the creditors were received the company has not classified creditors in to micro, small and medium industries and outstanding payable to them has not been shown separately.

Based on the information available with the Company, there are no dues payable to micro, small and medium enterprises as defined in The Micro, Small & Medium Enterprises Development Act, 2006. This information has been relied upon by the statutory auditors of the Company.

Note 33

Auditors' remuneration (excluding service tax)

| | 2011-12 | 2010-11 |
|---------------|----------|----------|
| Audit fees | 3,00,000 | 300,000 |
| Certification | 5,000 | 0 |
| Others | 20,000 | 0 |
| Total | 3,25,000 | 3,00,000 |

Note 34

Employee Stock Option Plan

- As per Employee stock options Scheme (Kilitch ESOS 2007), each option is convertible into one equity shares ₹ 10/- each at exercise price of ₹47.50/- per share. During the year fresh options were not granted and employees did not exercise any options. However, due to separations, 87150 options were surrendered and are available for reissue. 73 employees have been shifted to Akorn India Pvt Ltd after the execution of deal for sale of part of business during the year. As these employees have technically separated from Company due to sale of business, it was decided that options held by them will be available for exercise as long as such employees are in the service of Akorn India Pvt Ltd
- The employee compensation cost on account of this grant applicable for the year is net of reversal due to separation is write back of ₹ 18,56,764/-.

Note 35

Contingent liabilities to the extent not provided for

| | (₹ in lakhs) | |
|---|--------------|---------|
| | 2011-12 | 2010-11 |
| (a) Claims against the company not acknowledged as debt | 816.81 | - |
| (b) Guarantees and Letter of credits | - | 372.72 |
| | 816.81 | 372.72 |

Note 36

Related Party Transactions

Name of the related parties and Nature of Relationship

a) Subsidiary Companies/ Concerns

EyeKare Kilitch Ltd.

b) Directors and their Relatives

| | |
|---------------------|---------------------------|
| Mr. Pratap Mehta | Chairman |
| Mr. Mukund Mehta | Managing Director and CEO |
| Mr. Paresh Mehta | Jt. Managing Director |
| Mr. Bhavin Mehta | Executive Director |
| Mr. Divya Mehta | Relative of Director |
| Mrs. Mira B. Mehta | Relative of Director |
| Mrs. Nita M. Mehta | Relative of Director |
| Mrs. Nehta P. Mehta | Relative of Director |

c) Enterprises significantly influenced by Directors and/or their relatives

NBZ Pharma Ltd.
J.D. Enterprises
Kilitch Co. Pharma Ltd

Related Party Transactions

(₹ In Lakhs)

| Nature of Transaction | Subsidiary company | | Directors and Their Relatives | | Enterprises significantly influenced by Directors and their relatives | |
|--|--------------------|--------|-------------------------------|-------|---|---------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Purchases | | | | | 1804.74 | 5545.38 |
| Sales | 87.68 | 63.79 | | | 769.7 | 5247.12 |
| Director's Remuneration and Sitting Fees | | | 26.78 | 30.25 | | |
| Rent Received | 6.00 | 6.00 | | | | |
| Interest Paid | 0.00 | 14.92 | | | | |
| In Shares including Premium | 180.00 | 235.00 | | | | |
| Outstanding | | | | | | |
| a) Payable | 133.16 | 239.76 | NIL | NIL | | |
| b) Receivable | NIL | NIL | NIL | NIL | 1020.01 | 659.44 |

Note No. 37

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

(₹ In Lakhs)

| Particulars | 2011-12 | % | 2010-11 | % |
|--|----------------|-------------|-----------------|-------------|
| Raw Materials, Packing Materials and Stores and Spares | | | | |
| Imported | 332.85 | 5% | 839.65 | 8% |
| Indigenous | 6861.27 | 95% | 9669.8 | 92% |
| Total | 7194.12 | 100% | 10509.45 | 100% |

Note No. 38

Expenditure in Foreign Currency

(₹ In Lakhs)

| Expenditure in Foreign Currency: | 2011-12 | 2010-11 |
|--|---------|---------|
| Raw Material and Packing Material Purchase | 332.85 | 839.65 |
| Capital Goods | - | 746.22 |
| Business Promotion and Travelling | 57.17 | 32.74 |



Note No.39

Earnings in Foreign Currency

| | (₹ In Lakhs) | |
|-------------------------------|--------------|---------|
| Earnings in Foreign Currency: | 2011-12 | 2010-11 |
| Exports | 668.18 | 699.05 |

Note No.40

Segment information

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

Note No.41

Trade Payable & Trade Receivables

The Trade payables are fully payable by the Company

Trade Receivable : The Trade Receivables, Loan and advance are unsecured and considered good to extent stated in the Note no.17

Note 42

Previous year figures

Till the year ended 31 March 2011, the Company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of financial statements. During the year ended 31 March 2012, the Revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company. The Company has reclassified previous year's figures to conform to this year's classification.

As Per our report of even date attached

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

Rajkumar Iyer
Proprietor
Membership No.33964

Place : Mumbai
Dated : 30/08/2012

For and on behalf of Board of Directors

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

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

Kanika Bareja (Ms.) : Company Secretary



EyeKare
KILITCH

Truly committed to Ophthalmology

EYE KARE KILITCH LIMITED

Regd. off.: Ujagar Industrial Estate, Unit No.37, W.T. Patil Marg, Deonar, Mumbai-400088.

NOTICE

Notice is hereby given that the Third Annual General Meeting of the Members of **EYE KARE KILITCH LIMITED** will be held on **Saturday, 22nd September, 2012** at **3.00 P.M.** at the Registered Office of the Company at Ujagar Industrial Estate, Unit No.37, W.T. Patil Marg, Deonar, Mumbai-400088 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt, the Audited Balance Sheet for the year ended 31st March, 2012, Profit & Loss as on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. Nishikant Borse who retires by rotation, but has not offered himself for reappointment.
3. To appoint a Director in place of Dr. Ryan Dsouza who retires by rotation but has not offered himself for reappointment.
4. To consider and approve the re-appointment M/s. RNR Iyer & Co, Chartered Accountants, Statutory Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and 311 of the Companies Act, 1956 and further subject to the provisions of Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof) and further subject to such other approvals as may be necessary, the Company hereby approves the appointment of Mr. Paresh Mehta as the Managing Director of the Company for the term of **Five years commencing from June 1, 2012 and ending on May 31, 2017** upon the terms and conditions including remuneration as set out in the draft agreement submitted to the meeting duly initialed, for the purpose of identification, which draft agreement is hereby specifically approved and sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or the Agreement so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto, as may be agreed to between the Board of Directors and Mr. Paresh Mehta.”

“RESOLVED FURTHER THAT Mr. Mukund Mehta, Director of the Company be and is hereby authorised to obtain necessary approvals/ to file with the Registrar of Companies, Mumbai, Maharashtra all the necessary Form/documents to carry out the effect of the above resolution and further to initiate and undertake all such steps as may be deemed expedient by him to give effect to this resolution for and on behalf of the Board of Directors of the Company.”

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

“RESOLVED THAT Mr. Ashok Vij, who was appointed as an Additional Director of the Company by the Board of Directors of the Company and who holds office up to the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 (‘the Act’) but who is eligible for appointment and in respect of whom the Company has received a notice in writing pursuant to the provisions of Section 257 of the Act from a member

of the Company proposing his appointment as a Director of the Company and who has consented, if appointed, to act as Director, be and is hereby appointed as Director of the Company liable to retire by rotation.”

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

“RESOLVED THAT Mrs. Mira Mehta, who was appointed as an Additional Director of the Company by the Board of Directors of the Company and who holds office up to the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 (‘the Act’) but who is eligible for appointment and in respect of whom the Company has received a notice in writing pursuant to the provisions of Section 257 of the Act from a member of the Company proposing her appointment as a Director of the Company and who has consented, if appointed, to act as Director, be and is hereby appointed as Director of the Company liable to retire by rotation.”

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

“RESOLVED THAT Mr. Shailesh Chheda, who was appointed as an Additional Director of the Company by the Board of Directors of the Company and who holds office up to the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 (‘the Act’) but who is eligible for appointment and in respect of whom the Company has received a notice in writing pursuant to the provisions of Section 257 of the Act from a member of the Company proposing his appointment as a Director of the Company and who has consented, if appointed, to act as Director, be and is hereby appointed as Director of the Company liable to retire by rotation.”

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

| | | |
|--------------------------|--------------------------|------------------------|
| Place : Mumbai | Paresh P. Mehta | Mukund P. Mehta |
| Date : 11/06/2012 | Managing Director | Director |

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE ON A POLL ONLY, INSTEAD OF HIMSELF AND A PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY.
2. THE PROXY FORM SHOULD BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE AT LEAST 24 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. All documents referred to in the notice are open for inspection at the registered office of the company during office hours on all days except Saturday, Sunday & public holidays between 11.00 a.m. and 1.00 p.m. up to the date of the annual general meeting.
4. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 for items in the Special Business is annexed to the Notice.

5. Members are requested to send all communication including any request for change of address to our Registrar's office at:

UNIT : EYE KARE KILITCH LIMITED

LINK INTIME INDIA PRIVATE LIMITED

C-13, Pannalal Silk Mills Compound,

L.B.S Marg, Bhandup (West)

Mumbai - 400 078

Tel. 022-25963838/ Fax- 022-25946969

EYE KARE KILITCH LIMITED

Regd. off.: Ujagar Industrial Estate, Unit No.37, W.T. Patil Marg, Deonar, Mumbai-400088.

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

Item No.6:

The Board of Directors wish to inform the Members that pursuant to provisions of Section 292A, when the paid up capital of any Public Limited Company reaches ₹ 5.00 crores, then the said Company is required to appoint a Managing Director, which is a mandatory requirement. In our Company, as the paid up capital has reached the threshold limit of ₹ 5.00 crores, the Company is required to appoint a Managing Director in compliance of Section 292A of the Companies Act, 1956. Thus, in order to comply with the provisions of said Section, your Board has appointed Mr. Paresh Mehta, Director of the Company, as the Managing Director of the Company w.e.f. June 1, 2012 for a period of five years in its Meeting held on 25th May 2012.

Mr. Paresh Mehta, aged 52 years, and one of the Promoters of the Company, is a Graduate in Pharmacy from Bombay University. Mr. Paresh Mehta is responsible for guiding the Company's operations to its next phase of growth. He has an experience of 32 years in the pharmaceutical industry. Presently, he is responsible for spearheading the core management team and operations of our Company.

In view of the above, and taking into consideration the leadership qualities, your Board proposes to designate Mr. Paresh Mehta as the Managing Director of the Company on the remuneration package as detailed below.

CATEGORY PARTICULARS

Basic Salary Upto maximum ₹ 5,00,000/- (Rupees Five Lacs Only) per month or ₹ 60,00,000/- (Rupees Sixty Lacs Only) per annum based on merit and taking into account the Company's performance.

Perquisites and Category A

Allowances Medical Reimbursement: Medical expenses actually incurred for self and family shall be reimbursed by the Company under the mediclaim Policy.

Leave Travel Concession: Company shall provide leave travel fare for the Managing Director and his family once a year, anywhere in India as per the Rules applicable to the Company and per Income Tax Rules.

Category B

The Company shall contribute towards Provident Funds/ Superannuation Fund/Annuity Fund, as agreed upon, provided that such contributions either singly or put together shall not exceed the tax free limit prescribed under the IT Act.

The Company shall pay Gratuity, as agreed upon, at

the rate not exceeding half month's salary for each completed year of service.

Leave on full pay and allowances, as per rules of the Company, but not more than one month's leave for every eleven months of service. However, the leave accumulated but not availed of will be allowed to be encashed at the end of the term as per Company rules.

The perquisites under this category shall not be included in the computation of ceiling on remuneration.

Category C

The Company shall provide a car with a driver at the cost of the Company for business use of the Company.

The Managing Director shall be entitled to reimbursement of all expenses incurred in connection with the business of the Company.

Reimbursement of entertainment expenses actually and properly incurred in the course of business of the Company shall be reimbursed.

Any and all expenditure actually and properly incurred on Company's business shall be reimbursed to the Managing Director.

Sitting Fees

The Managing Director shall not be entitled to sitting fees for attending meetings of the Board of Directors or Committees thereof. He shall, however be reimbursed the actual travelling, lodging and boarding expenses incurred by him for attending meeting of the Board of Directors and the Committees thereof.

Minimum Remuneration

The remuneration referred to above is subject to the limit of 5% of the annual net profits of the Company and subject further to the overall limit of 10% of the annual net profits of the Company on the remuneration of the Managing Director and other Whole Time Directors, if any, of the Company taken together. Provided however that in the event of absence or inadequacy of profit, the Managing Director shall be entitled to remuneration mentioned under above and perquisites as above within the minimum remuneration specified in Schedule XIII of the Companies Act, 1956. However Managing Director shall not be paid any sitting fees for attending the Board or Committee meetings.

Except Mr. Paresh Mehta (being himself), Mr. Mukund Mehta (being brother) and Mr. Pratap Mehta (being father) no other Director of the Company may be deemed to be concerned or interested in passing of said resolution.

Your Directors recommend the said Special Resolution for your approval

Item No.7:

Mr. Ashok Vij was appointed as an Additional Director- Marketing of the Company on 25th May 2012. As per the provisions of Section 260 of the Act, the said Director holds office only up to the date of the ensuing Annual General Meeting of the Company. The Company has received notice under section 257 of the Act, from a Member of the Company proposing his appointment as a Director of the Company.

Mr. Ashok Vij, aged 62 years is a Director-Marketing of our Company. He is a Bachelor of Science and also holds Diploma in Office Management.

He is currently pursuing Degree in Law from Mumbai University. Mr. Ashok Vij has vast experience of 42 years and was also ex-Director in Ranbaxy Laboratories. Taking into consideration such vast experience and knowledge which shall be beneficial to the progress and growth of the Company, it is proposed to appoint Mr. Ashok Vij as the Director-Marketing of the Company.

Except Mr. Ashok Vij (being himself), no other Director of the Company may be deemed to be concerned or interested in passing of said resolution.

Your Directors recommend the said Resolution for your approval.

Item No.8:

Mrs. Mira Mehta was appointed as an Additional Director of the Company on 25th May 2012. As per the provisions of Section 260 of the Act, the said Director holds office only up to the date of the ensuing Annual General Meeting of the Company. The Company has received notice under section 257 of the Act, from a Member of the Company proposing her appointment as a Director of the Company.

Mrs. Mira Mehta, aged 33 years is a Director of our Company. She holds B.Com degree and is also Masters in Interior Design from reputed Government College. Mrs. Mira Mehta is actively participating into the operations of the Company and she has the potential to contribute to the progress of the Company in the long run.

Except Mrs. Mira Mehta (being herself) and Mr. Bhavin Mehta (being husband), no other Director of the Company may be deemed to be concerned or interested in passing of said resolution.

Your Directors recommend the said Resolution for your approval.

Item No.9:

Mr. Shailesh Chheda was appointed as an Additional Director of the Company on 25th May, 2012. As per the provisions of Section 260 of the Act, the said Director holds office only up to the date of the ensuing Annual General Meeting of the Company. The Company has received notice under section 257 of the Act, from a Member of the Company proposing his appointment as a Director of the Company.

Mr. Shailesh Chheda, aged 56 years is a Director of our Company. He holds M.Com degree and also holds Diploma in Pharmaceuticals. Considering the level of knowledge and experience of Mr. Shailesh Chheda, his appointment as the Director of the Company will hold the Company in good stead in the pharma industry and will also lift the Company to its next phase of progress and expansion.

Except Mr. Shailesh Chheda (being himself), no other Director of the Company may be deemed to be concerned or interested in passing of said resolution.

Your Directors recommend the said Resolution for your approval.

For and on behalf of the Board of Directors

Place : Mumbai

Date : 11/06/2012

Paresh P. Mehta

Managing Director

Mukund P. Mehta

Director

DIRECTORS REPORT

To

The Members,

Your Directors are pleased to present the Third Annual Report of Company together with the Audited Statement of Accounts and the Auditors' Report of your company for the financial year ended, 31st March, 2012. The summarized financial results for the year ended 31st March, 2012 are as under:

Financial Results

| Particulars | Amt. in ₹ For the F. Y. ended 31 st March, 2012 |
|---|---|
| Sales & Other Income | 1,98,92,604 |
| Profit / (Loss) before Interest, Depreciation & Tax | (1,58,95,464) |
| Less: Depreciation | (3,97,450) |
| Less: Interest | (77,483) |
| Net Profit/(Loss) Before Tax | (1,63,70,397) |
| Less : Provision for Tax | NIL |
| Less : Deferred Tax | 17,877 |
| Profit / (Loss) after Tax | (1,63,88,274) |

Review of Operation

During the year under review, the Company has incurred loss of ₹1,63,88,274/- as against previous year net profit of ₹ 2,76,924/-.

Future Outlook

EyeKare holds an existing broad portfolio of core ophthalmic products. At EyeKare we will be further driving growth through a robust new product pipeline, complementary business development opportunities and new ventures with some esteemed Eye institutes in India. We are exploring opportunities of mergers or global acquisitions, which can provide a large and complimentary portfolio of products. Looking ahead, we see these efforts will result in strengthening EyeKare Kilitch Ltd 's market presence Pan India.

Social Responsibility

As a responsible company, EyeKare Kilitch Ltd firmly believes in contributing actively to improve lives and create a healthier world. We remain committed to our strong ideology and corporate identity of "WE CARE".

We continue to market the DPCO products with the same enthusiasm and zeal as any trade product. Our products have been liberally provided to many doctors, institutes and hospitals conducting free camps in India and abroad for the less privileged.

Focus on Human Resource

Human capital is the foundation of any strong organization. EyeKare's strength lies in its successful journey of inducting and nurturing a vibrant team. The undying spirit of our people and their intense competitive and entrepreneurial energy has enabled us to sustain and overcome many challenges.

Continual training workshops are conducted comprising of activities, presentations, films and interactive delivery to connect existing and new employees with EyeKare.

Dividend

As the Company has incurred loss, your Board is unable to recommend any dividend for the year ended 31st March, 2012.

Capital Expenditure

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

Auditors

M/s R.N.R. Iyer & Co., Chartered Accountants, having its office at No.10, Vaishak, 2B, P.K. Road, Nahur, Mulund (West), Mumbai-400080 will hold office until the conclusion of the ensuing Annual General Meeting.

The members are requested to appoint Auditors' and to fix their remuneration.

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

Note No. II (f) to Auditors' Report:

The clarification for the observation made by the Statutory Auditor as mentioned in the above note is given in Note 2.11 under Significant Accounting Policies and hence do not call for further explanation by the Board of Directors.

Note No. 10.1 to Annexure to Auditors Report:

The Company is in the process of paying off outstanding provident fund dues as at March 31, 2012.

Directors

Dr. Nishikant Borse, Dr. Ryan Dsouza and Dr. Gul Nankani, Directors of the Company retire by rotation, but have not communicated with the Board regarding their offer of reappointment at the forthcoming Annual General Meeting, consequently causing vacancy in the Board which is not proposed to be filled in.

Further, your Board wishes to place on record valuable contributions made by Dr. Nishikant Borse, Dr. Ryan Dsouza and Dr. Gul Nankani for betterment of the Company during their tenure as Directors of the Company.

Mr. Ashok Vij, Mrs. Mira Mehta and Mr. Shailesh Chheda who were appointed as Additional Directors of the Company by the Board of Directors on 25th May 2012 and whose terms of office expire at this Annual General Meeting are proposed to be appointed as Directors of the Company.

Further, it is proposed to designate Mr. Paresh P. Mehta as the Managing Director of the Company for a period of five years w.e.f. June 1, 2012, subject to the approval of the members at the ensuing Annual General Meeting.

Directors' Responsibility Statement

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

1. In preparation of the Annual Accounts for the financial year 2011-12, the applicable accounting standards have been followed.
2. The Directors had selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. The Directors had prepared the Annual Accounts on a going concern basis.

Particulars of Employees

The information required under sub-section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 duly amended by the Companies (Particulars of Employees) Amendment Rule, 2011 for the year ended 31st March, 2012 is not applicable to the Company as none of the employee is drawing remuneration more than the limits presently specified under the said rules.

Deposits

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

Conservation of Energy, Technology Absorption and Foreign Exchange

Earnings and Outgo

The particulars as required under the provisions of Section 217(1)(e) of the Companies Act, 1956 in respect of conservation of energy and technology absorption do not apply to the Company.

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

Constitution of Audit Committee:

In terms of provisions of Section 292A of the Companies Act, 1956, the Board of Directors of the Company has constituted an Audit Committee on such terms as the Board of Directors has finalized.

The Composition of the Audit Committee stands as under:

Mr. Mukesh Shah - Chairman Independent Non Executive

Mr. Shailesh Chheda - Independent Non Executive

Mr. Paresh Mehta - Non Independent Executive

Acknowledgements

Your Directors place on record their gratitude for the continuing support of Shareholders, Bankers and Business associates including the staff of Eye Kare Kilitch Limited.

For and on behalf of the Board of Directors

**Place : Mumbai
Date : 11/06/2012**

**Paresh P. Mehta
Managing Director**

**Mukund P. Mehta
Director**

AUDITORS' REPORT
TO THE MEMBERS OF THE EYEKARE KILITCH LIMITED

We have audited the attached Balance Sheet of EyeKare Kilitch Limited ('the Company'), as at 31st March 2012, the Statement of Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

- I. As required by the Companies (Auditors' Report) Order, 2003 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act 1956, and on the basis of such checks of the books and records as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
- II. Further to our comments in the Annexure referred to in paragraph I above, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss Account and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent they are applicable to the Company.
 - (e) On the basis of the written representations received from the directors of the Company as on 31st March 2012, and taken on record by the Board of Directors of the Company, we report that none of the directors is disqualified as on 31st March 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, subject note no 2.11 "Defined Benefit Plan on Gratuity to Employees, as given in the "Significant Accounting Policies give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
 - and

- (ii) In the case of the Profit and Loss Account, of the LOSS of the Company for the year ended on that date;

For R N R Iyer & Co.,

Chartered Accountants

Firm Regd No: 103786W

CA Iyer Rajkumar

Proprietor

FCA 33964

Place : Mumbai

Date : 11/06/2012

ANNEXURE to the Auditors' Report

The Annexure referred to in Paragraph I of the Auditors' Report to the members of EyeKare Kilitch Limited ('the Company') for the year ended 31st March 2012. We report that:

Fixed Assets:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - 1.1 As explained to us, the fixed assets have been physically verified by the management, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such physical verification.
 - 1.2 In our opinion the Company has not disposed off a substantial part of its fixed assets during the year and the going concern of the Company is not affected.

Inventory:

The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

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

The Company has maintained proper records of inventory. As explained to us, there were no material discrepancies noticed on physical verification of inventories as compared to the book records.

Loans and Advances:

According to the information and explanations provided to us by the management, the Company has granted trade advance to its Holding Company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 2,39,75,564/- and the year end balance of advance granted to the company is ₹ 1,33,16,994/-.

- 3.1 In our opinion, the rate of interest payable at discretion of the Company and other terms and conditions of such advance are not, prima facie, prejudicial to the interest of the Company.

The Company has not taken loans or advances from any Companies, firms or individuals covered in the register maintained under section 301 of the Companies Act, 1956.

Internal Controls:

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventories, fixed assets, and for the sale of services. Further, on the basis of our examination, and according to the information and

explanations given to us, we have neither come across nor we have been informed of any instances of major weaknesses in the aforesaid internal control system.

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

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

Deposits:

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

Internal Audit:

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

Cost Audit:

9. In our opinion, the Rules made by the Central Government for maintenance of Cost records under section 209(1) (d) of the Companies Act, 1956 is not applicable to the Company.

Statutory Dues:

- 10.1 According to the information and explanations provided to us, no undisputed amounts payable in respect of Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty except for Provident Fund where a sum of ₹ 20796/-outstanding as at 31st March 2012 for a period of more than six months from the date they became payable.

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

Potentially Sick Company:

11. In our opinion, the accumulated losses of the Company are not more than fifty percent of its net worth. Further, the Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

Term Loans:

12. The Company has raised new term loan during the year. The term loan outstanding during the year have been applied for the purpose for which they were raised.

Sources and Application of Funds:

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

Fraud:

14. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

Other Clauses:

15. The following clauses of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company and hence the same are not reported upon:
Clause 4(xii), Clause 4(xiii), Clause 4(xiv) Clause 4(xv), Clause 4(xviii), Clause 4(xix) and Clause 4(xx)

For R N R Iyer & Co.,

Chartered Accountants

Firm Regd No: 103786W

CA Iyer Rajkumar

Proprietor

FCA 33964

Place : Mumbai

Date : 11/06/2012

Balance Sheet as at 31st March 2012

(₹ In Lakhs)

| | Note No. | 2011-12 | 2010-11 |
|--|----------|----------|---------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| (a) Share capital | 1 | 500.00 | 320.00 |
| (b) Reserves and surplus | 2 | (144.88) | 19.00 |
| | | 355.12 | 339.00 |
| Non-current liabilities | | | |
| (a) Long-term borrowings | 3 | 3.66 | 0.00 |
| (b) Deferred tax liabilities (net) | 22 | 0.18 | 0.00 |
| (c) Other long-term liabilities | 4 | 14.79 | 0.53 |
| | | 18.63 | 0.53 |
| Current liabilities | | | |
| (a) Trade payables | 5 | 20.46 | 2.65 |
| (b) Other current liabilities | 6 | 8.40 | 1.26 |
| (c) Short-term provisions | 7 | 26.22 | 16.25 |
| | | 55.08 | 20.16 |
| TOTAL | | 428.83 | 359.69 |
| ASSETS | | | |
| Non-current assets | | | |
| (a) Fixed assets | | | |
| (i) Tangible assets | 8A | 9.15 | 0.00 |
| (ii) Intangible assets | 8B | 8.08 | 0.00 |
| (b) Long-term loans and advances | 9 | 133.91 | 241.77 |
| (c) Other non-current assets | 10 | 12.25 | 69.66 |
| | | 163.39 | 311.43 |
| Current assets | | | |
| (a) Current investments | 11 | 181.13 | 0.25 |
| (b) Inventories | 12 | 36.00 | 26.88 |
| (c) Trade receivables | 13 | 43.76 | 4.75 |
| (d) Cash and cash equivalents | 14 | 2.77 | 16.03 |
| (e) Short-term loans and advances | 15 | 1.78 | 0.35 |
| | | 265.44 | 48.26 |
| TOTAL | | 428.83 | 359.69 |
| Significant Account Policies and Notes to Financials 1 To 28 | | | |

As per our report of even date

For and on behalf of Board of Directors

For **R.N.R. IYER & CO**

Chartered Accountants

Firm Registration No. 103786W

Rajkumar Iyer

Proprietor

Membership No.33964

Paresh P. Mehta

: Managing Director

Mukund P. Mehta

: Director

Place : Mumbai

Dated : 11/06/2012

Statement of Profit and Loss for the year ended 31 March, 2012

(₹ In Lakhs)

| | Note No. | 2011-12 | 2010-11 |
|--|----------|-----------------|---------|
| CONTINUING OPERATIONS | | | |
| Revenue from operations (gross) | 16 | 198.05 | 94.44 |
| Other income | 17 | 0.88 | 15.37 |
| Total revenue | | 198.93 | 109.81 |
| Expenses | | | |
| (a) Purchases of stock-in-trade | 18 a | 87.97 | 63.79 |
| (b) Changes in inventories of stock-in-trade | 18 b | (9.11) | (26.88) |
| (c) Employee benefits expense | 19 | 144.68 | 26.84 |
| (d) Finance costs | 20 | 0.77 | 0.04 |
| (e) Depreciation and amortisation expense | 8C | 3.97 | 0.00 |
| (f) Other expenses | 21 | 134.35 | 42.50 |
| Total expenses | | 362.63 | 106.29 |
| Profit / (Loss) before exceptional and tax | | (163.70) | 3.52 |
| Tax expense: | | | |
| (a) Current tax expense for current year | | 0.00 | 0.75 |
| (b) Deferred tax | 22 | 0.18 | 0.00 |
| | | 0.18 | 0.75 |
| Profit / (Loss) from operations | | (163.88) | 2.77 |
| Earnings per share (of ₹ 10/- each): | | | |
| (a) Basic | 23 | 3.66 | 0.09 |
| (b) Diluted | 23 | 3.66 | 0.09 |
| Singficant Accounting Policies Notes to Financials 1 To 28 | | | |

As per our report of even date

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

Rajkumar Iyer
Proprietor
Membership No.33964

Place : Mumbai
Dated : 11/06/2012

For and on behalf of Board of Directors

Paresh P. Mehta : Managing Director

Mukund P. Mehta : Director

Cash Flow Statement for the year ended 31 March, 2012

(₹ In Lakhs)

| Particulars | For the year ended 31 March, 2012 | | For the year ended 31 March, 2011 | |
|---|--------------------------------------|----------|--------------------------------------|----------|
| | ₹ | ₹ | ₹ | ₹ |
| A. Cash flow from operating activities | | | | |
| Net Profit / (Loss) before extraordinary items and tax | | (163.70) | | 3.52 |
| Adjustments for: | | | | |
| Depreciation and amortisation | 3.97 | | 0.00 | |
| Finance costs | 0.77 | | 0.04 | |
| Interest income | | | (14.92) | |
| Dividend income | (0.87) | | (0.43) | |
| Net (gain) / loss on sale of investments | | 3.87 | | (15.31) |
| Operating profit / (loss) before working capital changes | | (159.83) | | (11.78) |
| Changes in working capital: | | | | |
| Adjustments for (increase) / decrease in operating assets: | | | | |
| Inventories | (9.12) | | (26.88) | |
| Trade receivables | (39.01) | | (3.70) | |
| Short-term loans and advances | (1.43) | | (0.35) | |
| Long-term loans and advances | 107.86 | | (242.52) | |
| Other current assets | | | | |
| Other non-current assets | 57.40 | | (69.66) | |
| | | 115.70 | | (343.11) |
| Adjustments for increase / (decrease) in operating liabilities: | | | | |
| Trade payables | 17.82 | | (7.38) | |
| Other current liabilities | 7.14 | | 1.27 | |
| Other long-term liabilities | 14.26 | | 0.53 | |
| Short-term provisions | 9.97 | | 16.25 | |
| Long-term provisions | | | | |
| | | 49.19 | | 10.67 |
| Cash flow from extraordinary items | | | | |
| Cash generated from operations | | 5.06 | | (344.23) |
| Net cash flow from / (used in) operating activities (A) | | 5.06 | | (344.23) |
| B. Cash flow from investing activities | | | | |
| Capital expenditure on fixed assets, including capital advances | (21.20) | | 0.00 | |
| Current investments not considered as Cash and cash equivalents | | | | |
| - Purchased | (180.88) | | 79.82 | |
| Interest received | | | | |
| - Holding | - | | 14.92 | |
| Dividend received | | | | |
| - Others | 0.88 | | 0.43 | |
| | | (201.20) | | 95.17 |
| Net cash flow from / (used in) investing activities (B) | | (201.20) | | 95.17 |

Cash Flow Statement for the year ended 31 March, 2012

(₹ In Lakhs)

| Particulars | For the year ended 31 March, 2012 | | For the year ended 31 March, 2011 | |
|---|--------------------------------------|--------|--------------------------------------|--------|
| | ₹ | ₹ | ₹ | ₹ |
| C. Cash flow from financing activities | | | | |
| Proceeds from issue of equity shares(including premium) | 180.00 | | 235.00 | |
| Proceeds from long-term borrowings | 3.66 | | | |
| Finance cost | -0.79 | | -0.04 | |
| | | 182.87 | | 234.96 |
| Cash flow from extraordinary items | | | | |
| Net cash flow from / (used in) financing activities (C) | | 182.87 | | 234.96 |
| Net increase / (decrease) in Cash and cash equivalents (A+B+C) | | -13.26 | | -14.10 |
| Cash and cash equivalents at the beginning of the year | | 16.03 | | 30.13 |
| Effect of exchange differences on restatement of foreign currency Cash and cash equivalents | | | | |
| Cash and cash equivalents at the end of the year | | 2.77 | | 16.03 |
| Reconciliation of Cash and cash equivalents with the Balance Sheet: | | | | |
| Cash and cash equivalents as per Balance Sheet (Refer Note 19) | | 2.77 | | 16.03 |
| Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 Cash Flow Statements (give details) | | - | | - |
| Net Cash and cash equivalents (as defined in AS 3 Cash Flow Statements) included in Note 19 | | 2.77 | | 16.03 |
| Add: Current investments considered as part of Cash and cash equivalents (as defined in AS 3 Cash Flow Statements) (Refer Note (ii) to Note 16 Current investments) | | - | | - |
| Cash and cash equivalents at the end of the year * | | 2.77 | | 16.03 |
| * Comprises: | | | | |
| (a) Cash on hand | | 0.08 | | 0.01 |
| (c) Balances with banks | | | | |
| (i) In current accounts | | 2.69 | | 16.02 |
| | | 2.77 | | 16.03 |
| Notes: | | | | |
| (i) The Cash Flow Statement reflects the combined cash flows pertaining to continuing and discounting operations. | | | | |

As per our report of even date

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

Rajkumar Iyer
Proprietor
Membership No.33964

Place : Mumbai
Dated : 11/06/2012

For and on behalf of Board of Directors

Paresh P. Mehta : Managing Director

Mukund P. Mehta : Director

Significant accounting policies
Note
1 Corporate information

The Company is trading in EyeKare pharmaceuticals products and is located in Mumbai. The Company was registered in 2009 and started its activities in 2010

2 Significant accounting policies ..
2.1 Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

2.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known or materialise.

2.3 Inventories

Inventories are valued at the lower of cost and the net realisable value after providing for obsolescence and other losses, where considered necessary.

2.4 Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

2.5 Depreciation and amortisation

Depreciation has been provided on the WDV method as per the rates prescribed in Schedule XIV to the Companies Act, 1956.

Assets costing less than ` 5,000 each are fully depreciated in the year of capitalisation

Intangible assets are amortised over their estimated useful life as follows:

Software over a period of 3 years from the date when they are put to use

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation method is revised to reflect the changed pattern.

2.6 Revenue recognition
Sale of goods

Sales are recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods to customers. Sales exclude value added tax.

2.7 Other income

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.

2.8 Tangible Assets

Fixed assets are stated at costs less accumulated depreciation and impairment loss if any. All costs upto commencement of commercial use are capitalised

2.9 Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

2.10 Investments

Current investments are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

2.11 Employee benefits

Employee benefits include provident fund, superannuation fund, gratuity fund, compensated absences, long service awards and post-employment medical benefits.

Provident Fund

Contribution payable to the recognised provident fund, which is a defined contribution scheme, is charged to the profit and loss account in the period in which they occur.

Defined Benefit Plans

Gratuity

The Company does not provide for gratuity as required under AS 15 -Accounting guideline prescribed by the Institute of Chartered Accountant of India. However whenever an eligible employee retires/resigns from the services of the Company, the Company computes liability for gratuity according to the Payment of Gratuity Act 1972 and charges it to the Profit and Loss account

2.12 Segment reporting

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment. As of date, the Company has only one segment-Trading in pharmaceutical and eyecare goods

2.13 Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

2.14 Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

Current and deferred tax relating to items directly recognised in equity are recognised in equity and not in the Statement of Profit and Loss.

2.15 Impairment of assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

2.16 Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes.

Note 1 Share capital

| Particulars | 2011-12 | | 2010-11 | |
|---|------------------|------|----------------------|-----------|
| | Number of shares | ₹ | Number of shares | ₹ |
| (a) Authorised Equity shares of ₹ 10 each with voting rights | 10,00,000 | 1000 | 10,00,000 | 1000 |
| (b) Issued 50,00,000 Equity shares of ₹ 10 each with voting rights 30,00,000 Equity shares of ₹ 10 each with equal voting rights 20,00,000 equity shares of ₹ 10 each with equal voting rights(Re 1 paid Up) | 5,00,000 | 500 | 3,00,000 2,00,000 | 300 20 |
| Total | 5,00,000 | 500 | 5,00,000 | 320 |
| (c) Subscribed and fully paid up 50,00,000 Equity shares of ₹ 10 each with voting rights 30,00,000 Equity shares of ₹ 10 each with voting rights | 5,00,000 | 500 | 3,00,000 | 300 |
| (d) Subscribed but not fully paid up 20,00,000 Equity shares of ₹ 10 each with equal voting rights, ₹ 9 not paid up | 0 | 0 | 2,00,000 | 20 |
| Total | 5,00,000 | 500 | 5,00,000 | 320 |

Notes:

| Particulars | Opening Balance | Fresh issue | Balance call per share | Closing Balance |
|----------------------------------|-----------------|-------------|------------------------|-----------------|
| Equity shares with voting rights | | | | |
| Year ended 31 March, 2011 | | | | |
| - Number of shares | 12.5 | 17.5 | | 30 |
| - Amount (₹) | 125 | 175 | | 300 |
| - Number of shares | | 20 | | 20 |
| - Amount | | 20 | | 20 |
| | | | | 320 |
| Year ended 31 March, 2012 | | | | |
| - Number of shares | 3,00,000 | | | 3,00,000 |
| - Amount (₹) | 300 | | | 300 |
| - Number of shares | 2,00,000 | | | |
| - Amount (₹1/9) | 20 | | 180 | 200 |
| | | | | 500 |

Notes:

(iii) Details of shares held by the holding company, the ultimate holding company, their subsidiaries and associates:

| Particulars | Equity shares with voting rights Number of shares |
|---|--|
| As at 31 March, 2011 KILITCH DRUGS INDIA LTD , the holding and the ultimate holding company | 3364930 |
| As at 31 March, 2012 KILITCH DRUGS INDIA LTD , the holding and the ultimate holding company | 3294930 |

(iv) Details of shares held by each shareholder holding more than 5% shares:

| Class of shares / Name of shareholder | 2011-12 | | 2010-11 | |
|---|-----------------------|-----------------------------------|-----------------------|-----------------------------------|
| | Number of shares held | % holding in that class of shares | Number of shares held | % holding in that class of shares |
| Equity shares with equal voting rights KILITCH DRUGS INDIA LIMITED | 3294930 | 65.9 | 3364930 | 67.3 |

Note 2 Reserves and surplus

(₹ In Lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|----------------|--------------|
| | ₹ | ₹ |
| (a) Securities premium account | | |
| Opening balance | 40.00 | - |
| Add : Premium on shares issued during the year | - | 40.00 |
| Closing balance | 40.00 | 40.00 |
| (b) Surplus / (Deficit) in Statement of Profit and Loss | | |
| Opening balance | -21.00 | -23.77 |
| Add: Profit / (Loss) for the year | -163.88 | 2.77 |
| Closing balance | -184.88 | -21.00 |
| Total | -144.88 | 19.00 |

Note 3 Long-term borrowings

(₹ In Lakhs)

| Particulars | 2011-12 | 2010-11 |
|----------------|-------------|----------|
| | ₹ | ₹ |
| (a) Term loans | | |
| From banks | | |
| Secured | 3.66 | - |
| Total | 3.66 | - |

See details below

(1) Details of terms of repayment for the other long-term borrowings and security provided in respect of the secured other long-term borrowings:

| Particulars | Terms of repayment and security* | 2011-12 | 2010-11 |
|--------------------------------------|--|-------------|----------|
| | | Secured | Secured |
| | | ₹ | ₹ |
| Term loans from banks: | | | |
| HDFC Bank Ltd. | @ 10.25% against hypothecation of car 13 installments balance | 3.66 | - |
| Total - Term loans from banks | | 3.66 | - |

Note 4 Other long-term liabilities

(₹ In Lakhs)

| Particulars | 2011-12 | 2010-11 |
|------------------------------------|--------------|-------------|
| | ₹ | ₹ |
| (a) Trade Payables* | | |
| Micro Small and Medium Enterprises | - | - |
| Others | 14.79 | 0.53 |
| Total | 14.79 | 0.53 |

*for goods and services which are due more than 120 days from the date the bills are due in accordance with Company trade policies

Note 5 Trade payables

(₹ In Lakhs)

| Particulars | 2011-12 | 2010-11 |
|------------------------------------|--------------|-------------|
| | ₹ | ₹ |
| Trade payables*: | | |
| Micro Small and Medium Enterprises | | |
| Others | 20.46 | 2.65 |
| Total | 20.46 | 2.65 |

*for goods and services which are due less than 120 days from the date the bills are due in accordance with Company trade policies

Note 6 Other current liabilities

(₹ In Lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|-------------|-------------|
| | ₹ | ₹ |
| (a) Current maturities of long term borrowings | 3.03 | - |
| (b) Other payables | | |
| (i) Statutory remittances | 5.37 | 1.27 |
| Total | 8.40 | 1.27 |

Note (i) : Current maturities of long-term debt (Refer Notes 3 - Long-term borrowings for details of security and guarantee):

| Particulars | 2011-12 | 2010-11 |
|----------------|---------|---------|
| | ₹ | ₹ |
| (a) Term loans | | |
| From banks | | |
| Secured | 3.03 | - |

Note 7 Short-term provisions

(₹ In Lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|--------------|--------------|
| | ₹ | ₹ |
| (a) Provision for employee benefits: | | |
| (i) Bonus | 10.07 | 7.21 |
| (ii) Leave Travel Allowances | 1.72 | 1.21 |
| (iii) Unpaid salary for employees | 1.21 | 1.07 |
| (iv) Medical allowance (Refer Note 30.4.b) | 1.21 | 1.09 |
| (v) Salary payable | 8.38 | 3.93 |
| (vi) Marketing exp payable | 3.63 | 1.74 |
| Total | 26.22 | 16.25 |

Note 8A Fixed assets

| A. | Tangible assets | Gross block | | | | | | | | | |
|----|-----------------|-----------------------------|-----------|-----------|--|-------------------------------|----------------------|---|----------------------------|-------------------|------------------------------|
| | | Balance as at 1 April, 2011 | Additions | Disposals | Acquisitions through business combinations | Reclassified as held for sale | Revaluation increase | Effect of foreign currency exchange differences | Borrowing cost capitalised | Other adjustments | Balance as at 31 March, 2012 |
| | | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ |
| | (a) Vehicles | | | | | | | | | | |
| | Owned | | 12.05 | | | | | | | | 12.05 |
| | Total | | 12.05 | | | | | | | | 12.05 |
| | Previous year | | | | | | | | | | |

| A | Tangible assets | Accumulated depreciation and impairment | | | | | | | Net block | | |
|---|-----------------|---|--|----------------------------------|---|--|--|-------------------|------------------------------|------------------------------|------------------------------|
| | | Balance as at 1 April, 2011 | Depreciation / amortisation expense for the year | Eliminated on disposal of assets | Eliminated on reclassification as held for sale | Impairment losses recognised in statement of profit and loss | Reversal of impairment losses recognised in Statement of Profit and Loss | Other adjustments | Balance as at 31 March, 2012 | Balance as at 31 March, 2012 | Balance as at 31 March, 2011 |
| | | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ |
| | (a) Vehicles | | | | | | | | | | |
| | Owned | | 2.90 | | | | | | 2.90 | 9.15 | |
| | Total | | 2.90 | | | | | | 2.90 | 9.15 | |
| | Previous year | | | | | | | | | | |

Note 8B: Intangible Assets

| B | Intangible assets | Gross block | | | | | | | | |
|---|-----------------------|-----------------------------|-----------|-----------|--|-------------------------------|---|----------------------------|-------------------|------------------------------|
| | | Balance as at 1 April, 2011 | Additions | Disposals | Acquisitions through business combinations | Reclassified as held for sale | Effect of foreign currency exchange differences | Borrowing cost capitalised | Other adjustments | Balance as at 31 March, 2012 |
| | | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ |
| | | | | | | | | | | |
| | (a) Computer software | | 9.16 | | | | | | | 9.16 |
| | Total | | 9.16 | | | | | | | 9.16 |
| | Previous year | | | | | | | | | |

| B | Intangible assets | Accumulated depreciation and impairment | | | | | | | Net block | |
|---|-----------------------|---|--|----------------------------------|---|---|-------------------|------------------------------|------------------------------|------------------------------|
| | | Balance as at 1 April, 2011 | Depreciation / amortisation expense for the year | Eliminated on disposal of assets | Eliminated on reclassification as held for sale | Impairment losses recognised / (reversed) in Statement of Profit and Loss | Other adjustments | Balance as at 31 March, 20X2 | Balance as at 31 March, 20X2 | Balance as at 31 March, 2011 |
| | | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ |
| | | | | | | | | | | |
| | (a) Computer software | | 1.08 | | | | | 1.08 | 8.08 | |
| | Total | | 1.08 | | | | | 1.08 | 8.08 | |
| | Previous year | | | | | | | | | |

Note 8C

(₹ In Lakhs)

| C. Depreciation and amortisation relating to continuing operations: | | | |
|--|----------------|----------------|---|
| Particulars | 2011-12 | 2010-11 | |
| | ₹ | ₹ | ₹ |
| Depreciation and amortisation for the year on tangible assets as per Note 12 A | 2.90 | - | - |
| Depreciation and amortisation for the year on intangible assets as per Note 12 B | 1.08 | - | - |
| Depreciation and amortisation relating to continuing operations | 3.97 | - | - |

Note 9 Long-term loans and advances

(₹ In Lakhs)

| Particulars | 2011-12 | 2010-11 | |
|--|----------------|----------------|---|
| | ₹ | ₹ | ₹ |
| (a) Capital advances Unsecured, considered good | - | 1.00 | |
| (b) Loans and advances to related parties (Refer Note 24) Unsecured, considered good | 133.17 | 240.03 | |
| (c) Balances with government authorities Unsecured, considered good | | | |
| (iv) Tax deducted at source(after adusting provisions) | 0.74 | 0.74 | |
| Total | 133.91 | 241.77 | |

Note: Long-term loans and advances include amounts due from:

| Particulars | 2011-12 | 2010-11 | |
|--------------------|----------------|----------------|---|
| | ₹ | ₹ | ₹ |
| A holding Company | 133.17 | 240.03 | |

Note 10 Other non-current assets

(₹ In Lakhs)

| Particulars | 2011-12 | 2010-11 | |
|--|----------------|----------------|---|
| | ₹ | ₹ | ₹ |
| (a) Long-term trade receivables # (including trade receivables on deferred credit terms) (Refer Note below) Unsecured, considered good | 12.25 | 20.01 | |
| (b) Unamortised expenses(note 25) | | 49.65 | |
| Total | 12.25 | 69.66 | |

Debts due from parties for goods which are due for more than 120 days from the date the bills are due as per Company trade policies

Note 11 Current investments

(₹ In Lakhs)

| Particulars | 2011-12 | | 2010-11 | |
|---|---------------|---------------|-------------|-------------|
| | Quoted # | Total | Quoted | Total |
| | ₹ | ₹ | ₹ | ₹ |
| A. Current Investment | | | | |
| (a) Investment in mutual funds (give details) | | | | |
| Birla Sunlife Mutual fund: 06/03/2012 ₹ 18000000/-units 166630.25 (Div ₹ 87685.49 reinvested) | 180.88 | 180.88 | | |
| HDFC Mutual Fund: 23/03/2010 ₹ 25156/-units 2507 | 0.25 | 0.25 | 0.25 | 0.25 |
| Total -Current investments (A) | 181.13 | 181.13 | 0.25 | 0.25 |

Note 12 Inventories

(At lower of cost and net realisable value)

(₹ In Lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|--------------|--------------|
| | ₹ | ₹ |
| (a) Stock-in-trade (acquired for trading) | 36.00 | 26.88 |
| Total | 36.00 | 26.88 |

Note 13 Trade receivables

(₹ in Lakhs)

| Particulars | 2011-12 | 2010-11 |
|----------------------------|--------------|-------------|
| | ₹ | ₹ |
| Trade receivables | | |
| Unsecured, considered good | 43.76 | 4.75 |
| Total | 43.76 | 4.75 |

Debts due from parties for goods which are due for less than 120 days from the date the bills are due as per Company trade policies

Note 14 Cash and cash equivalents

(₹ In Lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|-------------|--------------|
| | ₹ | ₹ |
| (a) Cash on hand | 0.08 | 0.01 |
| (b) Balances with banks | | - |
| (i) In current accounts | 2.69 | 16.02 |
| Total | 2.77 | 16.03 |
| Of the above, the balances that meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statements is | 2.77 | 16.03 |

Note 15 Short-term loans and advances

(₹ in Lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|-------------|-------------|
| | ₹ | ₹ |
| (a) Loans and advances to employees | | |
| (Unsecured, considered good) | 1.66 | 0.35 |
| (b) Prepaid expenses - Unsecured, considered good | 0.12 | - |
| Total | 1.78 | 0.35 |

Note 16 Revenue from operations

(₹ in Lakhs)

| Particulars | 2011-12 | 2010-11 |
|--------------------------------------|---------------|--------------|
| | ₹ | ₹ |
| Traded goods(Net of VAT and returns) | | |
| Pharmaceuticals products | 198.05 | 94.44 |
| Total - Sale of products | 198.05 | 94.44 |

Note 17 Other income

(₹ in Lakhs)

| Particulars | 2011-12 | 2010-11 |
|----------------------------|-------------|-------------|
| | ₹ | ₹ |
| Dividend income: | | |
| from current investments | 0.88 | 0.43 |
| Other non-operating income | | 0.03 |
| Total | 0.88 | 0.45 |

| Particulars | 2011-12 | 2010-11 |
|--|-------------|--------------|
| | ₹ | ₹ |
| Interest income comprises: | | |
| Interest on loans and advances*(refer Note 24) | | 14.92 |
| Total - Interest income | - | 14.92 |
| | 0.88 | 15.37 |

*From Holding Company

Note 18.a Purchase of traded goods

(₹ in Lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|--------------|--------------|
| | ₹ | ₹ |
| Traded good Pharmaceutical products(net of VAT and returns) | 87.97 | 63.79 |
| Total | 87.97 | 63.79 |

Note 18.b Changes in inventories of traded goods

(₹ in Lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|--------------|---------------|
| | ₹ | ₹ |
| <u>Inventories at the end of the year:</u> | | |
| Traded goods | 35.99 | 26.88 |
| | 35.99 | 26.88 |
| <u>Inventories at the beginning of the year:</u> | | |
| Traded goods | 26.88 | 0 |
| | 26.88 | 0 |
| Net (increase) / decrease | -9.11 | -26.88 |

Note 19 Employee benefits expense

(₹ in Lakhs)

| Particulars | 2011-12 | 2010-11 |
|------------------------|---------------|--------------|
| | ₹ | ₹ |
| Salaries and wages | 144.06 | 26.84 |
| Staff welfare expenses | 0.62 | - |
| Total | 144.68 | 26.84 |

Note 20 Finance costs

(₹ in Lakhs)

| Particulars | 2011-12 | 2010-11 |
|--------------------------|-------------|-------------|
| | ₹ | ₹ |
| (a) Interest expense on: | | |
| (i) Borrowings | | |
| - Term Loans | 0.68 | - |
| - Bank charges | 0.09 | 0.04 |
| Total | 0.77 | 0.04 |

Note 21 Other expenses

(₹ In Lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|---------------|--------------|
| | ₹ | ₹ |
| Rent including lease rentals (Refer Note 26) | 6.00 | 6.00 |
| Repairs and maintenance - Others | 0.12 | - |
| Insurance | 0.27 | - |
| Communication | 0.02 | - |
| Travelling and conveyance | 4.76 | 1.84 |
| Printing and stationery | 1.01 | 2.29 |
| Freight and forwarding | 8.88 | 2.24 |
| Business promotion | 35.32 | 9.71 |
| Donations and contributions | 0.03 | - |
| Legal and professional | 1.89 | 4.09 |
| Payments to auditors (Refer Note (i) below) | 0.50 | 0.50 |
| Other expenses: | - | - |
| ROC filing fees | 0.10 | 0.08 |
| Miscellaneous Expenses | 1.07 | 1.59 |
| Computer Expenses | 1.60 | - |
| Recruitment | 0.08 | - |
| Fees and Subscription | 8.94 | 5.64 |
| Advertisement | 1.06 | 0.25 |
| Discount | 0.91 | 0.02 |
| Exhibition Expenses | 6.25 | - |
| Internet Charges | 0.27 | - |
| Marketing Expense(refer Note) | 42.18 | 7.15 |
| Sample Sales | 9.77 | - |
| Telephone Expenses | 3.32 | 1.10 |
| Total | 134.35 | 42.50 |
| Notes: | | |
| (i) Payments to the auditors comprises (net of service tax input credit, where applicable): | | |
| As auditors - statutory audit | 0.40 | 0.40 |
| Taxation | 0.10 | 0.10 |
| Total | 0.50 | 0.50 |

Note 22 Disclosures under Accounting Standards (contd.)

(₹ in Lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|---------------|-------------|
| | ₹ | ₹ |
| Deferred tax (liability) / asset | | |
| <u>Tax effect of items constituting deferred tax liability</u> | | |
| On difference between book balance and tax balance of fixed assets | (0.18) | |
| Tax effect of items constituting deferred tax liability | (0.18) | 0.00 |
| Tax effect of items constituting deferred tax assets | (0.18) | 0.00 |
| Net deferred tax (liability) / asset | (0.18) | 0.00 |

The Company has recognised deferred tax asset on unabsorbed depreciation to the extent of the corresponding deferred tax liability on the difference between the book balance and the written down value of fixed assets under Income Tax (or) The Company has recognised deferred tax asset on unabsorbed depreciation and brought forward business losses based on the Management's estimates of future profits considering the non-cancellable customer orders received by the Company.

Note 23 Earnings per share

| Particulars | 2011-12 | 2010-11 |
|---|-----------|-----------|
| | ₹ | ₹ |
| Earnings per share | | |
| <u>Basic</u> | | |
| <u>Continuing operations</u> | | |
| Net profit / (loss) for the year from continuing operations | -163.88 | 2.77 |
| Less: Preference dividend and tax thereon | 0 | 0 |
| Net profit / (loss) for the year from continuing operations attributable to the equity shareholders | -163.88 | 2.77 |
| Weighted average number of equity shares | 4,483,607 | 3,031,781 |
| Par value per share | 10 | 10 |
| Earnings per share from continuing operations - Basic | -3.66 | 0.09 |
| <u>Diluted</u> | | |
| The diluted earnings per share has been computed by dividing the Net Profit After Tax available for Equity Shareholders by the weighted average number of equity shares, after giving dilutive effect of the outstanding Warrants, Stock Options and Convertible bonds for the respective periods. Since, the effect of the conversion of Preference shares was anti-dilutive, it has been ignored. | | |
| <u>Continuing operations</u> | | |
| Net profit / (loss) for the year from continuing operations | -163.88 | 2.77 |
| Less: Preference dividend and tax thereon | - | - |
| Net profit / (loss) for the year attributable to the equity shareholders from continuing operations | -163.88 | 2.77 |
| Add: Interest expense and exchange fluctuation on convertible bonds (net) | 0 | 0 |
| Profit / (loss) attributable to equity shareholders from continuing operations (on dilution) | -163.88 | 2.77 |
| Weighted average number of equity shares for Basic EPS | 4,483,607 | 3,031,781 |
| Add: Effect of warrants, ESOPs and Convertible bonds which are dilutive | 0 | 0 |
| Weighted average number of equity shares - for diluted EPS | 4,483,607 | 3,031,781 |
| Par value per share | 10 | 10 |
| Earnings per share, from continuing operations - Diluted | -3.66 | 0.09 |

Note 24: Related Party Transaction

| Description of relationship | Names of related parties |
|--|---|
| Holding Company | Kilitch Drugs India Limited |
| Key Management Personnel (KMP) | Mr. Prataprai Keshavji Mehta Mr. Mukund Prataprai Mehta Mr. Paresh Prataprai Mehta Mr Bhavin Mukund Mehta |
| Relatives of KMP | Mr. Ashok Vij Mrs.Mira Bhavin Mehta Mrs. Nita Mukund Mehta Mrs.Neha Paresh Mehta Mr. Divya Paresh Mehta |
| Company in which KMP / Relatives of KMP can exercise significant influence | NBZ Pharma Limited Kilitch Co. Pharma Ltd J D Enterprises |

Note: Related parties have been identified by the Management.

Details of related party transactions during the year ended 31 March, 2012 and balances outstanding as at 31 March, 2012:

| | Holding Company |
|---|-------------------|
| Purchase of goods | 87.69 -63.79 |
| Rent Paid | 6.00 -6.00 |
| In shares including premium | 180.00 -235.00 |
| Interest received | - -14.92 |
| <u>Balances outstanding at the end of the year</u> | |
| Loans and advances | 133.17 -240.03 |
| Note: Figures in bracket relates to the previous year | |

Note 25 Unamortised Expenses

(₹ in Lakhs)

| Particulars | As at 31 March, 2012 | As at 31 March, 2011 |
|---------------------------|----------------------|----------------------|
| | ₹ | ₹ |
| Business Promotion | 35.32 | 9.71 |
| Marketing Expenses | 42.18 | 7.15 |
| Employee salary & Welfare | 144.68 | 26.84 |
| Fees & Registration | 8.94 | 5.64 |
| Total | 231.12 | 49.34 |

As the amounts incurred is heavy and since the effect on the income can be deferred, the Board of directors feel that the expenses can be deferred over a period of 2 year and accordingly ₹ 4965055.00 has been charged as expenses for the year 2010-11 and the balance of ₹ 4965055.00 has been charged as expenditure in the year 2011-12

Note 26 : Operating Lease

| Particulars | For the year ended 31 March, 2012 | For the year ended 31 March, 2011 |
|--|--------------------------------------|--------------------------------------|
| | ₹ | ₹ |
| Details of leasing arrangements | | |
| <u>As Lessee</u> | | |
| The Company has entered into operating lease arrangements office premises. The leases are non-cancellable and are for a period of 5 years. | | |
| Future minimum lease payments | | |
| not later than one year | 6.00 | 6.00 |
| later than one year and not later than five years | 18.00 | 24.00 |
| later than five years | - | - |
| Lease payments recognised in the Statement of Profit and Loss | 6.00 | 6.00 |

Note 27
Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

| Particulars | As at 31 March, 2012 | As at 31 March, 2011 |
|--|----------------------|----------------------|
| | ₹ | ₹ |
| (i) Principal amount remaining unpaid to any supplier as at the end of the accounting year | 0 | 0 |
| (ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year | | |
| (iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day | | |
| (iv) The amount of interest due and payable for the year | | |
| (v) The amount of interest accrued and remaining unpaid at the end of the accounting year | | |
| (vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid | | |

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

Note 28 Previous year's figures

| Particulars |
|---|
| The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure. |

As per our report of even date

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

Rajkumar Iyer
Proprietor
Membership No. 33964

Place : Mumbai
Dated : 11/06/2012

For and on behalf of Board of Directors

Paresh P. Mehta : *Managing Director*

Mukund P. Mehta : *Director*



Consolidated Financial Statement

On the Consolidated Financial Statement of Kilitch Drugs (India) Limited

To

The Board of Directors of Kilitch Drugs (India) Limited

We have audited the attached Consolidated Balance Sheet of Kilitch Drugs (India) Limited and its subsidiary, "Group" (refer Note 1(A) Principle of consolidation)) as at March 31, 2012, the related Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed hereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2012;

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

For M/S R.N.R. Iyer and Co.,
Chartered Accountants
Firm Registration No 103786W

Rajkumar Iyer
(Proprietor)
Membership No 33964

Place : Mumbai
Dated : 30/08/2012



Balance Sheet as at 31st March 2012

(₹ in lakhs)

| | Particulars | Note No. | 2011-12 | 2010-11 |
|------------|------------------------------------|----------|------------------|-----------|
| I. | EQUITY AND LIABILITIES | | | |
| | Shareholders' funds | | | |
| | (a) Share capital | 3 | 1,323.18 | 1,323.18 |
| | (b) Reserves and surplus | 4 | 10,131.56 | 7,107.38 |
| | Minority Interest | | 107.75 | 156.65 |
| | Non-current liabilities | | | |
| | (a) Long-term borrowings | 5 | 3.66 | 1.00 |
| | (b) Deferred tax liabilities (Net) | 6 | 26.32 | 50.91 |
| | (c) Other Long term liabilities | 7 | 51.83 | 37.56 |
| | Current liabilities | | | |
| | (a) Short-term borrowings | 8 | 876.91 | 1,563.47 |
| | (b) Trade payables | 9 | 365.90 | 1,024.80 |
| | (c) Other current liabilities | 10 | 133.37 | 3,799.79 |
| | (d) Short-term provisions | 11 | 4,671.00 | 234.77 |
| | TOTAL | | 17,691.48 | 15,299.51 |
| II. | ASSETS | | | |
| | Non-current assets | | | |
| | (a) Fixed assets | 12 | | |
| | (i) Tangible assets | | 845.69 | 4,185.11 |
| | (ii) Intangible assets | | 18.76 | 7.62 |
| | (iii) Capital work-in-progress | | | 4,315.23 |
| | (b) Non-current investments | 13 | 71.59 | 21.59 |
| | (c) Long-term loans and advances | 14 | 24.59 | 18.82 |
| | Current assets | | | - |
| | (a) Current investments | 15 | 13,758.50 | 0.25 |
| | (b) Inventories | 16 | 229.80 | 1,702.50 |
| | (c) Trade receivables | 17 | 1,503.20 | 3,869.61 |
| | (d) Cash and cash equivalents | 18 | 1,167.05 | 948.95 |
| | (e) Short-term loans and advances | 19 | 21.76 | 124.42 |
| | (f) Other current assets | 20 | 50.54 | 105.41 |
| | TOTAL | | 17,691.48 | 15,299.51 |
| | | | - | - |

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

For and on behalf of Board of Directors

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

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

Rajkumar Iyer
Proprietor
Membership No.33964

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

Place : Mumbai
Dated : 30/08/2012

Kanika Bareja (Ms.) : Company Secretary

Profit and loss statement for the year ended 31st March 2012

(₹ in lakhs)

| Particulars | Note No. | 2011-12 | 2010-11 |
|--|----------|------------------|------------------|
| Revenue from operations | 21 | 10,796.35 | 14,630.17 |
| Other income | 22 | 105.13 | 17.28 |
| Total Revenue | | 10,901.48 | 14,647.45 |
| Expenses: | | | |
| Cost of materials consumed | 23 | 7,059.27 | 10,314.41 |
| Changes in inventories of finished goods work-in-progress and Stock-in-Trade | 24 | 126.02 | (243.91) |
| Employee benefits expense | 25 | 644.46 | 562.20 |
| Finance costs | 26 | 296.10 | 353.94 |
| Depreciation and amortization expense | 12 | 487.35 | 558.74 |
| Other expenses | 27 | 1,703.99 | 1,790.45 |
| Total expenses | | 10,317.19 | 13,335.83 |
| Profit before exceptional and extraordinary items and tax | | 584.29 | 1,311.62 |
| Exceptional items | 28 | (1,552.82) | - |
| Profit before extraordinary items and tax | | (968.53) | 1,311.62 |
| Extraordinary Items | 29 | 10,704.79 | - |
| Profit before tax | | 9,736.27 | 1,311.62 |
| Tax expense: | | | |
| (1) Current tax | | 2,105.00 | 261.75 |
| (2) Deferred tax | | 0.18 | 1.07 |
| Profit (Loss) for the period(VII-VIII) | | 7,631.09 | 1,048.80 |
| includes profit from discontinued operations | 30 | 1726.93 | 1,218.20 |
| Earnings per equity share: | 31 | | |
| (1) Basic | | 57.67 | 7.92 |
| (2) Diluted | | 52.55 | 7.74 |

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

For and on behalf of Board of Directors

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

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

Rajkumar Iyer
Proprietor
Membership No.33964

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

Place : Mumbai
Dated : 30/08/2012

Kanika Bareja (Ms.) : Company Secretary



Cash Flow Statement for the year ended 31 March, 2012

(₹ in lakhs)

| Particulars | For the year ended 31 March, 2012 | | For the year ended 31 March, 2011 | |
|--|--------------------------------------|------------|--------------------------------------|----------|
| A. Cash flow from operating activities | | | | |
| Net Profit / (Loss) before extraordinary items and tax | | (968.52) | | 1,311.65 |
| Adjustments for: | | | | |
| Depreciation and amortisation | 487.34 | | 558.74 | |
| Expense on employee stock option scheme | 18.57 | | - | |
| Finance costs | 296.10 | | 368.85 | |
| Interest income | (46.53) | | (27.67) | |
| Dividend income | (59.00) | | (1.26) | |
| Rental income from operating leases | (6.00) | | (6.00) | |
| Provision for doubtful trade and other receivables, loans and advances | 24.40 | | - | |
| Net unrealised exchange (gain) / loss | | | 20.91 | |
| | | 714.88 | | 913.57 |
| Operating profit / (loss) before working capital changes | | (253.63) | | 2,225.23 |
| Changes in working capital: | | | | |
| Adjustments for (increase) / decrease in operating assets: | | | | |
| Inventories | 1,472.70 | | (457.50) | |
| Trade receivables | 2,358.66 | | 946.25 | |
| Short-term loans and advances | 102.54 | | 15.72 | |
| Long-term loans and advances | 100.82 | | (242.52) | |
| Other current assets | (2,120.74) | | (366.53) | |
| Adjustments for increase / (decrease) in operating liabilities: | | | | |
| Trade payables | (765.49) | | (7.38) | |
| Other current liabilities | (3,666.40) | | 78.04 | |
| Short-term provisions | (177.58) | | 16.25 | |
| Other Long Term Liabilities | 14.26 | | 0.53 | |
| | | (2,681.24) | | (17.14) |
| Net cash flow from / (used in) operating activities (A) | | (2,934.87) | | 2,208.08 |

(₹ in lakhs)

| Particulars | For the year ended 31 March, 2012 | | For the year ended 31 March, 2011 | |
|---|--------------------------------------|-------------|--------------------------------------|------------|
| B. Cash flow from investing activities | | | | |
| Capital expenditure on fixed assets, including capital advances | (2,748.78) | | (2,430.14) | |
| Current investments not considered as Cash and cash equivalents | | | | |
| - Purchased | (13,758.25) | | 79.82 | |
| Proceeds from sale of long-term investments | | | | |
| - Subsidiaries | (173.00) | | (71.50) | |
| - Others | (50.00) | | - | |
| Interest received | | | | |
| - Others | 46.53 | | 27.67 | |
| Dividend received | | | | |
| - Others | 59.00 | | 1.26 | |
| Rental income from operating leases | 6.00 | | 6.00 | |
| | | (16,618.50) | | (2,386.89) |
| Cash flow from extraordinary items | | 20,720.88 | | |
| Net cash flow from / (used in) investing activities (B) | | 4102.38 | | (2,386.89) |

Cash Flow Statement for the year ended 31 March, 2012

(₹ in lakhs)

| Particulars | For the year ended 31 March, 2012 | | For the year ended 31 March, 2011 | |
|---|--------------------------------------|----------|--------------------------------------|--------|
| C. Cash flow from financing activities | | | | |
| Increase in Share Capital | - | | 249.11 | |
| Proceeds from issue of equity shares including premium | 180.00 | | | |
| Proceeds from long term borrowings | 3.66 | | | |
| Repayment of long-term borrowings | (1.00) | | 1,006.74 | |
| Repayment of other short-term borrowings | (686.56) | | - | |
| Finance cost | (296.10) | | (368.85) | |
| Dividends paid(Inclusive of tax) | (149.41) | | (154.45) | |
| | | (949.41) | | 732.55 |
| Cash flow from extraordinary items | | | | |
| Net cash flow from / (used in) financing activities (C) | | (949.41) | | 732.55 |
| Net increase / (decrease) in Cash and cash equivalents (A+B+C) | | 218.10 | | 553.73 |
| Cash and cash equivalents at the beginning of the year | | 948.95 | | 395.22 |
| Cash and cash equivalents at the end of the year | | 1,167.05 | | 948.95 |
| Cash and cash equivalents at the end of the year * | | | | |
| * Comprises: | | | | |
| (a) Cash on hand | | 0.92 | | 1.21 |
| (b) Balances with banks | | | | |
| (i) In current accounts | | 573.25 | | 724.31 |
| (iv) In earmarked accounts (give details) (Refer Note (ii) below) | | 592.88 | | 223.43 |
| | | 1,167.05 | | 948.95 |

Notes:

- (i) The Cash Flow Statement reflects the combined cash flows pertaining to continuing and discounting operations.
(ii) These earmarked account balances with banks can be utilised only for the specific identified purposes.

See accompanying notes forming part of the financial statements

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

Rajkumar Iyer
Proprietor
Membership No.33964

Place : Mumbai
Dated : 30/08/2012

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

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

Kanika Bareja (Ms.) : Company Secretary



Note: 1

Significant Accounting Policies

A Principles of consolidation

- a) The consolidated financial statements include the financial statement of Kilitch Drugs India Limited and its subsidiary Eyekare Kilitch Limited.
- b) The accounting and reporting policies of the Group used in the preparations of consolidated financial statements conforms to the Generally Accepted Accounting Principles in India (India GAAP), the guidelines issued by the Securities and Exchange Board of India (SEBI), the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and notified by the Companies (Accounting Standards) Rules, 2006 from time to time as applicable to Companies.
- c) The Group follows the accrual method of accounting and the historical cost convention for accounting assets.
- d) The preparation of consolidated financial statements requires the management to make estimates and assumptions, which are consolidated in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the consolidated financial statement and the reported income and expenses during the reporting period. Management believes that the estimates if any used in the preparation of the consolidated statements are prudent and reasonable. Future results could differ from these estimates.

B Accounting Convention

The financial statements are prepared under the historical cost convention, on accrual basis of accounting, in conformity with the accounting principles generally accepted in India and comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government to the extent applicable and the relevant provisions of the Companies Act, 1956.

C Use of Estimates

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles (GAAP) in India requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of the financial statements and of the reported amounts of the revenues and expenses for the year. Actual results could differ from these estimates. Any revision to the accounting estimates is recognized prospectively in current and future periods.

D Revenue Recognition

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

E Fixed Assets and Depreciation

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

F Impairment of Assets

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

G Investments

Current investments are carried at lower of cost and quoted/fair value, computed category wise. Long Term Investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary.

H Inventories

Raw Material, Packing Material, Stores and spare parts are valued at cost or net realizable value whichever is lower. Work-in-progress and Finished Goods inventories include production overheads, to the extent applicable. Cost of Raw Materials, Packing Materials and Stores & Spare part are determined on last purchase price.

I Borrowing Costs

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

J Foreign Currency Transactions

The transactions in foreign currency are recorded at the exchange rates prevailing on the date of the transaction. The exchange difference resulting

from settled transaction is adjusted in the profit and loss account. Year end balances of monetary items are restated at the year end exchange rates and the resultant net gain or loss is adjusted in the profit and loss account.

K Taxation

Excise Duty and Value Added Tax(VAT) :- Excise Duty and VAT is accounted net of purchase tax benefit availed on purchase inputs, fixed assets and eligible service.

Taxes on Income

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

L Retirement Benefits

Contributions in respect of defined retirement schemes such as Provident Funds are charged to the Profit and loss Account as incurred. The company does not provide for gratuity as required under AS 15 accounting guidelines prescribed by Institute of Chartered Accountants of India (ICAI). However, whenever an eligible employee retires/ resigns services the company computes liability for gratuity as per payment of gratuity Act, and charges it to the profit and loss accounts subject to Note no. 2 Business Transfer.

M Employee Stock Option Plan

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

N Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

O Earnings Per Share

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

P Cash Flow Statement

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

Q Proposed Dividend

Dividend recommended by the Board of Directors is provided in the Accounts, pending approval of the Annual General Meeting.

Note 2

Business Transfer

The Company entered into a Business Transfer Agreement (BTA) on 6th October 2011 with Akorn India Private Limited (AIPL), a Company incorporated under the Companies Act 1956 and having its registered office at 101-104, Banaji House, First Floor, Flora Fountain, Fort Mumbai 400001(Purchaser). As per this agreement the Company sold its business located at Paonta Sahib, Himachal Pradesh as a going concern on a slump sale basis as defined in section 2(42C) of the Income Tax Act, 1961 along with their employees on the terms and condition as set forth in the BTA. The undertaking was sold and transferred on 28th February 2012 after getting all the necessary clearances as indicated in the BTA. The Company has retained its Name, Trademark(Kilitch) and all other properties and assets at Mumbai

The Cash consideration for the sale of Paonta Sahib plant exclusive of all applicable transfer taxes was ₹ 207.49 crores inclusive of the amount received towards net working capital ₹ 14.40 crores. The Company's net working capital at Paonta Sahib on the date of transfer was estimated at ₹ 14.40 crores which will be identified after 180 days from the date of transfer by adjusting the net realized working capital from the purchase value based on which the amount payable or receivable by the Company will be determined by mutual agreement.

The Company also transferred certain products by entering into a Product Transfer Agreement (PTA) with AIPL by which the right to manufacture certain products by the Company at Mumbai was sold for a consideration of ₹ 14.11 crores to Purchaser.

The Company has been restricted from exporting the products sold to AIPL under the PTA to all the countries except to 13 countries where they are allowed to export their other products. Profit on sale and export sale of products under the PTA will have to be paid to AIPL.



Note 3

Share capital

(₹ in lakhs)

| Share Capital | 2011-12 | | 2010-11 | |
|--|------------|----------|------------|----------|
| | Number | Amount | Number | Amount |
| Authorised | | | | |
| 20,00,0000 Equity Shares of ₹ 10 each fully paid | 20,00,0000 | 2,000.00 | 20,00,0000 | 2,000.00 |
| Issued | | | | |
| 1,32,31,828 Equity Shares of ₹ 10 each | 13,231,828 | 1,323.18 | 13,231,828 | 1,323.18 |
| Subscribed & Paid up | | | | |
| 1,32,31,828 Equity Shares of ₹ 10 each | 13,231,828 | 1,323.18 | 13,231,828 | 1,323.18 |
| Total | 13,231,828 | 1,323.18 | 13,231,828 | 1,323.18 |

Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

(₹ in lakhs)

| Particulars | 2011-12 | | 2010-11 | |
|---|------------|----------|------------|----------|
| | Number | Amount | Number | Amount |
| Opening | 13,231,828 | 1,323.18 | 13,202,122 | 1,320.21 |
| Additions | - | - | 29,706 | 2.97 |
| Shares bought back during the year | - | - | | |
| Shares outstanding at the end of the year | 13,231,828 | 1,323.18 | 13,231,828 | 1,323.18 |

Shares in the company held by each shareholder holding more than 5 percent shares

| Name of Shareholder | 2011-12 | | 2010-11 | |
|---------------------|--------------------|--------------|--------------------|--------------|
| | No. of Shares held | % of Holding | No. of Shares held | % of Holding |
| NBZ PHARMA LTD | 6,012,742 | 45.44 | 6,012,742 | 45.44 |
| PARESH P MEHTA | 1,256,347 | 9.49 | 841,068 | 6.36 |
| MUKUND P MEHTA | 858,278 | 6.49 | 655,592 | 4.95 |

Note 4

Reserves and surplus

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|------------------|-----------------|
| a. Capital Reserves | | |
| Opening Balance | 30.00 | 30.00 |
| (+) Current Year Transfer | | - |
| (-) Written Back in Current Year | 30.00 | - |
| Closing Balance | | 30.00 |
| b. Securities Premium Account | | |
| Opening Balance | 2,778.13 | 2,747.24 |
| Add : Securities premium credited on Share issue | - | 30.89 |
| Closing Balance | 2,778.13 | 2,778.13 |
| c. General Reserves | | |
| Opening Balance | 688.51 | 588.51 |
| (+) Current Year Transfer | 830.00 | 100.00 |
| (-) Written Back in Current Year | - | - |
| Closing Balance | 1,518.51 | 688.51 |
| d. Share Options Outstanding Account | | |
| Opening Balance | 186.94 | 206.70 |
| (+) Current Year Transfer | - | - |
| (-) Written Back in Current Year | 48.99 | 19.76 |
| Closing Balance | 137.95 | 186.94 |
| e. Calls on shares forfeited | | |
| Opening Balance | 58.00 | 58.00 |
| (+) Current Year Transfer | - | - |
| (-) Written Back in Current Year | - | - |
| Closing Balance | 58.00 | 58.00 |
| f. Surplus | | |
| Opening balance | 3,365.80 | 2,564.42 |
| (+) Net Profit/(Net Loss) For the current year | 7,631.09 | 1,048.80 |
| (+) Transfer from Reserves | - | - |
| (-) Proposed Dividends | 4,613.81 | 154.29 |
| (-) Interim Dividends | - | - |
| (-) Minority Interest(Loss) | 55.89 | 6.87 |
| (-) Transfer to Reserves | 800.00 | 100.00 |
| Closing Balance | 5,638.97 | 3,365.80 |
| Total | 10,131.56 | 7,107.38 |

Note 5

Long Term Borrowings

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|------------------------|-------------|-------------|
| <u>Secured</u> | | |
| Term Loans from Banks* | 3.66 | - |
| <u>Unsecured</u> | | |
| (a) Deposits | | - |
| Others | | 1.00 |
| Total | 3.66 | 1.00 |

* From HDFC Bank @10.25% against hypothecation of car(balance installments 13.)



Note 6

Deferred Tax Liability(Net)

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|--------------|--------------|
| Deferred tax Liability | | |
| On account of timing differences arising on Depreciation of fixed assets | 26.32 | 50.91 |
| Total | 26.32 | 50.91 |

Note 7

Other Long Term Liabilities

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|--------------------|--------------|--------------|
| (a) Trade Payables | 14.80 | - |
| (b) Others | 37.03 | 37.56 |
| Total | 51.83 | 37.56 |

Note 8

Short Term Borrowings

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|---------------|-----------------|
| Secured | | |
| (a) Loans repayable on demand from banks (Secured By Fixed Deposit) | 88.50 | 1,563.47 |
| (b) Other loans and advances* | 788.41 | - |
| Total | 876.91 | 1,563.47 |

*Includes:

- (i) ₹ 326.42lakhs payable to Akorn India Private Limited on realisation of trade receivables on their behalf as per BTA
- (ii) ₹ 439.50 lakhs payable to Akorn being the net working capital as per BTA(Ref Note2 : Business Transfer)

Note 9

Trade Payables

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|---------------|-----------------|
| Micro & Small Enterprises (Refer note 32) | | |
| Others | 365.90 | 1,024.80 |
| Total | 365.90 | 1,024.80 |

Note 10

Other Current Liabilities

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|---------------|-----------------|
| (a) Current maturities of long-term debt | 3.03 | 3,742.24 |
| (b) Unpaid dividends | 19.30 | 14.56 |
| (c) Other payables | 14.50 | 32.08 |
| Others | - | - |
| Statutory dues | 96.54 | 10.91 |
| Total | 133.37 | 3,799.79 |

Note 11

Short Term Provisions

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|-----------------|---------------|
| (a) Provision for employee benefits Salary & Reimbursements | 57.19 | 80.48 |
| (b) Others Provision for Dividend and Provision for Taxation | 4,613.81 | 154.29 |
| Total | 4,671.00 | 234.77 |

Note 12 : Fixed Assets

| | Fixed Assets | Gross Block | | | Accumulated Depreciation | | | | Net Block | |
|---|---------------------------------|-------------------------------|----------------------------|-----------------------------------|-------------------------------|--|-----------------|-----------------------------------|-----------------------------------|-------------------------------|
| | | Balance as at 1 April 2011 | Additions/ (Disposals)* | Balance as at 31 March 2012 | Balance as at 1 April 2011 | Depreciation charge for the year | On disposals | Balance as at 31 March 2012 | Balance as at 31 March 2012 | Balance as at 1 April 2011 |
| a | Tangible Assets | | | | | | | | | |
| | Land | 226.73 | (196.86) | 29.87 | - | - | | - | 29.87 | 226.73 |
| | Buildings | 2,327.87 | (2,066.86) | 261.01 | 956.84 | 126.19 | 876.83 | 206.20 | 54.81 | 1,371.03 |
| | Office Premises | 133.24 | | 133.24 | 48.12 | 4.26 | - | 52.38 | 80.86 | 85.12 |
| | Plant and Equipment | 3,575.16 | (2,604.19) | 970.97 | 1,523.65 | 270.42 | 1,309.32 | 484.75 | 486.22 | 2,051.51 |
| | Furniture and Fixtures | 226.45 | (131.21) | 95.24 | 127.13 | 17.12 | 79.47 | 64.78 | 30.46 | 99.32 |
| | Computer | 137.59 | (52.05) | 85.54 | 109.37 | 11.08 | 44.17 | 76.28 | 9.26 | 28.22 |
| | Vehicles | 69.69 | (27.69) | 42.00 | 49.40 | 7.95 | 30.49 | 26.86 | 15.14 | 20.29 |
| | Air Conditioners | 102.28 | - | 102.28 | 82.05 | 2.81 | | 84.86 | 17.42 | 20.23 |
| | Office equipment | 103.50 | (66.13) | 37.37 | 68.86 | 5.87 | 42.99 | 31.74 | 5.63 | 34.64 |
| | Electrical Installations | 255.32 | (193.33) | 61.99 | 139.73 | 15.14 | 106.55 | 48.32 | 13.67 | 115.59 |
| | Laboratory Equipments | 253.61 | (27.59) | 226.02 | 123.41 | 18.27 | 16.73 | 124.95 | 101.07 | 130.20 |
| | Mobile | 4.60 | (0.82) | 3.78 | 2.37 | 1.04 | 0.91 | 2.50 | 1.28 | 2.23 |
| | Total | 7,416.04 | (5,366.73) | 2,049.31 | 3,230.93 | 480.15 | 2,507.46 | 1,203.62 | 845.69 | 4,185.11 |
| | Previous year | 7,098.68 | 317.72 | 7,416.04 | 2,673.06 | 558.21 | 0.33 | 3,230.94 | 4,185.10 | 4,425.62 |
| b | Intangible Assets | | | | | | | | | |
| | Computer software | 8.15 | 18.34 | 26.49 | 0.53 | 7.20 | | 7.73 | 18.76 | 7.62 |
| | Total | 8.15 | 18.34 | 26.49 | 0.53 | 7.20 | - | 7.73 | 18.76 | 7.62 |
| | Previous year | | 8.15 | 8.15 | | 0.53 | | 0.53 | 7.62 | |
| c | Capital Work In Progress | 4,315.23 | 4,315.23 | | | | | | | 4,315.23 |
| | | 4,315.23 | 4,315.23 | - | - | - | - | - | - | 4,315.23 |
| | Previous year | | | 4,315.23 | | | | - | 4,315.23 | |



Note 13

Non-current investments

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|--------------|--------------|
| Trade Investments (Refer A below) | | |
| Investment in Equity instruments | 71.59 | 21.59 |
| Total (A) | 71.59 | 21.59 |

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|--------------|--------------|
| Aggregate amount of quoted investments (Market value of ₹ 1243604 (Previous Year ₹1308074) | 21.59 | 21.59 |
| Aggregate amount of unquoted investments | 21.59 | 21.59 |

| A. Details of Trade Investments | | | | | | | | | |
|--|---|---|-----------------------|---------|-------------------|--------------------------|---------------------|--------------|--------------------|
| Sr. No. | Name of the Body Corporate | Subsidiary / Associate / JV/ Controlled Entity / Others | No. of Shares / Units | | Quoted / Unquoted | Partly Paid / Fully paid | Amount (₹ in lakhs) | | Basis of Valuation |
| | | | 2011-12 | 2010-11 | | | 2011-12 | 2010-11 | |
| (a) | Investment in Equity Instruments | | | | | | | | |
| | Century Enka Ltd | Others | 1000 | 1000 | Quoted | Fully Paid | 0.74 | 0.74 | At cost |
| | Colgate Pamolive India Ltd | Others | 100 | 100 | Quoted | Fully Paid | 0.95 | 0.95 | At cost |
| | JK Lakshmi Cement Ltd | Others | 720 | 720 | Quoted | Fully Paid | 0.33 | 0.33 | At cost |
| | Century Textile & Industries Ltd | Others | 500 | 500 | Quoted | Fully Paid | 2.28 | 2.28 | At cost |
| | Pfizer Ltd | Others | 400 | 400 | Quoted | Fully Paid | 4.94 | 4.94 | At cost |
| | Reliance Power Ltd | Others | 2616 | 2616 | Quoted | Fully Paid | 7.36 | 7.36 | At cost |
| | Bengal & Assam Company Ltd | Others | 15 | 15 | Quoted | Fully Paid | 4.99 | 4.99 | At cost |
| (b) | Investments in Debentures or Bonds | | | | | | | | |
| | Rural Electrification Bonds | | | 500 | unquoted | | 50.00 | | At cost |
| | Total | | | | | | 71.59 | 21.59 | |

Note 14

Long Term Loans and Advances

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|-----------------------------|--------------|--------------|
| a. Capital Advances | | |
| Unsecured, considered good | - | 1.00 |
| b. Security Deposits | | |
| Unsecured, considered good | 24.59 | 17.82 |
| Total | 24.59 | 18.82 |

Note 15

Current Investments

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|-----------------------------|------------------|-------------|
| Investments in Mutual Funds | 13,758.50 | 0.25 |
| Total | 13,758.50 | 0.25 |

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|-----------|---------|
| Aggregate amount of quoted investments (Market value 13577.37 (Previous Year NIL)) | 13,758.50 | 0.25 |
| Aggregate amount of unquoted investments | - | - |

Details of Current Investments

| Sr. No. | Name of the Body Corporate | Subsidiary / Associate / JV/ Controlled Entity / Others | No. of Shares / Units | | Quoted / Unquoted | Partly Paid / Fully paid | Extent of Holding (%) | | Amount in ₹ lakhs | | Basis of Valuation |
|---------|--|---|-----------------------|---------|-------------------|--------------------------|-----------------------|---------|-------------------|-------------|--------------------|
| | | | 2011-12 | 2010-11 | | | 2011-12 | 2010-11 | 2011-12 | 2010-11 | |
| (a) | Investments in Mutual Funds | | | | | | | | | | |
| | Birla sunlife mutual Fund | | 166630.25 | | Quoted | Fully Paid | | | 180.88 | | |
| | HDFC mutualFund | | 2507 | 2507 | Quoted | Fully Paid | | | 0.25 | 0.25 | |
| | Birla Sunlife Short Term FMP Series 30 Dividend -Payout | Others | 81,890,534.18 | | Quoted | Fully Paid | | | 8,189.05 | | At Cost |
| | ICICI Prudential Plan B Institutional Daily Dividend Option II | Others | 35,192,412.88 | | Quoted | Fully Paid | | | 3,521.88 | | At Cost |
| | Axis Liquid Fund- Institutional Daily dividend Reinvestment | Others | 66,636.91 | | Quoted | Fully Paid | | | 666.44 | | At Cost |
| | Axis Fixed Term Plan-Series 23 | Others | 12,000,000.00 | | Quoted | Fully Paid | | | 1,200.00 | | At Cost |
| | Total | | | | | | | | 13,758.50 | 0.25 | |



Note 16

Inventories

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|---------------|-----------------|
| a. Raw Materials and components (Valued at cost) | 136.12 | 1,165.34 |
| Goods-in transit | - | 1.32 |
| | 136.12 | 1,166.66 |
| b. Work-in-progress | 11.67 | 340.54 |
| c. Finished goods | 67.51 | 164.30 |
| e. Stores and spares | 14.50 | 31.00 |
| | | - |
| | | - |
| Total | 229.80 | 1,702.50 |

Note 17

Trade Receivables

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|-----------------|-----------------|
| Trade receivables outstanding for a period less than six months from the date they are due for payment. | | |
| Unsecured, considered good | 1,490.95 | 1,103.96 |
| | 1,490.95 | 1,103.96 |
| Trade receivables outstanding for a period exceeding six months from the date they are due for payment | | |
| Unsecured, considered good | | 2,765.65 |
| Unsecured, considered doubtful | 36.65 | |
| Less: Provision for doubtful debts | 24.40 | |
| | 12.25 | 2,765.65 |
| | | |
| Total | 1,503.20 | 3,869.61 |

Trade Receivable stated above include debts due by:

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|-----------------|---------------|
| Firm in which director is a partner | 302.12 | - |
| Private Company in which director is a member | 717.89 | 659.44 |
| Total | 1,020.01 | 659.44 |

Note 18

Cash and cash equivalents

(₹ in lakhs)

| Particulars | 2011-12 | | 2010-11 | |
|--|---------|----------|---------|--------|
| a. Balances with banks | | 1,166.13 | | 947.73 |
| This includes: | | | | |
| Earmarked Balances (eg/- unpaid dividend accounts) | 19.30 | | 14.56 | |
| Security against borrowings | 226.98 | | | |
| LC/Bank Guarantees | 346.60 | | 208.87 | |
| b. Cash on hand* | | 0.92 | | 1.22 |
| Total | - | 1,167.05 | | 948.95 |

Note 19

Short-term loans and advances

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|----------------------------|--------------|---------------|
| a. Others (specify nature) | | - |
| Unsecured, considered good | 21.76 | 124.42 |
| Total | 21.76 | 124.42 |

Note 20

Other Current Assets

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|--------------|---------------|
| Deposit | | 5.74 |
| Prepaid Exp | 0.88 | 5.80 |
| Tax recoverable from revenue authorities | 40.72 | (9.86) |
| Deferred employee compensation | 8.94 | 39.38 |
| Deferred Expenses | | 64.35 |
| Total | 50.54 | 105.41 |

Note 21

Revenue from operations

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|---------------------------|------------------|------------------|
| Sale of products/services | 11,024.76 | 14,858.58 |
| Other operating revenues | 25.07 | - |
| less: Excise duty | 253.48 | 228.41 |
| Total | 10,796.35 | 14,630.17 |

Note 22

Other income

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|---------------|--------------|
| Interest Income | 46.53 | 12.75 |
| Dividend Income | 59.00 | 1.25 |
| Net gain/loss on sale of investments | (0.40) | - |
| Other non-operating income (net of expenses directly attributable to such income) | | 3.28 |
| Total | 105.13 | 17.28 |

Note 23

Cost of materials consumed

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|-----------------------------|-----------------|------------------|
| Opening Stock | 1,165.34 | 938.93 |
| Purchases of Stock-in-Trade | 6,555.11 | 10,497.33 |
| Freight charges | 66.60 | 43.49 |
| Less: Closing Stock | 727.78 | 1,165.34 |
| Total | 7,059.27 | 10,314.41 |

Note 24

Changes in inventories of finished goods work-in-progress and Stock-in-Trade

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|----------------------------|---------------|-----------------|
| Opening Stock : | | - |
| Work-in-Process | 340.54 | 178.98 |
| Finished Goods | 164.30 | 81.95 |
| | 504.84 | 260.93 |
| Less: Closing Stock | | |
| Work-in-Process | 238.12 | 340.54 |
| Finished Goods | 140.70 | 164.30 |
| | 378.82 | 504.84 |
| Total | 126.02 | (243.91) |

Note 25

Employee Benefits Expense

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|--|---------------|---------------|
| (a) Salaries and incentives | 627.82 | 443.57 |
| (b) Contributions to Provident Fund | 11.09 | 19.06 |
| (c) expense on Employee Stock Option Scheme (ESOP) | (18.57) | 66.94 |
| (d) Staff welfare expenses | 24.12 | 32.63 |
| Total | 644.46 | 562.20 |



Note 26

Finance costs

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|---------------|---------------|
| Interest expense | 246.94 | 357.66 |
| Other borrowing costs | 42.60 | - |
| Applicable net(gain)/loss on foreign currency transactions | 6.56 | (3.72) |
| Total | 296.10 | 353.94 |

Note 27

Other expenses

(₹ in lakhs)

| Particulars | 2011-12 | 2010-11 |
|---|-----------------|-----------------|
| Consumption of stores and spare parts. | 60.08 | 195.02 |
| Labour Charges | 311.65 | 371.37 |
| Power and fuel. | 629.80 | 649.22 |
| water Charges | 5.53 | 6.92 |
| Lab Consumables | 66.14 | 68.48 |
| Repairs to buildings. | 3.36 | - |
| Repairs to machinery. | 90.41 | 82.07 |
| Insurance . | 5.39 | 11.58 |
| Rent,Rates and taxes, excluding, taxes on income. | 19.27 | 15.97 |
| Audit Fees(Refer Note: 33) | 3.75 | 3.50 |
| Miscellaneous expenses, | 131.59 | 83.06 |
| Foreign Travelling Expenses | 35.21 | 12.28 |
| Printing & stationery | 15.13 | 22.50 |
| Professional charges | 67.00 | 60.83 |
| Communication | 17.46 | 20.77 |
| Vehicle Expenses | 16.98 | 13.06 |
| Travelling Expenses | 40.48 | 40.27 |
| Selling & Distribution Expenses: | - | - |
| Freight Outward | 16.47 | 38.82 |
| Business Promotion | 102.66 | 63.43 |
| Advertising / Sales Comm. | 11.46 | 6.40 |
| Discount Allowed [Sales] | 7.29 | 9.51 |
| Export Expenses | 4.70 | 8.24 |
| Marketing | 42.18 | 7.15 |
| Total | 1,703.99 | 1,790.45 |

Note 28

Exceptional Item

| | (₹ in Lakhs) |
|---|-----------------|
| Bad Debts written off | 1,571.02 |
| Provision for doubtful debts | 24.40 |
| In the earlier year provision made for expenses no longer required now written back | (42.60) |
| Total | 1,552.82 |

Note 29

Extraordinary Items

This consists of profit on sale of assets as per Note 2-Business Transfer and profit on Product manufactured by the Company under PTA during the month of March 2012 post business transfer payable to Akorn India Private Limited. (Corresponding previous year not applicable)

| | | (₹ in lakhs) |
|---|----------|-----------------|
| Consideration received as per Business Transfer Agreement | 20749.39 | |
| Consideration received as per Product Transfer Agreement | 1411.40 | |
| Less: | | 22160.79 |
| Profit on products manufactured in March 2012 | 11.60 | |
| Professional Fees for Business Transfer | 486.11 | |
| Towards Net Working capital(to be determined separately) | 1440.00 | |
| Net Written Down value of Fixed Assets as on 28.02.2012 (including capital work in progress) | 9518.29 | |
| | | 11456.00 |
| Total | | 10704.79 |

Note 30

Profit on Discontinued Operations

Based on the business transfer agreement between the Company and AIPL, the transfer was completed on 28th February 2012 and the Company discontinued its manufacturing activity from 29th February 2012 at Paonta Sahib but the manufacturing activity at the Mumbai plant continues. The profit on the discontinued operations as per AS 24 upto 28th February 2012 is given below

| | (₹ in lakhs) | |
|-------------------------|---------------|---------|
| Particulars | 2011-12 | 2010-11 |
| Revenue from operations | 8838.54 | 8434.98 |
| Total Expenses | 7111.61 | 7204.48 |
| Net Profit before Tax | 1726.93 | 1230.5 |
| Taxes (Including MAT) | 0 | 12.3 |
| Net Profit after Tax | 1726.93 | 1218.2 |

Note 31

Earnings per share

| | 2011-12 | 2010-11 |
|---|--------------|-------------|
| Net Profit attributable to equity shareholders | 7631.09 | 1048.80 |
| Weighted average number of equity shares outstanding during the year (based on date of issue of shares) | 11,32,31,828 | 1,32,31,828 |
| Basic earnings per equity share (Face value of ₹ 10 per share) | 57.67 | 7.92 |
| Diluted Number of Shares | 1,45,21,79 | 1,35,31,822 |
| Diluted Earnings per share | 52.55 | 7.74 |

Note 32

Micro, Small and Medium Enterprises

The company follows a trade policy as determined by them within Purchase Orders/ Sales Order for Trade Payables and Trade Receivables. The company has sent request to its creditors asking them if they are covered under micro small and medium industries. As no confirmation from the creditors were received the company has not classified creditors in to micro, small and medium industries and outstanding payable to them has not been shown separately.

Based on the information available with the Company, there are no dues payable to micro, small and medium enterprises as defined in The Micro, Small & Medium Enterprises Development Act, 2006. This information has been relied upon by the statutory auditors of the Company.

Note 33

Auditors' remuneration (excluding service tax)

| | 2011-12 | 2010-11 |
|---------------|-----------------|-----------------|
| Audit fees | 3,50,000 | 3,50,000 |
| Certification | 5,000 | - |
| Others | 20,000 | - |
| Total | 3,75,000 | 3,50,000 |



Note 34

Employee Stock Option Plan

- a) As per Employee stock options Scheme (Kilitch ESOS 2007), each option is convertible into one equity shares ₹ 10/- each at exercise price of ₹47.50/- per share. During the year fresh options were not granted and employees did not exercise any options. However, due to separations, 87150 options were surrendered and are available for reissue. 73 employees have been shifted to Akorn India Pvt Ltd after the execution of deal for sale of part of business during the year. As these employees have technically separated from Company due to sale of business, it was decided that options held by them will be available for exercise as long as such employees are in the service of Akorn India Pvt Ltd
- b) The employee compensation cost on account of this grant applicable for the year is net of reversal due to separation is write back of ₹ 18,56,764/-.

Note 35

Contingent liabilities to the extent not provided for

| | (₹ in lakhs) | |
|---|--------------|---------|
| | 2011-12 | 2010-11 |
| (a) Claims against the company not acknowledged as debt | 816.81 | - |
| (b) Guarantees and Letter of credits | - | 372.72 |
| | 816.81 | 372.72 |

Note 36

Related Party Transactions

Name of the related parties and Nature of Relationship

- a) **Subsidiary Companies/ Concerns**
EyeKare Kilitch Ltd.
- b) **Directors and their Relatives**
Mr. Pratap Mehta Chairman
Mr. Mukund Mehta Managing Director and CEO
Mr. Paresh Mehta Jt. Managing Director
Mr. Bhavin Mehta Director
Mr. Divya Mehta Relative of Director
Mrs. Mira B. Mehta Relative of Director
Mrs.Nita M. Mehta Relative of Director
Mrs.Nehta P. Mehta Relative of Director
- c) **Enterprises significantly influenced by Directors and/or their relatives**
NBZ Pharma Ltd.
J.D. Enterprises
Kilitch Co. Pharma Ltd

Related Party Transactions

₹ In Lakhs

| Nature of Transaction | Directors and Their Relatives | | Enterprises significantly influenced by Directors and their relatives | |
|--|-------------------------------|---------|---|---------|
| | 2011-12 | 2010-11 | 2011-12 | 2010-11 |
| Purchases | | | 1804.74 | 5545.38 |
| Sales | | | 769.7 | 5247.12 |
| Director's Remuneration and Sitting Fees | 26.78 | 30.25 | | |
| Rent Received | | | | |
| Interest Paid | | | | |
| In Shares including Premium | | | | |
| Outstanding | | | | |
| a) Payable | NIL | NIL | | |
| b) Receivable | NIL | NIL | 1020.01 | 659.44 |

Note No. 37

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

₹ In Lakhs.

| Particulars | 2011-12 | % | 2010-11 | % |
|--|----------------|-------------|-----------------|-------------|
| Raw Materials, Packing Materials and Stores and Spares | | | | |
| Imported | 332.85 | 5% | 839.65 | 8% |
| Indigenous | 6861.27 | 95% | 9669.8 | 92% |
| Total | 7194.12 | 100% | 10509.45 | 100% |

Note No. 38

Expenditure in Foreign Currency

₹ In Lakhs

| Expenditure in Foreign Currency: | 2011-12 | 2010-11 |
|--|---------|---------|
| Raw Material and Packing Material Purchase | 332.85 | 839.65 |
| Capital Goods | - | 746.22 |
| Business Promotion and Travelling | 57.17 | 32.74 |

Note No.39

Earnings in Foreign Currency

₹ In Lakhs

| Earnings in Foreign Currency: | 2011-12 | 2010-11 |
|--------------------------------------|---------|---------|
| Exports | 668.18 | 699.05 |

Note No.40

Segment information

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

Note No.41

Trade Payable & Trade Receivables

The Trade payables are fully payable by the Company

Trade Receivable : The Trade Receivables, Loan and advance are unsecured and considered good to extent stated in the Note no.17

Note 42

Previous year figures

Till the year ended 31 March 2011, the Company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of financial statements. During the year ended 31 March 2012, the Revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company. The Company has reclassified previous year's figures to conform to this year's classification.

As Per our report of even date attached

For R.N.R. IYER & CO

Chartered Accountants

Firm Registration No. 103786W

Rajkumar Iyer

Proprietor

Membership No.33964

Place : Mumbai

Dated : 30/08/2012

For and on behalf of Board of Directors

Pratap K Mehta

: *Chairman*

Mukund P. Mehta

: *Managing Director*

Paresh P. Mehta

: *Jt. Managing Director*

Bhavin M. Mehta

: *Executive Director*

Kanika Bareja (Ms.)

: *Company Secretary*

Notes



KILITCH DRUGS (INDIA) LIMITED

Regd. Office: C-301/2, M.I.D.C. INDUSTRIAL AREA, PAWANE VILLAGE, THANE: 400 705

PROXY - FORM

FOLIO NO.: _____ / DP ID NO*. _____ &

CLIENT ID NO.* _____ NO. OF SHARES _____

*Applicable of members holding shares in electronic form.

I/We _____ of _____, in the city / district of _____ being a Member/
Members of the above named Company, hereby appoint _____ of _____ in the city/
district of _____ or failing him _____ of _____ in the city/district of _____
as my/our Proxy to attend and vote for me/us and on my our behalf at the 20th ANNUAL GENERAL MEETING of
the Company at C-301/2, M.I.D.C. INDUSTRIAL AREA, PAWANE VILLAGE, THANE: 400 705 on **Saturday,
29th September 2012 at 9.30 A.M.** and at any adjourned thereof.

Signed this _____ day of _____ 2012

This form is to be used @ in favour of of the resolution. Unless otherwise instructed, the Proxy will act as
he thinks fit @ against @ Strike out whichever is not desired

Affix
₹ 1/-
Revenue
Stamp

Note: (i) The Proxy must be returned so as to reach the Registered Office of the Company at C-301/2, M.I.D.C.
INDUSTRIAL AREA, PAWANE VILLAGE, THANE:400 705, not less than FORTY – EIGHT HOURS before
the time for holding the aforesaid meeting.

(ii) Those members who have multiple folios with different joint holders may use copies of this Attendance
Slip/Proxy.

TEAR HERE

KILITCH DRUGS (INDIA) LIMITED

Regd. Office: C-301/2, M.I.D.C. INDUSTRIAL AREA, PAWANE VILLAGE, THANE: 400 705

ATTENDANCE SLIP

Shareholders attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand it
over at the entrance of the meeting hall.

FOLIO NO.: _____ / DP ID NO*. _____ &

CLIENT ID NO.* _____ NO. OF SHARES _____

*Applicable of members holding shares in electronic form.

I hereby record my presence at the 20th ANNUAL GENEARL MEETING of the Company at its Regd. Office at C-301/2,
M.I.D.C. INDUSTRIAL AREA, PAWANE VILLAGE, THANE:400 705 on **Saturday, 29th September 2012**

Full name of the Shareholder (In block Capital)

Signature

Full name of Proxy (In block capitals)

Signature

Note: Shareholders/Proxy holder desiring to attend the meeting should bring his copy of the Annual Report for
reference at the meeting



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