
AUDITOR'S REPORT

To the Shareholders of
Relish Pharmaceuticals Ltd.
Ahmedabad.

1. We have audited the attached Balance Sheet of Relish Pharmaceuticals Limited, as at 31st March 2010 and Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have 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 the 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 (Auditors Report) Order, 2003 issued by the central government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, para 4 & 5 are not applicable to the company.
4. Further to our comments in the Annexure referred to above, We report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, subject to note no.8, regarding non maintenance of Costing records proper books of account as required by law have been kept by the Company so far as it appears from our examination of such books.
 - (c) The Balance Sheet and Profit & Loss account dealt with by this report are in agreement with the books of account.
 - (d) Except for non compliance of Accounting Standard 15 (refer note no 3) for Accounting for Retirement Benefits in the Financial Statement of Employers, Accounting Standard 22 (refer note no. 4) Accounting for taxes on income, In our opinion, the balance sheet and profit & loss account comply with the accounting standards referred to in sub-section (3 C) of section 211 of the companies act, 1956.
 - (e) Except as above and On the basis of written representation received from the directors as on 31/03/2010 and, taken on records by the Board of Directors, We report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a Directors in terms of clause (g) of sub-section (1) of section 274 of the companies Act, 1956.

Attention is invited to :

1. Note no 5 regarding the accounts of the Company have been prepared on going concern basis.
2. Note no.: 6 regarding balances of secured and unsecured loans, creditors, other liabilities, debtors, loans and advances and balances with banks being subject to confirmation and reconciliation.



3. Note no.: 7 regarding expenses Capital work in progress for building of Rs.4,56,710 in respect of which non provision for impairment is required to be made in the opinion of the management of the Company. In absence of any evidence in this regard, I am unable to comment on the provision for impairment and /or realisability of the same.
- (f) Subject to the foregoing, In our opinion and to the extent best of our information and according to the explanation given to us, the said balance-sheet read together with the notes and give by the companies Act 1956 in the manner as required a true and fair view in the case of Balance Sheet, of the state of affairs of the Company as at 31st March,2010 and
- (I) In the case of balance Sheet, of state of affairs of the Company as at 31st March, 2010 and
- (II) In the case of Profit & loss Account, of the profit, of the Company for the year period ended on that date.

For R. M. Nagar & Associates,
Chartered Accountants,

(Ramesh Nagar)
Proprietor

Membership No.. 38463

Place: Ahmedabad
Date: 31/07/2010

Annexure referred to in paragraph 3 of the auditors' report to the shareholders of Relish Pharmaceuticals Ltd. on the accounts of the year ended on 31st March 2010.

- (i) (a) The company has maintained proper records showing full particulars, including situation of fixed assets.
 - (b) as explained to us, the part of the fixed assets has been physically verified by the management at reasonable intervals and as explained to us, no material discrepancies was noticed on such verification.
 - (c) In our opinion, the Company has not disposed off substantial part of fixed assets during the year.

- (ii) (a) As explained to us, the inventories have been physically verified by the management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management were reasonable and adequate in relation to size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of its inventories. The discrepancies noticed on verification between the physical stocks and the book stocks were not material.

- (iii) (a) According to the information and explanation given to us, the Company has not granted any loans, secured and unsecured to the companies, firm and other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
 - (b) The Company has not taken unsecured loan from parties covered in the register in the register maintained under Section 301 of the Companies Act, 1956.
 - (c) In our opinion, in view of the above, whether the rate of interest and other terms and conditions of such loans are prima facie not prejudicial to the interest of the Company, is not applicable.
 - (d) In view of the above, the payment of principal amounts and interest is not applicable.

- (iv) In our opinion and according to the information and explanations given to us, there are internal control procedures which are required to be strengthened to make commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. In our opinion, there is no continuing failure of major weakness in the internal control.


- (v) According to the information and explanations given to us, the Company has not entered in any transaction which is required to be entered into the register maintained under section 301 of the Companies Act, 1956.



- (xv) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on long term basis have prima facie been used during the year for short term investment.
- (xvi) According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xvii) The Company has not issued any debentures requiring report under clause (xix) of Para 4 of the Order.
- (xviii) During the period covered by us audit, the Company has not raised any money by way of public issue.
- (xix) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.



FOR **R. M. NAGAP & ASSOCIATES**
Chartered Accountants


(Ramesh M. Nagap) **PROPRIETOR**
Proprietor
Membership No 38463

PLACE : AHMEDABAD
DATE : 31/07/2010

RELISH PHARMACEUTICALS LTD.
Balance Sheet as at 31 March 2010

In Rupees

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	89,862,000	89,862,000
Reserve & surplus		-	-
		<u>89,862,000</u>	<u>89,862,000</u>
Loan funds			
Secured loans	2	55,347,416	60,241,344
Unsecured loans	3	3,021,214	3,273,214
		<u>58,368,630</u>	<u>63,514,558</u>
Deferred tax liability	4	9,936,680	9,936,680
		<u>158,167,310</u>	<u>163,313,238</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	99,697,931.00	99,565,931
Depreciation		<u>74,154,094.00</u>	<u>70,485,254</u>
Net Block		25,543,837.00	29,080,677
Capital work in process		<u>456,710.00</u>	<u>456,710</u>
		<u>26,000,547.00</u>	<u>29,537,387</u>
Investments			
Current assets, Loans and advances			
Inventories	6	2,329,095	1,430,956
Sundry debtors	7	44,484,706	53,274,544
Cash and Bank Balances	8	1,705,024	1,464,220
Loans and Advances	9	17,645,626	21,997,582
		<u>66,164,451</u>	<u>78,167,302</u>
Current Liabilities and provisions			
Current Liabilities	10	18,736,615	31,432,821
Provisions	11	6,735,941	7,312,902
		<u>25,472,556</u>	<u>38,075,615</u>
Net Current assets		40,691,895	39,421,579
Profit and loss account	12	91,474,868	94,354,272
		<u>158,167,310</u>	<u>163,313,238</u>

Notes to the Accounts
As per our report of even date attached
For, Relish Pharmaceuticals Ltd.

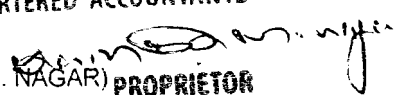

Mihir Patel
Director


Riddhi M Patel
Director

Place : Ahmedabad
Date : 31/07/2010



FOR R. M. NAGAR & ASSOCIATES
For R. M. NAGAR & ASSOCIATES
CHARTERED ACCOUNTANTS


(R. M. NAGAR)
PROPRIETOR

Membership No. 38463

Place : Ahmedabad
Date : 31/07/2010

RELISH PHARMACEUTICALS LTD.
Profit and Loss Account for the year ended on 31 March 2010

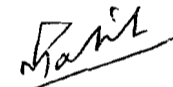
In Rupees

	Schedule	for the year ended 31 March 2010	for the year ended 31 March 2009
Income			
Sales	13	89,153,354	75,908,561
Less : Excise duty		2,809,990	2,507,066
Net sales		86,343,364	73,401,495
Other income	14	1,243,918	566,760
Increase/(decrease) of stock	15	36,170	(2,039,300)
		87,623,452	71,928,955
Expenditure			
Material consumed	16	57,834,441	51,692,675
Payment to and provisions for employees	17	9,062,974	6,971,195
Manufacturing, administrative and general expenses	18	9,921,722	7,903,857
Interest to banks		4,256,072	665,837
		81,075,209	67,233,564
Profit/(loss) before depreciation and tax		6,548,243	4,695,391
Less : Provision for depreciation	5	3,668,839	4,248,415
Profit/(loss) before tax		2,879,404	446,976
Provision tax		-	48,360
Provision for FBT		-	26,070
FBT Earlier Year		-	21,990
Net Profit/(loss)		2,879,404	350,556
Balance in Profit and loss account brought forward		(94,354,272)	(94,704,828)
Balance carried to Balance Sheet		(91,474,868)	(94,354,272)

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Notes to the Accounts 19

As per our report of even date attached For, Relish Pharmaceuticals Ltd.



Mihir Patel
Director



Riddhi M Patel
Director



FOR R. M. NAGAR & ASSOCIATES
FOR R. M. NAGAR & ASSOCIATES
CHARTERED ACCOUNTANTS

(R. M. NAGAR)
PROPRIETOR PROPRIETOR

Membership No. 38463

Place : Ahmedabad
Date : 31/07/2010

Place : Ahmedabad
Date : 31/07/2010

As at 31 March 2010 As at 31 March 2009

1 Share capital

Authorised 12,000,000 Equity Shares of Rs.10 each	120,000,000	120,000,000
Issued, subscribed and paid up		
4,836,200 Equity Shares of Rs. 10 each	48,362,000	48,362,000
7,000,000 Equity Shares of Rs. 10 each	70,000,000	70,000,000
	118,362,000	118,362,000
Less : Calls in Arrears	28,500,000	28,500,000
	<u>89,862,000</u>	<u>89,862,000</u>

Reserve and surplus**General Reserve**

As per last year

Total

-
-**2 Secured loans****From Banks****Term Loans**

> Union Bank of India	4,212,933	4,212,933
> Syndicate Bank	3,509,295	4,902,833
> Visnagar Nagrik Sahkari Bank Ltd.	182,051	182,051
> Charotar Nagrik Sahkari Bank Ltd.	-	-
> Centurion Bank	-	-
	<u>7,904,279</u>	<u>9,297,817</u>

Working Capital loans

> Union Bank of India	47,443,137	50,943,527
	<u>55,347,416</u>	<u>60,241,344</u>

Note

Rupee Term loan from Union Bank of India is secured by way of first charges on new factory building.

Rupee Term loan from Syndicate Bank is secured by way of first charge on fixed asset located at the first floor of the Factory, second charge on other immovable assets of the Company, Corporate Guarantee of the Director.

Rupee Term loan from Visnagar Nagrik Sahkari Bank Ltd. and Charotar Nagrik Sahkari Bank Ltd. have been secured against office premises at New York Tower.

Working Capital from loans from Union Bank of India has been secured by way of first charge on all fixed assets of the company except the fixed assets financed by Syndicate Bank on first floor of the Factory, hypothecation of stocks & Book Debts, Mortgage of Registered office premises of the Company, Mortgage of Residential flat of the Directors, Corporate and Personal guarantees of Directors and Pledge of a portion of equity shares of the Company.

Relish Pharmaceuticals Ltd.

Schedule 5 : Fixed Assets

Sr.	Particulars	Gross Block				Depreciation				Net Block	
		As at 01.04.2008	Addition During the year	Deletion During the year	As at 31.03.2008	Upto 01.04.2009	Provided During the year	Deletion During the year	Total upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
1	2	3	4	5	6	7	8	9	10	11	12
1	Land	1,718,325	-	-	1,718,325	-	-	-	-	1,718,325	1,718,325
2	Building(Factory)	19,394,485	-	-	19,394,485	10,599,142	879,534	-	11,478,676	7,915,809	8,795,343
3	Plant & Machinery	74,254,137	132,000	-	74,386,137	56,107,514	2,731,215	-	58,838,729	15,547,408	18,146,623
4	Office Equipments	931,747	-	-	931,747	755,736	17,601	-	773,337	158,410	176,011
5	Furniture & Fixtures	2,707,477	-	-	2,707,477	2,516,607	19,087	-	2,535,694	171,783	190,870
6	Computer System	559,760	-	-	559,760	506,256	21,402	-	527,658	32,102	53,504
	Sub total	99,565,931	132,000	-	99,697,931	70,485,255	3,668,839	-	74,154,094	25,543,837	29,080,676
	Prev. Year	99,537,248	28,683	-	99,565,931	66,236,839	4,248,415	-	70,485,254	29,080,677	36,947,153
7	Capital Work in progress	456,710	-	-	456,710	-	-	-	-	456,710	456,710

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Schedules to Balance Sheet as at 31 March 2010

As at 31 March 2010 As at 31 March 2009

3 Unsecured loans		
> Shareholders & Others	2,821,322	2,821,322
> Directors	199,892	451,892
	<u>3,021,214</u>	<u>3,273,214</u>
4 Deferred tax liability	9,936,680	9,936,680
Current Assets		
6 Inventories (As taken, valued and certified by the Management)		
At cost or net realizable value whichever is lower		
> Raw Materials	1,343,650	825,134
> Packing Material	831,695	488,242
> Finished Goods	75,750	68,330
> Work in process	78,000	49,250
	<u>2,329,095</u>	<u>1,430,956</u>
7 Sundry debtors (Unsecured, considered good unless stated otherwise)		
>More than six months Considered good	6,668,962	5,696,960
> Considered doubtful	-	-
> Others : Considered good	37,815,744	47,577,584
	<u>44,484,706</u>	<u>53,274,544</u>
8 Cash and bank balances		
> Cash on Hand	3,974	67,812
> Balances with Scheduled Banks		
> In current account	1,701,050	1,396,408
	<u>1,705,024</u>	<u>1,464,220</u>
9 Loans and advances (Unsecured; considered good)		
> Advances recoverable in cash or in kind or for value to be received	8,684,498	11,768,355
> Income tax paid / Tax deducted at source (Net of provision, if any)	2,162,577	1,983,440
> Advance for capital goods	4,285,400	4,285,400
Modvate receivable	998,003	3,226,116
Staff Imprest	1,515,148	734,271
	<u>17,645,626</u>	<u>21,997,582</u>
Current liabilities and provisions		
10 Current liabilities		
Sundry creditors for goods	15,175,235	20,595,208
sundry creditors for expenses	2,581,978	3,301,315
sundry creditors for capital good	242,540	242,540
Other creditors & liabilities	736,862	7,293,758
	<u>18,736,615</u>	<u>31,432,821</u>
11 Provisions		
Income Tax	810,000	810,000
Provision for FBT	-	26,070
Excise duty on FG Stock	95,460	95,460
Excise duty payable	2,565,769	3,116,660
Sales tax payable	3,264,712	3,264,712
	<u>6,735,941</u>	<u>7,312,902</u>
12 Profit & Loss Account	91,474,868	94,354,272



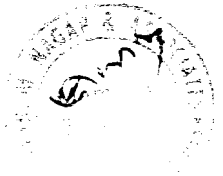
	for the year ended 31 March 2010	for the year ended 31 March 2009
13 Sales		
Domestic including Jobwork	30,088,286	23,348,318
Less : Goods Return	-	-
	30,088,286	23,348,318
Export	59,065,068	17,329,302
	<u>89,153,354</u>	<u>40,677,620</u>
14 Other Income		
Discount	25,716	13,116
Kasar Vata	6,061	(399)
Other Income	1,212,141	1,032,682
	<u>1,243,918</u>	<u>1,045,399</u>
15 Increase (decrease) in stock		
Opening Stock	36,170	(2,039,300)
> Finished goods	(117,580)	(2,156,880)
> Work in Process	(68,330)	(1,012,880)
Closing Stock	(49,250)	(1,144,000)
> Work in Process	153,750	117,580
> Finished goods	78,000	49,250
Excise duty on stock of Finished Goods	75,750	68,330
	-	-
16 Material consumption		
Raw material & packing material consumption		
Opening Stock	1,313,376	6,466,374
Purchase during the year	58,696,410	46,539,677
Closing stock	(2,175,345)	(1,313,376)
	<u>57,834,441</u>	<u>51,692,675</u>
17 Payment of salary		
Salary and wages	9,033,293	6,942,422
Bonus Exp.	-	-
Contribution to Provident fund	28,549	22,334
Welfare Expenses	1,132	6,439
	<u>9,062,974</u>	<u>6,971,195</u>

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Schedules to Balance Sheet as at 31 March 2010

In Rupees

	for the year ended 31 March 2010	for the year ended 31 March 2009
18 Manufacturing, administrative, selling and general expenses		
Advertisement	6,855	3,264
Auditor's Remuneration	33,060	33,060
Bank Charges	117,644	73,120
Computer & maintenance	62,214	48,109
Commission Exp.	795,845	-
Consultancy Fees	53,845	143,513
Conveyance	24,037	12,252
Custom Duty Exp.	222,482	-
Director's Remuneration	660,000	647,170
Electricity	18,014	19,300
Tender Fees Exp.	132,000	-
Export Expenses	1,400,790	745,743
Factory Expenses	588,608	228,490
Freight, Octroi and carting	344,888	592,038
Insurance	96,621	98,168
Import Expenses	450,323	-
Laboratory testing charge	160,680	252,402
Listing and filing Fees	-	71,472
L C Negotiation and Interest	344,928	-
Membership Fees	-	8,127
Misc. Store Purchases	36,023	286,251
Municipal tax	2,089	16,522
Office Expenses	114,775	182,779
Postage and telegraph and Internet	76,335	34,747
Power & Fuel	1,618,259	1,802,826
Previous year expenses	13,459	195,792
Printing & Stationery	425,483	74,828
Product permission	7,805	60,114
Professional & legal expenses	294,973	298,922
Repairs and maintenance exp.	1,211,894	1,259,286
Sales Promotion Exp.	25,000	95,000
Security expenses	6,600	8,916
Telephone Exp.	150,779	134,510
Travelling Exp.	296,271	428,383
Misc. Expenses	8,100	15,990
Vehicle Exp.	121,043	32,763
	9,921,722	7,903,857



RELISH PHARMACEUTICALS LTD.

SCHEDULE - 19

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

(1) Significant accounting policies:

(a) General:

- (i) The Accounts of the company are prepared under the historical cost convention using the accrual method of accounting and on the accounting principle of going concern basis.
- (ii) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles

(b) Fixed Assets:

Fixed assets are stated at cost net of modvat, less depreciation. Interest on borrowing attributable till commencement of commercial production is capitalized.

(c) Depreciation:

Depreciation has been provided in the accounts on straight-line method at the rates specified in Schedule XIV of the companies Act, 1956. Depreciation on assets acquired during the year and additions thereto is calculated pro rata from the following month of the addition thereto.

(d) Investments: Investments, if any, are stated at cost price.

(e) Current assets:

Inventories are valued as under.

Raw Material	:	On FIFO basis.
Stock in process	:	At cost
Finished Goods	:	At lower of cost or net realizable value.

(f) Sales:

Sales include excise duty only and net of sales tax, returns and discounts, if any.

(g) Prior period and extraordinary items

Items of income and expenditure pertaining to prior period items as well as extraordinary items, where material are disclosed separately.

(2) Contingent Liabilities:

Claims against the Company not acknowledged as debts for income tax for as at 31st March 2010.

- (3) Retirement benefits, gratuity, leave encashment, etc. has not been provided in the accounts by the Company. They have been dealt with on cash basis. This is not in accordance with Accounting Standard 15 for Accounting for Retirement Benefits in the Financial Statements of Employers issued by the Institute of Chartered Accountants of India.
- (4) In view of the accumulated losses, unabsorbed depreciation and current losses, the Company has not recognized deferred tax assets (net) in accordance with the Accounting Standard 22 issued by the Institute of Chartered Accountants of India by way of prudence.
- (5) Due to continuing losses, the net worth of the Company has been eroded by more than fifty percent thereof. However, it is informed that the Company has been in dialogue with the Bankers and shall propose the restructuring of existing outstanding loans for adequate net worth and working capital funds to be made available in future for continuing the operation. Accordingly, the accounts for the year have been prepared on a going concern basis.
- (6) Balance of creditors, other liabilities, debtors, loans and balances with banks, in current accounts and deposits are subject to confirmation and reconciliation as in the case of banks most of the accounts are showing negative bank balance. In respect of the old debtors, the Auditor has relied on the judgement of the management of the company as to the recoverability in absence of direct confirmation.
- (7) The Company has Capital Work in progress for building for Rs. 4,56,710 in respect of which no provision of impairment is required to be made in the opinion of the management of the Company.
- (8) As informed by the management, the Company has not maintained cost records under section 209(1)(d) of the Companies Act, 1956 and rules made there under by the Central Government in this regard.
- (9) The details as to the names of the Small Scale Industrial undertakings to whom the Company owes a sum, and which is outstanding for more than 30 days as on 31st March 2010 have not been given in view of information in this regard not made available to us.
- (10) The names of related parties with relationship and transactions with them are disclosed as under :
- (A) Relationship :
- (I) Subsidiary Company :
- (II) Other related Parties :
- (III) Key Management Personnel :
- Mr. Mihir Patel
- Mrs. Riddhi Patel



Related parties relationship is as identified by the Company and relied up and accepted by the auditor. Details of transactions with related party in the ordinary course of business are as under :

Salary and perquisites to Mr.Mihir Patel	Rs. 3,00,000/-
Salary and perquisites to Mrs.Riddhi Patel	Rs. 3,60,000/-

(11) Profit & Loss account includes Managerial remuneration :

	2009-2010	2008-2009
Salary and Perquisites	6,60,000	6,47,000

(12) In the opinion of the management of the Company, the Company has only one segment viz. pharmaceutical and drugs, hence no separate discloser of segment wise information has been made.


(13) Loans and advance includes Rs. 15,15,148 (P Y Rs. 731771) to associate concern of the company

(13) Excise Department conducted search proceeding of the office premises of the company on 06/11/2009 and records and documents were seized by the officials. Accounting are made on the basis of data available with the company.


Signatures to schedule 1 to 19

As per our report of even date attached

For, Relish Pharmaceuticals Ltd.

For, **R. M. NAGAR & ASSOCIATES** Chartered Accountants
CHARTERED ACCOUNTANTS

(Ramesh Nagar) **PROPRIETOR**
Proprietor


Mihir Patel
Director


Riddhi Patel
Director

Place: Ahmedabad
Date: 31/07/2010

Place : Ahmedabad
Date : 31/07/2010