



J. B. Chemicals & Pharmaceuticals Ltd.



Gaining New Momentum

Annual Report 2009-10

Momentum

Momentum is best defined as the product of an object's mass and velocity ($p = mv$).

A deeper look into the meaning, Momentum is best understood as not merely the motion, but more importantly the power residing in a moving object. The impelling force or strength. The speed of movement. The impetus of activities and events. For us at J.B. Chemicals, the word momentum embraces this and goes far beyond. Beyond the realm of dictionary explanations. Beyond the world of scientific formulas.

At J. B. Chemicals, momentum is an intrinsic & intangible component of our vision. It is an imperceptible and invisible force that has driven our growth odyssey till date and which drives us to take confident strides forward.

Momentum empowers our commitment to excellence demonstrated through our capability to usher scale and growth in good times and bad times alike and proactively invest in our core infrastructure to build on our foundation of strength.

Right from building the state-of-the-art manufacturing facilities benchmarked to stringent international regulations to strengthening our knowledge base & accelerating the pace of our regulatory filing through perfection in processes to reach out to developed markets.

From intensifying our capacity to innovate, developing new products through in-house R&D and grow our presence in the potential markets to introducing new products & bench-marking processes to the global standards.

From always identifying, understanding and adapting improved practices, processes and achieving higher operational efficiencies across the entire value chain, across every business process to continuously implementing change and measuring performance to achieve business excellence.

From strengthening our marketing strategies to responding to new growth opportunities across fast evolving markets to redefining our human resources policy to support changes of tomorrow.

We are primed to achieve higher growth and deliver value for all stakeholders, always.

FORWARD LOOKING STATEMENT

In this annual report we have disclosed forward looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements, written and oral, that we periodically make contain forward looking statements that set out anticipated results based on the management's plan and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'project', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

J. B. Chemicals & Pharmaceuticals Limited (JBCPL), one of India's leading pharmaceutical companies, manufactures & markets a diverse range of pharmaceutical formulations, herbal remedies and APIs. JBCPL exports to many countries worldwide with a strong presence in Russia, Ukraine, CIS countries, South Africa, other South African countries and South-East Asian countries. The company continues to focus on growing its share in the regulated markets of US, Europe, Australia and Brazil. JBCPL has a strong R&D set-up for development of NDDS & formulations and sound regulatory capabilities for filing of DMFs, ANDAs and similar product registration documents. Its state-of-the-art manufacturing facilities are approved by renowned international regulatory authorities.

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THE SALES AND PROFITS AFTER TAX AT CONSOLIDATED LEVEL WERE HIGHER THAN THE PREVIOUS YEAR, THANKS TO IMPROVED PERFORMANCE OF THE COMPANY'S RUSSIAN SUBSIDIARY AND THE COMPANY'S SOUTH AFRICAN JOINT VENTURE.

J. B. Mody, Chairman & Managing Director

The year 2009-10 remained challenging for international business for most part of the year, while the company continued to successfully consolidate and reposition itself in the domestic formulations business. Despite pressure on sales, the company was able to achieve significantly better profits over the previous year due to efficiency improvement measures taken across the company and tighter working capital management.

During 2009-10, your company recorded total income of Rs. 687.33 crores, being 6.88% lower than the previous year. However, the profit after tax at Rs. 100.99 crores was 28.27% higher than the previous year. The sales and profits after tax at consolidated level were higher than the previous year, thanks to improved performance of the company's Russian subsidiary and the company's South African joint venture. I hope, you all would regard this performance as satisfactory.

INTERNATIONAL MARKETS

The company continues to accord high priority to its international business. Russia, Ukraine and CIS countries, where your company's brands have been well established, continue to offer good growth potential and would drive the company's growth. The company would continue to deploy aggressive marketing strategies and develop new markets in the region along with investments in marketing activities to achieve the desired growth.

The company successfully launched 'Unispaz' (OTC) in Russia during the year and 3 more launches are scheduled in the current year. The company plans to launch new products at regular interval to support the growth plans, and actions have been initiated towards the same.

Last year, the company established a subsidiary in Romania to develop the market in Central European countries and I am glad to inform you that the plans for those markets have been progressing well.

The Rest of the World markets segment of the company's business has been consistently doing well. The company would intensify its marketing initiatives in the existing markets of South Africa, other African countries and South-East Asian countries. The company also plans to expand its presence in important market of Australia and Latin America that offer immense growth opportunities. The company launched 14 products across the market and would strengthen the present products basket with new launches.

The company's South African joint venture Biotech Laboratories (Pty.) Ltd. performed well during 2009-10 and has been poised for good growth going forward. The company's own business with that joint venture is not only growing but is expected to take a quantum leap as a host of new products are being added to the outsourcing pact with the company.

In addition, the company continues to steadily increase its presence in the regulated markets. During the current year, the company has successfully commercialised an anti-allergic formulation in US, while an anti-hypertensive formulation is also planned for launch in US this year. I am also pleased to add that several new products are under development with US, EU and Canadian market in view.

Important international regulatory agencies such as US FDA, UK-MHRA and TGA-Australia audited the company's facilities during the year and found them in accordance with the standards.

DOMESTIC MARKET

Last year, I informed you about the consolidation process that the company initiated in the domestic formulations business. This process continued during the year too with key brand focus marketing strategy that helped achieve

Chairman's Statement



overall growth and over 18% growth in those key brands. Some of the recently launched product in Antacid, Iron supplement and anti-hypertensive segment has achieved impressive growth. The increased focus placed on the domestic formulations business has shown encouraging results. We shall continue to be aggressive in this business segment with enhanced emphasis on both urban and rural market. We believe this will help us achieve improved growth this year.

NEW GROWTH INITIATIVES

I wish to inform you that during the current year, the company plans to invest total of about Rs. 40 crores in (1) further modernisation and efficiency enhancement of the formulations facility at Kadaiya and Panoli, (2) new R&D activities, which will, inter alia, facilitate filing of new products registration applications in important markets, and (3) increase in field force to strengthen rural marketing initiatives in domestic market as well as increase in marketing activities in Russia & CIS countries to provide additional impetus to the marketing plans. These initiatives are intended to create new growth opportunities for both the international as well as the domestic formulations business.

Further, your board of directors has approved acquisition of 10 acres of land at Pharma specific Special Economic Zone at Panoli for setting up formulations unit. Subject to necessary approvals, the company plans for this proposed unit to be functional by fourth quarter of 2012-13.

Your company has focused on reducing its debt burden by ploughing back the profits, which is evident in reducing borrowed funds. Accordingly, all the above planned investments will be met through internal accruals.

RESEARCH & DEVELOPMENT

The R&D division continues to play an important role in the

company's business. We have added one more R&D centre at Panoli that would focus on new formulations development and new drug delivery system. Several prescription products and lozenges for regulated markets are under various stages of development in the in-house R&D. On the back of strong R&D, the company has been able to successfully implement various site transfer and CRAMS projects.

RECOGNITION

Your company has always believed that its people are its most important asset and has accordingly taken steps to nurture and motivate them to achieve organisational goals. This persistent belief practiced by the company has led to your company's Russian Representative office being voted as "Best Employer" for 2009 in Russia, for a second year in a row, in a survey conducted by a leading Russian job portal.

CURRENT YEAR OUTLOOK

As mentioned above about the new growth initiatives taken by our company as well as further steps taken by us to concentrate on business in the domestic market, we are hopeful to grow during the current year.

STAKEHOLDERS' SUPPORT

I take this opportunity to thank medical profession, trade, institutions, Government & Semi-Government hospitals, customers and you shareholders for continued trust and support. On behalf of the management of JBCPL, I would also like to thank all the employees of the company for their deep commitment for achievement of your company's objectives.

J. B. Mody
Chairman & Managing Director

International Market

Russia, Ukraine & CIS



Mr. B.S. Avari (sitting), Sr. Vice President (International) and Mr. Jay Mehta, Vice President- International Division.

■ This market segment continues to remain strategically important in the company's growth plans in view of popular brands built by the company through investments in aggressive marketing initiatives over the years, wide customer base and large distributor network. These countries hold immense growth potential due to size of its market, higher disposable income of its people compared to other emerging economies, lower per capita consumption

and acceptance of the company's high quality products. During the year 2010-11, the company would make further investments in marketing activities in Russia & CIS countries to provide impetus to the marketing plans.

■ The company ranks amongst the top three Indian companies in the Russian market and continues to aggressively invest in brand building to enhance its



Mr. Sandeep Nasa (sitting second from left), Head of Representative Office, Moscow, Russia and Team members.



Mr. Thamarai Pandian (fourth from left), Head of Representative Office, Kiev, Ukraine and Team members.

market share. The company's flagship brand 'Doktor Mom', 'Rinza', 'Metrogil' range of products are in top 3 in their respective category. The company continues to aggressively invest in brand building to enhance its market share.

- The company is also ranked among the top 3 Indian companies in the Ukrainian market (Source: Pharmstandard 2009). 'Metrogil' infusion commands more than 70% market share for the last 4 years in Ukrainian market.

- The company is leader in OTC segment and was rated 10th largest company with highest growth in Russia for OTC segment (Source Pharmexpert April 2010 report on OTC market).

- For seven consecutive years up to 2007, 'Doktor Mom' was awarded the 'Most Trusted European Brand' in cough and cold remedies segment by Readers Digest Magazine in survey conducted for this category up to 2007.

- The company launched new product 'Unispaz' (OTC) successfully in Russia during 09-10. New products 'Jocet' (Ethical cough syrup) and 'Unispaz' (Analgesic anti-spasmodic) introduced in second half of 2008-09 have also performed very well during 2009-10.

- Three new products viz. 'Unihexol' (Contrast media), 'Unispaz-N' (anti-spasmodic) and 'Rinza' Lorsept

Anaesthetic (throat lozenges) are scheduled for launch during the current year.

- Life time registration of 30 products in Russia and batch to batch exemption of the company's products from stringent quality check in Belorussia in 2009 by its Ministry of Health reflects faith in the quality of products manufactured by the company.

- During the year, 126 product registration applications were made in these countries, while 128 products received registrations in these markets. About 130 more product registration applications are planned for submission during the current year.

- The company's product 'Unipaque' (Contrast media) is among top 20 products in hospital segment in Ukrainian pharmaceutical market (Source: Business credit 2009).





Dr. Alisher Djabbarov (second from left), Head of Representative Office, Tashkent, Uzbekistan and Team members.

■ The company's product 'Metrogl' Gel has won prestigious Panacea Award 2009, given under the auspices of Ministry of Health, Ukraine, under which the said product was selected as the 'Best Prescription Product' of the year 2009 in its group. In Ukraine, the company's leading product 'Doktor Mom' Cough Lozenges was selected as 'No.1 Choice of the year 2009' (in sore throat remedy) in a survey conducted by Taylor Nelson Sofres (TNS), the results whereof were audited by Deloitte & Touche.

■ In addition to Russia, Ukraine and Uzbekistan, the company has own marketing setup in Belarus, Moldova,

Kazakhstan, Azerbaijan and is strategically important in the company growth plan in view of popular brands built by the company.

■ The company has a marketing office in Moscow (Russian Federation) and employs 180 people there across various disciplines. In 2009, this office was voted as the Best Employer-2009, second year in a row, in a survey conducted by a leading Russian job portal, www.superjob.ru. The candidates have chosen our establishment as most stable, developing, respectable and responsible employer of 2009 among 165,000 employers.



Mr. Ritesh Kaul (first from left), Country Manager - Romania and Team members.

Rest of the World Markets (RoW)



Mr. P. K. Singh (first from right), Sr. Vice President - International, Mr. Nirav Mody (second from right), Vice President - Strategic Marketing & Business Development and Senior Executives.

■ The exports to RoW markets continued to grow during 2009-10. South Africa, Vietnam, Algeria, Iraq and Uganda significantly contributed to sales achieved during the year. During the year, the company also won a contract for supply of 5.2 million bottles of 'Metrogyl' IV this year in Iraq.

■ The company has placed a special emphasis on growth plans for business in South Africa, Australia and Brazil as these markets are expected to offer good sustainable growth. The company's manufacturing facilities have already been approved by the regulatory authority of these countries.



Mr. Shad Mapetla (sitting first from left), Chief Executive Officer, Biotech Laboratories (Pty.) Ltd., South Africa and Senior Executives.

■ The company's joint venture Biotech Laboratories (Pty.) Ltd., South Africa, performed very well in 2009-10 and is poised for good growth. The company's direct supplies to Biotech Laboratories (Pty.) Ltd. also registered good growth during 2009-10. Biotech Laboratories (Pty.) Ltd. plans to source 15 new products from the company, 3 of them are expected to be commercialised this year, while the others are in the pipeline of development - registration.

■ During the current year, the company launched Cetirizine Hydrochloride (anti-allergic) 5 mg. and 10 mg. tablets in US market. The company's formulations were found to be bioequivalent to the innovator McNeil Consumer Healthcare's product 'Zyrtec'. One anti-hypertensive product is also slated for launch in US market this year. New lozenges are under development that would be targeted to US and EU markets.

■ The company has entered into new contracts with leading UK and Australian company for supply of their private label lozenges, the supply whereof is expected to commence this year. The company also continues to aggressively explore new site transfer and CRAMS projects.

■ The company plans to appoint country managers in Thailand, Philippines, Malaysia and Brazil to materialise the growth plans for those markets.

■ 14 new products were launched across the RoW markets. Products pipeline is being strengthened to achieve the growth. During the year, 68 product registration applications were made across various countries, while 9 products received registrations in these markets. About 105 more product registration applications are planned for submission during the current year.

■ 'Zecuf', a herbal cough syrup, continued to perform well and is steadily building into a strong OTC brand across the markets.



Mr. Nirav Mody accepting award for excellent export performance of the company's Herbal category products at Indo-African meet held in Hyderabad.

Domestic Market



Mr. Pranabh Mody (sitting), President & Whole time Director, Mr. Rajendra Patkar, (standing first from left), Director - Sales & Marketing and Senior Sales & Marketing Executives.

■ The year 2009-10 continued to be a year of consolidation of products and processes. The company adopted key brands focus marketing strategy that resulted in growth in sales during the year, while focus brands achieved 18.15% growth.

■ The company, ranked 37th (ORG-IMS), has placed an increased focus on the domestic formulations business as it offers exciting growth opportunity in view of wide range of product portfolio spanning over all important therapeutic segments, many well established brands and presence in urban and rural markets.

metrogyl[®]
RANTAC[®]



■ 'Rantac' (anti-peptic ulcerant), 'Metrogyl' (anaerobicide) and 'Nicardia' (anti-hypertensive) continued to grow and remain part of top 300 brands as reported by ORG-IMS. The other leading NSAID and anti-infective formulation also showed growth. Antacid and Iron supplement formulation launched during 2008-09 and an anti-hypertensive formulation achieved significant growth as a result of brand specific marketing strategy. The company would continue to follow this strategy with higher brands coverage. Further, the

company also plans new launches in Cardiology, Gastrology and anti-infective segment.

■ The company also plans to make investments in marketing during the current year to strengthen its presence in rural market that holds immense growth potential.

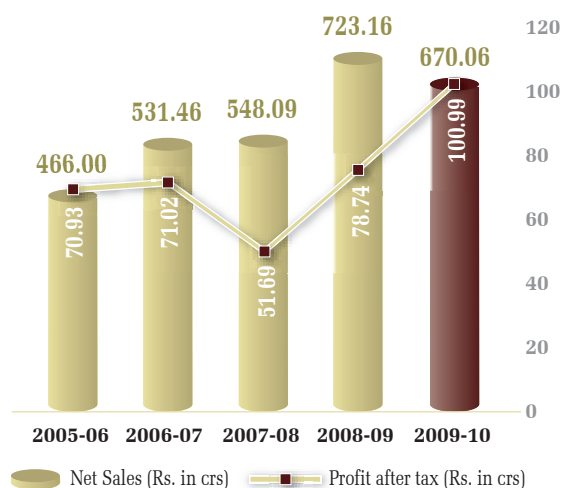
■ Contrast media products also achieved growth. During the year, the company plans to launch an echo contrast media product manufactured by a US company.



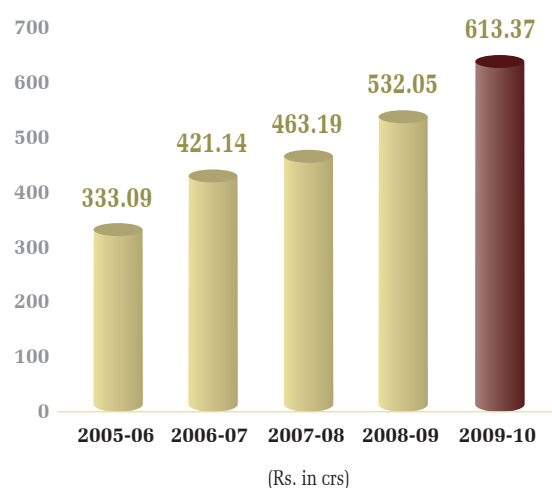
Mr. B.K. Gopal, General Sales Manager, being felicitated by Mr. J. B. Mody, Chairman & Managing Director and other board members, on completion of 37 years of service.

Financial Highlights

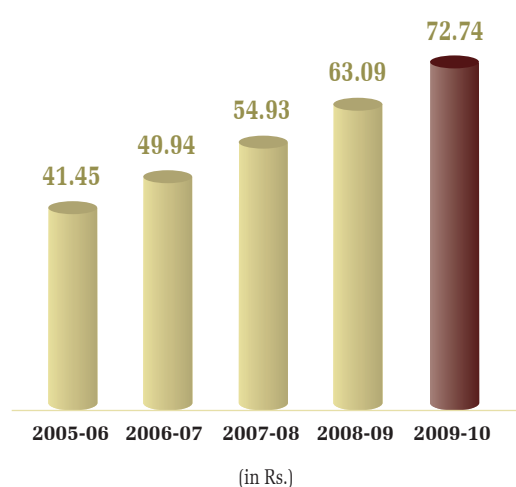
Sales and Net Profits



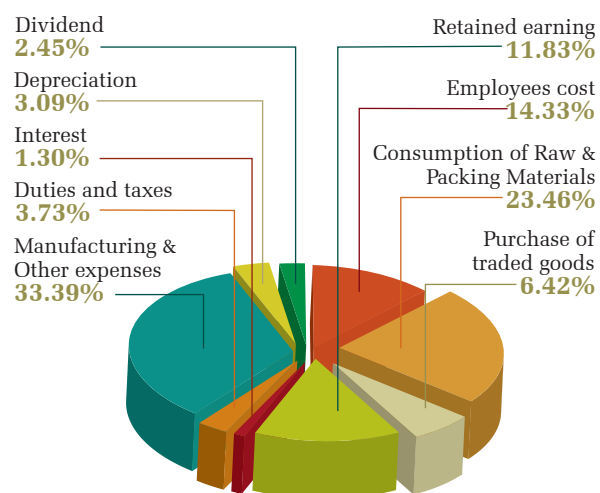
Net Worth



Book Value



Distribution of Revenue 2009-10



Board of Directors



Jyotindra B. Mody
Chairman &
Managing Director



Dinesh B. Mody
Whole time Director
(Administration)



Shirish B. Mody
Whole time Director
(Marketing)



Bansidhar S. Mehta



Durga Dass Chopra



Bharat P. Mehta
Whole time Director
(Planning & Development)



Pranabh Mody
President & Whole time
Director (Operations)



Dr. Rajen D. Shah



Rajiv C. Mody



Kamlesh L. Udani
Executive Director
(Technical & Production)



Dr. Satyanarain Agarwala
(Alternate to Vishnu D. Patel)



Dr. Niranjana N. Maniar



Mahesh K. Shroff



Vishnu D. Patel



Rohan P. Shah

Our People, Our Asset

Manufacturing Team



Mr. Bharat P. Mehta, Whole time director (Planning & Development) and Mr. Kamlesh Udani, Whole time director (Technical & Production) (front row - third and fourth from right respectively) and other Senior Executives.

R & D, Regulatory, Medical, QC & QA Team



Mr. Bharat P. Mehta, Whole time director (Planning & Development), Dr. Milind Joshi, President - Global Regulatory Management, Mr. M. K. Karve, Controller - Corporate QA & QC and Dr. Subodh Kanchi, Vice President - Medical (fifth, sixth, fourth and seventh from left respectively) and other Senior Executives.

Procurement & Supply Chain Team



Mr. Anupam Mehta, Vice President - Materials (sitting in centre) and other Senior Executives.

Finance, IT, Legal & HR Team



Mr. N. Balasubramanian, Vice President - Finance and Mr. Ashok Patel, Vice President - MIS & Information Technology (second and third from right respectively) and other Senior Executives.

CORPORATE INFORMATION

AUDIT COMMITTEE

Bansidhar S. Mehta (Chairman)
 Dinesh B. Mody
 Durga Dass Chopra
 Mahesh K. Shroff
 Dr. Niranjana N. Maniar
 Dr. Satyanarain Agarwala (w.e.f. May 12, 2009)

COMPANY SECRETARY

M. C. Mehta

BANKERS

Bank of India
 BNP Paribas
 Standard Chartered Bank

AUDITORS

J. K. Shah & Co.
 Chartered Accountants
 Mumbai

COST AUDITORS

N. I. Mehta & Co.
 Mumbai

REGISTERED OFFICE

Neelam Centre, 'B' Wing,
 4th Floor, Hind Cycle Road,
 Worli, Mumbai 400 030.
 Tel No. (022) 3045 1200 / 3045 1500
 Fax No. (022) 2493 0534 / 2493 9633

R & D CENTRES

Plot no. A-154/155, Wagle Industrial Estate,
 Thane (West) 400 604.

Plot No. 128/1, GIDC Industrial Area
 Ankleshwar 393 002.

Plot No. 5, Phase IV, GIDC Industrial Area,
 Panoli 394 116.

Plot No. 218/219, GIDC Industrial Area,
 Panoli 394 116.

FACTORIES

Plot Nos. 215 to 219, 304 to 310 and
 Plot No. 4 & 5, Phase IV,
 GIDC Industrial Area, Panoli 394 116.

Plot No. 128/1, 128/1/1, 128/2, 129/1 & 129/B1,
 GIDC Industrial Area, Ankleshwar 393 002.

Survey No. 101/2 & 102/1,
 Daman Industrial Estate,
 Airport Road, Kadaiya,
 Daman 396 210

Plot No. P-10,
 Shiv Mahape, P. O. Gansoli,
 Thane-Belapur Road,
 Navi Mumbai 400 701.

REGISTRARS & SHARE TRANSFER AGENT

Datamatics Financial Services Ltd.
 Plot Nos. A/16 & 17,
 M.I.D.C., Part-B, Cross Lane,
 Andheri (East), Mumbai 400 093.
 Tel No. (022) 6671 2151-56
 Fax No. (022) 2832 0382

DIRECTORS' REPORT

Your directors are pleased to present the thirty fourth report and audited statement of accounts of the company for the year ended on March 31, 2010.

1. FINANCIAL RESULTS

The following is the summary of financial performance of the company during the year under review.

(Rs. in lakhs)

| | 2009-10 | 2008-09 |
|--|------------------|-----------------|
| Net Sales | 67,006.45 | 72,315.53 |
| Other Income | 1,726.39 | 1,496.57 |
| Total Income | 68,732.84 | 73,812.10 |
| Profit before depreciation, interest and tax | 15,111.18 | 12,461.19 |
| Less: Interest | 894.51 | 1,245.85 |
| Less: Depreciation | 2,122.25 | 2,037.26 |
| Profit for the year before tax | 12,094.42 | 9,178.08 |
| Provision for tax: | | |
| Current Tax | 2,057.00 | (1905.00) |
| Excess provision of tax for prior years | (151.79) | (612.20) |
| Fringe benefit tax | – | 125.00 |
| Deferred tax | (79.48) | (121.59) |
| Wealth tax | 10.00 | 8.25 |
| Profit for the year after tax | 10,099.73 | 7,873.62 |
| Balance brought forward from previous year | 8,099.68 | 2,000.00 |
| Amount available for appropriation | 18,199.41 | 9,873.62 |
| Appropriations: | | |
| Proposed dividend | 1,687.38 | 843.27 |
| Tax on proposed dividend | 280.24 | 143.31 |
| Transfer to General Reserve | 1,009.97 | 787.36 |
| Balance carried forward to balance sheet | 15,221.82 | 8,099.68 |
| Total | 18,199.41 | 9,873.62 |

2. DIVIDEND

Your directors recommend a dividend of Rs. 2 (100%) (Re. 1.00 (50%) in the previous year) per equity share of face value of Rs. 2.

3. OPERATIONS

The net sales for the year at Rs. 670.06 crores were 7.34% lower compared to the previous year. However, due to efficiency improvement and cost control measures taken across the organisation and tighter working capital management, the profit before tax and profit after tax at Rs. 120.94 crores and Rs. 100.99 crores registered significant increase of 31.77% and 28.27% respectively over the previous year.

Effective from 2009-10, the company effected change in distribution system in Russia consequently the sales in Russia were made directly by the company's subsidiary in Russia. The company's sales in rest of the world market registered good increase despite economic slow down that economies experienced the world over. Though the company's sales to its Russian subsidiary were lower, the overall sales in Russia by the subsidiary registered increase. The key brands focus marketing strategy adopted in the domestic formulations business helped achieve growth in overall formulations sales, while growth in sales of those key brands was impressive.

In order to support future growth, the company during the current year plans to invest total of about Rs. 40 crores in (a) further modernization and efficiency enhancement of the formulations facility at Kadaiya and Panoli, (b) new R&D activities, which will *inter alia* facilitate filing of new products registration applications in important markets, and (c) increase in field force to strengthen rural marketing initiatives in domestic market as well as increase in marketing activities in Russia & CIS countries to provide additional impetus to the marketing plans.

Keeping in view future growth objectives, the board of directors has approved acquisition of 10 acres of land at Pharma specific Special Economic Zone at Panoli for setting up a new formulations unit. Subject to necessary approvals, the company plans for this proposed unit to be functional by last quarter of 2012-13.

4. RESPONSIBILITY STATEMENT

The directors confirm:

- That in the preparation of the annual accounts for the year under review, the applicable accounting standards have been followed;
- That they have selected appropriate accounting policies and applied them consistently and made judgements 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 financial year 2009-10 and of profit of the company for that period;
- That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and

DIRECTORS' REPORT (CONTD.)

- (iv) That they have prepared the annual accounts for the year ended on March 31, 2010 on a going concern basis.

5. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as required under section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure A to this report.

6. PARTICULARS OF EMPLOYEES

The particulars of employees of the company, in terms of section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are given in Annexure B to this report.

7. SUBSIDIARY COMPANIES

The company has two operating subsidiaries viz. OOO Unique Pharmaceutical Laboratories in Russia and Unique Pharmaceutical Laboratories S.R.L. in Romania. The sales of Russian subsidiary during the year were higher by 8.67% in Rupee terms compared to overall sales of the company and the said subsidiary in the Russian market in the last year. The sales of Romanian subsidiary were lower compared to the previous year. This subsidiary was set up last year and may take some time to establish in the market.

The accounts, report of the directors and auditors and other statement(s) as set out in section 212(1) of the Companies Act, 1956, in respect of the company's subsidiaries viz. J. B. Life Science Overseas Ltd., OOO Unique Pharmaceutical Laboratories, Unique Pharmaceutical Laboratories S.R.L. and J. B. Healthcare Pvt. Ltd., are not attached pursuant to exemption granted by the Central Government. The members are informed that annual accounts of the said subsidiaries and the related detailed information will be made available on request. The accounts of the said subsidiaries are also open for inspection by the members at the registered office of the company.

8. EMPLOYEE STOCK OPTION PLAN

The disclosures in respect of the company's Employee Stock Option Plan, as required under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme)

Guidelines, 1999 are set out in Annexure C to this report.

9. CORPORATE GOVERNANCE

A certificate from auditors of the company on compliance of conditions of corporate governance is annexed to this report. The management discussion and analysis report and compliance report on corporate governance as required by clause 49 of the listing agreement form part of this annual report.

10. PUBLIC DEPOSITS

During the year under review, the company repaid deposits of Rs. 19.77 lakhs. As on the year end, total unmatrued deposits stood at Rs. 1647.34 lakhs, while deposits amounting to Rs. 2.37 lakhs remained unclaimed.

11. HEALTH AND SAFETY

The company continues to accord high priority to health and safety of employees at all manufacturing locations. During the year under review, a health & safety week was organised several times across all factory locations and the training programme and workshop for safety awareness were also conducted for all employees at the plants. The comprehensive health check up of the employees was also carried out at all the plants.

12. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the company, Mr. Pranabh Mody, Mr. Kamlesh L. Udani, Dr. N.N. Maniar and Mr. Vishnu D. Patel retire by rotation at the ensuing annual general meeting. Mr. Pranabh Mody, Mr. Kamlesh L. Udani and Dr. N.N. Maniar, being eligible, have offered themselves for re-appointment. However, Mr. Vishnu D. Patel has, by a notice in writing addressed to the board of directors, expressed his unwillingness to be re-appointed as a director. Thus, his term of office would come to an end at the ensuing annual general meeting. Your board of directors has placed on record its appreciation of valuable services rendered by Mr. Vishnu D. Patel during his tenure as a director of the company.

The board of directors at its meeting held on May 5, 2010, has re-appointed Mr. Jyotindra B. Mody as Chairman & Managing Director, Mr. Dinesh B. Mody as Whole time director (Administration) and Mr. Shirish B. Mody as Whole time director (Marketing) for a further period of five years from November 1, 2010. The necessary resolution for approval of their appointment and

DIRECTORS' REPORT (CONTD.)

remuneration by the members is being placed at the ensuing annual general meeting.

13. AUDITORS

M/s J.K. Shah & Co., Chartered Accountants, auditors of the company, hold office until the conclusion of the ensuing annual general meeting. M/s J.K. Shah & Co., being eligible, have offered themselves for re-appointment and have confirmed that their appointment, if made, would be within the limit prescribed under section 224 (1B) of the Companies Act, 1956. M/s J.K. Shah & Co has also furnished a copy of certificate issued to them by Peer Review Board of the Institute of Chartered Accountants of India.

14. COST AUDITORS

The board of directors has appointed N. I. Mehta & Co., Cost Accountants, as cost auditors to audit the cost accounts relating to formulations and bulk drugs activities for the year ending on March 31, 2011, which appointments have been approved by the Central Government.

15. INCREASE IN PAID UP SHARE CAPITAL

Subsequent to the year end, the Compensation Committee of the board of directors has allotted 26,350 equity shares of Rs. 2 each against exercise of options by several employees under Employees Stock Option Scheme of the company. These options were granted on April 1, 2004 at exercise price of Rs. 63.

16. APPRECIATION

Your directors record their sincere gratitude to the banks for their assistance and shareholders, business associates, medical professionals, customers and fixed deposit holders for their continued support and faith in the company and to employees of UNIQUE FAMILY for their valuable services and commitment.

For and on behalf of the Board of Directors

Place: Mumbai
Date : May 5, 2010

J. B. Mody
Chairman & Managing Director

ANNEXURE A TO THE DIRECTORS' REPORT

A. CONSERVATION OF ENERGY:

(a) Energy conservation measures taken during the year:

During the year, a host of energy conservation measures were taken across all manufacturing locations. The various measures taken during the year include installation of variable frequency drive, installation of temperature control device in cooling tower, optimisation of air conditioning system, DG set and gas engine through process improvement, installation of LT fixed capacitor for improvement of power factor and addition of feed water tank to the boiler to feed steam condensate hot water.

(b) Proposals being implemented for reduction of consumption of energy:

The proposals being considered for energy conservation include installation of solar lighting and LED lighting system and putting up a solar and wind based power plant.

(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of goods:

The energy conservation measures undertaken during the year has resulted in marginal reduction in power consumption and has thereby contributed in controlling the cost of production.

(d) Total energy consumption and energy consumption per unit as per Form A

| A Power & Fuel Consumption | Current Year | Previous Year |
|--|---------------|---------------|
| 1 Electricity | | |
| (a) Purchased | | |
| Units (in 000 KWHs) | 12,925 | 12,129 |
| Total amount (Rs.in lakhs) | 669.90 | 645.19 |
| Rate / Unit (Rs.) | 5.18 | 5.32 |
| (b) Own Generation | | |
| (i) Through Diesel | | |
| Generator (Unit in '000) | 365 | 446 |
| Units per litre of diesel oil (Kwh/Ltr.) | 3.42 | 3.21 |
| Total amount (Rs. in lakhs) | 38.03 | 51.02 |
| Cost per unit (Rs.) | 10.41 | 11.44 |

| | | |
|-------------------------------------|-----------------|----------|
| (ii) Gas used for power generation | | |
| Gas (Units in '000) | 8,122 | 6,625 |
| Units per gas (M3) | 3.31 | 3.37 |
| Total amount (Rs. in lakhs) | 373.33 | 253.07 |
| Average per unit (Rs.) | 4.60 | 3.82 |
| 2 Furnace Oil | | |
| Quantity (kilo litres) | 444.06 | 590.14 |
| Total amount (Rs. in lakhs) | 159.37 | 173.26 |
| Average Rate (Rs./ kilo litre) | 35,889 | 29,360 |
| 3 Gas used for manufacturing | | |
| Gas; Quantity (SM3) | 3,218.52 | 4,863.27 |
| Total Cost (Rs. in lakhs) | 460.45 | 571.02 |
| Average Rate per 1000 SM3 (Rs.) | 14,306 | 11,741 |

| B Consumption per unit of production | |
|--------------------------------------|---|
| Std. if any Current year | |
| Products, Unit | From the records and other books maintained by the company, in accordance with the provisions of the Companies Act, 1956, the company is not in a position to give the information required as per this format. |
| Electricity | |
| Furnace Oil | |
| Coal | |
| Others | |

B. TECHNOLOGY ABSORPTION:

Research and Development (R&D)

1 Specific areas in which R & D has been carried out by the Company

- Process improvement and innovation of new drug delivery system.
- Centre filled lozenges for better efficacy of medicament.
- Innovative process technology development for anti-bacterial suspension for US market.
- Development of herbal cough syrup with low preservatives for regulated market.
- New drug formulations with existing and combination of new active drug substances.
- Development of generic equivalent tablets for high cholesterol indications.
- Contract research for patenting of new processes/new drug delivery for international market.

ANNEXURE A TO THE DIRECTORS' REPORT (CONTD.)

2 Benefits derived as a result of above R & D

- (a) Improvement in existing formulations for better yield and productivity.
- (b) Achievement of cost reduction in formulation development.
- (c) Enhancement of bioavailability of active drug substance.
- (d) Platform technology for different dosage form like osmotic drug delivery system, matrix system, bi-layer tablets, mouth dissolving tablets etc.
- (e) Successful scale up of formulation validation and technology transfer for commercial batches.
- (f) Improvement in technology to minimize environmental hazards.

3 Future plan of action

- (a) To continue development of ANDA drugs.
- (b) Innovation in herbal medicines with respect to novel drug delivery system.
- (c) Pharmaceutical research in injectibles, dental preparations and dermatologicals.
- (d) Chemical research in process development and custom synthesis.
- (e) To improve productivity by import substitution of raw materials and excipients.

4 Expenditure on R & D

| | (Rs. in '000) |
|---|---------------|
| (a) Capital | 9,097.00 |
| (b) Recurring | 88,301.00 |
| (c) Total | 97,398.00 |
| (d) Total R & D expenditure as a percentage of total turnover | 1.45% |

Technology absorption, adaptation and innovation

1 Efforts, in brief, made towards technology absorption, adaptation and innovation:

- (a) Development of patent non-infringing formulations and new drug delivery systems.
- (b) Development of medicines with better efficacy.

(c) Development of alternate drug delivery systems.

(d) Use of the state-of-the-art aseptic form-fill seal technology for production of intravenous fluids.

2 Benefits derived as a result of the above efforts

- (a) Expansion of product line to cater to growing domestic and export market.
- (b) Product quality improvement and better shelf-life stability.
- (c) Compliance with norms of Indian and overseas regulatory agencies.
- (d) Access to regulated markets.

3 Information with respect to imported technology

The requirement to furnish specified information on imported technology is not applicable as the company has not imported any technology during the last five financial years.

C FOREIGN EXCHANGE EARNINGS AND OUTGO:

(a) Activities related to exports, initiative taken to increase exports, development of new export markets for products:

The company's thrust is to increase the exports. The various initiatives taken to increase exports and development of export market include mass media promotion in case of OTC products, application for registration of products with regulatory authority, development of alliances for site variation manufacturing projects, participation in health exhibitions, trade shows and international meets of the industry, sponsorship of doctors' conferences and development of new products with export potential.

(b) Total foreign exchange used and earned:

During the year under review, the company earned foreign exchange amounting to Rs. 41,924.73 lakhs, while the outgo in foreign exchange amounted to Rs. 14,479.63 lakhs.

For and on behalf of the Board of Directors

Place: Mumbai
Date : May 5, 2010

J. B. Mody
Chairman & Managing Director

ANNEXURE B TO THE DIRECTORS' REPORT

Information as per section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the directors' report for the year ended on March 31, 2010.

(a) Name & age (years) (b) Designation/nature of duties (c) Gross remuneration received (Rs.) (d) Qualification(s) & experience (years) (e) Date of commencement of employment (f) Last employment & Post held

(a) Avari B.S. (62) (b) Sr. Vice President (International) (c) 36,18,576 (d) B.Sc., DAM, DMS (41) (e) 29.05.1992 (f) Tata Exports Ltd.-Sr. Manager Trading (a) Bang P.B.(42) (b) General Manager (Works) (c) 29,08,531 (d) M. Pharm., DBM (18) (e) 28.08.2003 (f) Ankur Drugs & Pharma Ltd.-Technical Director. (a) *Choudhary Nirmal (43) (b) Vice President (API) (c) 25,79,735 (d) B.Tech., MBA. (20) (e) 02.02.2004 (f) Jubilant Organosys Ltd.- Head of Production. (a) Joshi M.D. (Dr.) (46) (b) President-Global Regulatory Management (c) 58,18,675 (d) M.Sc. Ph.D. (24) (e) 07.12.1989 (f) Adonis Labs Pvt. Ltd.-Executive-Quality Assurance (a) Karve M.K. (60) (b) Controller- Quality Assurance (c) 28,95,661 (d) M.Sc. (39) (e) 16.04.2004 (f) RPG Life Sciences Ltd.-Controller-Quality Assurance (a) Mehta A.P. (64) (b) Vice President-Materials (c) 37,11,488 (d) B.Tech (Engg.) (37) (e) 01.01.1973 (f) Unique Pharma Labs.- Purchase Manager (a) Mehta B.P. (62) (b) Whole time director (Planning & Development) (c) 1,09,50,480 (d) B.Sc. (39) (e) 01.07.1971 (f) Unique Pharma Labs.-Production Manager (a) Mehta J.B. (32) (b) Vice President-(International Division) (c) 48,70,442 (d) B.Sc.(Chem. Engg.) (5) (e) 01.10.2004 (f) Allergan Pharmaceuticals-Research Project-In charge (a) Mody D.B. (74) (b) Whole time director (Administration) (c) 2,81,80,000 (d) Exp. in Admn. (55) (e) 01.01.1977 (f) J.B. Chemicals & Pharmaceuticals Pvt. Ltd.-Whole time director (Administration) (a) Mody J.B. (81) (b) Managing Director (c) 2,81,80,000 (d) Inter Sc. (59) (e) 01.01.1977 (f) J.B. Chemicals & Pharmaceuticals Pvt. Ltd.-Managing Director (a) Mody N.S. (29) (b) Vice President- Strategic Marketing & Business Development (c) 48,69,073 (d) B.Sc. in Business Admn. (5) (e) 13.07.2004 (f) Rodman & Renshaw-Equity Research Analyst (a) Mody P.D. (47) (b) President & Whole time director (Operations) (c) 1,09,83,782 (d) B.Pharm, M.B.A. (USA) (23) (e) 25.06.1987 (f) First employment (a) Mody S.B. (69) (b) Whole time director (Marketing) (c) 2,81,80,000 (d) B.Sc. (Tech.) (50) (e) 01.01.1977 (f) J.B. Chemicals & Pharmaceuticals Pvt. Ltd.- Director-Technical (a) N. Balasubramanian (62) (b) Vice President (Finance) (c) 29,06,453 (d) B.Com., A.C.A. (41) (e) 01.09.1992 (f) Roussel India Ltd.- Finance Manager (a) Patel A.M. (55) (b) Vice President- MIS & Information Technology (c) 28,76,378 (d) C.I.M.A. (25) (e) 01.08.1992 (f) Unique Pharmaceutical Laboratories Ltd.-Costing Executive (a) ♦ *Patkar R.M. (46) (b) Director-Sales & Marketing (c) 33,01,868 (d) B.Pharm, M.M.S. (25) (e) 20.04.2009 (f) Wockhardt Ltd. - Vice President - Sales & Marketing (a) Sachdev B. V. (41) (b) General Manager-Supply Chain (c) 25,15,616 (d) Dip. in Mech. Engg., Dip. Material M'tment (23) (e) 13.06.2005 (f) Balsara Home Products Ltd.-Head-Supply Chain (a) Singh P.K. (46) (b) Sr. Vice President (International) (c) 37,50,725 (d) M.Pharm (23) (e) 01.12.2001 (f) Coral Laboratories-General Manager (International Division) (a) Udani K.L. (56) (b) Executive Director (Technical & Production) (c) 66,72,934 (d) B.E. (Elect.), M.B.A. (31) (e) 01.02.2001 (f) Unique Pharmaceutical Laboratories Ltd.-Managing Director (a) ♦ Walwaikar P.P. (Dr.) (58) (b) Medical Director (c) 32,99,575 (d) M.D.(24) (e) 27.04.1990 (f) Alkem Laboratories Ltd.-Manager-Medical Services.

* Employed for part of the financial year. ♦ Not member of the board.

Notes: (1) The nature of employment of the above employees is contractual in nature. The other terms and conditions of each of the above are as per the contract/letter of appointment and rules of the company. (2) Mr. J.B. Mody, Mr. D.B. Mody and Mr. S.B. Mody are related to each other as brothers. Mr. P.D. Mody is son of Mr. D. B. Mody. Mr. N.S. Mody is son of Mr. S. B. Mody. Mr. B.P. Mehta is son-in-law of Mr. J.B. Mody and Mr. J.B. Mehta is son of Mr. B.P. Mehta and grand-son of Mr. J.B. Mody. Mr. A.P. Mehta is brother of Mr. B.P. Mehta. (3) The remuneration received by Mr. J.B. Mody, Mr. D.B. Mody and Mr. S.B. Mody during 2009-10 includes commission paid for the year 2008-09.

For and on behalf of the Board of Directors

Place: Mumbai
Date : May 5, 2010

J. B. Mody
Chairman & Managing Director

ANNEXURE C TO THE DIRECTORS' REPORT

Disclosures pursuant to the provision of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as on March 31, 2010.

The information pertaining to options granted under the Employee Stock Option Scheme formulated pursuant to the special resolution passed by the shareholders on March 18, 2004 is as under:

| | | Year of Grant | | |
|-----|--|---|----------|----------|
| | | 2004 | 2005 | 2006 |
| (a) | Options granted | 4,75,000 | 5,63,240 | 5,47,000 |
| (b) | Options vested | 2,46,425 | 3,91,825 | 2,99,500 |
| (c) | Options exercised | 1,24,425 | 6,925 | — |
| (d) | The total number of shares arising as a result of exercise of option | 1,24,425 | 6,925 | — |
| (e) | Options lapsed | 1,04,150 | 1,64,490 | 1,50,125 |
| (f) | Money realised by exercise of option (Rs.) | 78,38,775 | 5,81,700 | — |
| (g) | Total number of options in force | 2,46,425 | 3,91,825 | 3,96,875 |
| (h) | Weighted-average exercise price of options whose: | | | |
| | (a)Exercise price equals market price | Rs. 63 | — | — |
| | (b)Exercise price is greater than market price | — | — | Rs. 95 |
| | (c)Exercise price is less than market price | — | Rs. 84 | — |
| | Weighted-average fair value of options whose: | | | |
| | (a)Exercise price equals market price | Rs. 20 | — | — |
| | (b)Exercise price is greater than market price | — | — | Rs. 26 |
| | (c)Exercise price is less than market price | — | Rs. 35 | — |
| (i) | The pricing formula | An amount equal to ninety five percent of the average daily closing price of the shares of the company quoted on the National Stock Exchange of India Ltd. during the period of twelve weeks preceding the date of grant. | | |
| (j) | Variation in terms of options | There has been no variation in the terms of options. | | |
| (k) | Employee-wise details of options granted | <p>(i) The options granted to senior managerial person are as under. The number in bracket represents the total number of options granted. Dr. M.D. Joshi (34,000), Dr. P.P. Walwaikar (34,000), Mr. B.S. Avari (34,000), Mr. P.K. Singh (33,000), Mr. A.P. Mehta (34,000), Mr. N.Balasubramanian (34,000), Mr. Ashok Patel (34,000) and Mr. Madhav K. Karve (23,000).</p> <p>(ii) No employee has received a grant in any one year of option amounting to 5% or more of option granted during that year.</p> <p>(iii) No employee has been granted options equal to or exceeding 1% of the issued capital of the company in any year.</p> | | |
| (l) | Diluted EPS pursuant to issue of shares on exercise of options calculated in accordance with AS-20. | Rs. 11.98 | | |
| (m) | Difference in employee compensation cost calculated using intrinsic value of options and fair value of options. Its impact on profits and EPS. | The company has calculated employee compensation cost using the intrinsic value of the options. The employee compensation cost would have been higher by Rs. 8.78 lakhs, if it was calculated based on fair value of options. Consequently, the profit after tax for the financial year ended on March 31, 2010 would have been lower by Rs. 8.78 lakhs and earning per share would have been lower by Re. 0.01. | | |

ANNEXURE C TO THE DIRECTORS' REPORT (CONTD.)

| | | |
|-----|---|---|
| (n) | Description of the method and significant assumptions used to estimate the fair value of options. | <p>As there was no further grant of option during the year 2009-10, the fair value estimated in the previous year is considered for calculating the impact on earning per share. A description of significant assumptions used during the previous year to estimate the fair value of options using the Black Scholes Option Pricing model including relevant weighted average information is as under:</p> <p>(i) risk-free interest rate : 6.85%</p> <p>(ii) expected life (years) : 5</p> <p>(iii) expected volatility : 36.96%</p> <p>(iv) expected dividends : 3.19%</p> <p>(v) the price of the underlying share in market at the time of option grant : Grant-2004 – Rs. 63.00 Grant-2005 – Rs. 95.20 Grant-2006 – Rs. 88.85</p> |
|-----|---|---|

For and on behalf of the Board of Directors

Place: Mumbai
Date : May 5, 2010

J. B. Mody
Chairman & Managing Director

Persons constituting group coming within the definition of "Group" for the purpose of Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, include (1) Unique Pharmaceutical Laboratories Ltd. (2) Ifiunik Pharmaceuticals Ltd. (3) Synit Drugs Pvt. Ltd. (4) Jyotindra Mody Holdings Pvt. Ltd. (5) Ansuya Mody Securities Pvt. Ltd. (6) Dinesh Mody Securities Pvt. Ltd. (7) Kumud Mody Securities Pvt. Ltd. (8) Shirish B. Mody Investments Pvt. Ltd., and (9) Bharati S. Mody Investments Pvt. Ltd.

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY DEVELOPMENTS

During 2009-10, the domestic pharmaceuticals market continued to grow in double digit, while overall exports by Indian companies remained under pressure presumably due to economic slowdown that the world economies experienced. The key contributor to domestic growth is life style related diseases and with increasing disposable income, better health awareness, growing insurance penetration, increased availability of medical facilities and higher governmental expenditure on health are expected to drive growth in the domestic market. According to industry estimates, domestic pharma industry is expected to touch US \$ 20 billion from present value of about US \$ 9.25 billion. Global drug makers continued to look towards companies in emerging markets like India to increase their share in the generics business.

With world economies showing signs of recovery from slowdown, the exports are likely to improve during the current year. The new EXIM policy unveiled for 2009-14 has provided new incentives for increasing exports to certain selected countries under Market Linked Focus Products Scheme, which would benefit the exports your company makes to some of those countries.

2. OPPORTUNITIES & THREATS

International business:

With increasing lifestyle-related ailments, improvement in life expectancy rate and increased preference to low cost and quality generic products present a positive growth opportunity to Indian companies.

As regards international business of your company in Russia, Ukraine & CIS countries, these markets hold enormous growth potential in view of growing economy, increasing disposable income, lower per capita medicine consumption and their high dependence on imported medicines. The company's well established products and high brand equity enjoyed by its products particularly 'Doktor Mom', 'Rinza' and 'Metrogyl' range of products, local marketing and technical infrastructure and direct presence through offices in Russia, Ukraine and Uzbekistan coupled with high quality products offered by the company and its recognition by local regulatory agencies continue to present exciting business opportunity to the company.

The Rest of the World markets business of your company has been consistently growing. The company's presence and its distributor network in Asia, Africa, US, EU, Canada and Australia, its niche products portfolio and high acceptance of the company's products in the existing markets coupled with the company's focus on high growth market of Brazil, South

Africa and Australia offer good growth opportunity to this business. Further, your company's strategic investment in Biotech Laboratories (Pty.) Ltd., a marketing and distribution company in South Africa, has helped grow your company's business in South Africa. This joint venture has performed well in 2009-10 both on front of sales and profits and has also increased its outsourcing from the company. The company has identified several new growth candidates for South African market that are expected to increase the company's present business.

Apart from the market, the company's unique herbal formulations, wide range of lozenges manufacturing capability, contrast media products and products with new drug delivery systems backed by state-of-the-art manufacturing facilities and its recognition by regulatory agencies of regulated and less-regulated market also offer good growth opportunity.

Though competitive price erosion in international market could be regarded as threat, this may not affect your company significantly due to your company's proven ability to create brands through quality products.

Domestic Business:

The domestic formulations market continues to remain an important market for your company. In view of robust GDP growth, rise in the higher income group, increased availability of quality medical care after entry of corporate hospital chain and diagnostic facilities, high growth in life style related therapeutic segments, increased health awareness and increased governmental health care spending, the domestic industry is expected to continue to achieve double digit growth in the medium term. This presents a good growth opportunity to your company, which is a well established player ranked 37th (ORG IMS) in an otherwise largely fragmented market. Your company's brands 'Metrogyl' (Gastro-enterology), 'Rantac' (anti-peptic ulcerant) and 'Nicardia' (Calcium channel blocker) continue to be a part of top 300 brands.

The company has increased its focus on the domestic formulations business and expects to increase sales through key brands focus marketing strategy and strengthening the presence in rural market. As rural markets hold an enormous growth potential, the company plans to make investment in marketing strength this year to harness the growth potential.

Your company also markets contrast media products that have shown steady growth. Your company would continue to focus on this niche market. During the current year, the company plans to distribute in India an echo contrast media product manufactured by a US company.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

The major threat in the long term appears to be from the regulatory price control and government's unclear stand on product coverage under price control.

3. SEGMENT WISE PERFORMANCE

The company is engaged in one segment viz. pharmaceuticals. The year gone by remained challenging in international market due to economic slowdown. Despite such environment, the company's exports to rest of the world markets registered good increase. During the year, the sales in Russia were undertaken by the company's Russian subsidiary consequent to change in distribution system. The sales in Russia at consolidated level also showed reasonable growth.

During the year, the company consolidated its operations in domestic formulations market and repositioned key brands through brands focus marketing strategy. This new marketing strategy led to overall growth of 18.15% in sales of those focus brands and also helped achieve growth in total sales over the previous year. The contrast media products division achieved good growth over the previous year. The sales of active pharmaceutical ingredient were lower due to conscious decision to scale down the activities at the company's plant at Belapur, Maharashtra.

4. OUTLOOK

In view of opportunities available both in international and domestic market, your company's balanced products portfolio with high growth brands, wide range of manufacturing capabilities and marketing prowess possessed augurs well for the company's business.

5. RISKS AND CONCERNS

Your company does not perceive any risks or concerns other than those that are common to industry such as regulatory risks, exchange risk and other commercial and business related risks.

6. INTERNAL CONTROL SYSTEMS

Your company has an adequate system of internal controls, which ensures that its assets are protected from loss and unauthorized use as well as business affairs are carried out in

accordance with established internal controls. These systems of internal controls also ensures that transactions are carried out based on authority and are recorded and reported in line with generally accepted accounting principles. The company also has a system of regular internal audit carried out by competent professional retained by the company. The internal audit programme is approved by the audit committee, and findings of the internal auditor are placed before the audit committee, and the management implements the suggestions on weaknesses, if any, observed during the course of the internal audit. The company's implementation of SAP as ERP platform has also helped in establishing checks and exercise of timely controls.

7. FINANCIAL PERFORMANCE

For the year 2009-10, the total income at Rs. 687.32 crores was 6.88% lower over the previous year at standalone level, while consolidated income at Rs. 758.90 crores was 3.55% higher over the previous year. The stand alone profit before tax at Rs. 120.94 crores was 31.77% higher over the previous year, while profit after tax at Rs. 100.99 crores grew by 28.27% over the previous year. The consolidated profit before tax and consolidated profit after tax stood at Rs. 148.07 crores and Rs. 118.75 crores respectively. The interest cost at Rs. 8.94 crores was 28.20% lower compared to the previous year due to disciplined inventory and receivables management. Your company also repaid secured loans to the extent of Rs. 35.81 crores. This together with disciplined working capital management resulted in saving of Rs. 3.51 crores in interest cost. The financial performance of your company during 2009-10 on major parameters was as under:

| Parameter | 2009-10 | 2008-09 |
|--|---------------|---------|
| Profit before depreciation, interest & tax (as % to net sales) | 22.25% | 17.23% |
| Return on capital employed | 17.01% | 14.55% |
| Return on net worth | 16.47% | 14.80% |
| Earning per share (FV Rs. 2) (Rs.) | 11.98 | 9.34 |
| Book value (Rs.) | 72.74 | 63.09 |

8. HUMAN RESOURCE

The relationship with employees and workers continued to be cordial at all levels. As on March 2010, your company had employee strength of 2844.

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The company's philosophy on code of governance is aimed at assisting the management and the board of directors in efficient conduct of the business and in meeting its obligations to all stakeholders, and is guided by the principles of transparency, fairness, accountability and integrity. These practices endeavour to attain balance among enhancement of stakeholder value, achievement of financial objective and corporate social responsibility.

2. BOARD OF DIRECTORS

The strength of the board of directors of the company as

on year end was fourteen. Six directors, including Mr. Jyotindra B. Mody, Chairman & Managing Director, are executive directors, while eight directors are non-executive, of which seven are independent directors.

4 meetings of the board of directors were held during the year ended on March 31, 2010. These meetings were held on May 12, 2009, July 21, 2009, October 26, 2009 and January 28, 2010.

The information on composition and category of directors as well as attendance of each director at the meetings of the board of directors held during the year ended on March 31, 2010, last annual general meeting and their directorships/committee membership in other public companies as of date is as under:

| Name of director | Category | No. of board meetings attended | Attendance at last AGM | No. of other directorship(s) | Other committee position | |
|---|--------------------------------|--------------------------------|------------------------|------------------------------|--------------------------|----------|
| | | | | | Member | Chairman |
| Mr. Jyotindra B. Mody | Executive (Promoter) | 4 | Yes | 4 | – | – |
| Mr. Dinesh B. Mody | Executive (Promoter) | 4 | Yes | 3 | – | – |
| Mr. Shirish B. Mody | Executive (Promoter) | 4 | Yes | 3 | – | – |
| Mr. Bharat P. Mehta | Executive (Promoter Group) | 2 | Yes | 2 | – | – |
| Mr. Pranabh Mody | Executive (Promoter Group) | 4 | No | 3 | 1 | – |
| Mr. Kamlesh L. Udani | Executive | 4 | Yes | 6 | – | – |
| Dr. Rajen D. Shah | Non-executive (Promoter Group) | 4 | Yes | 3 | – | – |
| Mr. Bansi S. Mehta | Non-Executive & Independent | 4 | Yes | 14 | 5 | 4 |
| Mr. Durga Dass Chopra | Non-Executive & Independent | 4 | Yes | 2 | 1 | – |
| Mr. Vishnu D. Patel | Non-Executive & Independent | – | No | – | – | – |
| Dr. Satyanarain Agarwala (Alternate to Mr. Vishnu D. Patel) | Non-Executive & Independent | 4 | Yes | 1 | – | – |
| Dr. Niranjana N. Maniar | Non-Executive & Independent | 4 | Yes | – | – | – |
| Mr. Mahesh K. Shroff | Non-Executive & Independent | 4 | Yes | – | – | – |
| Mr. Rajiv C. Mody | Non-Executive & Independent | 1 | Yes | 4 | 2 | – |
| Mr. Rohan P. Shah | Non-Executive & Independent | – | No | 1 | – | – |

Notes:

- (1) The directorships exclude alternate directorships, directorships of private limited companies, bodies corporate incorporated outside India and those held in associations.
- (2) The committee positions pertain to position held on Audit Committee and Shareholders'/Investors Grievance Committee of public limited companies.

CORPORATE GOVERNANCE REPORT (CONTD.)

3. AUDIT COMMITTEE

The terms of reference of the audit committee are those prescribed under clause 49 of the listing agreement as well as under section 292A of the Companies Act, 1956.

The composition of the audit committee complies with the requirement laid down in clause 49 of the listing agreement. Mr. Banshi S. Mehta, Chartered Accountant, is Chairman of the audit committee, while Mr. D.D. Chopra, Mr. Dinesh B. Mody, Dr. S. Agarwala, Mr. Mahesh K. Shroff and Dr. N.N. Maniar are the other members of the audit committee. M.C. Mehta, Company Secretary, acts as secretary to the audit committee.

4 meetings of the committee were held during the year ended on March 31, 2010. These meetings were held on May 12, 2009, July 21, 2009, October 26, 2009 and January 28, 2010. The information with regard to attendance of the members is as under:

| Name | Position held | Category | No. of meetings attended |
|--|---------------|--------------------------------------|--------------------------|
| Mr. Banshi S. Mehta | Chairman | Non-executive & independent director | 4 |
| Mr. D. D. Chopra | Member | Non-executive & independent director | 4 |
| Mr. Dinesh B. Mody | Member | Executive director (Promoter) | 4 |
| Dr. Satyanarain Agarwala (w.e.f. 12/05/2009) | Member | Non-executive & independent director | 3 |
| Dr. N. N. Maniar | Member | Non-executive & independent director | 4 |
| Mr. Mahesh K. Shroff | Member | Non-executive & independent director | 4 |

The Chairman & Managing Director, President & Whole time director (Operations), finance head, statutory auditor and internal auditor have been regular invitees to the audit committee meetings.

4. REMUNERATION COMMITTEE AND DETAILS OF REMUNERATION

The company has set up a Remuneration Committee, which comprises of three Non-executive and independent directors namely Mr. Mahesh K. Shroff,

Chairman, and Mr. D. D. Chopra and Dr. N. N. Maniar, members. The terms of reference of the committee are to decide the remuneration of the executive directors. One meeting of the committee was held during the year, which was attended by all the members of the committee.

(i) Remuneration and shareholding of Non-executive directors

The non-executive directors at present are only paid sittings fees for attending meetings of the board and committee(s) thereof. Keeping in view industry practices being the criteria relied upon by the board, the board unanimously decides the amount of sitting fees to be paid from time to time, based on the power conferred by the Articles of Association of the company. The sitting fees presently fixed does not require prior approval of the shareholders. The information on amount of sitting fees paid to the non-executive directors for attending meetings of the board and committee(s) thereof held during the year ended on March 31, 2010 and the number of equity shares held by them in the company as of March 31, 2010 is as under:

| Name | Sitting Fees (Rs.) | No. of shares held |
|---|--------------------|--------------------|
| Mr. Banshi S. Mehta | 1,20,000 | 11,700 |
| Mr. D. D. Chopra | 1,25,000 | 2,96,930 |
| Dr. Satyanarain Agarwala (Alternate to Mr. Vishnu D. Patel) | 1,05,000 | 1,000 |
| Dr. N. N. Maniar | 1,21,000 | 15,000 |
| Mr. Mahesh K. Shroff | 1,25,000 | 53,505 |
| Mr. Rajiv C. Mody | 15,000 | — |
| Dr. Rajen D. Shah | 60,000 | 10,000 |

During the year under report, the non-executive directors neither had any other pecuniary relationship nor entered into any other transaction vis-à-vis the company. None of the non-executive directors, other than as stated above, hold any shares in the company.

CORPORATE GOVERNANCE REPORT (CONTD.)

(ii) Remuneration of Executive directors

The remuneration paid/payable to the executive directors of the company for the year ended on March 31, 2010 summarized under major elements is as under:

(Rs. in lakhs)

| Name | Salary & Allowances | Perquisites | Retiral benefits | Commission | Total |
|-----------------------|---------------------|-------------|------------------|------------|--------|
| Mr. Jyotindra B. Mody | 194.95 | 7.55 | 24.30 | 128.00 | 354.80 |
| Mr. Dinesh B. Mody | 194.70 | 7.80 | 24.30 | 128.00 | 354.80 |
| Mr. Shirish B. Mody | 189.00 | 13.50 | 24.30 | 128.00 | 354.80 |
| Mr. Bharat P. Mehta | 87.73 | 8.75 | 13.02 | — | 109.50 |
| Mr. Pranabh Mody | 86.93 | 9.55 | 13.36 | — | 109.84 |
| Mr. Kamlesh L. Udani | 57.00 | 1.20 | 8.53 | — | 66.73 |

Notes:

- (1) All the above remuneration components except commission are fixed in nature. The payment of commission is considered and approved by the remuneration committee and the board of directors, based on internal norms for assessing the performance of executive directors that includes the company's strategic business plans, current market trends and contribution of the executive directors in achieving the objectives of the company. In respect of the commission, provision has been made in the accounts for the year ended on March 31, 2010.
- (2) As per the company's Employee Stock Option Scheme, a director in employment of the company is not eligible to receive options under the Scheme.
- (3) The appointment of each executive director is for a period of five years from the respective date of appointment.
- (4) The company has entered into contract with each executive director setting out terms and conditions of appointment, which contract can be terminated by either party by giving three months notice to the other. The contract so entered into does not provide for payment of severance fees.

5. SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE

The Shareholders/Investors Grievance committee comprises of Mr. Mahesh K. Shroff, who is Chairman of the committee, and Mr. D. D. Chopra, Mr. Jyotindra B. Mody and Mr. Dinesh B. Mody are the other members of the committee. M. C. Mehta, Company Secretary acts as secretary to the committee, and is the compliance officer.

The complaints received from the investors are being regularly attended to and are believed to be resolved to their satisfaction. The status of the investors' complaints is reviewed by the Investors Grievance Committee generally on quarterly basis. During the year ended on March 31, 2010, the company received 43 investor complaints, all of which have been attended to before the end of the year, and believed to have been resolved to the satisfaction of the investors.

The board of directors, in order to expedite share transfers, has delegated the power of share transfer to the committee of directors, which meets every fortnight to consider and approve the transfer of shares in physical form. During the year ended on March 31, 2010, the company received 32 share transfer requests for transfer of 45,710 shares held in physical form. All these share transfers have been timely processed. No valid share transfer request received during the year was pending as on the year end.

CORPORATE GOVERNANCE REPORT (CONTD.)

6. GENERAL BODY MEETINGS

The information relating to the location and time of last three annual general meetings and the special resolutions passed thereat is as under:

| Year | Location | Date | Time | Whether any special resolution passed |
|---------|---|---------------|-----------|---|
| 2006-07 | Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai – 400020 | July 27, 2007 | 3.30 p.m. | Yes. One special resolution passed. |
| 2007-08 | Patkar Hall, New Marine Lines, Mumbai - 400 020 | July 18, 2008 | 3.30 p.m. | Yes. Seven special resolutions passed. |
| 2008-09 | Patkar Hall, New Marine Lines, Mumbai - 400 020 | July 13, 2009 | 3.30 p.m. | None. |

The company has neither passed any special resolution through postal ballot during 2009-10 nor at present proposes to pass any special resolution through postal ballot during the current year.

7. DISCLOSURES

- The company has not entered into any materially significant related party transactions with its promoters, directors or management or their relatives etc. that may have potential conflict with the interest of the company at large.
- To the best of the company's knowledge, there has been no incidence of non-compliance with requirement of stock exchange, SEBI or other statutory authority, on matters relating to capital markets during last three years. During the last three years, no penalty or stricture has been imposed on the company by the stock exchanges, SEBI or any statutory authority on any matter related to capital market.
- The board of directors has laid down the code of conduct for directors and senior management personnel including all functional heads, which they are bound to observe in the course of conduct of business of the company. This code of conduct has been posted on the website of the company. Each director of the company and senior management personnel including all functional heads, to whom the code has been made applicable, have affirmed their compliance with the code. A declaration by Mr. Jyotindra B. Mody, Chairman & Managing Director, to this effect forms part of this report.
- The company has not established formal whistle blower policy mechanism. However, no personnel of the company have been denied any access to the audit committee.
- Mr. Jyotindra Mody, Mr. Dinesh Mody and Mr. Shirish Mody are related to each other as brothers. Mr. Bharat Mehta is related to Mr. Jyotindra Mody as son-in-law. Mr. Pranabh Mody is son of Mr. Dinesh Mody. Dr. Rajen D. Shah is related to Mr. Shirish Mody as son-in-law.
- The company is in compliance with all the mandatory requirements of clause 49 of the listing agreement. The status on adoption of non-mandatory requirement is set out in this report.

8. MEANS OF COMMUNICATION

The quarterly results are generally published in Business Standard and Sakal, and also displayed on the company's website www.jbcpl.com. The official news releases are also displayed on the company's website. During the year, the company has not made any presentation to institutional investors or to the analysts.

CORPORATE GOVERNANCE REPORT (CONTD.)

9. GENERAL SHAREHOLDER INFORMATION

| | | | |
|---|---|---|--|
| AGM: Date, Time and Venue | July 23, 2010 at 3.00 p.m. at Rama Watumull Auditorium, K. C. College, Dinshaw Wacha Road, Churchgate, Mumbai – 400020 | Distribution of Shareholding as on 31-03-2010. | Annexure C. |
| Date of Book Closure | July 19, 2010 to July 23, 2010 (both days inclusive). | Shareholding pattern | Annexure D. |
| Dividend Payment Date | On or before August 21, 2010. | Dematerialization of shares | Annexure D. |
| Financial year | April to March | Outstanding GDR/ADR/ Warrants or any convertible instruments, conversion date and impact on equity. | The company has not issued any GDRs/ADRs/warrants or any other convertible instrument. |
| Listing on Stock Exchanges | -Bombay Stock Exchange Limited -National Stock Exchange of India Limited The company has paid the annual listing fees for the period 1 st April, 2010 to 31 st March, 2011 to both the stock exchanges. | Plant Locations | Plot No. 215 to 219, 304 to 310 and 4 & 5, Phase IV, GIDC Industrial Area, Panoli 394 116, Gujarat. Plot No.128/1, 128/1/1, 128/2, 129/1 & 129/B1, GIDC Industrial Area, Ankleshwar 393 002, Gujarat. Survey No. 101/2 & 102/1, Daman Industrial Estate, Airport Road, Kadaiya, Daman 396 210. Plot No.P-10, Shiv Mahape P.O. Gansoli, Thane Belapur Road, Navi Mumbai 400 701. |
| Stock Code | BSE: 506943 NSE: JBCHEPHARM | Address for correspondence | Neelam Centre, 'B' Wing, 4 th Floor, Hind Cycle Road, Worli, Mumbai - 400 030 Tel. No.(022) 3045 1200 / 500 Fax No.(022) 2493 0534 / 2493 9633 E-mail: secretarial@jbcpl.com |
| ISIN | The ISIN no. for dematerialization of the company's shares with NSDL and CDSL is INE572A01028. | | The investors may register their grievance on investorelations@jbcpl.com, an exclusive e-mail ID for registration of complaints by the investors. |
| Market Price Data | Annexure A | | |
| Performance in comparison to BSE Sensex | Annexure B | | |
| Registrar and Transfer Agents | Datamatics Financial Services Ltd. Plot No.A/16 & 17 MIDC, Part B Cross Lane, Marol, Andheri (E), Mumbai - 400 093. Tel. No.: (022) 6671 2151 - 56 Fax No.: (022) 2832 0382 Email: corpequity@dfssl.com | | |
| Share Transfer System | The share transfer committee comprising four members of the board meets on fortnightly basis to consider and approve transfer of shares. | | |

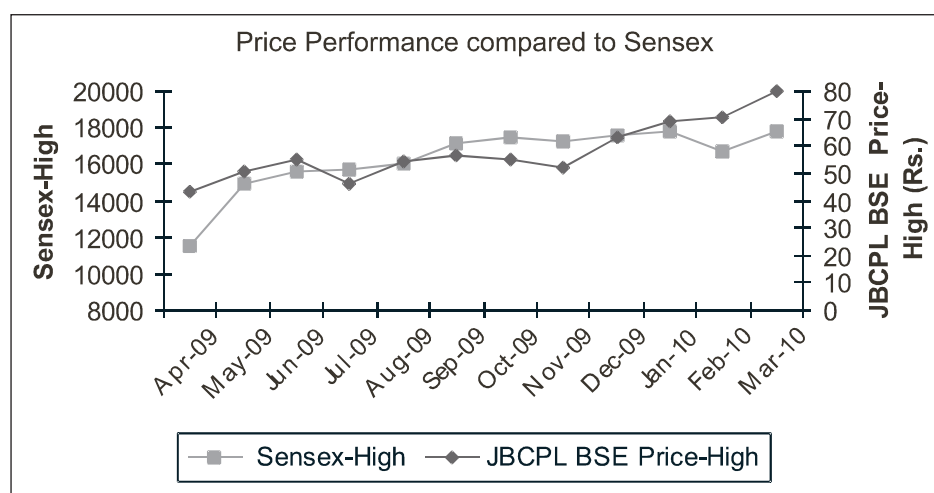
CORPORATE GOVERNANCE REPORT (CONTD.)

Annexure A

The high and low prices of the company's equity shares (of face value of Rs. 2 each) on Bombay Stock Exchange Limited (BSE) and on National Stock Exchange of India Ltd. (NSE) during the financial year 2009-10 were as under:

| Month | BSE | | NSE | |
|-----------------|------------|-----------|------------|-----------|
| | High (Rs.) | Low (Rs.) | High (Rs.) | Low (Rs.) |
| April, 2009 | 43.55 | 36.50 | 43.90 | 30.75 |
| May, 2009 | 50.80 | 38.25 | 50.90 | 36.30 |
| June, 2009 | 54.90 | 39.10 | 54.70 | 36.00 |
| July, 2009 | 46.20 | 37.00 | 48.00 | 33.50 |
| August, 2009 | 54.35 | 42.90 | 54.40 | 40.25 |
| September, 2009 | 56.85 | 47.10 | 56.80 | 48.30 |
| October, 2009 | 55.25 | 47.25 | 59.80 | 47.30 |
| November, 2009 | 51.75 | 45.50 | 51.65 | 45.65 |
| December, 2009 | 63.20 | 49.55 | 63.25 | 49.75 |
| January, 2010 | 69.30 | 53.00 | 69.20 | 57.50 |
| February, 2010 | 70.30 | 60.30 | 70.45 | 60.30 |
| March, 2010 | 79.70 | 63.90 | 79.75 | 63.00 |

Annexure B



CORPORATE GOVERNANCE REPORT (CONTD.)

Annexure C

Distribution of shareholding as on March 31, 2010 is as under:

| Range of equity shares held | No. of holders | % of share holders | No. of equity shares held | % of capital |
|-----------------------------|----------------|--------------------|---------------------------|---------------|
| Upto 500 | 23323 | 74.02 | 4203247 | 4.98 |
| 501 – 1000 | 3373 | 10.70 | 2857977 | 3.39 |
| 1001 – 2000 | 2464 | 7.82 | 3909671 | 4.64 |
| 2001 – 3000 | 1074 | 3.41 | 2792176 | 3.31 |
| 3001 – 4000 | 383 | 1.22 | 1381816 | 1.64 |
| 4001 – 5000 | 266 | 0.84 | 1262691 | 1.50 |
| 5001 – 10000 | 355 | 1.13 | 2599270 | 3.08 |
| 10000 – 50000 | 200 | 0.63 | 3952605 | 4.69 |
| 50001 and above | 74 | 0.23 | 61366897 | 72.77 |
| Total | 31512 | 100.00 | 84326350 | 100.00 |

Annexure D

Shareholding pattern as on March 31, 2010 is as under:

| Category | No. of shares | % holding |
|--|-----------------|---------------|
| Promoters & Promoters Group | 46855740 | 55.57 |
| Other Directors & their relatives | 459165 | 0.54 |
| Mutual Funds, Banks & Insurance Companies | 2512212 | 2.98 |
| Foreign Institutional Investors (FIIs)/OCB | 965022 | 1.14 |
| NRIs | 1468563 | 1.74 |
| Domestic Companies | 3119625 | 3.70 |
| Resident individuals | 28946023 | 34.33 |
| Total | 84326350 | 100.00 |

Dematerialization of shares:

| Category | No. of shares | % of shares | No. of Shareholders | % of Shareholders |
|-----------------|-----------------|---------------|---------------------|-------------------|
| Electronic Form | 82105109 | 97.37 | 29701 | 94.25 |
| Physical Form | 2221241 | 2.63 | 1811 | 5.75 |
| Total | 84326350 | 100.00 | 31512 | 100.00 |

CORPORATE GOVERNANCE REPORT (CONTD.)

NON-MANDATORY REQUIREMENTS

- **The Board**

The chairman of the company is executive and hence the provision with regard to maintenance of chairman's office as contained in the non-mandatory requirement is not relevant. All independent directors significantly contribute to the deliberation of the board and direction of the company irrespective of duration of their tenure. The non-mandatory condition that independent directors may have a tenure not exceeding, in the aggregate, a period of nine years, on the board of a company will be considered when deemed fit by the board of the company. The board takes into account qualification and experience of independent director, which would be of use to the company and which would enable him to contribute to the company in his capacity as independent director.

- **Remuneration Committee**

The company has set up Remuneration Committee comprising of three independent directors, which determines remuneration payable to the executive directors of the company.

- **Shareholders rights**

The half yearly financial results are published in the news papers as mentioned above as well as posted on the company's website. The significant events, if any, too are posted on the company's website and in view of this, summary of such events is not separately sent to the shareholders.

- **Training and Evaluation**

The training of board members and evaluation of performance of non-executive directors as envisaged under clause 49 of the listing agreement will be considered as and when such need arises.

- **Whistle Blower Policy**

The company at present has not established formal whistle blower policy mechanism. However, no personnel of the company have been denied any access to the audit committee.

DECLARATION

I hereby declare that the directors and senior management personnel including all functional heads of the company have affirmed compliance with the code of conduct for the year ended on March 31, 2010.

For and on behalf of the Board of Directors

Place: Mumbai
Date : May 5, 2010

J. B. Mody
Chairman & Managing Director

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of
J.B. Chemicals & Pharmaceuticals Ltd.

We have examined the compliance of conditions of corporate governance by J. B. Chemicals & Pharmaceuticals Ltd., for the year ended on 31st March, 2010, 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 procedures 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 above mentioned listing agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2010, no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company which are presented to the Shareholders/Investors 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 **J. K. SHAH & CO.**
Chartered Accountants
Firm Registration No. : 109606W

Place: Mumbai
Date : May 5, 2010

J. K. SHAH
Partner
Membership No. 3662

AUDITOR'S REPORT

TO,
THE MEMBERS OF
J. B. CHEMICALS & PHARMACEUTICALS LTD.

1. We have audited the attached Balance Sheet of J. B. Chemicals & Pharmaceuticals Ltd. as at 31st March, 2010, the Profit and Loss account and also Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the accounting 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 (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, and on the basis of the information and explanation given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comment in the Annexure referred to above, we report that:
 - a. We have obtained all the information and explanation, 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, 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 Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable;
 - e. On the basis of written representation received from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f. In our opinion and to the best of our information and according to the explanation given to us, the said accounts, read together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the balance sheet, of the state of affairs of the company as at 31st March, 2010;
 - ii. in the case of the profit and loss account, of the profit for the year ended on that date; and
 - iii. in the case of cash flow statement, of the cash flow for the year ended on that date.

For **J. K. SHAH & CO.**
Chartered Accountants
Firm Registration No. : 109606W

J. K. SHAH
Partner
Membership No. 3662

Place: Mumbai
Date : May 5, 2010.

ANNEXURE TO THE AUDITOR'S REPORT

(as referred to in paragraph 3 of our report of even date)

- 1) a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) These fixed assets have been physically verified by the management at regular interval considering the size of the company and nature of assets. No material discrepancies have been noticed on such verification.
- c) No disposal of a substantial part of fixed assets of the company has taken place during the year.
- 2) a) As explained to us, the inventories were physically verified by the management at reasonable intervals during the year.
- b) In our opinion and according to the information and explanation given to us, 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.
- c) In our opinion and according to the information and explanation given to us, the company has maintained proper records of its inventories and the discrepancies noticed on physical verification between physical stock and the book records were not material and have been adequately dealt with in the books of account.
- 3) a) According to information and explanation given to us, the company has, during the year, not granted any loan secured or unsecured to the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4 (iii) (a), (b), (c) and (d) of the Order, are not applicable.
- b) According to information and explanation given to us, the company had, taken unsecured loans from eight companies covered in the register maintained under section 301 of the Companies Act, 1956. The year end balance is Rs. 1781.50 lacs and the maximum amount involved at any time during the year is Rs. 1781.50 lacs. The rate of interest and other terms and conditions are not prima facie prejudicial to the interest of the company. The payment of principal amount and interest are also regular.
- 4) The company has adequate internal control procedure commensurate with the size of the company and nature of its business with regard to purchase of inventories and fixed assets and for sale of goods and services. We have not come across any major weakness in internal control.
- 5) a) To the best of our knowledge and belief, and according to information and explanation given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register maintained under that section.
- b) The transaction of purchase of goods and material and sale of goods, material and services, made in pursuance of contracts or arrangements entered in the Register maintained under section 301 of the Act and exceeding the value of rupees five lacs 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.
- 6) In our opinion and according to the information and explanation given to us, the company has complied with the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA or any other relevant provisions of the Act and rules framed there under, with regard to the deposits accepted from the public.
- 7) The company has appointed a firm of Chartered Accountants to carry out its internal audit function. In our opinion, the internal audit system is commensurate with the size of the company and nature of its business.
- 8) We have broadly reviewed the books of account maintained by the company, pursuant to the rules made by the Central Government for the maintenance of cost records, under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have generally been maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- 9) a) According to the records of the company, the company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities. According to the information and explanation given to us, there are no undisputed amounts payable in respect of such statutory dues

ANNEXURE TO THE AUDITOR'S REPORT (CONTD.)

(as referred to in paragraph 3 of our report of even date)

which have remained outstanding as at 31st March, 2010 for a period of more than six months from the day they became payable.

- b) According to information and explanation given to us, details of disputed Sales Tax demand aggregating that have not been deposited on account of disputes are given below:

| Name of Statute | Nature of Dues | Amount (Rs. in lakhs) | Period to which amount relates | Forum where dispute pending |
|--------------------------|---------------------|-----------------------|--------------------------------|-----------------------------|
| The UP Sales Tax Act | Sales Tax | 5.23 | 2000-2001 | Commissioner (Appeals) |
| The UP Sales Tax Act | Sales Tax | 0.25 | 1992-1993 | Supreme Court of India |
| Central Excise Act, 1944 | Excise Duty Penalty | 8.07 | May 2001 -Nov2001 | CESTAT |

- 10) The company has no accumulated losses and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- 11) The company has not defaulted in repayment of dues to any Banks.
- 12) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- 13) The provisions of any Special Statute applicable to Chit Funds, Nidhis or Mutual Benefit Funds / Societies are not applicable to the company.
- 14) The company is not dealing in or trading in shares, securities, debentures, or other investments and hence, requirement of paragraph 4(xiv) are not applicable to the company.
- 15) According to the information and explanation given to us, the guarantee given by the company for loan taken by its subsidiary from a bank in the preceding year existed during the year till the repayment of loan by the said subsidiary. The terms and conditions whereof, in our opinion, have not been prima facie prejudicial to the interest of the company.
- 16) In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purpose for which they were obtained.
- 17) According to the Cash Flow Statement and other records examined by us and on the basis of information and explanation given to us, on an overall basis, funds raised on Short Term basis have, prima facie, not been used during the year for Long Term investment.
- 18) During the year, the company has not issued and allotted any shares to parties and companies covered in the register maintained u/s 301 of the Companies Act, 1956.
- 19) Since the company does not have any debentures, the question of creation of securities for debentures does not arise.
- 20) Since the company has not raised money by Public Issue, clause (xx) of the Order is not applicable.
- 21) 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 was noticed or reported during the year.

For **J. K. SHAH & CO.**
Chartered Accountants
Firm Registration No. : 109606W

J. K. SHAH
Partner
Membership No. 3662

Place: Mumbai
Date : May 5, 2010.

BALANCE SHEET AS AT MARCH 31, 2010

(Rs. in lakhs)

| Particulars | Schedule | Current Year | | Previous Year | |
|---|----------|--------------|-----------|---------------|-----------|
| SOURCES OF FUNDS : | | | | | |
| Shareholders' Funds | | | | | |
| Share Capital | I | 1,686.53 | 61,337.14 | 1,686.53 | 53,205.45 |
| Reserves and Surplus | II | 59,650.61 | | 51,518.92 | |
| | | | | | |
| Loan Funds | | | | | |
| Secured Loans | III | 9,849.14 | 13,620.08 | 13,429.80 | 17,068.81 |
| Unsecured Loans | IV | 3,770.94 | | 3,639.01 | |
| | | | | | |
| Deferred Tax Liability (Net) | | | 1,423.99 | | 1,344.51 |
| Total | | | 76,381.21 | | 71,618.77 |
| APPLICATION OF FUNDS : | | | | | |
| Fixed Assets | | | | | |
| Gross Block | V | 35,770.80 | 21,807.85 | 34,017.96 | 22,747.69 |
| Less : Depreciation/Amortisation | | 13,970.97 | | 11,939.76 | |
| Net Block | | 21,799.83 | | 22,078.20 | |
| Realisable value of Impaired Assets | | 8.02 | | 8.02 | |
| Capital Work-in-progress | | — | | 661.47 | |
| Investments | VI | | 6,246.43 | | 4,559.44 |
| Current Assets, Loans and Advances | | | | | |
| Inventories | VII | 5,640.84 | | 5,517.99 | |
| Sundry Debtors | | 40,727.14 | | 37,449.92 | |
| Cash and Bank Balances | | 7,056.63 | | 4,145.45 | |
| Loans and Advances | | 5,550.89 | | 5,146.99 | |
| | | 58,975.50 | | 52,260.35 | |
| Less : Current Liabilities and Provisions | | | | | |
| Current Liabilities | VIII | 7,320.67 | | 5,846.39 | |
| Provisions | | 3,327.90 | | 2,102.32 | |
| | | 10,648.57 | | 7,948.71 | |
| Net Current Assets | | | 48,326.93 | | 44,311.64 |
| Total | | | 76,381.21 | | 71,618.77 |
| Significant Accounting Policies and Notes on Accounts | XVI | | | | |

As per our report of even date

For J. K. Shah & Co.
Chartered Accountants

J. K. Shah
Partner
Membership No. 3662

Place : Mumbai
Date : May 5, 2010

For and on behalf of the Board of Directors

J. B. Mody
Chairman & Managing Director

S. B. Mody
Whole time Director (Marketing)

D. B. Mody
Whole time Director (Administration)

M. C. Mehta
Company Secretary

Place : Mumbai
Date : May 5, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2010

(Rs. in lakhs)

| Particulars | Schedule | Current Year | | Previous Year | |
|---|----------|--------------|-----------|---------------|-----------|
| INCOME : | | | | | |
| Sales | IX | 67,006.45 | | 72,315.53 | |
| Other Income | X | 1,726.39 | | 1,496.57 | |
| Total | | | 68,732.84 | | 73,812.10 |
| EXPENDITURE : | | | | | |
| (Increase)/decrease in stock in trade | XI | (321.94) | | 585.00 | |
| Consumption of raw and packing material | XII | 16,126.49 | | 15,869.86 | |
| Purchase of traded goods | XIII | 4,410.23 | | 5,505.45 | |
| Employees cost | XIV | 9,846.93 | | 9,340.88 | |
| Operating & Other Expenses | XV | 24,454.46 | | 31,295.57 | |
| Depreciation / Amortisation | V | 2,122.25 | | 2,037.26 | |
| Total | | | 56,638.42 | | 64,634.02 |
| Profit Before Taxation | | | 12,094.42 | | 9,178.08 |
| Less : Taxation | | | | | |
| Current Tax | | | 2,057.00 | | 1,905.00 |
| Earlier years' Income Tax | | | (151.79) | | (612.20) |
| Deferred Tax | | | 79.48 | | (121.59) |
| Fringe Benefit Tax | | | — | | 125.00 |
| Wealth Tax | | | 10.00 | | 8.25 |
| Profit After Taxation | | | 10,099.73 | | 7,873.62 |
| Add : Balance brought forward from earlier years | | | 8,099.68 | | 2,000.00 |
| Available for Appropriation | | | 18,199.41 | | 9,873.62 |
| Appropriation: | | | | | |
| Proposed Dividend | | 1,687.38 | | 843.27 | |
| Tax on Proposed Dividend | | 280.24 | | 143.31 | |
| General Reserve | | 1,009.97 | | 787.36 | |
| | | | 2,977.59 | | 1,773.94 |
| Balance carried forward to Balance Sheet | | | 15,221.82 | | 8,099.68 |
| | | | 18,199.41 | | 9,873.62 |
| Earning Per Share (Rs.) | | | | | |
| Basic EPS | | | 11.98 | | 9.34 |
| Diluted EPS | | | 11.98 | | 9.34 |
| Significant Accounting Policies and Notes on Accounts | XVI | | | | |

As per our report of even date

For J. K. Shah & Co.
Chartered Accountants

J. K. Shah
Partner
Membership No. 3662

Place : Mumbai
Date : May 5, 2010

For and on behalf of the Board of Directors

J. B. Mody
Chairman & Managing Director

S. B. Mody
Whole time Director (Marketing)

D. B. Mody
Whole time Director (Administration)

M. C. Mehta
Company Secretary

Place : Mumbai
Date : May 5, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31, 2010

| | | (Rs. in lakhs) | | |
|--|--------------|-------------------|---------------|------------|
| Particulars | Current Year | | Previous Year | |
| A. Cash Flow from Operating Activities | | | | |
| Net Profit before Tax and Extraordinary items | | 12,094.42 | | 9,178.08 |
| Adjustment For : | | | | |
| Depreciation | 2,122.25 | | 2,037.26 | |
| Foreign Exchange Fluctuation (Net) | (1,250.80) | | 1,364.08 | |
| Interest Paid | 1,130.30 | | 1,488.97 | |
| Loss on Sale/Discard of Assets (Net) | 21.33 | | 3.18 | |
| Loss on Sale of Investments (Net) | 91.94 | | — | |
| Bad Debts | 131.75 | | 1,152.39 | |
| Interest Received | (168.25) | | (158.21) | |
| Dividend Received | (26.35) | | (20.52) | |
| Deferred Employee Compensation cost | (0.42) | | (0.18) | |
| Impairment of Fixed Assets | — | | 42.44 | |
| Provision for Diminution in value of Investment | 41.86 | | 12.00 | |
| Provision for Doubtful debts | — | 2,093.61 | 25.00 | 5,946.41 |
| Operating Profit Before Working Capital Changes | | 14,188.03 | | 15,124.49 |
| Adjustment For : | | | | |
| Trade and Other Receivables | (2,840.81) | | (5,644.09) | |
| Inventories | (122.85) | | 993.35 | |
| Trade Payable | 1,790.27 | (1,173.39) | 450.10 | (4,200.64) |
| Cash Generated From Operations | | 13,014.64 | | 10,923.85 |
| Direct Taxes Paid (including Fringe Benefit Tax) (net) | | (2,097.62) | | (1,073.56) |
| Net Cash from Operating Activities | | 10,917.02 | | 9,850.29 |
| B. Cash Flow from Investing Activities | | | | |
| Purchase of Fixed Assets | (1,234.61) | | (1,511.87) | |
| Sale of Fixed Assets | 30.87 | | 34.26 | |
| Purchase of Investment | (2,084.55) | | (280.89) | |
| Sale of Investment | 263.76 | | — | |
| Interest Received | 63.15 | | 69.88 | |
| Dividend Received | 26.35 | | 20.52 | |
| Net Cash used in Investing Activities | | (2,935.03) | | (1,668.10) |
| C. Cash Flow from Financing Activities | | | | |
| Proceeds/(Repayment) from/of Short Term Borrowing (Net) | (1,221.57) | | (3,544.19) | |
| Proceeds/(Repayment) from/of Long Term Borrowing (Net) | (1,690.67) | | — | |
| Interest Paid | (1,174.92) | | (1,447.01) | |
| Dividend Paid (Including Dividend Distribution Tax) | (983.65) | | (496.22) | |
| Net Cash Used in Financing Activities | | (5,070.81) | | (5,487.42) |
| Net Increase in Cash and Cash Equivalents | | 2,911.18 | | 2,694.77 |
| Cash and Cash Equivalents as at 01.04.09 (Refer Schedule No. VII) | 4,145.45 | | 1,450.68 | |
| Cash and Cash Equivalents as at 31.03.10 (Refer Schedule No. VII) | 7,056.63 | 2,911.18 | 4,145.45 | 2,694.77 |

Notes : 1) The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on "Cash Flow Statement".
2) Previous year's figures are regrouped / reclassified wherever necessary in order to conform to current year's groupings and classifications.

As per our report of even date

For J. K. Shah & Co.
Chartered Accountants

J. K. Shah
Partner
Membership No. 3662

Place : Mumbai
Date : May 5, 2010

For and on behalf of the Board of Directors

J. B. Mody
Chairman & Managing Director

S. B. Mody
Whole time Director (Marketing)

D. B. Mody
Whole time Director (Administration)

M. C. Mehta
Company Secretary

Place : Mumbai
Date : May 5, 2010

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010

| | | (Rs. in lakhs) |
|--|------------------|----------------|
| Particulars | Current Year | Previous Year |
| SCHEDULE-I | | |
| SHARE CAPITAL | | |
| Authorised : 10,00,00,000 (Previous year 10,00,00,000) Equity shares of Rs. 2/- each | 2,000.00 | 2,000.00 |
| Issued, Subscribed and paid up : 8,43,26,350 (Previous year 8,43,26,350) Equity Shares of Rs. 2/- each fully paid | 1,686.53 | 1,686.53 |
| of the above : a) 1,55,34,000 Equity Shares of Rs. 2/- each have been issued for consideration other than cash. b) 4,64,02,500 Equity Shares of Rs. 2/- each were allotted as fully paid up bonus shares by capitalization of Securities Premium, General Reserve and Export Profit Reserve. c) 1,31,350 Equity Shares of Rs. 2/- each have been issued pursuant to Employees Stock Option Scheme. | | |
| | 1,686.53 | 1,686.53 |
| SCHEDULE-II | | |
| RESERVES AND SURPLUS | | |
| Capital Reserve (Reserves transferred from amalgamating company): | | |
| Investment Allowance Reserve (utilised) | 34.86 | 34.86 |
| Capital Reserve | 63.53 | 63.53 |
| Cash Subsidy | 1.98 | 1.98 |
| | 100.37 | 100.37 |
| Capital Reserve | 4.21 | 4.21 |
| Cash Subsidy | 85.66 | 85.66 |
| Contingency Reserve | 520.00 | 520.00 |
| Securities Premium | 4,536.69 | 4,536.69 |
| General Reserve | | |
| As per last Balance Sheet | 38,128.01 | 37,340.65 |
| Add: Transfer from Profit & Loss A/c | 1,009.97 | 787.36 |
| | 39,137.98 | 38,128.01 |
| Balance in Profit and Loss Account | 15,221.82 | 8,099.68 |
| Employee Stock Option | | |
| Employee Stock Options Outstanding | 43.88 | 45.23 |
| Less: Deferred Employee Compensation | – | 0.93 |
| | 43.88 | 44.30 |
| | 59,650.61 | 51,518.92 |

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010

(Rs. in lakhs)

| Particulars | Current Year | Previous Year |
|--|-----------------|---------------|
| SCHEDULE-III | | |
| SECURED LOANS | | |
| From Banks | | |
| <u>Working Capital Borrowings:</u> | | |
| Foreign Currency Loans | 6,353.35 | — |
| Rupee Loans | 502.46 | 8,357.80 |
| <u>Long Term Foreign Currency Loan:</u> | | |
| External Commercial Borrowing | 2,993.33 | 5,072.00 |
| Notes : | | |
| 1) Working capital borrowings from the banks are secured by first charge on pari passu basis by way of hypothecation of the company's current assets both present and future and by way of joint equitable mortgage of the company's immovable properties situated at Thane and Belapur in the State of Maharashtra, Ankleshwar & Panoli (except for movable fixed assets exclusively hypothecated towards External Commercial Borrowing) in the State of Gujarat and Daman in the Union Territory of Daman. | | |
| 2) The External Commercial Borrowing is secured by exclusive charge by way of hypothecation of the company's movable fixed assets (including movable plant and machinery) both present and future at new plant at Plot No. 4, GIDC Phase IV, Panoli, Gujarat. | | |
| | 9,849.14 | 13,429.80 |
| SCHEDULE-IV | | |
| UNSECURED LOANS | | |
| Interest free advance from Directors | 1.50 | 1.50 |
| Fixed Deposit from Public & Shareholders (Includes Rs. 178.16 (Previous year Rs. 182.66) received from Directors) (Due within one year Rs. 375.40, Previous year Rs. 378.46) | 1,647.34 | 1,534.58 |
| Deposit from Distributors / Customers | 275.25 | 239.75 |
| Inter Corporate Deposits | 1,781.50 | 1,781.50 |
| Sales Tax Deferral (Due within one year Rs. 16.34, Previous year Rs. 16.34) | 65.35 | 81.68 |
| | 3,770.94 | 3,639.01 |

SCHEDULE-V

FIXED ASSETS

(Rs. in lakhs)

| Sr. No | Description of Assets | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|--------|-----------------------|------------------|---------------------------|------------|------------------|------------------|--------------|---------------|------------------|------------------|------------------|
| | | As at 01.04.2009 | Additions during the year | Deductions | As at 31.03.2010 | As at 01.04.2009 | For the year | On Deductions | As at 31.03.2010 | As at 31.03.2010 | As at 31.03.2009 |
| A) | Tangible : | | | | | | | | | | |
| 1 | Land (Freehold) | 59.34 | — | — | 59.34 | — | — | — | — | 59.34 | 59.34 |
| 2 | Land (Leasehold) | 409.58 | — | — | 409.58 | 57.22 | 3.84 | — | 61.06 | 348.52 | 352.36 |
| 3 | Factory Buildings | 9,118.94 | 128.22 | — | 9,247.16 | 1,756.41 | 305.69 | — | 2,062.10 | 7,185.06 | 7,362.53 |
| 4 | Buildings (Note 1) | 621.83 | 112.88 | — | 734.71 | 137.84 | 10.65 | — | 148.49 | 586.22 | 483.99 |
| 5 | Plant & Machinery | 18,933.13 | 1,265.76 | 10.54 | 20,188.35 | 8,174.30 | 1,204.83 | 9.53 | 9,369.60 | 10,818.75 | 10,758.83 |
| 6 | Office Equipments | 476.09 | 78.39 | — | 554.48 | 204.26 | 156.91 | — | 361.17 | 193.31 | 271.83 |
| 7 | Furniture & Fixtures | 1,000.33 | 30.06 | — | 1,030.39 | 456.48 | 56.08 | — | 512.56 | 517.83 | 543.85 |
| 8 | Air conditioners | 1,595.57 | 37.70 | — | 1,633.27 | 544.65 | 127.19 | — | 671.84 | 961.43 | 1,050.92 |
| 9 | Vehicles | 1,458.50 | 239.09 | 132.70 | 1,564.89 | 510.37 | 141.76 | 81.51 | 570.62 | 994.27 | 948.13 |
| B) | Intangible : | | | | | | | | | | |
| 1 | Acquired Software | 344.65 | 3.98 | — | 348.63 | 98.23 | 115.30 | — | 213.53 | 135.10 | 246.42 |
| | Current Year's Total | 34,017.96 | 1,896.08 | 143.24 | 35,770.80 | 11,939.76 | 2,122.25 | 91.04 | 13,970.97 | 21,799.83 | 22,078.20 |
| | Previous Year's Total | 33,146.53 | 1,079.02 | 207.59 | 34,017.96 | 10,022.20 | 2,037.26 | 119.70 | 11,939.76 | 22,078.20 | 23,124.33 |

Notes :

- Value of buildings includes a sum of Rs. 3000/- being the cost of shares in the societies.
- No depreciation has been claimed on assets to the extent of CENVAT claimed.
- Deduction in previous year includes adjustment on account of impairment.

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010

| | | (Rs. in lakhs) | |
|--|-----------------|-----------------|--|
| Particulars | Current Year | Previous Year | |
| SCHEDULE-VI | | | |
| INVESTMENTS | | | |
| <u>Long Term (At Cost, Unless otherwise stated) :</u> | | | |
| i) In Government Securities : | | | |
| National Saving Certificates (Pledged with Government Authorities) | 0.66 | 0.54 | |
| ii) In Fully Paid Equity Shares : | | | |
| Quoted - Trade : | | | |
| 25,000 (Previous year 1,20,000) Ordinary Shares of Spectrum Pharmaceuticals Inc. of US \$ 0.001 each (Market Value Rs. 51.74, Previous year Rs. 106.47) | 93.60 | 449.30 | |
| Unquoted - Trade : | | | |
| <u>In Subsidiary Companies :</u> | | | |
| 1,20,000 (Previous year 1,20,000) Equity Shares of Rs. 10/- each of J B Life Science Overseas Ltd. | 12.00 | 12.00 | |
| Investment in OOO Unique Pharmaceutical Laboratories - Russia (No. of shares are not denominated as per Law of Russian Federation) | 1,250.29 | 1,250.29 | |
| 51,78,600 (Previous year 51,37,600) Ordinary shares of US \$ 1 each of J.B. Healthcare Pvt. Ltd. | 2,304.60 | 2,285.58 | |
| 1,55,479 (Previous year 1,55,479) Equity shares of RON 10 each of Unique Pharmaceutical Laboratories S.R.L., Romania | 264.25 | 264.25 | |
| <u>Others:</u> | | | |
| 5,866 (Previous year 5,866) Equity Shares of Rs. 10/- each of Bharuch Enviro Infrastructure Ltd. | 0.59 | 0.59 | |
| 6,12,032 (Previous year 6,12,032) Equity Shares of Rs. 10/- each of Bharuch Eco-aqua Infrastructure Ltd. | 61.20 | 61.20 | |
| Unquoted - Non Trade : | | | |
| 20,000 (Previous year 20,000) Equity Shares of Enviro Technology Ltd. of Rs.10/- each | 2.00 | 2.00 | |
| 60,000 (Previous year 60,000) Equity Shares of Panoli Enviro Technology Ltd. of Rs. 10/- each | 6.00 | 6.00 | |
| 20,00,000 (Previous year 20,00,000) Equity Shares of Rs. 10/- each of Asian Heart Institute & Research Centre Pvt. Ltd. | 200.00 | 200.00 | |
| 2,40,000 (Previous year 2,40,000) Equity Shares of Rs. 10/- each of Raptim Research Ltd. | 24.00 | 24.00 | |
| 50,000 (Previous year Nil) Equity Shares of Rs. 10/- each of Ankleshwar Research & Analytical Infrastructure Ltd. | 5.00 | — | |
| iii) In Fully Paid Bonds / Mutual Fund Units : | | | |
| Unquoted : | | | |
| 126 (Previous year 126) Units of Rs. 10/- each of Unit Trust of India | 0.01 | 0.01 | |
| 2,000 (Previous year 2,000) Bonds of Rural Electrification Corporation of Rs. 10/- each | 0.20 | 0.20 | |
| 85,85,204.43 (Previous year Nil) Units of Rs. 10.0315 each of HDFC Cash Management Fund-Treasury Advantage Plan - Retail - Daily Dividend Option | 861.22 | — | |
| 11,48,785.38 (Previous year Nil) Units of Rs. 105.7350 each of ICICI Prudential Flexible Income Plan Premium - Daily Dividend Reinvestment | 1,214.67 | — | |
| iv) Share Application Money | — | 15.48 | |
| | 6,300.29 | 4,571.44 | |
| Less : Provision for diminution in value of investments | 53.86 | 12.00 | |
| | 6,246.43 | 4,559.44 | |
| Aggregate value of Investments : (Net of provision for diminution) | | | |
| Quoted | 51.74 | 449.30 | |
| Unquoted | 6,194.69 | 4,110.14 | |
| | 6,246.43 | 4,559.44 | |
| Aggregate market value of quoted investments | 51.74 | 106.47 | |
| Investments acquired and redeemed during the year: | NAV (Rs.) | Nos. (in lakhs) | |
| HDFC Cash Management Fund-Treasury Advantage Plan - Retail - Daily Dividend Option | 10.0315 | 113.64 | |
| ICICI Prudential Flexible Income Plan Premium - Daily Dividend Reinvestment | 105.7350 | 4.73 | |

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010

| | | (Rs. in lakhs) | |
|--|--------------|----------------|--|
| Particulars | Current Year | Previous Year | |
| SCHEDULE-VII | | | |
| CURRENT ASSETS, LOANS AND ADVANCES | | | |
| a) Inventories | | | |
| (As taken valued and certified by the Managing Director) | | | |
| Raw Material | 1,360.25 | 1,093.25 | |
| Packing Material | 1,090.17 | 1,210.24 | |
| Work-in-process | 832.20 | 551.39 | |
| Finished Goods (Stock in Transit Rs. 51.90, Previous year Rs. 22.35) | 2,343.25 | 2,648.04 | |
| Fuel | 14.97 | 15.07 | |
| | 5,640.84 | 5,517.99 | |
| b) Sundry Debtors | | | |
| (Unsecured, considered good unless stated otherwise) | | | |
| Debts outstanding for the period exceeding six months : | | | |
| Good | 15,887.53 | 13,897.10 | |
| Doubtful | – | 25.00 | |
| | 15,887.53 | 13,922.10 | |
| Other Debts, Considered Good | 24,839.61 | 23,552.82 | |
| | 40,727.14 | 37,474.92 | |
| Less : Provision for Doubtful Debts | – | 25.00 | |
| | 40,727.14 | 37,449.92 | |
| Note : The above includes: | | | |
| 1) Due from wholly owned subsidiaries Rs. 21,232.44 (Previous year Rs. 10,582.50) out of which outstanding over six months is Rs. 9,251.34 (Previous year Rs. 3,069.96). | | | |
| 2) Due from Joint Venture Rs. 742.62 (Previous year Rs. 1,200.33) out of which outstanding over six months is Rs. Nil (Previous year Rs. 417.58). | | | |
| c) Cash and Bank Balances | | | |
| Cash on Hand | 12.02 | 28.02 | |
| Balances with Scheduled Banks | | | |
| - In Current Accounts | 5,262.59 | 2,852.39 | |
| (Including unclaimed dividend Rs. 45.77, Previous year Rs. 42.84) | | | |
| - In Fixed Deposit | 1,362.77 | 681.49 | |
| Remittances in Transit | 209.09 | 300.10 | |
| | 6,834.45 | 3,833.98 | |
| Balances with Non-Scheduled Banks in Current Account | | | |
| a) JSC VTB Bank, Moscow | | | |
| (Maximum balance outstanding during the year Rs. 636.89, Previous year Rs. 390.69) | 197.10 | 271.72 | |
| b) Ukraine International Bank, Ukraine | | | |
| (Maximum balance outstanding during the year Rs. 117.52, Previous year Rs. 21.36) | 9.72 | 6.78 | |
| c) Uzbekistan International Bank, Uzbekistan | | | |
| (Maximum balance outstanding during the year Rs. 20.72, Previous year Rs. 6.44) | 2.77 | 4.38 | |
| | 209.59 | 282.88 | |
| Post Office Saving Account | 0.57 | 0.57 | |
| | 7,056.63 | 4,145.45 | |

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010

| | | (Rs. in lakhs) | |
|---|------------------|----------------|--|
| Particulars | Current Year | Previous Year | |
| d) Loans and Advances | | | |
| (Unsecured, Considered good, unless otherwise stated) | | | |
| i) Advances recoverable in cash or in kind or for value to be received | 4,123.09 | 3,363.38 | |
| ii) Loan to Subsidiary Companies | 334.99 | 88.52 | |
| iii) Advance to Suppliers | 260.93 | 421.73 | |
| iv) Loans to Employees | 171.79 | 189.74 | |
| (Refer Note No. 2.13(i) of Schedule XVI) | | | |
| v) Deposits | 468.16 | 438.77 | |
| (Refer Note No. 2.13(ii) of Schedule XVI) | | | |
| vi) Taxes paid (Net of Provisions) | 129.19 | 627.27 | |
| vii) Mat Credit Entitlements | 48.53 | — | |
| viii) Balance with Excise Authorities | 4.04 | 5.00 | |
| ix) Accrued interest on Deposit and others | 10.17 | 12.58 | |
| | 5,550.89 | 5,146.99 | |
| | 58,975.50 | 52,260.35 | |
| SCHEDULE-VIII | | | |
| CURRENT LIABILITIES AND PROVISIONS | | | |
| a) Current Liabilities | | | |
| i) Sundry Creditors | | | |
| Due to Micro & Small Enterprises | 178.21 | 221.48 | |
| (Refer Note No.2.4 of Schedule XVI) | | | |
| Others | 4,397.32 | 3,124.50 | |
| ii) Advance from Customers | 222.31 | 410.95 | |
| iii) Other Liabilities | 2,266.82 | 1,790.39 | |
| iv) Unclaimed Dividend # | 45.77 | 42.84 | |
| v) Unclaimed Matured Deposits # | 2.37 | 3.74 | |
| vi) Interest accrued but not due | 207.77 | 252.39 | |
| vii) Outstanding Purchase Consideration (Undischarged liabilities of vendors) | 0.10 | 0.10 | |
| # There is no amount due and outstanding to be credited to Investor Education and Protection Fund | | | |
| | 7,320.67 | 5,846.39 | |
| b) Provisions | | | |
| i) Proposed Dividend | 1,687.38 | 843.27 | |
| ii) Tax on Proposed Dividend | 280.24 | 143.31 | |
| iii) Employees' Benefits | 1,360.28 | 1,115.74 | |
| | 3,327.90 | 2,102.32 | |
| | 10,648.57 | 7,948.71 | |

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2010

| | (Rs. in lakhs) | |
|---|----------------|---------------|
| | Current Year | Previous Year |
| SCHEDULE-IX | | |
| SALES | | |
| Sales | 66,356.07 | 68,685.38 |
| Less : Excise Duty | 584.79 | 811.47 |
| | 65,771.28 | 67,873.91 |
| Add : Exchange Difference (Net) | 1,235.17 | 4,441.62 |
| | 67,006.45 | 72,315.53 |
| SCHEDULE-X | | |
| OTHER INCOME | | |
| Interest from Banks | 19.01 | 24.60 |
| [Tax deducted at source Rs. 3.38; (Previous year Rs. 4.39)] | | |
| Interest from Others | 149.24 | 133.61 |
| [Tax deducted at source Rs. 1.47; (Previous year Rs. 10.72)] | | |
| Insurance Claims | 43.79 | 34.56 |
| Profit on sale of fixed assets | 1.05 | 4.67 |
| Export Incentives | 1,136.47 | 887.41 |
| Manufacturing Charges (Tax deducted at source Rs. 0.53, Previous year Rs. 0.43) | 24.92 | 18.82 |
| Dividend on investment: | | |
| - Trade | 0.06 | 0.12 |
| - Non-Trade | 26.29 | 20.40 |
| Bill discounting income | - | 19.82 |
| Sale of scrap | 224.96 | 205.34 |
| Miscellaneous Income | 100.60 | 147.22 |
| | 1,726.39 | 1,496.57 |
| SCHEDULE-XI | | |
| (INCREASE)/DECREASE IN STOCK IN TRADE | | |
| Opening Stock | | |
| Work-in-process | 551.39 | 414.83 |
| Finished Goods | 1,912.76 | 2,634.32 |
| | 2,464.15 | 3,049.15 |
| Less: Closing Stock | | |
| Work-in-process | 832.20 | 551.39 |
| Finished Goods | 1,953.89 | 1,912.76 |
| | 2,786.09 | 2,464.15 |
| | (321.94) | 585.00 |

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2010

| Particulars | (Rs. in lakhs) | |
|---|----------------|---------------|
| | Current Year | Previous Year |
| SCHEDULE-XII | | |
| CONSUMPTION OF RAW & PACKING MATERIAL | | |
| Opening Stock | 2,303.49 | 2,591.39 |
| Purchases | 16,273.42 | 15,581.96 |
| | 18,576.91 | 18,173.35 |
| Less: Closing Stock | 2,450.42 | 2,303.49 |
| | 16,126.49 | 15,869.86 |
| SCHEDULE-XIII | | |
| PURCHASE OF TRADED GOODS | | |
| Opening Stock | 735.28 | 845.23 |
| Purchases | 4,064.31 | 5,395.50 |
| | 4,799.59 | 6,240.73 |
| Less: Closing Stock (Including material for resale Rs. Nil, Previous year Rs. 30.27) | 389.36 | 735.28 |
| | 4,410.23 | 5,505.45 |
| SCHEDULE-XIV | | |
| EMPLOYEES COST | | |
| Salaries and Other Benefits | 8,612.38 | 7,984.11 |
| (Includes Rs. 25.94 for payment under Voluntary Retirement Scheme, Previous year Rs. Nil) | | |
| Contribution to Provident Fund and Other Funds | 823.25 | 947.22 |
| Gratuity | 235.72 | 236.25 |
| Staff Welfare | 175.58 | 173.30 |
| | 9,846.93 | 9,340.88 |

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2010

| | | (Rs. in lakhs) |
|---|------------------|------------------|
| Particulars | Current Year | Previous Year |
| SCHEDULE-XV | | |
| OPERATING & OTHER EXPENSES | | |
| Manufacturing charges | 711.41 | 655.97 |
| Stores and spares | 237.24 | 337.42 |
| Power and fuel | 1,803.50 | 1,595.08 |
| Excise duty | 195.64 | 197.84 |
| Compensation rent | 559.72 | 518.50 |
| Rates and taxes | 91.39 | 24.58 |
| Insurance | 169.86 | 129.76 |
| Freight and transport charges | 2,583.38 | 3,130.96 |
| Repairs to :- | | |
| Building | 86.55 | 69.41 |
| Machinery | 232.41 | 220.56 |
| Others | 297.25 | 306.11 |
| Loss on sale of investments | 91.94 | — |
| Loss on sale/discard of assets | 22.38 | 7.85 |
| Sales promotion and publicity | 8,752.12 | 8,841.56 |
| Selling commission | 2,039.74 | 1,459.09 |
| Travelling and conveyance | 1,282.21 | 1,508.63 |
| Directors' fees | 6.71 | 7.61 |
| Interest and financing charges : | | |
| Interest on Working Capital Borrowings | 565.00 | 852.62 |
| Interest on Fixed Loans | 172.22 | 145.24 |
| Interest on External Commercial Borrowing | 157.29 | 247.99 |
| Others | 235.79 | 243.12 |
| Royalty | 210.15 | 192.93 |
| Payment to Auditors : | | |
| Audit fees | 24.00 | 18.00 |
| Fees for representation before authorities | — | 22.50 |
| Tax Audit fees | 7.50 | 6.00 |
| Other Taxation and Certification matters | 9.50 | 8.33 |
| Donations | 1.30 | 0.93 |
| Exchange difference others (Net) | 265.40 | 6,382.14 |
| Bad debts | 131.75 | 1,152.39 |
| Provision for doubtful debts | — | 25.00 |
| Provision for diminution in value of investment | 41.86 | 12.00 |
| Impairment of fixed assets | — | 42.44 |
| Miscellaneous expenses | 3,469.25 | 2,933.01 |
| | 24,454.46 | 31,295.57 |

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED ON MARCH 31, 2010

SCHEDULE – XVI

Significant Accounting Policies and Notes on Accounts forming part of accounts for the year ended on March 31, 2010.

1. SIGNIFICANT ACCOUNTING POLICIES:

1.1. BASIS OF ACCOUNTING

The Financial statements are prepared on mercantile basis under the historical cost convention in accordance with the generally accepted accounting principles in India, Accounting Standards notified under sub-section (3C) of section 211 of the Companies Act, 1956 and the other relevant provisions of the Companies Act, 1956.

1.2. REVENUE RECOGNITION

All revenue and expenses are accounted for on accrual basis. Revenue is recognized when no significant uncertainties exist in relation to the amount of eventual receipt.

1.3. FIXED ASSETS

Fixed Assets are stated at cost of acquisition and includes other direct / indirect and incidental expenses incurred to put them into use but excludes CENVAT availed on such assets.

Incentives/subsidies granted by any Government Authorities to encourage establishment of industries or expansion are considered as Capital Reserves and are not adjusted to the cost of fixed assets.

All indirect expenses incurred during project implementation and on trial run are treated as incidental expenditure during construction and capitalized.

1.4. DEPRECIATION

Depreciation is provided on Straight Line Method at the rates and on the basis specified in Schedule XIV to the Companies Act, 1956. Premium paid for leasehold land is amortized over the lease period.

1.5. INTANGIBLES

Intangible assets are stated at costs less accumulated amortization.

Intangible assets are amortized over a period of 3 years.

1.6. IMPAIRMENT OF ASSETS

Where there is an indication that an asset is impaired, the recoverable amount, if any, is estimated and the impairment loss is recognized to the extent carrying amount exceeds recoverable amount.

1.7. PROVISIONS AND CONTINGENCIES

The company creates a provision when there is a present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or present obligation that probably will not require an outflow of resources or where reliable estimate of the amount of the obligation cannot be made.

1.8. INVENTORIES

Inventories are stated at the lower of cost or net realizable value. Cost is determined on the basis of Moving Weighted Average method. The cost of work in progress (other than those lying at third party manufacturing site which is valued at material cost) and finished goods comprise direct material, direct labour, other direct cost and related production overheads.

Stores are written off in the year of purchase.

1.9. INVESTMENTS

Investments, which are long term in nature are stated at cost of acquisition with provision where necessary for diminution, other than temporary, in the value of investments.

1.10. EMPLOYEES BENEFIT

1.10.1 Short Term Employees Benefits:

Short term employees benefits are recognized in the period during which the services have been rendered.

1.10.2 Long Term Employees Benefits:

a. Provident fund, Family Pension Fund & Employees' State Insurance Scheme:

As per the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, all employees of the company are entitled to receive benefits under the provident fund & family pension fund, which is a defined contribution plan. These contributions are made to the fund administrated and managed by Government of India. In addition, some employees of the company are covered under Employees' State Insurance Scheme Act, 1948, which are also defined contribution schemes recognized and administrated by Government of India.

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED ON MARCH 31, 2010

The company's contributions to these schemes are recognized as expense in profit and loss account during the period in which the employee renders the related service. The company has no further obligation under these plans beyond its monthly contributions.

b. Superannuation Plan:

Some employees of the company are entitled to superannuation, a defined contribution plan which is administrated through Life Insurance Corporation of India ("LIC"). Superannuation benefits are recognized in the Profit and loss account.

c. Leave Encashment:

The company has provided for the liability at year end on account of unavailed earned leave as per the actuarial valuation.

d. Gratuity:

The company provides for gratuity obligations through a defined benefits retirement plan ('The Gratuity Plan') covering all employees. The present value of the obligation under such defined benefits plan is determined based on actuarial valuation using the Project Unit Credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up final obligation. The obligation is measured at the present value of the estimated cash flows. The discount rate used for determining the present value of the defined obligation under defined benefit plan, is based on the market yields on Government securities as at the balance sheet date. Actuarial gains and losses are recognized in Profit and Loss Account as and when determined.

The company makes annual contribution to LIC for the gratuity plan in respect of all the employees.

1.11. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities at the balance sheet date are translated at the exchange rate prevailing on the date of balance sheet.

Exchange rate differences resulting from foreign exchange transactions settled during the period including year-end translation of assets and liabilities are recognized in the profit and loss account.

In case of forward exchange contracts or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and/or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of contract.

Gain/Loss on settlement of transaction arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.

1.12. LEASES

Leases wherein a significant portion of the risk and reward of ownership are retained by the lessor are classified as Operating Leases. Lease rentals in respect of such leases are charged to the profit and loss account.

1.13. RESEARCH AND DEVELOPMENT

Revenue expenditure on Research and Development is charged to the profits of the year in which it is incurred.

Capital expenditure on Research and Development is treated as fixed assets.

1.14. BORROWING COST

Borrowing Costs directly attributed to the acquisition of fixed assets are capitalized as a part of the cost of asset upto the date the asset is put to use. Other Borrowing Costs are charged to the profit and loss account in the year in which they are incurred.

1.15. INCOME TAX

a. Tax expenses comprise of current and deferred tax.

b. Provision for current income tax is made on the basis of relevant provisions of the Income Tax Act, 1961 as applicable to the financial year.

c. Deferred Tax is recognized subject to the consideration of prudence on timing differences, being the difference between taxable income and

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED ON MARCH 31, 2010

accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

- d. Minimum Alternate Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period.

1.16. EMPLOYEE STOCK OPTION PLAN

The accounting value of stock options representing the excess of the market price over the exercise price of the shares granted under "Employees Stock Option Scheme" of the company, is amortized on straight line basis over the vesting period as "Deferred Employees Compensation" in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

2. NOTES ON ACCOUNTS

- 2.1 In the opinion of the Board, current assets, loans and advances are approximately of the value stated, if realized in the ordinary course of business and provisions for all the known liabilities and depreciation are adequate and not in excess of the amount reasonably necessary.

- 2.2 The contingent liabilities not provided for:

- 2.2.1 Letter of Credit opened by banks Rs. 1213.67 lakhs (Previous year Rs. 749.41 lakhs).

- 2.2.2 Guarantee issued by the Bank on behalf of the company Rs. 1339.10 lakhs (Previous year Rs. 1264.60 lakhs).

- 2.2.3 Guarantee given to a bank for loan availed of by a wholly owned subsidiary company Rs. Nil (Previous year Rs. 1521.60 lakhs).

- 2.2.4 Central Excise Demand of Rs. 55.30 lakhs (Previous year Rs. 61.37 lakhs).

- 2.2.5 Income Tax Demand of Rs. Nil (Previous year Rs. 23.74 lakhs).

- 2.2.6 Sales Tax Demand of Rs. 6.99 lakhs (Previous year Rs. 6.99 lakhs) being disputed in appeal (against which the company has made pre-deposit of Rs. 1.51 lakhs and has also furnished bank guarantees worth Rs. 5.23 lakhs).

- 2.3 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 261.36 lakhs (Previous year Rs. 63.54 lakhs).

- 2.4 The following disclosures are made for the amounts due to the Micro, Small and Medium Enterprises:

| (Rs. in lakhs) | | |
|----------------|----|--|
| (a) | i | Principal amount due and remaining unpaid |
| | ii | Interest due thereon |
| (b) | i | The delayed payments of Principal amount paid beyond the appointed date during the entire accounting year |
| | ii | Interest actually paid under Section 16 of the due thereon Micro, Small and Medium Enterprises Development Act, 2006 |
| (c) | i | Normal interest accrued during the year, for all the delayed payments, as per the agreed terms. |
| | ii | Normal Interest payable for the period of delay in making payment as per agreed terms. |
| (d) | i | Total Interest accrued during the year |
| | ii | Total Interest accrued during the year and remaining unpaid |

The above information regarding Micro, Small and Medium enterprises has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the Auditors.

- 2.5 Travelling expenses of field personnel include expenses on stationery and printing, conveyance, postage, miscellaneous expenses etc.

- 2.6 Adjustment relating to previous year amounted to Rs. 54.06 lakhs (Net Credit) (Previous year Rs. 1.32 lakhs Net Credit). The same has been debited/credited under respective heads of accounts.

- 2.7 The Pharmaceutical Division of Unique Pharmaceutical Laboratories Ltd. (UPLL) which was acquired by the company on a going concern basis, has received demand notices from Dept. of Chemicals & Fertilizers, Govt. of India, New Delhi demanding a sum of Rs. 461.47 lakhs in respect of the bulk drug Metronidazole and a further sum of Rs. 591.05 lakhs in respect of the bulk drug Oxyphenbutazone. These amounts were claimed on hypothetical basis in 1996, under para 7(2) of DPCO 79 read with para 14 of DPCO 87 and para 12 of DPCO 95, long after repeal of DPCO 79 and DPCO 87 and gains allegedly notionally made by it by procuring the bulk drugs at alleged lower cost. UPLL has filed review petition against each of

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED ON MARCH 31, 2010

these claims disputing the jurisdiction, power and legal or rational basis for making such demands, particularly in view of the repeal of DPCO 79 and DPCO 87. The company has filed writ petition bearing No. 446 of 2008 in respect of demand for Oxyphenbutazone & writ petition No. 2623 of 2007 in respect of demand for Metronidazole in Bombay High Court. These writ petitions have been admitted and the Hon'ble High Court has restrained the Government from adopting coercive steps to recover the amount till the disposal of the writ petition on the company furnishing security as per the orders. The company has already furnished the bank guarantee as security. As per the legal advice received by the company, there is no liability and accordingly no provision is being made in the accounts for these claims and demands.

- 2.8 The company has not exercised the option available under notification No. G.S.R 225(E) dated March 31, 2009 issued by the Government of India optionally providing for a modification in the accounting of certain foreign currency items pursuant to AS-11 prescribed under Section 211(3C) of the Companies Act, 1956. Accordingly, the treatment in that respect continues to be in the conformity with AS-11.

- 2.9 Details of Research & Development Expenditure incurred during the year at the following R&D Centers:

THANE:

(Rs. in lakhs)

| | 2009-10 | 2008-09 | 2007-08 |
|--|---------------|---------------|---------------|
| Revenue Expenditure: | | | |
| Staff Cost | 281.87 | 303.28 | 312.24 |
| Power & Fuel | 30.29 | 23.60 | 5.27 |
| Travelling & Conveyance | 11.41 | 12.88 | 16.12 |
| R & D Raw Materials | 187.76 | – | 33.20 |
| Legal & Professional Fees | 0.10 | – | 0.69 |
| Product Registration & Other Fees | 3.45 | 47.97 | 190.12 |
| Clinical Trial & Bioequivalent Studies | 219.12 | 74.88 | 163.99 |
| Expenses for Patent & Trademark | – | 4.53 | 60.92 |
| Laboratory Expenses | 33.40 | 25.51 | 26.86 |
| Others | 45.28 | 53.43 | 36.86 |
| Fees | 4.50 | – | – |
| Repairs & Maintenance Bldg. | 0.01 | 1.46 | 7.55 |
| Total Revenue Expenditure | 817.19 | 547.54 | 853.82 |

THANE (CONTD.):

(Rs. in lakhs)

| | 2009-10 | 2008-09 | 2007-08 |
|----------------------------------|---------------|---------------|----------------|
| Capital: | | | |
| Building | – | – | 121.71 |
| R & D Equipments | – | 4.09 | 24.85 |
| Plant & Machinery | – | – | 73.53 |
| EDP Equipments | 0.48 | 0.30 | 3.50 |
| Office Equipments | – | – | 1.57 |
| Intangible | – | 4.20 | – |
| Electrical Equipments | – | 0.41 | 55.77 |
| Furniture & Fixtures | – | 2.22 | 20.69 |
| Air Conditioners | – | 2.48 | 22.53 |
| Handling Equipments | – | – | 2.22 |
| Laboratory Equipments | – | – | 1.73 |
| Total Capital Expenditure | 0.48 | 13.70 | 328.10 |
| TOTAL | 817.67 | 561.24 | 1181.92 |

ANKLESHWAR:

(Rs. in lakhs)

| | 2009-10 | 2008-09 | 2007-08 |
|---|-------------|--------------|--------------|
| Revenue Expenditure: | | | |
| Staff Cost | 2.83 | 13.58 | – |
| Clinical Trial & Bioequivalence Studies | – | – | 2.41 |
| Laboratory Expenses | 0.41 | 1.88 | 10.23 |
| Others | 0.07 | 0.55 | 0.35 |
| Total Revenue Expenditure | 3.31 | 16.01 | 12.99 |
| Capital: | | | |
| R & D Equipments | – | – | 61.63 |
| Total Capital Expenditure | – | – | 61.63 |
| TOTAL | 3.31 | 16.01 | 74.62 |

PANOLI-API:

(Rs. in lakhs)

| | 2009-10 | 2008-09 | 2007-08 |
|----------------------------------|-------------|--------------|-------------|
| Revenue Expenditure: | | | |
| Staff Cost | – | 8.10 | – |
| Power & Fuel | – | 0.21 | – |
| Travelling & Conveyance | – | 0.07 | – |
| Laboratory Expenses | 0.10 | 10.44 | 0.31 |
| Others | – | 1.42 | – |
| Total Revenue Expenditure | 0.10 | 20.24 | 0.31 |
| Capital: | | | |
| EDP Equipments | – | 0.52 | – |
| Laboratory Equipments | – | 3.02 | – |
| Total Capital Expenditure | – | 3.54 | – |
| TOTAL | 0.10 | 23.78 | 0.31 |

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED ON MARCH 31, 2010

PANOLI-FORMULATION & DEVELOPMENT:

(Rs. in lakhs)

| | 2009-10 |
|----------------------------------|---------------|
| Revenue Expenditure: | |
| Staff Cost | 33.53 |
| R & D Raw Materials | 2.18 |
| Laboratory Expenses | 23.87 |
| Others | 2.83 |
| Total Revenue Expenditure | 62.41 |
| Capital: | |
| Buildings | 29.41 |
| R & D Equipments | 6.39 |
| EDP Equipments | 0.51 |
| Electrical Equipments | 5.34 |
| Furniture & Fixtures | 9.14 |
| Air Conditioners | 1.78 |
| Laboratory Equipments | 37.42 |
| Office Equipments | 0.50 |
| Total Capital Expenditure | 90.49 |
| TOTAL | 152.90 |

2.10 The amount of excise duty disclosed as deduction from turnover is the Excise duty for the year, except the excise duty related to the difference between the closing stock and opening stock and excise duty paid but not recovered, which has been disclosed in the (increase)/decrease in stock and other expenses respectively. (Increase)/decrease in stocks include excise duty on finished goods (net) Rs. 2.45 lakhs (Previous year Rs. 0.97 lakhs).

2.11 Employees Benefits:

The disclosures as required as per the revised AS 15 are as under:

a) Defined Contribution Plan

Contribution to Defined Contribution Plan, recognised as expense for the year are as under:

(Rs. in lakhs)

| Particulars | Current Year | Previous Year |
|---|--------------|---------------|
| Employer's Contribution to Provident Fund & Family Pension Fund | 639.17 | 677.04 |
| Employer's Contribution to Superannuation Fund | 107.52 | 102.16 |
| Employer's Contribution to Employees' State Insurance Scheme | 17.18 | 19.99 |

b) Defined Benefit Plan

Reconciliation of opening and closing balances of Defined Benefit obligation

(Rs. in lakhs)

| Particulars | Gratuity (Funded) | | Leave (Non-Funded) | |
|---|-------------------|---------------|--------------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Defined Benefit obligation at the beginning of the year | 1512.60 | 1332.11 | 190.68 | 202.66 |
| Current Service Cost | 93.31 | 102.05 | 57.78 | 59.04 |
| Interest Cost | 122.66 | 110.75 | 18.10 | 19.35 |
| Actuarial (gain)/loss | 90.43 | 67.17 | 42.51 | (50.78) |
| Benefits Paid | (46.45) | (99.48) | (29.89) | (39.59) |
| Defined Benefit obligation at year end | 1772.55 | 1512.60 | 279.18 | 190.68 |

Reconciliation of opening and closing balances of fair value of plan Assets

(Rs. in lakhs)

| Particulars | Gratuity (Funded) | |
|--|-------------------|---------------|
| | Current Year | Previous Year |
| Fair value of plan assets at the beginning of the year | 587.54 | 523.24 |
| Expected return on plan assets | 51.52 | 47.49 |
| Actuarial gain/(loss) | 19.17 | (3.77) |
| Employer contribution | 79.68 | 120.06 |
| Benefits Paid | (46.45) | (99.48) |
| Fair value of plan assets at the end of the year | 691.46 | 587.54 |

Actual Return on Plan Assets

(Rs. in lakhs)

| Particulars | Gratuity (Funded) | |
|--------------------------------------|-------------------|---------------|
| | Current Year | Previous Year |
| Expected return on plan assets | 51.52 | 47.49 |
| Actuarial gain/(loss) on plan assets | 19.17 | (3.77) |
| Actual return on plan assets | 70.69 | 43.72 |

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED ON MARCH 31, 2010

Reconciliation of fair value of plan assets and benefit obligations

(Rs. in lakhs)

| Particulars | Gratuity (Funded) | | Leave (Non-Funded) | |
|--|----------------------|------------------|-----------------------|------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Fair value of assets as at 31 st March, 2010 | 691.46 | 587.54 | – | – |
| Present value of obligation as at 31 st March, 2010 | 1772.55 | 1512.60 | 279.18 | 190.68 |
| Amount recognised in balance sheet | 1081.09 | 925.06 | 279.18 | 190.68 |

Expense recognised during the year (Under the head "Personnel Cost" - Refer Schedule XIV)

(Rs. in lakhs)

| Particulars | Gratuity (Funded) | | Leave (Non-Funded) | |
|---|----------------------|------------------|-----------------------|------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Current Service Cost | 93.31 | 102.05 | 57.78 | 59.04 |
| Interest Cost | 122.66 | 110.76 | 18.10 | 19.35 |
| Expected return on Plan Assets | (51.52) | (47.49) | – | – |
| Actuarial (gain)/loss | 71.27 | 70.93 | 42.51 | (50.78) |
| Expense Recognised in profit and loss account | 235.72 | 236.25 | 118.39 | 27.61 |

Investment details:

The company made annual contributions to the LIC of an amount advised by the LIC. The company was not informed by LIC of the Investments made or the break-down of plan assets by investment type.

Actuarial Assumptions:

| Particulars | Gratuity (Funded) | | Leave (Non-Funded) | |
|--|----------------------|------------------|-----------------------|------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Discount Rate (per annum) | 8.00% | 7.75% | 8.00% | 7.75% |
| Expected Rate of Return on Plan Assets (per annum) | 8.00% | 8.00% | – | – |
| Salary Escalation (per annum) | 4.00% | 4.00% | 4.00% | 4.00% |

2.12 SEGMENT REPORTING:

The company has one segment of activity namely 'Pharmaceuticals'.

2.13 (i) Loans to employees includes an amount of Rs. 4.92 lakhs (Previous year Rs. 9.96 lakhs) due from a director on account of a housing loan. The maximum amount due during the year Rs. 9.96 lakhs (Previous year Rs. 15.00 lakhs).

(ii) Deposits given by the company include Rs. Nil (Previous year Rs. 16.17 lakhs) given to the directors as security deposit under the leave and license agreement.

(iii) Deposits given by the company include Rs. 4.02 lakhs (Previous year Rs. 4.02 lakhs) being security deposit of Rs. 1.34 lakhs each given to Jyotindra Mody Holdings Pvt. Ltd., Dinesh Mody Securities Pvt. Ltd. and Shirish B. Mody Investments Pvt. Ltd.

(iv) The interest on fixed loans include Rs. 2.33 lakhs (Previous year Rs. 0.49 lakhs) credited to account of Managing Director on fixed deposit placed by him.

2.14 RELATED PARTY DISCLOSURE

Related party disclosure as required by AS – 18, 'Related Party Disclosures' notified by the Companies (Accounting Standard) Rules, 2006 are given below:

Names and Relationships of the Related Parties:

- i) Subsidiary Companies:
 - a. J. B. Life Science Overseas Limited
 - b. OOO Unique Pharmaceutical Laboratories
 - c. J. B. Healthcare Pvt. Ltd.
 - d. Unique Pharmaceutical Laboratories S.R.L.
- ii) Associate Concerns / Trusts / Companies/ Joint Venture
 - a. Mody Trading Company
 - b. Mody Brothers
 - c. Jyotindra Family Trust
 - d. Dinesh Family Trust
 - e. Shirish Family Trust
 - f. Biotech Laboratories (Pty.) Ltd.
 - g. J B SEZ Pvt. Ltd.
 - h. Jyotindra Mody Holdings Pvt. Ltd.
 - i. Ansuva Mody Securities Pvt. Ltd.
 - j. Dinesh Mody Securities Pvt. Ltd.
 - k. Shirish B. Mody Investments Pvt. Ltd.
 - l. Bharati S. Mody Investments Pvt. Ltd.
 - m. Synit Drugs Pvt. Ltd.
 - n. Unique Pharmaceutical Laboratories Ltd.
 - o. Ifiunik Pharmaceuticals Ltd.
 - p. Namplas Chemicals Pvt. Ltd.

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED ON MARCH 31, 2010

- | | | | |
|------|--|----|------------------------|
| q. | Raptim Research Ltd. | c. | Mrs. Kumud D. Mody |
| r. | Lekar Pharma Ltd. | d. | Mrs. Bharati S. Mody |
| iii) | Key Management Personnel: | e. | Mrs. Pallavi B. Mehta |
| a. | Shri Jyotindra B. Mody | f. | Mrs. Purvi U. Asher |
| b. | Shri Dinesh B. Mody | g. | Mrs. Priti R. Shah |
| c. | Shri. Shirish B. Mody | h. | Mrs. Deepali A. Jasani |
| iv) | Relatives of Key Management Personnel: | i. | Mr. Nirav S. Mody |
| a. | Mr. Pranabh D. Mody | j. | Mrs. K. V. Gosalia |
| b. | Mrs. Ansuya J. Mody | k. | Mrs. N. R. Mehta |
| | | l. | D. B. Mody - HUF |
| | | m. | S. B. Mody - HUF |

Transactions with the related parties during the year :

| Transaction with Related Parties | Subsidiary Companies | Associated Concern / Trust / Joint Venture | Key Management Personnel | Relative of Key Management Personnel |
|---|--------------------------|--|--------------------------|--------------------------------------|
| Income: | | | | |
| Sale of Material / Goods / Others | 19,512.20 (10,306.66) | 1,643.93 (1,784.60) | - (-) | - (-) |
| Miscellaneous income | - (-) | 30.39 (18.40) | - (-) | - (-) |
| Interest income | 5.65 (-) | - (-) | - (-) | - (-) |
| Expenditure: | | | | |
| Purchases | - (-) | 2,379.53 (2,753.55) | - (-) | - (-) |
| Processing Charges | - (-) | 106.67 (81.06) | - (-) | - (-) |
| Bio-Equivalence Study | - (-) | 18.31 (12.70) | - (-) | - (-) |
| Selling Commission | - (-) | 8.65 (17.36) | - (-) | - (-) |
| Rent | - (-) | 207.72 (179.20) | 20.29 (21.24) | 54.60 (47.44) |
| Royalty | - (-) | 210.15 (184.28) | - (-) | - (-) |
| Remuneration | - (-) | - (-) | 1,064.40 (754.68) | 158.53 (141.74) |
| Interest on deposits | - (-) | 179.45 (138.30) | *6.99 (1.37) | 99.74 (72.17) |
| Others: | | | | |
| Equity Contribution | 8.54 (2,560.31) | - (-) | - (-) | - (-) |
| Loan to Subsidiary | - (-) | 262.45 (-) | - (-) | - (-) |
| O/S Payables as on March 31, 2010 | - (-) | 1,913.94 (1,750.53) | *459.87 (231.00) | 1,050.54 (1,011.38) |
| O/S Receivables as on March 31, 2010 | 21567.43 (10,672.19) | 784.73 (1,242.44) | - (16.17) | 25.28 (25.28) |
| Guarantee given to a bank | - (1,521.60) | - (-) | - (-) | - (-) |

* The outstanding payables include deposit of Rs. 66.00 lakhs (Previous year Rs. 66.00 lakhs) placed under the Fixed Deposit Scheme of the company. The interest on these deposits is credited at the rate fixed under the fixed deposit scheme. The outstanding payables also includes an interest free advance of Rs. 1.50 lakhs (Previous year Rs. 1.50 lakhs) received.

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED ON MARCH 31, 2010

- 2.15 The company has taken on operating lease certain assets. The total lease rent paid on the same amounting to Rs. 486.95 lakhs (Previous year Rs. 381.54 lakhs) is included under the head compensation rent and rates and taxes. The minimum future lease rentals payable in respect thereof are as follows:-

| (Rs. in lakhs) | | |
|---|--------------|---------------|
| Particulars | Current Year | Previous Year |
| Not later than one year | 385.46 | 372.72 |
| Later than one year but not later than five years | 457.83 | 677.77 |
| Later than five years | – | – |

- 2.16 EARNING PER SHARE:

Earning Per Share (EPS) is calculated in accordance with Accounting Standard–20 (AS-20) as under:

| Particulars | Current Year | Previous Year |
|---|--------------|---------------|
| Net Profit attributable to Equity Shareholders (Rs. in lakhs) | 10,099.73 | 7,873.62 |
| Weighted Average No. of Equity shares (Nos) | | |
| Basic | 8,43,26,350 | 8,43,26,350 |
| Effect of Dilutive equity shares equivalent: | | |
| Stock Options outstanding | – | – |
| Diluted | 8,43,26,350 | 8,43,26,350 |
| Nominal value of equity shares (Rs.) | 2.00 | 2.00 |
| Earning per share (Rs.): | | |
| Basic | 11.98 | 9.34 |
| Diluted | 11.98 | 9.34 |

- 2.17 The break-up of deferred tax assets and liabilities into major components of the year end is as follows:

| (Rs. in lakhs) | | |
|--|-----------------|-----------------|
| Particulars | Current Year | Previous Year |
| Deferred Tax Assets: | | |
| Retirement Benefits | 332.52 | 310.18 |
| Special provisions consequential to changes in the rate of exchange of currency (Sec. 43A) | 70.55 | 255.00 |
| Others | 97.61 | 45.20 |
| | 500.68 | 610.38 |
| Deferred Tax Liability: | | |
| Depreciation | 1,361.02 | 1,347.54 |
| Timing Difference of Tax Holiday Units | 563.65 | 607.35 |
| | 1,924.67 | 1,954.89 |
| Net Deferred Tax Liabilities | 1,423.99 | 1,344.51 |

- 2.18 FINANCIAL AND DERIVATIVE INSTRUMENTS:

a) Derivative Instruments:

The company has entered into forward contract to offset foreign currency risks arising from the amounts denominated in currencies other than the Indian Rupee. The counter party to such forward contract is a bank. These contracts are entered into to hedge the foreign currency risks. Details of forward contracts outstanding as at the year end:

| Currency | Exposure to buy/sell | Current Year | | Previous Year | |
|------------|----------------------|------------------|----------------|------------------|----------------|
| | | Foreign Currency | (Rs. in lakhs) | Foreign Currency | (Rs. in lakhs) |
| US Dollars | Sell | 10,65,00,000 | 47,818.50 | 5,85,00,000 | 29,660.00 |
| US Dollars | Buy | – | – | 25,06,966 | 1,271.53 |

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED ON MARCH 31, 2010

- b) Foreign currency exposure at the year end not hedged by derivative instruments.

| Particulars | Current Year | | Previous Year | |
|---|-----------------------|-----------------|------------------|----------------|
| | Foreign Currency | (Rs. in lakhs) | Foreign Currency | (Rs. in lakhs) |
| Receivable against export of goods: | | | | |
| US Dollars | – | – | 1,35,59,978.88 | 6,874.91 |
| Euro | 6,70,171.60 | 405.72 | 11,17,662.34 | 754.65 |
| AUD | 5,548.24 | 2.29 | 68,477.00 | 22.78 |
| STG | 1,21,662.30 | 82.79 | 1,87,002.00 | 135.65 |
| Payable against Secured Loans: | | | | |
| US Dollars | 2,08,16,667.00 | 9,346.68 | 1,00,00,000.00 | 5,072.00 |
| Payable against Import of goods & Services : | | | | |
| US Dollars | 17,36,276.54 | 779.59 | – | – |
| Euro | 5,492.59 | 3.33 | – | – |

- 2.19 A. Break-up of Managerial Remuneration:-

| Particulars | (Rs. in lakhs) | |
|--|-----------------|---------------|
| | Current Year | Previous Year |
| Paid to Managing Director and Whole time Directors | | |
| Salaries | 810.31 | 712.08 |
| Contribution to Funds | 107.81 | 94.84 |
| Value of Perquisites | 48.35 | 41.58 |
| Commission | 384.00 | 165.00 |
| | 1,350.47 | 1,013.50 |

- B. Computation of Net Profit u/s 198 of the Companies Act, 1956 and commission payable to Managing Director & Whole time directors.

| (Rs. in lakhs) | | |
|--|--------|------------------|
| Profit Before Tax | | 12,094.42 |
| Add: Directors Remuneration | 966.47 | |
| Provision for commission payable to the directors | 384.00 | |
| Directors Fees | 6.71 | |
| Loss on sale of investment | 91.94 | |
| Provision for diminution in value of investment | 41.86 | 1,490.98 |
| Less: Bad Debts written-off against previous year's provision | | 25.00 |
| Total | | 13,560.40 |
| Maximum remuneration restricted to 10% | | 1,356.40 |
| Less: Salary paid to the executive directors | | 966.47 |
| Commission payable to the Managing Director and two Whole time directors @ 0.94% | | 384.00 |
| Rate of commission (%) (total) | | 2.83 |

- 2.20 Loans and advances in the nature of loans given to Subsidiaries :

| (Rs. in lakhs) | | | | |
|---|--------------------|-----------------------|----------------------|---------------------------------|
| Name of the Company | Nature of Relation | Nature of Transaction | As at March 31, 2010 | Maximum Balance during the year |
| J.B. Healthcare Pvt. Ltd. | Subsidiary | Advance | 65.49 | 65.49 |
| Unique Pharmaceutical Laboratories S.R.L. | Subsidiary | Loan | 269.50 | 269.50 |

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED ON MARCH 31, 2010

2.21 Additional information pursuant to the provisions of paragraph 3,4 (c) & (d) of part II of Schedule VI of the Companies Act,1956 (As Certified By Director)

1) Installed capacity & production for the year ended 31st March, 2010

(Figures in 000's)

| Class Of Goods | Units | Installed ** | *Production | Captive Use | Net Production |
|------------------|-------|---------------------------------------|--|---------------------------|---------------------------------------|
| Bulk Drugs | Kgs. | 3,259.00 (3259.00) | *966.52 (1172.72) | 694.92 (700.64) | 271.61 (472.07) |
| Ointments | Kgs. | 492.00 (492.00) | *279.64 (327.03) | — (—) | 279.64 (327.03) |
| Liquids | Ltrs. | 3,210.00 (3210.00) | *1,823.16 (1272.88) | — (—) | 1,823.16 (1,272.88) |
| Cartridges | Nos. | 10,000.00 (10,000.00) | — (—) | — (—) | — (—) |
| Capsules | Nos. | 3,70,000.00 (3,70,000.00) | *65,354.54 (78,599.17) | — (—) | 653,54.54 (78,599.17) |
| Tablets | Nos. | 39,40,000.00 (39,40,000.00) | *36,46,239.74 (36,04,139.44) | — (—) | 36,46,239.74 (36,04,139.44) |
| Powder | Kgs. | 150.59 (150.59) | *206.90 (255.79) | — (—) | 206.90 (255.79) |
| Injections/Vials | Nos. | 1,82,563.00 (1,82,563.00) | *90,605.61 (75,454.16) | — (—) | 90,605.61 (75,454.16) |

* Includes goods manufactured on loan licence basis, by third party on our behalf and excludes goods manufactured on behalf of third parties.

** Installed capacity is as per the certificate issued by the Executive Director (Technical & Production), not verified by the Auditor being a technical matter.

2) Details of opening stock & closing stock in respect of goods manufactured & purchased.

| Class of goods | Units | Opening Stock | | Closing Stock | |
|-----------------------------|-------|-------------------------------------|-------------------------------|-------------------------------------|-------------------------------|
| | | Quantity (In 000's) | Value (Rs. in lakhs) | Quantity (In 000's) | Value (Rs. in lakhs) |
| 1) Bulk Drugs | Kgs. | 49.75 (36.64) | 331.19 (302.46) | 30.59 (49.75) | 185.20 (331.19) |
| 2) Ointments | Kgs. | 30.12 (35.89) | 90.30 (96.97) | 12.17 (30.12) | 32.98 (90.30) |
| 3) Liquids | Ltrs. | 158.61 (238.74) | 206.24 (321.57) | 226.53 (158.61) | 259.59 (206.24) |
| 4) Capsules | Nos. | 8,494.70 (6517.02) | 36.98 (63.13) | 8,163.08 (8,494.70) | 47.84 (36.98) |
| 5) Tablets | Nos. | 4,39,631.79 (3,82,636.01) | 1,361.19 (1,497.12) | 4,03,602.84 (4,39,631.79) | 1,161.77 (1,361.19) |
| 6) Powder | Kgs. | 12.15 (30.04) | 34.55 (101.62) | 14.48 (12.15) | 54.06 (34.55) |
| 7) Injections/Vials | Nos. | 5,205.43 (13,458.29) | 547.27 (1001.80) | 9,198.71 (5,205.43) | 594.21 (547.27) |
| 8) Excise Duty (Bond Stock) | | | 10.05 (11.02) | | 7.60 (10.05) |
| 9) Others | | | 30.27 (83.85) | | — (30.27) |
| | | | 2,648.04 (3,479.55) | | 2,343.25 (2,648.04) |

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED ON MARCH 31, 2010

- 3) Sales in respect of each class of finished goods produced & traded for the year ended 31st March, 2010.

| Class of Goods | Units | Quantity (In 000's) | Value (Rs. in lakhs) |
|----------------------------------|-------|--------------------------------|--------------------------|
| 1) Bulk Drugs | Kgs. | 290.77 (458.96) | 2,249.29 (4,033.36) |
| 2) Ointments | Kgs. | 413.34 (476.78) | 8,005.90 (8,590.21) |
| 3) Liquids | Ltrs. | 2,102.36 (1,800.28) | 7,206.67 (6,498.70) |
| 4) Capsules | Nos. | 78,047.01 (82,854.92) | 1,014.71 (1,014.14) |
| 5) Tablets | Nos. | 38,08,924.25 (36,70,627.61) | 31,163.66 (32,300.72) |
| 6) Powder | Kgs. | 207.04 (241.56) | 3,615.22 (3,807.73) |
| 7) Injections/Vials | Nos. | 91,163.82 (85,879.87) | 12,645.88 (11,453.95) |
| 8) Other Raw & Packing Materials | | | 454.74 (986.57) |
| | | | 66,356.07 (68,685.38) |

- 4) Details in respect of purchase of products for resale.

| Class Of Goods | Units | Quantity (In 000's) | Value (Rs. in lakhs) |
|----------------------------------|-------|------------------------------|-------------------------|
| 1) Ointments | Kgs. | 115.97 (257.50) | 512.07 (908.86) |
| 2) Liquids | Ltrs. | 419.05 (1,030.71) | 896.60 (1,155.94) |
| 3) Capsules | Nos. | 13,598.25 (10,782.83) | 197.12 (202.71) |
| 4) Tablets | Nos. | 1,45,276.68 (3,09,971.80) | 1,637.31 (2,053.15) |
| 5) Ampoules / Vials | Nos. | 4,848.27 (15,551.36) | 452.17 (368.61) |
| 6) Powder | Kgs. | 3.62 (5.96) | 17.40 (53.17) |
| 7) Other Raw & Packing Materials | Kgs. | | 351.64 (653.06) |
| | | | 4,064.31 (5,395.50) |

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED ON MARCH 31, 2010

2.22 Information in respect of raw material consumed:

| Item | Value (Rs. in lakhs) |
|--------------------------|--------------------------|
| Pharmaceutical Chemicals | 10,244.62 (10,012.98) |

2.23 Value of consumption of directly imported and indigenously obtained raw materials & the percentage of each to the total.

| Sr. No | Particulars | Rs. in lakhs | Percentage (%) |
|--------|-----------------------|---------------------------------|---------------------------|
| 1 | Directly Imported | 1,758.68 (1,804.78) | 11.65 (18.02) |
| 2 | Indigenously obtained | 8,485.94 (8,208.20) | 88.35 (81.98) |
| | Total | 10,244.62 (10,012.98) | 100.00 (100.00) |

2.24 Value of direct imports (C.I.F. Value)

| Sr. No | Particulars | Rs. in lakhs |
|--------|-----------------------------------|-------------------------------|
| 1 | Raw Materials & Packing Materials | 2,292.78 (2,202.79) |
| 2 | Component Stores & Spare parts | 45.78 (111.73) |
| 3 | Capital | 288.24 (42.78) |
| | Total | 2,626.80 (2,357.30) |

2.25 Earnings in foreign exchange

| Sr. No | Particulars | Rs. in lakhs |
|--------|----------------------------|---------------------------------|
| 1 | Export of Goods (At F.O.B) | 41,895.83 (44,809.44) |
| 2 | Other Receipts | 28.90 (223.47) |

2.26 Expenditure in Foreign Currency

| Sr. No | Particulars | Rs. in lakhs |
|--------|---------------------------|---------------------------------|
| 1 | Travelling | 185.99 (332.22) |
| 2 | Interest | 72.87 (250.27) |
| 3 | Legal & Professional Fees | 67.21 (34.20) |
| 4 | Other Expenditure | 14,153.56 (14,507.13) |

2.27 Number of Non-Resident Shareholders

| | |
|---|----------------|
| | 4 |
| Dividend (Rs. in lakhs) | 4.95 (2.47) |
| Number of Shares | 4,94,573 |
| Dividend to Remaining 288 Non-Resident Shareholders is paid in India. | |
| Dividend 2007-2008 (Rs. in lakhs) | 2.47 |
| Number of Shares | 4,94,573 |

2.28 Figures of previous year have been re-grouped, re-arranged and recast, wherever considered necessary.

2.29 Figures in brackets indicate corresponding figures of the previous year.

As per our report of even date

For J. K. Shah & Co.
Chartered Accountants

J. K. Shah
Partner
Membership No. 3662

Place : Mumbai
Date : May 5, 2010

For and on behalf of the Board of Directors

J. B. Mody
Chairman & Managing Director

S. B. Mody
Whole time Director (Marketing)

D. B. Mody
Whole time Director (Administration)

M. C. Mehta
Company Secretary

Place : Mumbai
Date : May 5, 2010

BALANCE SHEET ABSTRACT

ADDITIONAL INFORMATION PURSUANT TO PART IV OF THE SCHEDULE VI TO THE COMPANIES ACT, 1956

Balance Sheet Abstract and Company's General Business Profile

(Rs.in lakhs)

I Registration Details

| | | | |
|--------------------|------------|------------|----|
| Registration No. | 19380 | State Code | 11 |
| Balance Sheet Date | 31.03.2010 | | |

II Capital raised during the year

| | | | |
|--------------|-----|-------------------|-----|
| Public issue | Nil | Right Issue | Nil |
| Bonus issue | Nil | Private Placement | Nil |

III Position of Mobilisation and Deployment of Funds

| | | | |
|-------------------|------------|--------------|-----------|
| Total Liabilities | 87,029.78* | Total Assets | 87,029.78 |
|-------------------|------------|--------------|-----------|

*Including deferred tax liability of Rs. 1,423.99

Sources of Funds

| | | | |
|--------------------------|----------|--------------------|-----------|
| Paid-up capital | 1,686.53 | Reserves & Surplus | 59,650.61 |
| Secured Loans | 9,849.14 | Unsecured Loans | 3,770.94 |
| Deferred Tax Liabilities | 1,423.99 | | |

Application of Funds

| | | | |
|--------------------|-----------|-------------------|----------|
| Net Fixed Assets | 21,807.85 | Investments | 6,246.43 |
| Net Current Assets | 48,326.93 | Misc. expenditure | Nil |
| Accumulated Losses | Nil | | |

IV Performance of company

| | | | |
|-------------------------|-----------|-------------------|-------------------|
| Turnover | 67,006.45 | Total Expenditure | 56,638.42 |
| Profit Before Tax | 12,094.42 | Profit After Tax | 10,099.73 |
| Earning Per Share (Rs.) | 11.98 | Dividend | Rs. 2/- per share |

V Generic Names of Three Principal Products of Company (as per monetary terms)

| | | | |
|----------------------|-----------|---------------------|---------------------------|
| Item Code.(ITC code) | 300490.22 | Product Description | Metronidazole Preparation |
| Item Code.(ITC code) | 300390.01 | Product Description | Ayurvedic Preparation |
| Item Code.(ITC code) | 300490.42 | Product Description | Ranitidine Preparation |

For and on behalf of the Board of Directors

J. B. Mody
Chairman & Managing Director

D. B. Mody
Whole time Director (Administration)

S. B. Mody
Whole time Director (Marketing)

M. C. Mehta
Company Secretary

Place : Mumbai
Date : May 5, 2010

AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF J.B. CHEMICALS & PHARMACEUTICALS LTD., ITS SUBSIDIARIES AND JOINT VENTURE.

1. We have audited the attached consolidated balance sheet of J. B. Chemicals & Pharmaceuticals Ltd. ("the Company"), its subsidiaries and joint venture (collectively referred as "JBCPL Group") as at 31st March, 2010 and also related consolidated profit and loss account and consolidated cash flow statement for the year then ended on that date annexed thereto. These consolidated financial statements are the responsibility of the JBCPL Group's management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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 consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain Subsidiaries and a Joint venture whose financial statements reflect Group's share of total assets of Rs. 28,274 lakhs as at 31st March 2010 and the Group's share of total Revenue of Rs. 27,234.49 lakhs for the year ended on that date as considered in consolidated financial statements. We have relied upon unaudited financial statement as provided by the management of the above said Subsidiaries and Joint Venture entity for the purpose of our examination of consolidated financial statements.
4. We report that the consolidated financial statements have been prepared by the JBCPL Group's management in accordance with the requirements of Accounting Standard notified by Companies (Accounting Standard) Rule, 2006 viz. Accounting Standard 21 'Consolidated Financial Statements' and Accounting Standard 27 'Financial Reporting of Interests in Joint Ventures' in Consolidated Financial Statements', the Accounting Standard Interpretations and amendments thereto as, to the extent applicable for the year ended 31st March, 2010 and on the basis of the individual financial statements of J.B. Chemicals & Pharmaceuticals Ltd., its subsidiaries and joint venture included in the aforesaid consolidation.
5. Subject to para 3 above and on the consideration of other financial information of the components, and to the best of our information and according to explanation given to us, we are of the opinion that the attached consolidated financial Statements read together with notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. In case of the Consolidated Balance Sheet, of the State of Affairs of the JBCPL Group as at 31st March, 2010;
 - b. In the case of the Consolidated Profit and Loss Account, of the Profit of the JBCPL Group for the year ended on that date; and
 - c. In the case of the Consolidated Cash Flow Statement, of the Cash Flow of the JBCPL Group for the year ended on that date.

For **J.K. SHAH & CO.**
Chartered Accountants
Firm Registration No.:109606W

Place : Mumbai
Date : May 5, 2010

J. K. SHAH
Partner
Membership No. 3662

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

| (Rs. in lakhs) | | | | |
|---|----------|--------------|-----------|---------------|
| Particulars | Schedule | Current Year | | Previous Year |
| SOURCES OF FUNDS : | | | | |
| Shareholders' Funds | | | | |
| Share Capital | I | 1,686.53 | | 1,686.53 |
| Reserves and Surplus | II | 55,125.22 | | 45,202.62 |
| | | | 56,811.75 | 46,889.15 |
| Loan Funds | | | | |
| Secured Loans | III | 9,849.14 | | 13,429.80 |
| Unsecured Loans | IV | 3,826.45 | | 4,446.85 |
| | | | 13,675.59 | 17,876.65 |
| Deferred Tax Liability (Net) | | | | |
| Deferred Tax Liability | | 1,426.92 | | 1,252.61 |
| Share of Joint Venture | | 158.53 | | 32.23 |
| Total | | | 72,072.79 | 66,050.64 |
| APPLICATION OF FUNDS : | | | | |
| Fixed Assets | | | | |
| Gross Block | | 38,666.82 | | 36,656.80 |
| Less : Depreciation/Amortisation | | 13,989.24 | | 11,985.68 |
| Net Block | V | 24,677.58 | | 24,671.12 |
| Realisable value of Impaired Assets | | 8.02 | | 8.02 |
| Capital work-in-progress | | – | | 661.47 |
| | | | 24,685.60 | 25,340.61 |
| Investments | VI | | 2,427.29 | 748.84 |
| Current Assets, Loans and Advances | VII | | | |
| Inventories | | 8,347.15 | | 8,077.41 |
| Sundry Debtors | | 34,482.38 | | 30,280.07 |
| Cash and Bank Balances | | 7,786.19 | | 4,384.54 |
| Loans and Advances | | 5,968.19 | | 5,799.92 |
| | | 56,583.91 | | 48,541.94 |
| Less : Current Liabilities and Provisions | VIII | | | |
| Current Liabilities | | 8,283.36 | | 6,464.89 |
| Provisions | | 3,340.65 | | 2,115.86 |
| | | 11,624.01 | | 8,580.75 |
| Net Current Assets | | | 44,959.90 | 39,961.19 |
| Total | | | 72,072.79 | 66,050.64 |
| Significant Accounting Policies and Notes on Accounts | XVI | | | |

As per our report of even date

For J. K. Shah & Co.
Chartered Accountants

J. K. Shah
Partner
Membership No. 3662

Place : Mumbai
Date : May 5, 2010

For and on behalf of the Board of Directors

J. B. Mody
Chairman & Managing Director

S. B. Mody
Whole time Director (Marketing)

D. B. Mody
Whole time Director (Administration)

M. C. Mehta
Company Secretary

Place : Mumbai
Date : May 5, 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2010

(Rs. in lakhs)

| Particulars | Schedule | Current Year | | Previous Year | |
|---|----------|--------------|-----------|---------------|-----------|
| INCOME : | | | | | |
| Sales | IX | 74,097.47 | | 71,709.11 | |
| Other Income | X | 3,013.35 | | 1,579.77 | |
| Total | | | 77,110.82 | | 73,288.88 |
| EXPENDITURE : | | | | | |
| (Increase)/decrease in stock in trade | XI | (321.94) | | 585.00 | |
| Consumption of raw and packing material | XII | 16,126.49 | | 15,869.86 | |
| Purchase of traded goods | XIII | 7,753.01 | | 7,965.74 | |
| Employees cost | XIV | 10,521.40 | | 9,795.90 | |
| Operating & Other Expenses | XV | 26,067.73 | | 33,323.39 | |
| Preliminary Expenses | | – | | 0.49 | |
| Depreciation / Amortisation | V | 2,156.86 | | 2,042.87 | |
| Total | | | 62,303.55 | | 69,583.25 |
| Profit Before Taxation | | | 14,807.27 | | 3,705.63 |
| Less : Taxation: | | | | | |
| Current Tax | | | 2,826.71 | | 1,950.17 |
| Earlier years' Income Tax | | | (151.79) | | (637.05) |
| Deferred Tax | | | 247.09 | | (311.71) |
| Fringe Benefit Tax | | | – | | 125.00 |
| Wealth Tax | | | 10.00 | | 8.25 |
| Profit After Taxation | | | 11,875.26 | | 2,570.97 |
| Add : Balance brought forward from earlier years | | | 2,159.94 | | 1,362.91 |
| Available for Appropriation | | | 14,035.20 | | 3,933.88 |
| Appropriation: | | | | | |
| Proposed Dividend | | 1,687.38 | | 843.27 | |
| Tax on Proposed Dividend | | 280.24 | | 143.31 | |
| General Reserve | | 1,009.97 | | 787.36 | |
| | | | 2,977.59 | | 1,773.94 |
| Balance carried forward to Balance Sheet | | | 11,057.61 | | 2,159.94 |
| | | | 14,035.20 | | 3,933.88 |
| Earning Per Share (Rs.) | | | | | |
| Basic EPS | | | 14.08 | | 3.05 |
| Diluted EPS | | | 14.08 | | 3.05 |
| Significant Accounting Policies and Notes on Accounts | XVI | | | | |

As per our report of even date

For J. K. Shah & Co.
Chartered Accountants

J. K. Shah
Partner
Membership No. 3662

Place : Mumbai
Date : May 5, 2010

For and on behalf of the Board of Directors

J. B. Mody
Chairman & Managing Director

S. B. Mody
Whole time Director (Marketing)

D. B. Mody
Whole time Director (Administration)

M. C. Mehta
Company Secretary

Place : Mumbai
Date : May 5, 2010

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31, 2010

(Rs. in lakhs)

| Particulars | Current Year | | Previous Year | |
|--|------------------|------------------|---------------|------------------|
| A. Cash Flow from Operating Activities | | | | |
| Net Profit before Tax and Extraordinary items | | 14807.27 | | 3705.64 |
| Adjustment For: | | | | |
| Depreciation | 2156.86 | | 2042.87 | |
| Foreign Exchange (Net) | (898.61) | | 1749.05 | |
| Interest Paid | 1156.54 | | 1516.59 | |
| Loss on Sale/Discard of Assets | 23.69 | | 3.18 | |
| Loss on Sale of Investments (Net) | 91.94 | | — | |
| Bad Debt | 131.75 | | 1152.39 | |
| Interest Received | (176.39) | | (175.97) | |
| Dividend Received | (26.35) | | (20.52) | |
| Deferred Employee Compensation cost | (0.42) | | (0.18) | |
| Preliminary Expenses written off | — | | 0.49 | |
| Impairment of Fixed Assets | — | | 42.44 | |
| Provision for Diminution in value of Investment | 41.86 | | 9.13 | |
| Provision for Doubtful debts | — | 2500.87 | 25.00 | 6344.46 |
| Operating Profit Before Working Capital Changes | | 17308.14 | | 10050.10 |
| Adjustment For: | | | | |
| Trade And Other Receivables | (4139.03) | | 478.08 | |
| Inventories | (269.74) | | (608.26) | |
| Trade Payable | 2131.28 | (2277.49) | 304.95 | 174.78 |
| Cash Generated From Operations | | 15030.65 | | 10224.88 |
| Direct Taxes Paid (including Fringe Benefit Tax) (Net) | | (2833.31) | | (1114.37) |
| Net Cash from Operating Activities | | 12197.34 | | 9110.51 |
| B. Cash Flow from Investing Activities | | | | |
| Purchase of Fixed Assets | (1263.17) | | (1570.23) | |
| Sale /Discard of Fixed Assets | 31.47 | | 36.76 | |
| Purchase of Investment | (2076.01) | | (6.16) | |
| Sale of Investment | 263.76 | | — | |
| Interest Received | 71.29 | | 87.64 | |
| Dividend Received | 26.35 | | 20.52 | |
| Net Cash used in Investing Activities | | (2946.31) | | (1431.47) |
| C. Cash Flow from Financing Activities | | | | |
| Proceeds from Short term Borrowings (Net) | (1973.90) | | (2819.73) | |
| Proceeds from Long term Borrowings (Net) | (1690.67) | | — | |
| Interest Paid | (1201.16) | | (1474.63) | |
| Dividend Paid (Including Dividend Tax) | (983.65) | | (496.22) | |
| Net Cash Used in Financing Activities | | (5849.38) | | (4790.58) |
| Net Increase in Cash and Cash Equivalents | | 3401.65 | | 2888.45 |
| Cash and Cash Equivalents as at 01.04.09 | 4384.54 | | 1496.09 | |
| Cash and Cash Equivalents as at 31.03.10 | 7786.19 | 3401.65 | 4384.54 | 2888.45 |

Notes : 1) The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on "Cash Flow Statement".
2) Previous year's figures are re-grouped/re-classified wherever necessary in order to conform to current year's groupings and classifications.

As per our report of even date

For and on behalf of the Board of Directors

For J. K. Shah & Co.
Chartered Accountants

J. B. Mody
Chairman & Managing Director

D. B. Mody
Whole time Director (Administration)

J. K. Shah
Partner
Membership No. 3662

S. B. Mody
Whole time Director (Marketing)

M. C. Mehta
Company Secretary

Place : Mumbai
Date : May 5, 2010

Place : Mumbai
Date : May 5, 2010

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

| (Rs. in lakhs) | | |
|--|------------------|---------------|
| Particulars | Current Year | Previous Year |
| SCHEDULE-I | | |
| SHARE CAPITAL | | |
| Authorised : | | |
| 10,00,00,000 (Previous year 10,00,00,000) Equity shares of Rs. 2/- each | 2,000.00 | 2,000.00 |
| Issued, Subscribed and paid up : | | |
| 8,43,26,350 (Previous year 8,43,26,350) Equity shares of Rs. 2/- each fully paid | 1,686.53 | 1,686.53 |
| of the above: | | |
| a) 1,55,34,000 Equity Shares of Rs. 2/- each have been issued for consideration other than cash. | | |
| b) 4,64,02,500 Equity Shares of Rs. 2/- each were allotted as fully paid up bonus shares by capitalization of Securities Premium, General Reserve and Export Profit Reserve. | | |
| c) 1,31,350 Equity Shares of Rs. 2/- each have been issued pursuant to Employees Stock Option Scheme. | | |
| | 1,686.53 | 1,686.53 |
| SCHEDULE-II | | |
| RESERVES AND SURPLUS | | |
| Capital Reserve (Reserves transferred from amalgamating company): | | |
| Investment Allowance Reserve (utilised) | 34.86 | 34.86 |
| Capital Reserve | 63.53 | 63.53 |
| Cash Subsidy | 1.98 | 1.98 |
| | 100.37 | 100.37 |
| Capital Reserve | 4.21 | 4.21 |
| Cash Subsidy | 85.66 | 85.66 |
| Contingency Reserve | 520.00 | 520.00 |
| Securities Premium | 5,252.82 | 5,252.82 |
| Revaluation Reserve (Net of Deferred Tax) | 421.31 | 170.38 |
| General Reserve | | |
| As per last Balance Sheet | 36,807.21 | 36,019.85 |
| Add: Transfer from Profit & Loss A/c | 1,009.97 | 787.36 |
| | 37,817.18 | 36,807.21 |
| Balance in Profit and Loss Account | 11,057.61 | 2,159.94 |
| Foreign Currency Translation Reserve | (177.82) | 57.73 |
| Employee Stock Option | | |
| Employee Stock Options Outstanding | 43.88 | 45.23 |
| Less : Deferred Employee Compensation | - | 0.93 |
| | 43.88 | 44.30 |
| | 55,125.22 | 45,202.62 |

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

(Rs. in lakhs)

| Particulars | Current Year | Previous Year |
|--|-----------------|------------------|
| SCHEDULE-III | | |
| SECURED LOANS | | |
| From Banks | | |
| <u>Working Capital Borrowings:</u> | | |
| Foreign Currency Loans | 6,353.35 | — |
| Rupee Loans | 502.46 | 8,357.80 |
| <u>Long Term Foreign Currency Loan:</u> | | |
| External Commercial Borrowing | 2,993.33 | 5,072.00 |
| Notes : | | |
| 1) Working capital borrowings from the banks are secured by first charge on pari passu basis by way of hypothecation of company's current assets both present and future and by way of joint equitable mortgage of the company's immovable properties situated at Thane and Belapur in the State of Maharashtra, Ankleshwar & Panoli (except for movable fixed assets exclusively hypothecated towards External Commercial Borrowing) in the State of Gujarat and Daman in the Union Territory of Daman. | | |
| 2) The External Commercial Borrowing is secured by exclusive charge by way of hypothecation of the company's movable fixed assets (including movable plant and machinery) both present and future at new plant at Plot No. 4, GIDC Phase IV, Panoli, Gujarat. | | |
| | 9,849.14 | 13,429.80 |
| SCHEDULE-IV | | |
| UNSECURED LOANS | | |
| Interest free advance from Directors | 1.50 | 1.50 |
| Fixed Deposit from Public & Shareholders (Includes Rs. 178.16 (Previous year Rs. 182.66) received from Directors) (Due within one year Rs. 375.40, Previous year Rs. 378.46) | 1,647.34 | 1,534.58 |
| Deposit from Distributors / Customers | 275.25 | 239.75 |
| Inter Corporate Deposits | 1,781.50 | 1,781.50 |
| Sales Tax Deferral (Due within one year Rs. 16.34, Previous year Rs. 16.34) | 65.35 | 81.68 |
| From Banks | — | 760.20 |
| Share of Joint Venture | 55.51 | 47.64 |
| | 3,826.45 | 4,446.85 |

SCHEDULE-V

FIXED ASSETS

(Rs. in lakhs)

| Sr. No | Description of Assets | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|--------|-------------------------------|------------------|---------------------------|------------------------|------------------|------------------|--------------|---------------------------|------------------|------------------|------------------|
| | | As at 01.04.2009 | Additions during the year | Deductions/ adjustment | As at 31.03.2010 | As at 01.04.2009 | For the year | On Deductions/ adjustment | As at 31.03.2010 | As at 31.03.2010 | As at 31.03.2009 |
| A) | Tangible : | | | | | | | | | | |
| 1 | Land (Freehold) | 59.34 | — | — | 59.34 | — | — | — | — | 59.34 | 59.34 |
| 2 | Land (Leasehold) | 409.58 | — | — | 409.58 | 57.22 | 3.84 | — | 61.06 | 348.52 | 352.36 |
| 3 | Factory Buildings | 9,118.94 | 128.22 | — | 9,247.16 | 1,756.41 | 305.69 | — | 2,062.10 | 7,185.06 | 7,362.53 |
| 4 | Buildings (Note 1) | 621.83 | 112.88 | — | 734.71 | 137.84 | 10.65 | — | 148.49 | 586.22 | 483.99 |
| 5 | Plant & Machinery | 18,933.13 | 1,265.76 | 10.54 | 20,188.35 | 8,174.30 | 1,204.83 | 9.53 | 9,369.60 | 10,818.75 | 10,758.83 |
| 6 | Office Equipments | 482.99 | 79.28 | — | 562.27 | 206.14 | 159.13 | — | 365.27 | 197.00 | 276.85 |
| 7 | Furniture & Fixtures | 1,003.58 | 31.41 | 2.41 | 1,032.58 | 456.70 | 56.29 | 0.06 | 512.93 | 519.65 | 546.88 |
| 8 | Air conditioners | 1,595.57 | 37.70 | — | 1,633.27 | 544.65 | 127.19 | — | 671.84 | 961.43 | 1,050.92 |
| 9 | Vehicles | 1,458.50 | 239.09 | 132.70 | 1,564.89 | 510.37 | 141.76 | 81.51 | 570.62 | 994.27 | 948.13 |
| 10 | Leasehold Improvements | 10.84 | 14.91 | — | 25.75 | 1.10 | 3.40 | — | 4.50 | 21.25 | 9.74 |
| B) | Intangible : | | | | | | | | | | |
| 1 | Acquired Software | 345.22 | 4.18 | — | 349.40 | 98.25 | 115.53 | — | 213.78 | 135.62 | 246.97 |
| 2 | Goodwill | 1,690.23 | — | — | 1,690.23 | — | — | — | — | 1,690.23 | 1,690.23 |
| 3 | Others | 25.77 | — | 25.77 | — | — | 25.77 | 25.77 | — | — | 25.77 |
| C) | Share of Joint Venture | 901.28 | 305.04 | 37.03 | 1,169.29 | 42.69 | 2.78 | 36.42 | 9.05 | 1,160.24 | 858.59 |
| | Current Year's Total | 36,656.80 | 2,218.47 | 208.45 | 38,666.82 | 11,985.67 | 2,156.86 | 153.29 | 13,989.24 | 24,677.58 | 24,671.13 |
| | Previous Year's Total | 35,991.68 | 1,137.38 | 472.26 | 36,656.80 | 10,062.50 | 2,042.87 | 119.70 | 11,985.67 | 24,671.13 | 25,929.18 |

Notes :

- Value of buildings includes a sum of Rs. 3000/- being the cost of shares in the societies.
- No depreciation has been claimed on assets to the extent of CENVAT claimed.
- Deduction in previous year includes adjustment on account of impairment.

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

| | | (Rs. in lakhs) | |
|---|------------------|-----------------|--|
| Particulars | Current Year | Previous Year | |
| SCHEDULE-VI | | | |
| INVESTMENTS, | | | |
| <u>Long Term (At Cost, Unless otherwise stated) :</u> | | | |
| i) In Government Securities : | | | |
| National Saving Certificates | 0.66 | 0.54 | |
| (Pledged with Government Authorities) | | | |
| ii) In Fully Paid Equity Shares : | | | |
| Quoted - Trade : | | | |
| 25,000 (Previous year 1,20,000) Ordinary Shares of Spectrum Pharmaceuticals Inc. of US \$ 0.001 each (Market Value Rs. 51.74, Previous year Rs. 106.47) | 93.60 | 449.30 | |
| Unquoted - Trade : | | | |
| 5,866 (Previous year 5,866) Equity Shares of Rs. 10/- each of Bharuch Enviro Infrastructure Ltd. | 0.59 | 0.59 | |
| 6,12,032 (Previous year 6,12,032) Equity Shares of Rs. 10/- each of Bharuch Eco-aqua Infrastructure Ltd. | 61.20 | 61.20 | |
| Unquoted - Non Trade : | | | |
| 20,000 (Previous year 20,000) Equity Shares of Enviro Technology Ltd. of Rs. 10/- each | 2.00 | 2.00 | |
| 60,000 (Previous year 60,000) Equity Shares of Panoli Enviro Technology Ltd. of Rs. 10/-each | 6.00 | 6.00 | |
| 20,00,000 (Previous year 20,00,000) Equity Shares of Rs. 10/- each of Asian Heart Institute & Research Centre Pvt. Ltd. | 200.00 | 200.00 | |
| 2,40,000 (Previous year 2,40,000) Equity Shares of Rs. 10/- each of Raptim Research Ltd. | 24.00 | 24.00 | |
| 50,000 (Previous year Nil) Equity Shares of Rs. 10/- each of Ankleshwar Research & Analytical Infrastructure Limited | 5.00 | – | |
| iii) In Fully Paid Bonds / Mutual Fund Units / Others : | | | |
| Unquoted : | | | |
| 126 (Previous year 126) Units of Rs. 10/- each of Unit Trust of India | 0.01 | 0.01 | |
| 2,000 (Previous year 2,000) Bonds of Rural Electrification Corporation of Rs. 10/- each | 0.20 | 0.20 | |
| 85,85,204.43 (Previous year Nil) Units of Rs. 10.0315 each of HDFC Cash Management Fund-Treasury Advantage Plan - Retail - Daily Dividend Option | 861.22 | – | |
| 11,48,785.38 (Previous year Nil) Units of Rs. 105.7350 each of ICICI Prudential Flexible Income Plan Premium - Daily Dividend Reinvestment | 1,214.67 | – | |
| Membership Interest in Neo JB LLC | 9.13 | 9.13 | |
| iv) Share Application Money | – | 5.00 | |
| | 2,478.28 | 757.97 | |
| Less : Provision for diminution in value of investments | 50.99 | 9.13 | |
| | 2,427.29 | 748.84 | |
| Aggregate value of Investments : (Net of provision for diminution) | | | |
| Quoted | 51.74 | 449.30 | |
| Unquoted | 2,375.55 | 299.54 | |
| | 2,427.29 | 748.84 | |
| Aggregate market value of quoted investments | 51.74 | 106.47 | |
| Investments acquired and redeemed during the year | NAV (Rs.) | Nos. (in lakhs) | |
| HDFC Cash Management Fund-Treasury Advantage Plan - Retail - Daily Dividend Option | 10.0315 | 113.64 | |
| ICICI Prudential Flexible Income Plan Premium - Daily Dividend Reinvestment | 105.7350 | 4.73 | |

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

| | | (Rs. in lakhs) | |
|--|--------------|----------------|--|
| Particulars | Current Year | Previous Year | |
| SCHEDULE-VII | | | |
| CURRENT ASSETS, LOANS AND ADVANCES | | | |
| a) Inventories | | | |
| (As taken valued and certified by the Managing Director) | | | |
| Raw Material | 1,360.25 | 1,093.25 | |
| Packing Material | 1,090.17 | 1,210.24 | |
| Work-in-process | 832.20 | 551.39 | |
| Finished Goods (Stock in Transit Rs. 51.90, Previous year Rs. 22.35) | 4,434.34 | 4,640.87 | |
| Fuel | 14.97 | 15.07 | |
| Share of Joint Venture (Net of provision for Stock of Rs. 25.19, Previous year Rs. 7.89) | 615.22 | 566.59 | |
| | 8,347.15 | 8,077.41 | |
| b) Sundry Debtors | | | |
| (Unsecured, considered good unless stated otherwise) | | | |
| Debts outstanding for the period exceeding six months : | | | |
| Good | 17,279.77 | 13,949.97 | |
| Doubtful | — | 25.00 | |
| | 17,279.77 | 13,974.97 | |
| Other Debts, Considered Good | 17,020.23 | 16,054.85 | |
| | 34,300.00 | 30,029.82 | |
| Less : Provision for Doubtful Debts | — | 25.00 | |
| Share of Joint Venture | | | |
| (Net of Provision for Doubtful Debts of Rs. 8.17, Previous year Rs. 13.83) | 182.38 | 275.25 | |
| | 34,482.38 | 30,280.07 | |
| c) Cash and Bank Balances | | | |
| Cash on Hand | 16.53 | 29.92 | |
| Balances with Scheduled Banks | | | |
| - In Current Accounts | 5,263.61 | 2,853.42 | |
| (Including unclaimed dividend Rs. 45.77, Previous year Rs. 42.84) | | | |
| - In Fixed Deposit | 1,362.77 | 681.49 | |
| Remittances in Transit | 209.09 | 300.11 | |
| | 6,835.47 | 3,835.02 | |
| Balances with Non-Scheduled Banks in Current Account | | | |
| a) JSC VTB Bank, Moscow | | | |
| (Maximum balance outstanding during the year Rs. 636.89, Previous year Rs. 390.69) | 197.10 | 271.72 | |
| b) Ukraine International Bank, Ukraine | | | |
| (Maximum balance outstanding during the year Rs. 117.52, Previous year Rs. 21.36) | 9.72 | 6.78 | |
| c) Uzbekistan International Bank, Uzbekistan | | | |
| (Maximum balance outstanding during the year Rs. 20.72, Previous year Rs. 6.44) | 2.77 | 4.38 | |
| d) Barclays Private Clients International Limited | | | |
| (Maximum balance outstanding during the year Rs. 3.48, Previous year Rs. 4.49) | 0.40 | 0.44 | |
| e) ICICI Bank Eurasia LLC, Moscow | | | |
| (Maximum balance outstanding during the year Rs. 666.76, Previous year Rs. 300.48) | 69.45 | 4.11 | |
| f) BNP Paribas, Moscow | | | |
| (Maximum balance outstanding during the year Rs. 1,960.83, Previous year Rs. 473.42) | 413.81 | 201.03 | |
| g) BCR (Banca Comerciala Romana), Romania | | | |
| (Maximum balance outstanding during the year Rs. 79.52, Previous year Rs. 176.59) | 53.23 | 30.48 | |
| | 746.48 | 518.94 | |
| Post Office Saving Account | 0.57 | 0.57 | |
| Share of Joint Venture | 187.14 | 0.09 | |
| | 7,786.19 | 4,384.54 | |

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

| | | (Rs. in lakhs) | |
|---|------------------|----------------|--|
| Particulars | Current Year | Previous Year | |
| d) Loans and Advances | | | |
| (Unsecured, Considered good, unless otherwise stated) | | | |
| i) Advances recoverable in cash or in kind or for value to be received | 4,822.63 | 3,856.66 | |
| ii) Advance to Suppliers | 260.93 | 578.77 | |
| iii) Loans to Employees | 172.84 | 189.74 | |
| (Refer Note No.9(i) of Schedule XVI) | | | |
| iv) Deposits | 468.21 | 438.82 | |
| (Refer Note No.9(ii) of Schedule XVI) | | | |
| v) Taxes paid (Net of Provisions) | 129.19 | 661.29 | |
| vi) Mat Credit Entitlements | 48.53 | — | |
| vii) Balance with Excise Authorities | 4.04 | 5.00 | |
| viii) Accrued interest on Deposit & others | 10.17 | 12.58 | |
| ix) Share of Joint Venture | 1.15 | 0.83 | |
| x) Loan given to Joint Venture | 50.50 | 56.23 | |
| | 5,968.19 | 5,799.92 | |
| | 56,583.91 | 48,541.94 | |
| SCHEDULE-VIII | | | |
| CURRENT LIABILITIES AND PROVISIONS | | | |
| a) Current Liabilities | | | |
| i) Sundry Creditors | | | |
| Due to Micro & Small Enterprises | 178.21 | 221.48 | |
| Others | 4,149.80 | 3,233.17 | |
| ii) Advance from Customers | 222.31 | 410.95 | |
| iii) Other Liabilities | 2,266.82 | 1,790.39 | |
| iv) Unclaimed Dividend # | 45.77 | 42.84 | |
| v) Unclaimed Matured Deposits # | 2.37 | 3.74 | |
| vi) Interest accrued but not due | 207.77 | 252.39 | |
| vii) Outstanding Purchase Consideration (Undischarged liabilities of vendors) | 0.10 | 0.10 | |
| viii) Share of Joint Venture | 1,210.21 | 509.83 | |
| # There is no amount due and outstanding to be credited to Investor Education and Protection Fund | | | |
| | 8,283.36 | 6,464.89 | |
| b) Provisions | | | |
| i) Proposed Dividend | 1,687.38 | 843.27 | |
| ii) Tax on Proposed Dividend | 280.24 | 143.31 | |
| iii) Employees' Benefits | 1,360.28 | 1,115.74 | |
| iv) Share of Joint Venture | 12.75 | 13.54 | |
| | 3,340.65 | 2,115.86 | |
| | 11,624.01 | 8,580.75 | |

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2010

| | | (Rs. in lakhs) |
|---|--------------|----------------|
| Particulars | Current Year | Previous Year |
| SCHEDULE-IX | | |
| SALES | | |
| Sales | 71,022.30 | 66,819.72 |
| Less : Excise Duty | 584.79 | 811.47 |
| | 70,437.51 | 66,008.25 |
| Add: Exchange Difference (Net) | 1,235.17 | 4,441.62 |
| Share of Joint Venture | 2,424.79 | 1,259.24 |
| | 74,097.47 | 71,709.11 |
| SCHEDULE-X | | |
| OTHER INCOME | | |
| Interest from Banks | 27.15 | 25.25 |
| [Tax deducted at source Rs. 3.38; (Previous year Rs. 4.39)] | | |
| Interest from Others | 149.24 | 150.72 |
| [Tax deducted at source Rs. 1.47; (Previous year Rs. 10.72)] | | |
| Exchange Difference Others (Net) | 1,220.77 | 16.16 |
| Insurance Claims | 43.79 | 34.56 |
| Profit on sale of fixed assets | 1.05 | 4.67 |
| Export Incentives | 1,136.47 | 887.41 |
| Manufacturing Charges (Tax deducted at source Rs. 0.53, Previous year Rs. 0.43) | 24.92 | 18.82 |
| Dividend on investment: | | |
| - Trade | 0.06 | 0.12 |
| - Non-Trade | 26.29 | 20.40 |
| Bill discounting income | - | 19.82 |
| Sale of scrap | 224.96 | 205.34 |
| Miscellaneous Income | 158.65 | 164.67 |
| Share of Joint Venture | - | 31.83 |
| | 3,013.35 | 1,579.77 |
| SCHEDULE-XI | | |
| (INCREASE)/DECREASE IN STOCK IN TRADE | | |
| Opening Stock | | |
| Work-in-process | 551.39 | 414.83 |
| Finished Goods | 1,912.76 | 2,634.32 |
| | 2,464.15 | 3,049.15 |
| Less: Closing Stock | | |
| Work-in-process | 832.20 | 551.39 |
| Finished Goods | 1,953.89 | 1,912.76 |
| | 2,786.09 | 2,464.15 |
| | (321.94) | 585.00 |

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2010

| (Rs. in lakhs) | | |
|--|--------------|---------------|
| Particulars | Current Year | Previous Year |
| SCHEDULE-XII | | |
| CONSUMPTION OF RAW & PACKING MATERIAL | | |
| Opening Stock | 2,303.49 | 2,591.39 |
| Purchases | 16,273.42 | 15,581.96 |
| | 18,576.91 | 18,173.35 |
| Less: Closing Stock | 2,450.42 | 2,303.49 |
| | 16,126.49 | 15,869.86 |
| SCHEDULE-XIII | | |
| PURCHASE OF TRADED GOODS | | |
| Opening Stock | 2,728.11 | 1,513.53 |
| Purchases | 6,451.40 | 8,477.83 |
| | 9,179.51 | 9,991.36 |
| Less: Closing Stock (Including material for resale Rs. Nil, Previous year Rs. 30.27) | 2,480.45 | 2,728.11 |
| Share of Joint Venture | 1,053.95 | 702.49 |
| | 7,753.01 | 7,965.74 |
| SCHEDULE-XIV | | |
| EMPLOYEES COST | | |
| Salaries and Other Benefits | 8,859.61 | 8,127.70 |
| (Include Rs. 25.94 for payment under Voluntary Retirement Scheme, Previous year Rs. Nil) | | |
| Contribution to Provident Fund and Other Funds | 866.69 | 972.61 |
| Gratuity | 235.72 | 236.25 |
| Staff Welfare | 180.42 | 177.07 |
| Share of Joint Venture | 378.96 | 282.27 |
| | 10,521.40 | 9,795.90 |

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2010

| (Rs. in lakhs) | | |
|---|------------------|------------------|
| Particulars | Current Year | Previous Year |
| SCHEDULE-XV | | |
| OPERATING & OTHER EXPENSES | | |
| Manufacturing charges | 711.41 | 655.97 |
| Stores and spares | 237.24 | 337.42 |
| Power and fuel | 1,803.50 | 1,596.88 |
| Excise duty | 195.64 | 197.84 |
| Compensation rent | 1,203.57 | 547.98 |
| Rates and taxes | 91.39 | 24.61 |
| Insurance | 205.82 | 145.32 |
| Freight and transport charges | 2,613.79 | 3,156.78 |
| Repairs to :- | | |
| Building | 86.55 | 69.41 |
| Machinery | 232.41 | 220.56 |
| Others | 300.52 | 309.56 |
| Loss on sale of investments | 91.94 | — |
| Loss on sale/discard of assets | 24.74 | 7.85 |
| Sales promotion and publicity | 8,963.00 | 8,924.01 |
| Selling commission | 2,039.74 | 1,459.09 |
| Travelling and conveyance | 1,284.33 | 1,510.11 |
| Directors' fees | 8.44 | 7.61 |
| Interest and financing charges: | | |
| Interest on Working Capital Borrowings | 577.29 | 867.89 |
| Interest on Fixed Loans | 172.22 | 145.24 |
| Interest on External Commercial Borrowing | 157.29 | 247.99 |
| Others | 249.74 | 255.47 |
| Royalty | 210.15 | 92.93 |
| Payment to Auditors: | | |
| Audit fees | 33.58 | 27.14 |
| Fees for representation before authorities | — | 22.50 |
| Tax Audit fees | 7.50 | 6.00 |
| Other Taxation and Certification matters | 9.51 | 62.86 |
| Donations | 1.30 | 0.93 |
| Exchange difference others (Net) | — | 7,272.07 |
| Bad debts | 131.75 | 1,152.39 |
| Provision for doubtful debts | — | 25.00 |
| Provision for diminution in value of investment | 41.86 | 9.13 |
| Impairment of fixed assets | — | 42.44 |
| Miscellaneous expenses | 3,950.83 | 3,345.89 |
| Share of Joint Venture | 430.68 | 476.52 |
| | 26,067.73 | 33,323.39 |

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON MARCH 31, 2010

SCHEDULE – XVI

NOTES ON ACCOUNTS

1. PRINCIPLES OF CONSOLIDATION :

a. The consolidated financial statements have been prepared in accordance with Accounting Standard 21 “Consolidated Financial Statements” notified under sub-section (3C) of section 211 of the Companies Act, 1956 and other relevant provisions of the Companies Act, 1956. These relate to J. B. Chemicals & Pharmaceuticals Ltd. (“the Company”), its subsidiaries and its interest in joint ventures (“the Group”). The consolidated financial statements have been prepared on the following basis:

- i. The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.
- ii. The difference between the Company’s cost of investments in the subsidiaries, over its portion of equity at the time of acquisition of shares is recognised in the consolidated financial statements as Goodwill or Capital Reserve, as the case may be.
- iii. In case of foreign subsidiaries, being non-integral foreign operations, revenue items are converted at the average rates prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the “Foreign Currency Translation Reserve”.

iv. Interest in jointly controlled entities is accounted for using proportionate consolidation in accordance with Accounting Standard 27 on “Financial reporting of interests in Joint Ventures”. The Company’s share in each of the assets, liabilities, income and expenses of jointly controlled entities are reported as a separate item. The difference between costs of the Company’s interest in jointly controlled entities over its share of net assets in the jointly controlled entities, at the

date on which interest is acquired, is recognized in the consolidated financial statements as Goodwill or Capital Reserve, as the case may be.

v. Goodwill recognized in the Consolidated Financial Statements is not amortized.

vi. The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company’s separate financial statements except otherwise stated elsewhere in this schedule.

b. No adjustments have been made to the financial statements of the subsidiaries and Joint Venture Company on account of diverse accounting policies as the same, being incorporated in Russia, Jersey, Channel Island and South Africa have been prepared under the laws and regulations applicable to their country of incorporation and hence not practicable to do so.

c. Notes of these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding of the consolidated position of the group. Recognizing this purpose, the company has disclosed only such Notes from the individual financial statements, which fairly present the needed disclosures. Practical considerations made it desirable to exclude Notes to Financial Statements, which in the opinion of the management, could be better viewed, when referred from the individual financial statements of the Companies.

2. The subsidiary companies considered in the consolidated financial statements are :

| Name of the Subsidiaries | Country of Incorporation | Proportion of ownership interest | Accounting year ending on |
|---|--------------------------|----------------------------------|---------------------------|
| J. B. Life Science Overseas Ltd. | India | 100 % | 31.03.2010 |
| J. B. Healthcare Pvt. Ltd. | Jersey, Channel Island | 100 % | 31.03.2010* |
| OOO Unique Pharmaceutical Laboratories | Russia | 100% | 31.12.2009* |
| Unique Pharmaceutical Laboratories S.R.L. | Romania | 100% | 31.12.2009* |

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON MARCH 31, 2010

* Un-audited accounts of 31st March, 2010 are taken into consideration for consolidated financial statements.

3. The Joint Venture company considered in the consolidated financial statements is :

| Name of the Joint Venture | Country of Incorporation | Proportion of ownership interest | Accounting year ending on |
|-----------------------------------|--------------------------|----------------------------------|---------------------------|
| Biotech Laboratories (Pty.) Ltd.* | South Africa | 49 % | 31.08.2009** |

* Through J. B. Healthcare Pvt.Ltd, Jersey, Channel Island.

** Un-audited accounts of 31st March, 2010 are taken into consideration for consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES:

4.1. BASIS OF ACCOUNTING

The Financial statement are prepared on mercantile basis under the historical cost convention in accordance with the generally accepted accounting principles in India, Accounting Standards notified under sub-section (3C) of section 211 of the Companies Act, 1956 and the other relevant provisions of the Companies Act, 1956.

4.2. REVENUE RECOGNITION

All revenue and expenses are accounted for on accrual basis. Revenue is recognized when no significant uncertainties exist in relation to the amount of eventual receipt.

4.3. FIXED ASSETS

Fixed Assets are stated at cost of acquisition and includes other direct / indirect and incidental expenses incurred to put them into use but excludes CENVAT availed on such assets.

Incentives / Subsidies granted by any Government Authorities to encourage establishment of industries or expansion are considered as Capital Reserves and are not adjusted to the cost of fixed assets.

All indirect expenses incurred during project implementation and on trial run are treated as incidental expenditure during construction and capitalized.

4.4. DEPRECIATION

For Parent Company

Depreciation is provided on Straight Line Method at the rates and on the basis specified in Schedule XIV to the Companies Act, 1956. Premium paid for leasehold land is amortized over the lease period.

For Subsidiary:- OOO Unique Pharmaceutical Laboratories

Linear method of calculation of fixed assets depreciation is established for the period of useful application.

Revaluation of fixed assets is not performed.

For Subsidiary :- Unique Pharmaceutical Laboratories S. R. L.

Depreciation is calculated on the Straight Line Method to write off the cost of each asset over its useful life.

For Joint Venture :- Biotech Laboratories (Pty.) Ltd.

Depreciation is calculated on the Straight Line Method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

| | |
|------------------------------|--------|
| • Plant and Equipment | 15.00% |
| • Furniture and Fittings | 16.67% |
| • Motor Vehicles | 20.00% |
| • Computer related equipment | 33.33% |

4.5. INTANGIBLES

For Parent Company:

Intangible assets are stated at costs less accumulated amortization.

Intangible assets are amortized over a period of 3 years.

Joint Venture :- Biotech Laboratories (Pty.) Ltd.

Intangible assets consist of all identifiable non-monetary assets without physical substance. They are stated at fair value less accumulated impairment losses, if any.

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON MARCH 31, 2010

The following are the main categories of intangible assets:

i. Intangible assets with an indefinite useful life:

Intangible assets with an indefinite useful life comprise registrations and dossiers, the carrying value of which is assessed on an annual basis.

Registrations and dossiers are tested annually for impairment and carried at fair value less accumulated impairment losses. Registrations and dossiers are allocated to cash generating unit for the purpose of impairment testing. The allocation is made to those products or company's products that the registrations and dossiers relate to.

ii. Intangible assets with a finite useful life:

Acquired computer software licenses are capitalized on the basis of cost incurred to acquire and bring to use the specific software. Intangible assets with a finite useful life are amortized on a straight line basis over their estimated useful lives, which are reviewed annually as follows:

- Computer software at 20.00% per year.

4.6. IMPAIRMENT OF ASSETS

Where there is an indication that an asset is impaired, the recoverable amount, if any, is estimated and the impairment loss is recognized to the extent carrying amount exceeds recoverable amount.

4.7. PROVISIONS AND CONTINGENCIES

The Group creates a provision when there is a present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or present obligation that probably will not require an outflow of resources or where reliable estimate of the amount of the obligation cannot be made.

4.8. INVENTORIES

Inventories are stated at the lower of cost or net realizable value. Cost is determined on the basis of Moving Weighted Average method. The cost of work in progress (other than those lying at third party

manufacturing site which is valued at material cost) and finished goods comprise direct material, direct labour, other direct cost and related production overheads.

Stores are written off in the year of purchase.

4.9. INVESTMENTS

For Parent Company:

Investments, which are long term in nature are stated at cost of acquisition with provision where necessary for diminution, other than temporary, in the value of investments.

For Subsidiary :- J. B. Healthcare Pvt. Ltd.

Listed investments, fixed interest securities, mutual funds and portfolio investments are carried at market value. Fair value is calculated by reference to stock exchange quoted mid-market price at close of the business on the balance sheet date. Gains and losses arising from change in the fair value of these financial instruments are accounted for through a revaluation reserve.

Unlisted investments are shown at fair values, unless their face value cannot be reliably determined, in which case they are shown at cost less accumulated impairment losses.

4.10. EMPLOYEES BENEFIT

For Parent Company:

10.(i) Short Term Employees Benefits

Short term employees benefits are recognized in the period during which the services have been rendered.

10.(ii) Long Term Employees Benefits:

a. Provident Fund, Family pension Fund & Employees' State Insurance Scheme

As per the Employees Provident Funds and Miscellaneous Provisions Act, 1952 all employees of the company are entitled to receive benefits under the provident fund & family pension fund which is a defined contribution plan. These contributions are made to the fund administered and managed by Government of India.

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON MARCH 31, 2010

In addition, some employees of the company are covered under Employees' State Insurance Scheme Act, 1948, which are also defined contribution schemes recognized and administered by Government of India.

The company's contributions to these schemes are recognized as expense in profit and loss account during the period in which the employee renders the related service. The company has no further obligation under these plans beyond its monthly contributions.

b. Superannuation Plan:

Some employees of the company are entitled to superannuation, a defined contribution plan which is administered through Life Insurance Corporation of India ("LIC"). Superannuation benefits are recognized in the profit and loss account.

c. Leave Encashment:

The company has provided for the liability at year end on account of unavailed earned leave as per the actuarial valuation.

d. Gratuity:

The company provides for gratuity obligations through a defined benefits retirement plan ('The Gratuity Plan') covering all employees. The present value of the obligation under such defined benefits plan is determined based on actuarial valuation using the Project Unit Credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up final obligation. The obligation is measured at the present value of the estimated cash flows. The discount rate used for determining the present value of the defined obligation under defined benefit plan, is based on the market yields on Government securities as at the balance sheet date. Actuarial gains and losses are recognized in Profit and Loss Account as and when determined.

The company makes annual contribution to LIC for the gratuity plan in respect of all the employees.

For Subsidiary companies:

The company makes defined contribution to the Government authority as a social security benefit, which is recognised in the profit & loss account on accrual basis.

For Joint Venture :- Biotech Laboratories (Pty.) Ltd.

There are no long term employment benefits to the employees.

The cost of all short term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions is recognized during the period in which the employee renders the related service.

4.11. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities at the Balance Sheet date are translated at the exchange rate prevailing on the date of Balance Sheet. Exchange rate differences resulting from foreign exchange transactions settled during the period including year-end translation of assets and liabilities are recognized in the Profit and loss account.

In case of forward exchange contracts or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and/or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of contract.

Gain/Loss on settlement of transaction arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.

4.12. LEASES

Leases wherein a significant portion of the risks and reward of ownership are retained by the lessor are classified as Operating Leases. Lease rentals in respect of such leases are charged to the Profit and Loss Account.

4.13. RESEARCH AND DEVELOPMENT

Revenue expenditure on Research and Development is charged to the Profits of the year in which it is incurred.

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON MARCH 31, 2010

Capital expenditure on Research and Development is treated as Fixed Assets.

4.14. BORROWING COST

Borrowing Costs directly attributed to the acquisition of fixed assets are capitalized as a part of the cost of asset up to the date the asset is put to use. Other Borrowing Costs are charged to the profit and loss account in the year in which they are incurred.

4.15. INCOME TAX

For Parent company:

- Tax expenses comprise of current and deferred tax.
- Provision for current income tax is made on the basis of relevant provisions of the Income Tax Act, 1961 as applicable to the financial year.
- Deferred Tax is recognized subject to the consideration of prudence on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
- Minimum Alternate Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period.

For Subsidiary & Joint Venture companies:

Tax expenses have been accounted for on the basis of tax laws prevailing in respective countries.

4.16. EMPLOYEE STOCK OPTION PLAN

The accounting value of stock options representing the excess of the market price over the exercise price of the shares granted under "Employees Stock Option Scheme" of the company is amortized on straight line basis over the vesting period as "Deferred Employees Compensation" in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

- The company has received an approval vide letter no. 47/126/2010-CL-III dated 17.03.2010 from Govt. of India, Ministry of Company Affairs u/s 212(8) of the

Companies Act, 1956 for not attaching the accounts of the subsidiary companies as required u/s 212(1) of the Act. However, information as directed by the Govt. of India, Ministry of Company Affairs in terms of its approval is attached.

- The Pharmaceutical Division of Unique Pharmaceutical Laboratories Ltd. (UPLL) which was acquired by the Group on a going concern basis, has received demand notices from Dept. of Chemicals & Fertilizers, Govt. of India, New Delhi demanding a sum of Rs. 461.47 lakhs in respect of the Bulk Drug Metronidazole and a further sum of Rs. 591.05 lakhs in respect of the Bulk Drug Oxyphenbutazone. These amounts were claimed on hypothetical basis in 1996, under para 7(2) of DPCO 79 read with para 14 of DPCO 87 and para 12 of DPCO 95, long after repeal of DPCO 79 and DPCO 87 and gains allegedly notionally made by it by procuring the Bulk Drugs at alleged lower cost. UPLL has filed review petition against each of these claims disputing the jurisdiction, power and legal or rational basis for making such demands, particularly in view of the repeal of DPCO 79 and DPCO 87. The Group has filed writ petitions bearing No. 446 of 2008 in respect of demand for Oxyphenbutazone & writ petition No. 2623 of 2007 in respect of demand for Metronidazole in Bombay High Court. These writ petitions have been admitted and the Hon'ble High Court has restrained the Government from adopting coercive steps to recover the amount till the disposal of the writ petition on the Group furnishing security as per the Orders. The Group has already furnished the Bank Guarantee as Security. As per the legal advice received by the Group, there is no liability and accordingly no provision is being made in the Accounts for these claims and demands.

7. EMPLOYEE BENEFITS:

The disclosures as required as per the revised AS 15 are as under:

For Parent Company:

a) Defined Contribution Plan

Contribution to Defined Contribution Plan, recognized as expense for the year are as under:

(Rs. in lakhs)

| Particulars | Current Year | Previous Year |
|---|--------------|---------------|
| Employer's Contribution to Provident Fund & Family Pension Fund | 639.17 | 677.04 |
| Employer's Contribution to Superannuation Fund | 107.52 | 102.16 |
| Employer's Contribution to Employees' State Insurance Scheme | 17.18 | 19.99 |

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON MARCH 31, 2010

b) Defined Benefit Plan

Reconciliation of opening and closing balances of defined benefit obligation.

| Particulars | Gratuity (Funded) | | Leave (Non-Funded) | |
|---|-------------------|---------------|--------------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Defined benefit obligation at the beginning of the year | 1512.60 | 1332.11 | 190.68 | 202.66 |
| Current Service Cost | 93.31 | 102.05 | 57.78 | 59.04 |
| Interest Cost | 122.66 | 110.75 | 18.10 | 19.35 |
| Actuarial (gain)/loss | 90.43 | 67.17 | 42.51 | (50.78) |
| Benefits paid | (46.45) | (99.48) | (29.89) | (39.59) |
| Defined benefit obligation at year end | 1772.55 | 1512.60 | 279.18 | 190.68 |

Reconciliation of opening and closing balances of fair value of plan Assets

| Particulars | Gratuity (Funded) | |
|--|-------------------|---------------|
| | Current Year | Previous Year |
| Fair value of plan assets at the beginning of the year | 587.54 | 523.24 |
| Expected return on plan assets | 51.52 | 47.49 |
| Actuarial gain/(loss) | 19.17 | (3.77) |
| Employer contribution | 79.68 | 120.06 |
| Benefits Paid | (46.45) | (99.48) |
| Fair value of plan assets at the end of the year | 691.46 | 587.54 |

Actual Return on Plan Assets

| Particulars | Gratuity (Funded) | |
|--------------------------------------|-------------------|---------------|
| | Current Year | Previous Year |
| Expected return on plan assets | 51.52 | 47.49 |
| Actuarial gain/(loss) on plan assets | 19.17 | (3.77) |
| Actual return on plan assets | 70.69 | 43.72 |

Reconciliation of fair value of plan assets and benefit obligations

| Particulars | Gratuity (Funded) | | Leave (Non-Funded) | |
|--|-------------------|---------------|--------------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Fair value of assets as at 31 st March, 2010 | 691.46 | 587.54 | — | — |
| Present value of obligation as at 31 st March, 2010 | 1772.55 | 1512.60 | 279.18 | 190.68 |
| Amount recognised in Balance Sheet | 1081.09 | 925.06 | 279.18 | 190.68 |

Expense recognised during the year (Under the head "Personnel Cost" - Refer Schedule XIV)

| Particulars | Gratuity (Funded) | | Leave (Non-Funded) | |
|---|-------------------|---------------|--------------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Current Service Cost | 93.31 | 102.05 | 57.78 | 59.04 |
| Interest Cost | 122.66 | 110.76 | 18.10 | 19.35 |
| Expected return on Plan Assets | (51.52) | (47.49) | — | — |
| Actuarial (gain)/loss | 71.27 | 70.93 | 42.51 | (50.78) |
| Expense recognised in Profit and Loss Account | 235.72 | 236.25 | 118.39 | 27.61 |

Investment details:

The company made annual contributions to the LIC of an amount advised by the LIC. The company was not informed by LIC of the Investments made or the break-down of plan assets by investment type.

Actuarial Assumptions:

| Particulars | Gratuity (Funded) | | Leave (Non-Funded) | |
|--|-------------------|---------------|--------------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Discount Rate (per annum) | 8.00% | 7.75% | 8.00% | 7.75% |
| Expected Rate of Return on Plan Assets (per annum) | 8.00% | 8.00% | — | — |
| Salary Escalation (per annum) | 4.00% | 4.00% | 4.00% | 4.00% |

For Subsidiary companies:

Contribution to Defined Contribution Plan, recognized as expense for the year are as under:

| Particulars | Current Year | | Previous Year | |
|---|--------------|---------------|---------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Employer's Contribution under various Government Schemes. | 43.44 | 25.39 | | |

Payments have been made under various pension fund and insurance scheme of the Government. The company does not have any liability of making any payment to employee either on termination or retirement.

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON MARCH 31, 2010

For Joint Venture company:

Contribution to defined contribution plan, recognized as expense for the year are as under:

| (Rs. in lakhs) | | |
|---|--------------|---------------|
| Particulars | Current Year | Previous Year |
| Employer's contribution under various Government Schemes. | 35.65 | 29.10 |

8. SEGMENT REPORTING:

The Group has one segment of activity namely 'Pharmaceuticals'.

9. i. Loans to employees includes an amount of Rs. 4.92 lakhs (Previous year Rs. 9.66 lakhs) due from Director on account of a housing loan. The maximum amount due during the year Rs. 9.96 lakhs (Previous year Rs. 15.00 lakhs).
- ii. Deposits given by the company include Rs. Nil (Previous year Rs. 16.17 lakhs) given to the directors as security deposit under the leave and license agreement.
- iii. Deposits given by the company include Rs. 4.02 lakhs (Previous year Rs. 4.02 lakhs) being security deposit of Rs. 1.34 lakhs each given to Jyotindra Mody Holdings Pvt. Ltd., Dinesh Mody Securities Pvt. Ltd. and Shirish B. Mody Investments Pvt. Ltd.
- iv. The interest on fixed loans include an amount of Interest of Rs. 2.33 lakhs (Previous year Rs. 0.49 lakhs) credited to account of Managing Director on fixed deposit placed by him.

10. The Group has taken on operating lease certain assets. The total lease rent paid on the same amounting to Rs. 598.51 lakhs (Previous year Rs. 446.87 lakhs) is included under the head compensation rent and rates and taxes. The minimum future lease rentals payable in respect thereof are as follows:-

For Parent Company:

| (Rs. in lakhs) | | |
|---|--------------|---------------|
| Particulars | Current Year | Previous Year |
| Not later than one year | 385.46 | 372.72 |
| Later than one year but not later than five years | 457.83 | 677.77 |
| Later than five years | - | - |

For Subsidiary:

| (Rs. in lakhs) | | |
|---|--------------|---------------|
| Particulars | Current Year | Previous Year |
| Not later than one year | 35.42 | 11.13 |
| Later than one year but not later than five years | - | 3.71 |
| Later than five years | - | - |

11. The break-up of deferred tax assets and liabilities into major components at the year end is as follows:

| (Rs. in lakhs) | | |
|--|-----------------|-----------------|
| Particulars | 31.03.10 | 31.03.09 |
| Deferred Tax Assets: | | |
| Retirement Benefits | 332.52 | 310.18 |
| Special provisions consequential to changes in the rate of exchange of currency (Sec. 43A) | 70.55 | 255.00 |
| Others | 94.68 | 137.10 |
| | 497.75 | 702.28 |
| Deferred Tax Liability: | | |
| Depreciation | 1,361.02 | 1,866.03 |
| Timing Difference of Tax Holiday Units (Sec.10B) | 563.65 | 88.86 |
| Share of Joint Venture | 158.53 | 32.23 |
| | 2,083.20 | 1,987.12 |
| Net Deferred Tax Liabilities | 1,585.45 | 1,284.84 |

12. RELATED PARTY DISCLOSURE

Related party disclosures as required by AS - 18, 'Related Party Disclosures' issued by the Institute of Chartered Accountants of India are given below:

Names and Relationships of the Related Parties:

- i) Associate Concerns / Trusts / Companies/ Joint Venture
 - a. Mody Trading Company
 - b. Mody Brothers
 - c. Jyotindra Family Trust
 - d. Dinesh Family Trust
 - e. Shirish Family Trust
 - f. Biotech Laboratories (Pty.) Ltd.
 - g. J B SEZ Pvt. Ltd.
 - h. Jyotindra Mody Holdings Pvt. Ltd.
 - i. Ansuya Mody Securities Pvt. Ltd.
 - j. Dinesh Mody Securities Pvt. Ltd.
 - k. Shirish B. Mody Investments Pvt. Ltd.
 - l. Bharati S. Mody Investments Pvt. Ltd.
 - m. Synit Drugs Pvt. Ltd.

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON MARCH 31, 2010

- n. Unique Pharmaceutical Laboratories Ltd.
o. Ifiunik Pharmaceuticals Ltd.
p. Namplas Chemicals Pvt. Ltd.
q. Raptim Research Ltd.
r. Lekar Pharma Ltd.
s. Afrika Bio-Pharma Investments (Pty.) Ltd.
(In joint venture company)
- ii) Key Management Personnel:
- a. Shri Jyotindra B. Mody
b. Shri Dinesh B. Mody
c. Shri Shirish B. Mody
d. Mr. Sandeep Nasa (In subsidiary company)
- iii) Relatives of Key Management Personnel:
- a. Mr. Pranabh D. Mody
b. Mrs. Ansuya J. Mody
c. Mrs. Kumud D. Mody
d. Mrs. Bharati S. Mody
e. Mrs. Pallavi B. Mehta
f. Mrs. Purvi U. Asher
g. Mrs. Priti R. Shah
h. Mrs. Deepali A. Jasani
i. Mr. Nirav S. Mody
j. Mrs. K. V. Gosalia
k. Mrs. N. R. Mehta
l. D. B. Mody – HUF
m. S. B. Mody – HUF

Transactions with the Related Parties during the year :

| Transaction with Related Parties | Associated Concern / Trust / Joint Venture | Key Management Personnel | Relative of Key Management Personnel |
|--------------------------------------|--|-----------------------------|--------------------------------------|
| Income: | | | |
| Sale of Material / Goods / Others | 1,000.86 (1,014.93) | – (–) | – (–) |
| Miscellaneous Income | 30.39 (18.40) | – (–) | – (–) |
| Expenditure: | | | |
| Purchases | 2,379.53 (2,753.55) | – (–) | – (–) |
| Processing Charges | 106.67 (81.06) | – (–) | – (–) |
| Bio-Equivalence Study | 18.31 (12.70) | – (–) | – (–) |
| Selling Commission | 8.65 (17.36) | – (–) | – (–) |
| Rent | 207.72 (179.20) | 20.29 (21.24) | 54.60 (47.44) |
| Royalty | 210.15 (184.28) | – (–) | – (–) |
| Remuneration | – (–) | 1,086.40 (775.35) | 158.53 (141.74) |
| Interest on Deposits | 179.45 (138.30) | *6.99 (1.37) | 99.74 (72.17) |
| Others: | | | |
| O/S Payables as on March 31, 2010 | 1,913.94 (1,750.53) | *459.87 (231.00) | 1,050.54 (1,011.38) |
| O/S Receivables as on March 31, 2010 | 476.36 (654.28) | – (16.17) | 25.28 (25.28) |

* The outstanding payables include deposit of Rs. 66.00 lakhs (Previous year Rs. 66.00 lakhs) placed under the Fixed Deposit Scheme of the Group. The interest on these deposits is credited at the rate fixed under fixed deposit scheme. The outstanding payables also includes interest free advance of Rs. 1.50 lakhs (Previous year Rs. 1.50 lakhs) received.

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON MARCH 31, 2010

13. EARNING PER SHARE:

Group Earning Per Share (EPS) is calculated in accordance with Accounting Standard – 20 (AS-20) as under:

| Particulars | 31.03.10 | 31.03.09 |
|--|-------------|-------------|
| Net Profit attributable to Equity Shareholders (Rs.in lakhs) | 11,875.26 | 2,570.98 |
| Weighted Average No. of Equity shares (Nos.) | | |
| Basic | 8,43,26,350 | 8,43,26,350 |
| Diluted | 8,43,26,350 | 8,43,26,350 |
| Nominal value of equity shares (Rs.) | 2.00 | 2.00 |
| Earning per share (Rs.): | | |
| Basic | 14.08 | 3.05 |
| Diluted | 14.08 | 3.05 |

14. FOREIGN CURRENCY EXPOSURE AT THE YEAR END NOT HEDGED BY DERIVATIVE INSTRUMENTS:

For Parent Company:

| Particulars | Current Year | | Previous Year | |
|---|------------------|--------------|------------------|--------------|
| | Foreign Currency | Rs. in lakhs | Foreign Currency | Rs. in lakhs |
| Receivable against export of goods: | | | | |
| US Dollars | – | – | 94,59,250.07 | 4,795.84 |
| Euro | 3,52,122.30 | 213.17 | 9,36,764.34 | 632.50 |
| AUD | 5,548.24 | 2.29 | 68,477.00 | 22.78 |
| STG | 1,21,662.30 | 82.79 | 1,87,002.00 | 135.65 |
| | | | | |
| Payable against Secured Loans: | | | | |
| US Dollars | 2,08,16,667.00 | 9,346.68 | 10,00,000.00 | 5,072.00 |
| | | | | |
| Payable against Import of goods & Services : | | | | |
| US Dollars | 17,36,276.54 | 779.59 | – | – |
| Euro | 5,492.59 | 3.33 | – | – |

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON MARCH 31, 2010

14. For Subsidiary Companies:

| Particulars | Current Year | | Previous Year | |
|--|------------------|--------------|------------------|--------------|
| | Foreign Currency | Rs. in lakhs | Foreign Currency | Rs. in lakhs |
| Receivable against export of goods: | | | | |
| US Dollars | – | – | 15,00,000.00 | 760.20 |

For Joint Venture company:

| Particulars | Current Year | | Previous Year | |
|--|------------------|--------------|------------------|--------------|
| | Foreign Currency | Rs. in lakhs | Foreign Currency | Rs. in lakhs |
| Payable against import of goods and services: | | | | |
| US Dollars | 7,82,633.34 | 366.73 | 10,02,049.58 | 528.22 |
| Euro | 20,669.67 | 13.71 | – | – |
| GBP | 1,14,542.38 | 84.38 | 76,424.03 | 60.52 |

15. Previous year's figures are re-grouped, re-arranged, recast wherever considered necessary.

As per our report of even date

For J. K. Shah & Co.
Chartered Accountants

J. K. Shah
Partner

Place : Mumbai
Date : May 5, 2010

For and on behalf of the Board of Directors

J. B. Mody
Chairman & Managing Director

S. B. Mody
Whole time Director (Marketing)
Membership No. 3662

D. B. Mody
Whole time Director (Administration)

M. C. Mehta
Company Secretary

Place : Mumbai
Date : May 5, 2010

INFORMATION PERTAINING TO SUBSIDIARY COMPANIES

| (Rs. in lakhs) | | | | | |
|----------------|------------------------------------|---|--|--|---|
| | | J. B. Life Science Overseas Ltd. | OOO Unique Pharmaceutical Laboratories, Russia. | Unique Pharmaceutical Laboratories S.R.L., Romania. | J.B. Healthcare Pvt. Ltd., Jersey. |
| 1 | Share capital | 12.00 | 1,185.89 | 229.95 | 2,325.19 |
| 2 | Reserves | – | 2,833.86 | 219.07 | (111.28) |
| 3 | Total assets | 12.00 | 4,022.68 | 696.94 | 2,213.91 |
| 4 | Total liabilities | 12.00 | 4,022.68 | 696.94 | 2,213.91 |
| 5 | Turnover | – | 23,772.53 | 388.64 | – |
| 6 | Profit/(Loss) before taxation | (0.06) | 3,923.96 | 14.58 | (15.78) |
| 7 | Provision for taxation | – | 782.10 | 5.22 | – |
| 8 | Profit/(Loss) after taxation | (0.06) | 3,141.86 | 9.36 | (15.78) |
| 9 | Proposed dividend | – | – | – | – |
| 10 | Details of Investments | | | | |
| | -2,107,990 Ordinary shares | – | – | – | 2,192.28 |
| | -175,591 Non-Redeemable | – | – | – | |
| | Convertible “A” Preference Shares | – | – | – | 0.01 |
| 11 | Exchange rate as on March 31, 2010 | N.A. | 1.53 (from Rouble to INR) | 14.79 (from RON to INR) | 44.90 (from US \$ to INR) |

Note: The above financial information of subsidiaries is as of twelve months ended on March 31, 2010.

TEN YEAR FINANCIAL SUMMARY

(Rs. in lakhs)

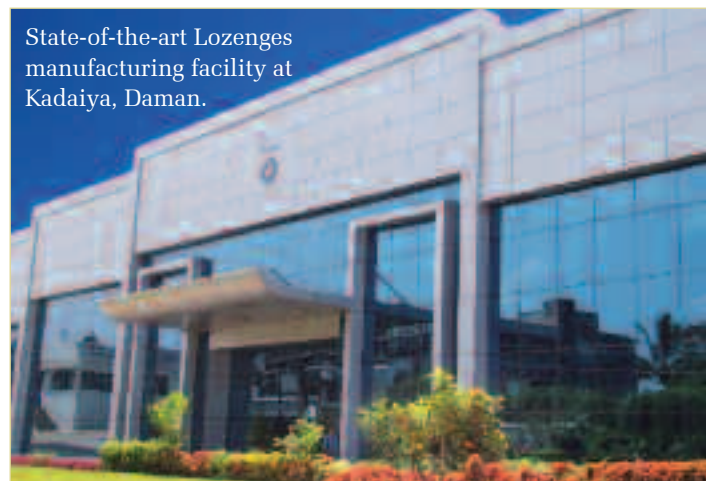
| Particulars | 00-01 | 01-02 | 02-03 | 03-04 | 04-05 | 05-06 | 06-07 | 07-08 | 08-09 | 09-10 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Sources of Funds: | | | | | | | | | | |
| Share Capital | 1,605.90 | 1,605.90 | 1,605.90 | 1,605.90 | 1,605.90 | 1,607.36 | 1,686.53 | 1,686.53 | 1,686.53 | 1,686.53 |
| Share Application money | - | - | - | - | - | - | 1.02 | - | - | - |
| Reserves and Surplus | 14,385.07 | 17,431.48 | 21,005.32 | 23,290.23 | 27,012.68 | 31,701.29 | 40,426.27 | 44,632.06 | 51,518.92 | 59,650.61 |
| Secured Loans | 372.36 | 937.88 | 727.72 | 3,300.72 | 3,796.15 | 6,298.12 | 8,419.69 | 15,449.58 | 13,429.80 | 9,849.14 |
| Unsecured Loans | 833.11 | 819.88 | 907.16 | 1,008.23 | 2,708.24 | 3,264.45 | 8,971.74 | 4,102.42 | 3,639.01 | 3,770.94 |
| Deferred Tax Liability (Net) | - | - | - | 1,126.54 | 1,426.54 | 1,542.54 | 1,875.82 | 1,466.10 | 1,344.51 | 1,423.99 |
| Total | 17,196.44 | 20,795.14 | 24,246.10 | 30,331.62 | 36,549.51 | 44,413.76 | 61,381.07 | 67,336.69 | 71,618.77 | 76,381.21 |
| Application of Funds: | | | | | | | | | | |
| Net Fixed Assets (Incl. Capital WIP) | 5,897.44 | 8,229.29 | 9,567.20 | 12,812.41 | 13,474.90 | 14,730.33 | 22,233.17 | 23,352.95 | 22,747.69 | 21,807.85 |
| Investments | 195.88 | 255.97 | 265.14 | 282.19 | 297.87 | 298.02 | 3,353.74 | 4,290.55 | 4,559.44 | 6,246.43 |
| Current Assets, Loans and Advances: | | | | | | | | | | |
| Inventories | 2,383.19 | 2,795.56 | 3,101.92 | 4,138.67 | 5,158.62 | 6,319.10 | 7,608.21 | 6,511.34 | 5,517.99 | 5,640.84 |
| Sundry Debtors | 9,919.36 | 11,586.28 | 13,580.27 | 15,806.34 | 18,887.32 | 25,258.30 | 31,762.72 | 32,804.08 | 37,449.92 | 40,727.14 |
| Cash & Bank Balances | 622.38 | 695.86 | 945.72 | 560.01 | 922.30 | 1,138.91 | 1,970.95 | 1,450.68 | 4,145.45 | 7,056.63 |
| Loans and Advances | 1,386.26 | 1,384.57 | 1,953.20 | 2,145.09 | 2,506.21 | 2,946.93 | 3,647.35 | 5,864.85 | 5,146.99 | 5,550.89 |
| Total Currents Assets | 14,311.19 | 16,462.27 | 19,581.11 | 22,650.11 | 27,474.45 | 35,663.24 | 44,989.23 | 46,630.95 | 52,260.35 | 58,975.50 |
| Less: Current Liabilities and Provisions: | | | | | | | | | | |
| Current Liabilities | 2,253.17 | 3,349.44 | 3,601.20 | 4,113.76 | 3,283.22 | 4,678.79 | 7,545.76 | 5,432.94 | 5,846.39 | 7,320.67 |
| Provisions | 954.90 | 802.95 | 1,566.15 | 1,299.33 | 1,414.49 | 1,599.04 | 1,649.31 | 1,504.82 | 2,102.32 | 3,327.90 |
| Net Current Assets | 11,103.12 | 12,309.88 | 14,413.76 | 17,237.02 | 22,776.74 | 29,385.41 | 35,794.16 | 39,693.19 | 44,311.64 | 48,326.93 |
| Total | 17,196.44 | 20,795.14 | 24,246.10 | 30,331.62 | 36,549.51 | 44,413.76 | 61,381.07 | 67,336.69 | 71,618.77 | 76,381.21 |
| Income: | | | | | | | | | | |
| Sales | 23,753.20 | 27,601.76 | 29,177.37 | 30,075.32 | 35,809.04 | 46,600.07 | 53,145.92 | 54,809.43 | 72,315.53 | 67,006.45 |
| Other income | 854.08 | 1,142.76 | 974.27 | 1,201.08 | 1,302.66 | 1,155.18 | 1,069.78 | 1,380.19 | 1,496.57 | 1,726.39 |
| Total | 24,607.28 | 28,744.52 | 30,151.64 | 31,276.40 | 37,111.70 | 47,755.25 | 54,215.70 | 56,189.62 | 73,812.10 | 68,732.84 |
| Expenditure: | | | | | | | | | | |
| (Increase)/decrease in stock in trade | 384.49 | (173.92) | (281.04) | (545.78) | (782.72) | (556.42) | (53.37) | 839.09 | 585.00 | (321.94) |
| Consumption of raw and packing materials | 6,167.70 | 7,295.54 | 7,588.10 | 8,461.07 | 9,718.46 | 13,048.00 | 15,218.88 | 14,499.16 | 15,869.86 | 16,126.49 |
| Purchase of traded goods | 2,352.47 | 2,677.48 | 2,405.38 | 2,700.29 | 2,837.90 | 4,105.34 | 3,349.89 | 3,932.35 | 5,505.45 | 4,410.23 |
| Employees cost | 2,553.66 | 2,697.55 | 3,168.56 | 3,727.89 | 4,774.81 | 5,723.00 | 7,717.95 | 8,994.98 | 9,340.88 | 9,846.93 |
| Operating and other expenses | 8,697.87 | 10,306.62 | 10,299.84 | 9,468.73 | 12,810.93 | 16,030.45 | 18,871.67 | 21,311.62 | 31,295.57 | 24,454.46 |
| Depreciation/amortisation | 501.83 | 590.67 | 733.21 | 944.92 | 1,048.92 | 1,073.07 | 1,133.39 | 1,701.66 | 2,037.26 | 2,122.25 |
| Total | 20,658.02 | 23,393.94 | 23,914.05 | 24,757.12 | 30,408.30 | 39,423.44 | 46,238.41 | 51,278.86 | 64,634.02 | 56,638.42 |
| Profit before taxation | 3,949.26 | 5,350.58 | 6,237.59 | 6,519.28 | 6,703.40 | 8,331.81 | 7,977.29 | 4,910.76 | 9,178.08 | 12,094.42 |
| Less: Taxation | 826.23 | 1,145.39 | 1,384.05 | 1,415.24 | 788.60 | 1,239.03 | 875.01 | (258.37) | 1,304.46 | 1,994.69 |
| Profit after taxation | 3,123.03 | 4,205.19 | 4,853.54 | 5,104.04 | 5,914.80 | 7,092.78 | 7,102.28 | 5,169.13 | 7,873.62 | 10,099.73 |
| Ratios: | | | | | | | | | | |
| Earning per share (Rs.) | 19.45 | 26.19 | 30.22 | 31.78 | 36.83 | #8.83 | 8.43 | 6.13 | 9.34 | 11.98 |
| Book Value per share (Rs.) | 99.58 | 118.55 | 140.80 | 155.03 | 178.21 | #41.45 | 49.94 | 54.93 | 63.09 | 72.74 |
| Debt Equity Ratio | 0.08:1 | 0.92:1 | 0.07:1 | 0.17:1 | 0.23:1 | 0.29:1 | 0.41:1 | 0.42:1 | 0.32:1 | 0.22:1 |
| Current Ratio | 4.46:1 | 3.96:1 | 3.79:1 | 4.18:1 | 5.85:1 | 5.68:1 | 4.89:1 | 6.72:1 | 6.57:1 | 5.54:1 |
| Dividend (%) | 50 | 75 | 80 | 110 | 120 | 130 | 130 | 25 | 50 | 100 |

Per equity share of Rs.2 each from 05-06 onwards. Figures have been re-grouped, re-arranged and recast, wherever considered necessary

NOTES

[illegible]

| Name of Authority | Facility Approved |
|-----------------------------|--|
| US FDA | Tablets, APIs |
| MHRA, UK | Tablets, Lozenges |
| EU GMP | Tablets |
| MCC, South Africa | Tablets, Injections, Lozenges |
| TGA, Australia | Tablets, Lozenges |
| ANVISA, Brazil | Injections |
| Ministry of Health, Ukraine | Injections, Liquid orals, Ointments, Lozenges |



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