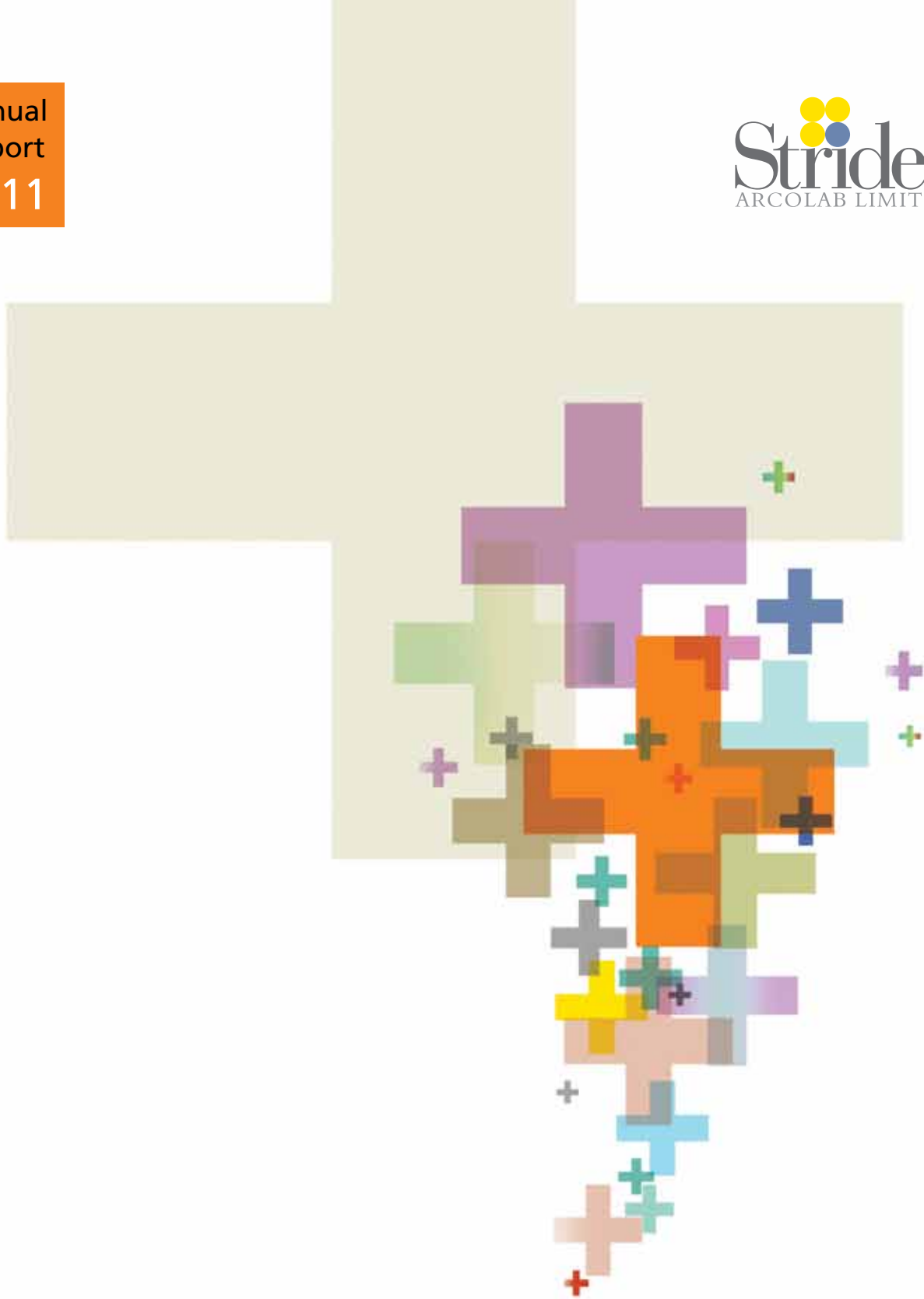


Annual  
Report  
2011

**Strides**  
ARCOLAB LIMITED



Active Present  
**Future Positive**

## Forward-looking statements

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take 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 plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', '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 achievements of results are 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 keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

# Every stride is a story

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## We at Strides

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Strides has consistently provided pharmaceutical solutions with a human commitment to provide critical cure to those in need. Our active enterprise strategies revolve around people, execution and growth.

We are investing in our people, so that we can attract, develop and retain a world-class workforce. We are following rigorous processes to ensure that we operate responsibly, make informed decisions and deliver in a stringent regulatory environment.

2011 marked a defining moment for many reasons. Firstly, our investments and focus on Specialities business has fructified in the form of multiple plant-and-product approvals. Secondly, the Agila brand is stronger than before, contributing to the organisation's revenue momentum. Finally, we are now well on our way to consolidating a value-driven business.

The operating and financial information provided in this annual report reflects the active participation and commitment of all members of the Strides family to create a strong foundation for **future growth**.

## Active **across borders**



Since inception, we have weathered multiple challenges, emerged stronger and embraced opportunities in the global pharmaceutical industry. Operating in a knowledge-driven industry, which determines health outcomes for billions of people across the world, we develop and manufacture IP-led niche pharmaceutical products with an emphasis on sterile injectables.

We have 14 manufacturing facilities across five locations, an innovative R&D hub in Bangalore and a marketing network spanning 75 countries across developed and emerging markets.

## Vision

To be a profitable provider of high quality pharmaceutical products and solutions that create strategic value for our partners and to provide a rewarding workplace for our employees.

## Mission

We innovate and operate in niche areas; deliver high quality products and compelling service that ensure that our customers view us as a long term and reliable partner.

## Creating consistent value across verticals

### Specialty (Agila)

Industry status	State-of-the-art facilities	Product range	Key clientele	Target markets
<ul style="list-style-type: none"> <li>+ Manufacturing and front-ending of Sterile Injectables</li> <li>+ Emerging Sterile power-house under the Agila brand</li> </ul>	<ul style="list-style-type: none"> <li>+ Nine facilities: Five in India, two in Brazil and one in Poland</li> <li>+ Seven US-FDA approved facilities</li> </ul>	High Potency Drugs (Oncology, Peptides and Controlled Substances), Antibiotics, Penems & Penicillins, Cephalosporins, Suspension injections	Pfizer, GSK and other global pharmaceutical majors	Regulated and key emerging markets (like Brazil, India and African countries)

### Pharmaceutical

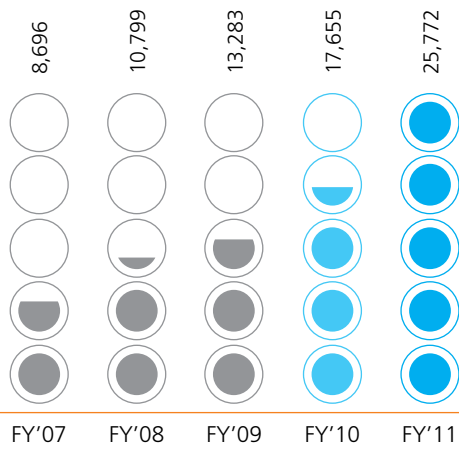
Industry status	State-of-the-art facilities	Product range	Key clientele	Target markets
<ul style="list-style-type: none"> <li>+ Manufacturing pharmaceutical products and front ending Branded generics</li> </ul>	<ul style="list-style-type: none"> <li>+ Five facilities: Three in India and one each in Italy and Nigeria</li> <li>+ One US-FDA approved facility</li> </ul>	Over 300 products, including Tablets, Soft Gel Capsules, Hard Gel Capsules, Sachets, Capsules, Liquids/Syrups and Creams.	<ul style="list-style-type: none"> <li>+ Pfizer, Aspen and other global majors</li> <li>+ Multilateral agencies including UNICEF, PEPFAR and Clinton Foundation, among others</li> </ul>	<ul style="list-style-type: none"> <li>+ IP-led manufacturing business, catering to major regulatory markets</li> <li>+ Branded generics markets in India and African countries</li> </ul>

# Financial competitiveness

## Revenue

₹ in Millions

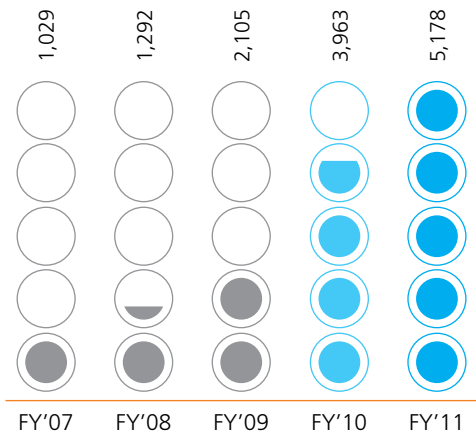
46%



## EBIDTA

₹ in Millions

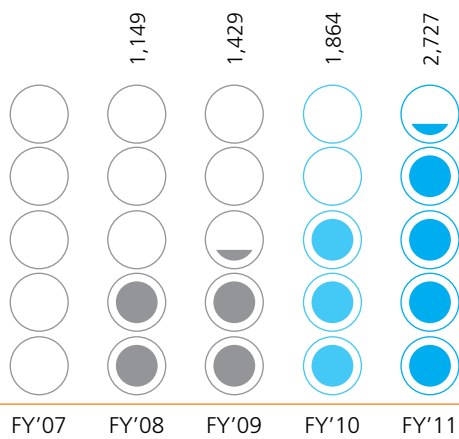
31%



## Pre-tax profit

₹ in Millions

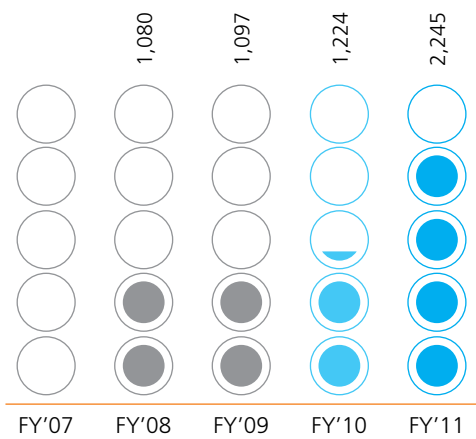
46%



## Post-tax profit

₹ in Millions

83%

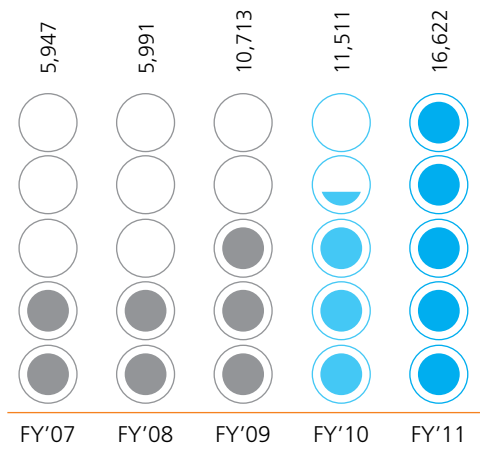




### Gross Block

₹ in Millions

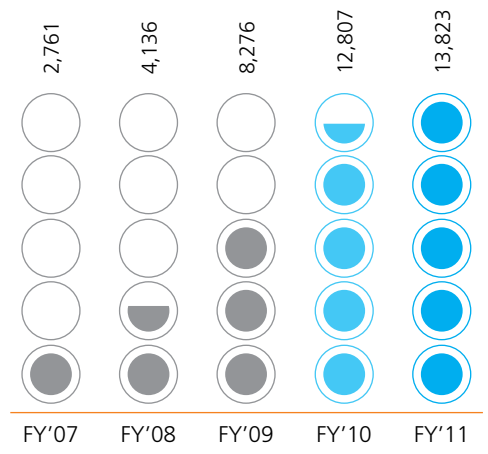
44%



### Total Net Worth

₹ in Millions

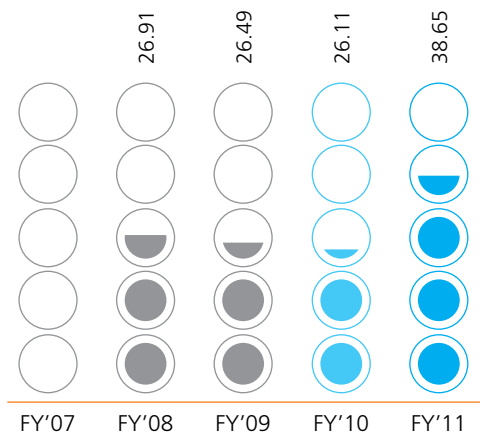
8%



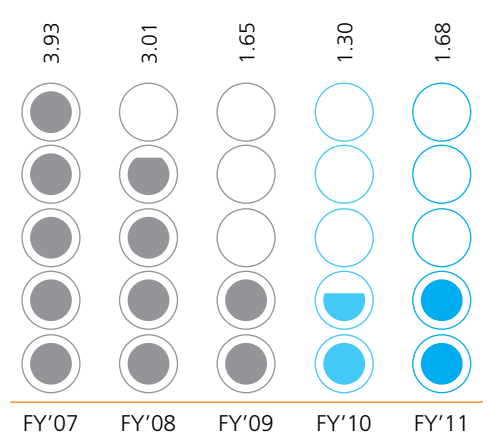
### Earnings Per Share (EPS)

₹

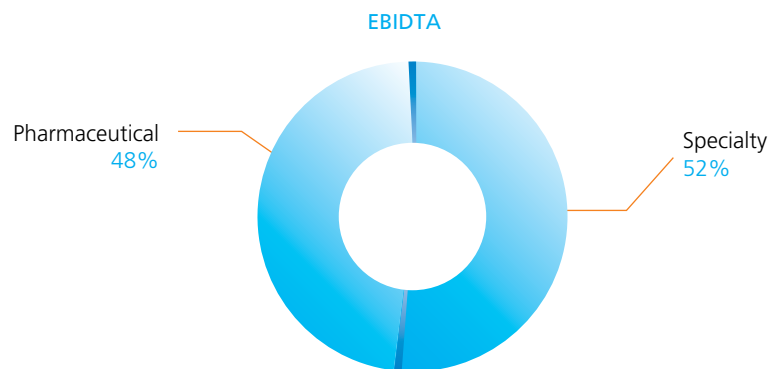
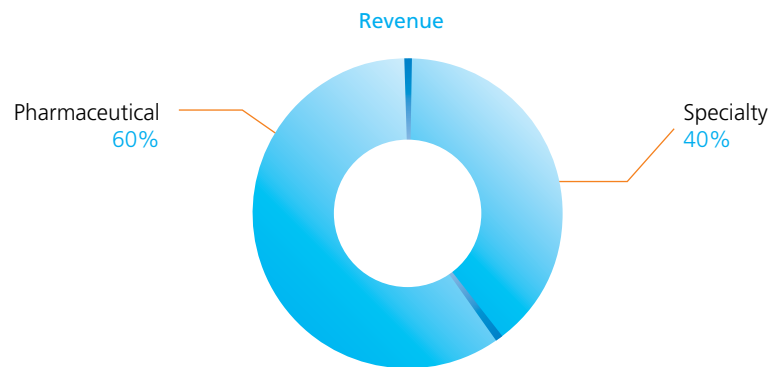
48%



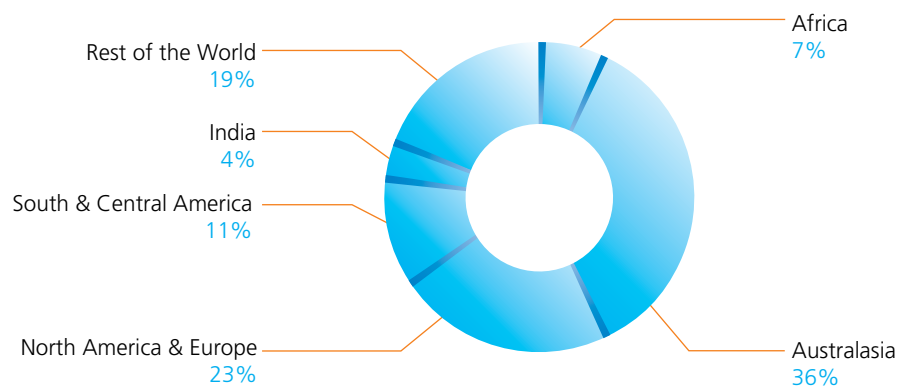
### Debt Equity ratio (net of cash)



## Division-wise performance in 2011



## Global revenue share in 2011





## Unlocking **value**

---

We have recently sold Ascent Pharmahealth, representing our generic pharmaceutical operations in Australia and Southeast Asia to Watson Pharmaceuticals, for an enterprise value of AU\$ 375 Million (~₹ 19,000 Million).

---

### Focus on high-growth Agila business

The proceeds will be used to inject additional capital to strengthen Agila Specialities. Enhanced management focus will further help it attain global leadership in the steriles vertical.

### Monetising value at Ascent

We had significantly increased the value of Ascent since our initial investment in 2008. We have achieved best-industry valuations in the current market scenario.

### Strong balance sheet

The proceeds will be used to reduce debt, thus significantly improving capital structure.

# Active **insight**



For years, we have invested our resources, ideas and energies to emerge as a **global frontrunner in the specialties business.**



## Dear Friends,

2011 marked a year of inspiring accomplishments, the result of our coordinated efforts to build the Strides of tomorrow. For years, we have invested our resources, ideas and energies to emerge as a global frontrunner in the specialties business. In 2011, we further consolidated partnerships and achieved plant-and-product approvals from multiple regulatory authorities by virtue of our ready infrastructure and relevant knowledge repertoire. And we have achieved all this in a challenging regulatory and business environment. I would call it performance with a purpose. Our objective is to emerge as a niche IP-led pharmaceutical company with a focus on sterile injectables



Drug shortage problem is impacting generic injectable drugs, which means the affected patients are mostly acute care patients, being treated by providers in hospitals and out-patient facilities. Of the total generic injectables market, half are on the shortages list. The drug shortage problem is of increasing concern for patients, clinicians and policymakers. They are seeking a deeper understanding of the scenario, as well as potential remedies to ensure access. The US government has passed executive orders to address the issue of drug shortages. US-FDA is expected to take measures to reduce current and future supply disruptions.

Agila possesses a comprehensive portfolio of injectables, which usually face lower price erosion after the patents expire, compared to other generic drugs. In this landscape, we stand out as a visible player, catering to the market through our partners.

Our pharma business still drives a significant portion of revenues. We also unlocked value from pharma business by selling our generic pharmaceutical operations in Australia and South East Asia for AU\$ 375 Million. The proceeds will be used primarily for debt reduction and to infuse more capital into the Agila brand.

Malaysian Bio-XCell and Agila agreed to establish a customised facility to manufacture biopharmaceuticals and sterile injectables in the Bio-XCell ecosystem in Johor, Malaysia. The ecosystem at Bio-XCell is designed for industrial and healthcare biotechnology with a focus on manufacturing and research and development.

What the future holds for Strides? Even taking into consideration the global macro-economic volatilities, I would confidently say it is promising. There are a number of things on our radar:

- + Focus on core high-growth specialties business;
- + Commercialise approved in-process sterile products;
- + Foray into new domains of Ophthalmics, Biosimilars and Peptides to explore new avenues;

- + Enhance Research and Development focus into value-generating space and complex delivery mechanism platforms;
- + Expand product portfolio through a consistent pipeline;
- + Accelerate geographic expansions (organic and inorganic) in key emerging markets (Brazil, Russia, South East Asia and India);

Each day is a day to deliver at Strides. Every day, I see how the dedication and hard work of my colleagues are quietly transforming the face of Strides — making it future ready. As health challenges multiply in societies across the world, we are focusing on enriching innovations and partnerships to help those in pain and misery. We will continue delivering on our commitments and help drive positive health outcomes for millions of people across the world.

**Arun**

Founder and Group CEO



As health challenges multiply in societies across the world, we are focusing on enriching innovations and partnerships to help those in pain and misery.



## CFO's perspective



Despite an uncertain business environment, we are able to deliver strong performance through business partnering and execution capabilities across all the functions.



2011 has been a fantastic year for Strides in terms of consolidation and preparing ourselves for the future. We have completed major strategic investments, which will fuel future growth with ability to generate significant free cash. Despite an uncertain business environment, we are able to deliver strong performance through business partnering and execution capabilities across all the functions. Our fiscal foresight enabled us to reduce debt burden, exercise greater forex control and efficient tax planning.

### Performance

Our consolidated revenues grew by 46% from ₹ 17,655 Million in 2010 to ₹ 25,772 Million in 2011, owing to growing volumes, enhanced product portfolio, strengthened partnerships and penetration into unexplored markets. Our EBITDA increased 31% from ₹ 3,963 Million in 2010 to ₹ 5,178 Million in 2011, and PAT grew by 83% from ₹ 1,224 Million to ₹ 2,245 Million in 2011.

We were able to maintain an EBITDA margin of 20%, despite one-time costs from Brazil and forex loss. PAT margin grew 200 bps from 7% in 2010 to 9% 2011.

Over the past few years we have taken significant strides in emerging as a global pharmaceutical player, consistently recording significant growth across key performance metrics and financial competitiveness.

## Business divisions

Our revenues from Pharma business (60% of sales) grew 44% from ₹ 10,751 Million in 2010 to ₹ 15,528 Million in 2011, with a similar EBITDA margin of 16%. EBITDA also grew by 44% from ₹ 1,723 Million in 2010 to ₹ 2,475 Million in 2011. Growth in our Pharma business was on account of our IP-led strategy in regulated markets, API source change approvals in our ARV business and significant value-driven growth in our Australasian business.

Our revenues from Specialties business (40% of sales) grew 48% from ₹ 6,904 Million in 2010 to ₹ 10,244 Million in 2011. EBITDA increased 21% from ₹ 2,240 in 2010 to ₹ 2,703 Million in 2011. However, EBITDA margins fell by 600 bps from 32% to 26% during the same period. The impact was due to the first year of front-ended operations in Brazil, adjusting for which, margins stood at 32%. Continued focus on Research & Development helped licensing income grow from ₹ 3,618 Million in 2010 to ₹ 5,277 Million in 2011.

## Delivering shareholder value

We registered 48% growth in EPS from ₹ 26.11 in 2010 to ₹ 38.65 in 2011. Moreover, we enjoy market capitalisation of over ₹ 30,000 Million and possess 58.08 Million outstanding shares, reflecting enhanced stock liquidity. In addition, we have rewarded the shareholders with consistent dividend for the last few years.

## Strategic sell-off

After generating substantial value from our generic pharmaceutical operations (Ascent Pharma) in Australia and South East Asia, we sold it to Watson Pharmaceuticals for AUD 375 Million (around ₹ 19,000 Million) in January, 2012. The proceeds will be used primarily for strengthening the balance sheet and growth capital for Agila.

The net debt to equity ratio stood at 0.67 as of March, 2012.

## Forex management

We work in a global multicurrency environment, which is at present uncertain and unpredictable. During the second half of the year, the rupee depreciated significantly against major currencies. It is imperative that we proactively manage our exposures to minimise the impact of such unforeseen currency movements. We have implemented cash flow hedge accounting, fair value accounting for our FCCBs and enhanced natural hedging through alignment of functional currency and term loans. These policies enabled an optimised forex management framework.

## Global taxation

We attempt to minimise tax cost through ethical tax planning and at the same time ensuring that it is in accordance with the tax laws of applicable jurisdictions. This is achieved by planning significant transactions well in advance through appropriate alignment.

## Summing up

There are tantalising signs of revival in the world economy. USA is witnessing growth and the euro zone's recession is proving milder than expected. Greece's debt restructuring, the first sovereign default in a developed economy for 60 years, has passed off without a hitch. The reasons for optimism are real, but fragile to volatilities. The need of the hour is cautious optimism.

Going ahead, we will continue to scout for opportunities to deploy capital and deftly manage our fiscal priorities, in line with our organisational objectives.

## Dr. T.S. Rangan

Group CFO



The reasons for optimism are real, but fragile to volatilities.

The need of the hour is cautious optimism.



## Our bandwidth of capabilities

We choose the right science, select the right market, partner with right people, marshal and manage diverse intellectual resources to compete in a challenging regulatory environment

- + Targeting products that are (a) in short supply (b) facing near-term patent expiries and (c) difficult to manufacture segments; developing large-sized molecules to extend greater value;
- + Brand-enhancing partnerships with pharmaceutical majors validate Strides' niche capabilities in sterile injectables and pharmaceuticals portfolio;
- + Research and development team comprises 350-plus scientists, resulting in industry leading formulation expertise; delivering average 35 ANDAs annually with proven R&D capabilities
- + Possesses over 170 ANDA filings (132 in steriles) and 79 approvals (56 in steriles);
- + Strong regulatory compliance; successfully completed inspections from global regulatory agencies over the last few years.

# 31

Product ANDA filings in the US,  
**with 27 approvals during FY2011**

# 76

Product filings in regulated markets (other than the US),  
**with 43 approvals during FY2011**

# 115

Product filings in emerging markets,  
**with 91 approvals during FY2011**



# Management reviews



**Venkat Iyer**

CEO - Agila and Executive Director - Strides Arcolab

**“At Agila, we continue to deliver what we promised and beyond”**

Agila witnessed significant growth in revenue and EBITDA in 2011, surpassing guidance in the wake of new launches and continued escalation of market share of our products.

We have created globally benchmarked facilities meeting the most exacting regulatory standards and complementing the same with a comprehensive product basket. We successfully stood up to the expectations of addressing the global drug shortage situation.

We continue to focus on operational excellence, manufacturing efficiencies, optimum capacity utilisation, round-the-clock quality assurance, streamlined supply chain and sustained regulatory compliance to sustain our brand differentiation. Talent retention and training is also crucial, and remains high on our radar.

With the introduction of niche products, platform research activities and a transformation agenda for excellence in the technical operations, we expect to establish Agila as a flagship brand in the global injectables arena.



**Manish Gupta**

CEO - Pharma

**“2011 – A year of consolidation and operational brilliance.”**

At Strides, the pharma business continues to contribute significantly to the topline. Superior business mix of IP-led business in the regulated markets and brands in Indian and African market led to expansion of margins, driving a 49% EBITDA growth.

We expanded our valued product portfolio through focused R&D programme in niche areas of soft gel and Immuno-suppressants. We have moved up the value chain with our first para IV filing during the year. We are now marketing four products in the US with our immuno-suppressant range of products commercialised through our licensing partner Pfizer during the year. In January 2012, we unlocked value from our Australasian business by selling the business for AUD 375 Million (₹ 19,000 Million).

Going ahead, we will focus on commercialisation of approvals in the US. We expect multiple approvals in the US during the year, most of which are niche molecules with limited competition. Our drive for operational excellence will also continue in full measure. In addition, we will focus on the development and filing of new products, primarily in the US and EU, in our selected niche areas.



More than 60% of global drug shortages are in the sterile injectable space due to scarcity of assets.

Failure to comply with stringent quality parameters has resulted in significant drug shortages in the US alone. Over 82% (139 drugs out of a list of 168) of drugs, which enjoy significant demand only in the US are sterile injectables.

# Dry facts?

Or

A significant responsibility to help eradicate human suffering?

At Strides, we never had a doubt.



## Agila reflects our commitment to promote and protect public health



### Reasons for shortage

- + Limited number of large sterile players
- + Most large sterile players impacted by regulatory compliance issues ranging from manufacturing plant to active pharmaceutical ingredients
- + Process complexity and prolonged lead time for manufacture

### Agila poised for growth

- + Agila's pipeline includes drugs, which are part of the FDA shortage list
- + Agila launched Vancomycin through JV partner and later through Pfizer, mitigating drug shortage
- + Seven US-FDA approved sterile facilities

## Emphasis on execution

### Capacity

A 423 mn sterile units — one of the largest freeze drying capacities in the world with 213.5 SQM shelf area, having state-of-the-art auto loading capabilities; adequate capacity for the next three to four years

### Efficiency

Strategically designed facilities enhance efficiency. Lyophilizer from 8 sq mtr to 20 / 40 sq mtr, enabling variable batch sizes to meet market needs and flexibility to expand without shutdowns

### Versatility

Catering to all formats and therapies. Dedicated facility for Cephalosporins, Penems, Beta-lactam and Oncology

### Quality

Strong quality analysis, quality control and product verification with IT-enabled quality analysis/regulatory systems

### Compliance

Regulatory compliance across geographies

### Capability

Manufacturing capabilities distributed across nine plants in different geographies globally.

## Future **readiness**

R&D excellence propelled the organisation to the next orbit.



Our R&D execution now includes value generics, including platform technologies, patent challenges, new domains and line extensions. These things add up to creating intellectual property wealth for the organisation, and provide better options for clinicians in patient care. The R&D investment supports the above programmes and facilitates significant value accretion.



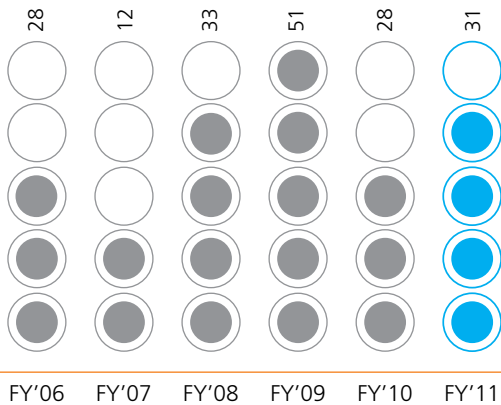
Over 25 European DCP (De-centralised Procedure) submissions were made in 2011. 2011 has been a year of focus to build the development pipeline and new product launches to drive business growth.

**Road ahead**

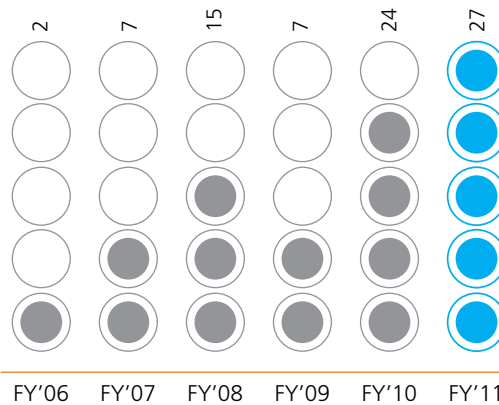
Focus on value added intellectual property in the areas of platform technologies, patent challenge/invalidations, devices, new domains (Ophthalmics), mini bags, NDA submissions, dosage form conversions and line extensions.

**ANDA trend**

**Filings**



**Approvals**



**Filings and approvals in regulated and emerging markets**

Region	2011		2010		Cumulative	
	Filings	Approvals	Filings	Approvals	Filings	Approvals
Regulated markets (other than the US)	76	43	32	14	314	160
Emerging markets	115	91	70	41	1541	1084



# Quality function deployment at Strides

The quality framework, implementation and learning programmes at Strides help create a quality-driven organisation.



By virtue of the quality framework, learning programmes and engagement process activities at Strides, the quality standards are ubiquitous at Strides.

- + Transformation initiatives help raise the level of compliance efficiencies, through a high level of automation
- + Interventions (primarily supported through an IP-driven platform) universalise quality standards across manufacturing locations
- + Rigorous review to address elements of quality framework help accelerate continuous improvement



# Happy faces at Strides



As a global organisation we are committed to a culture of diversity, which is reflected in our large and varied workforce across the globe.

The value of this diversity is a rich and unique blend of minds and cultures that makes working at Strides more compelling and exciting.

## Key initiatives

- + **Executive coaching:** A team of promising business leaders were identified from the Pharma and Agila verticals and were put through a process of executive coaching. They were put on projects, which would bring out their enhanced potential to handle bigger projects.
- + **Balanced Scorecard (BSC):** The BSC process has been strengthened further. Under the modified process there has been a sharper focus on aligning of individual and functional performance to organisational strategy and goals, through a process of structured reviews.
- + **Continual Education:** Our commitment to the long-term development of employees at the middle and junior levels continued throughout this year. The number enrolments in the Executive Management programmes were: Indian Institute of Management - 2, BITS Pilani (MS programme) - 30 and JSS College (B. Sc programme) - 14.



## Embedding leadership

### Pathway

Pathway is an intensive two year programme that grooms management graduates into leaders of the future. A closely monitored programme ensures that young minds are exposed to real-time business challenges through projects and interactions with senior management.



## Growing tall **with Strides**

Sridhar gets nostalgic as he talks about his early years in the organisation.

*"I have experienced myself what people can do when there is a rapid phase of growth in the organisation. My ambition was fuelled; I resolved to demonstrate my capabilities and gave in my best."*

This experience bore me abundant fruits as I climbed the ladder of success by learning each day. Strides is one of the very few organisations which offers you immense responsibility at early stages of your career and trusts you with that."

The organisation scaled new heights and instilled a culture to strive and deliver the best. Strides is successfully fostering a performance-oriented corporate culture – by means of clearly defined responsibilities and by promoting commitment, decisiveness and results-oriented behaviour. "Today I am proud to state that I have grown with the organisation, celebrated success, learnt from challenges and had the good fortune of working with the brightest minds in the industry. It did not take me long to realise that Strides is a special company. "

*Associated with Strides for over 14 years*

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### Sridhar S. Rao

President Quality and Regulatory Affairs

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# Shaping a dream

What was a dream took a concrete shape when Manjula joined Strides in 1998.

“There have been several milestones and many challenging assignments which I have been part of. The most memorable was that of fund raising through QIP in 2010. This assignment gave me an opportunity to understand and appreciate the end-to-end processes involved in a capital market transaction. My efforts were well appreciated by the management.”

Today as she reflects on her tenure, she recalls that working environment at Strides encouraged her to take up bigger challenges and responsibilities.

“When I decided to pursue Company Secretary (CS) course, I received encouragement and support from the management. Post completion of the course I was given the opportunity to join the Secretarial team at Strides.”

A fresh graduate evolved to be a proven professional. She is now geared towards becoming a specialist in corporate law, emerging as a key managerial resource.

*Associated with Strides for over 14 years*

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## Manjula Ramamurthy

Assistant Company Secretary

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## Walking the **extra mile**

Sundhar's eyes light up with enthusiasm, as he passionately talks about his career since 1996. He thoughtfully recalls the time he was a shop floor engineer and how the organisation nurtured him in his initial years.

"Everyday I learnt something new at Strides, which enabled me to formulate new perspectives and strategies. Thorough exchange of knowledge made me learn as much as I taught young and bright colleagues. I feel very proud that I have attained immense industry knowledge."

The knowledge he has acquired at Strides has helped him gain industry respect and contribute back to the industry.

*Associated with Strides for over 15 years*

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### CK Sundhar

Executive Vice President — Operations

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# Responsible

Business sustainability and corporate responsibility go hand in hand. Our sensitivity to all stakeholders is reflected in our community initiatives.



## Parivarthan

Collaborated with Gottigere Government School to conduct long-term programmes (development of vocational skills, big buddy, academic programmes for excellence and parent improvement programme);

## HCG foundation

Signed an MoU with HCG foundation to fund treatment of 100 financially challenged cancer patients;

## Educational initiatives

Distributed books and study materials to children; renovated a government school building at Suragajakkanahalli; distributed uniforms to children at a Government School at Adoor village.



# The Board

## **Deepak Vaidya**

Chairman and Independent Director



Deepak Vaidya was appointed as a Board member in January 1998, and became the Chairman of the Board in December, 2005. In his previous stint, Deepak was the Country Head of Schroder Capital Partners (Asia) Pte. Ltd., for over 12 years. He possesses immense experience in the corporate financial services Industry in India and abroad. Currently, he is also the Chairman of Arc Advisory Services Pvt. Ltd.

## **K.R. Ravishankar**

Non Executive Director



K.R Ravishankar has been in the pharmaceutical business for over 20 years. He started as an entrepreneur, and then joined Strides as a co-promoter. He has been a Board member since March 1994. He was Executive Director of the Company till he resigned from the executive post in December 2007 and continues to be on the Board of the Company.

## **Arun Kumar**

Executive Vice-Chairman and Managing Director



Arun Kumar the founder and Promoter Director of Strides, is on the Board since inception. In his earlier stint, he was the General Manager of British Pharmaceuticals Limited. He has rich experience and deep knowledge of the pharmaceutical industry.

## **Venkat S. Iyer**

Executive Director



Venkat Iyer has over 33 years of experience in the field of formulations, natural products, nutraceuticals, herbal extracts and natural drugs. His previous assignments were with companies like Ranbaxy, Kancor Flavors and Extracts, GSK India and Searle India. Venkat is with Strides Arcolab Limited since 1999. He is a Master of Science (Chemistry) and has a Diploma in Business Management.

### **M.R Umarji**

Independent Director



M.R Umarji is a consummate banking professional. In his earlier stints, he held key positions at the Reserve Bank of India, Corporation Bank and Dena Bank. He is the Chief Legal Advisor to the Indian Banks Association, and also a Director of J M Financial Products Ltd., ITZ Cash Cards Ltd and UTI Investment Advisory Services Limited.

### **P.M. Thampi**

Independent Director



P.M. Thampi has over 43 years of working experience in the Indian chemical industry. He worked in ICI India for 29 years, before assuming the position of Chairman and Managing Director with BASF India for 14 years. Currently, Thampi is the Chairman of Pioneer Balloon India Pvt. Ltd. and the Director of several leading companies, including HDFC Asset Management Company Limited. He is an active member of Indo German Chamber of Commerce, and has served as its President.

### **A.K Nair**

Independent Director



A.K Nair is the Vice Chairman of the Cochin based SCMS Group of Educational Institutions, and is an engineer by profession and a Management Graduate from Cochin University. He is a Director of Nitta Gelatin India Limited. In his earlier stints, he was the Executive Director and Managing Director of KSIDC, and was also the Managing Director of Kerala Chemicals and Proteins Limited, now known as Nitta Gelatin India Limited.

### **Mukul Sarkar**

Independent Director (Nominee  
Director of Export Import Bank of India)



Mukul Sarkar possesses 20 years of financial experience, steered IPOs and Rights Offers (of Indian companies) and holds directorship in two companies. He is General Manager and Group Head, Corporate Banking Group (Exim Bank), handling credit proposals of large corporate clients in overseas investments including acquisitions, export credit, working capital, project finance, import finance and financing joint ventures, among others.

# Core management team

## Group leadership committee



### **Arun Kumar**

Founder and Group CEO



### **Venkat S. Iyer**

CEO, Agila and Executive Director - Strides Arcolab



### **Dr. T S Rangan**

Group CFO



### **Joe Thomas**

Chief Corporate Development Officer

## Other management team members



### **Adam Levitt**

CEO, Americas Operations



### **Dr. Anand Iyer**

CEO, Agila Biotech Division



### **D P Shrivastava**

CEO, Brazil



### **Manish Gupta**

CEO, Pharma



### **Sinhue Noronha**

CEO, Africa



### **Sridhar S Rao**

President, Quality Assurance



### **Subroto Banerjee**

President, Agila (India region)



# Statutory Reports

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# Management Discussion and Analysis

## 1 Global Economic Scenario

In 2011, countries across the globe witnessed economic turbulence. The US witnessed spiralling debt and unemployment issues, spreading Euro zone crisis, Middle East facing political turmoil hampering the global crude oil supply. Moreover, Asia too had its own challenges. Too often since the 2008 financial crisis, expectations for strong and lasting growth have been dashed by unpredictable factors, such as soaring oil prices and other geo-political factors.

There are now encouraging signs of moderate global growth: global economy bumping along with the US on its way to leading the pack; Euro economies in recession but not for long; inflation worries are less acute and central banks are safeguarding their economies against sluggish growth; and interest rates are expected to stay low in 2012 and moderately higher in 2013.

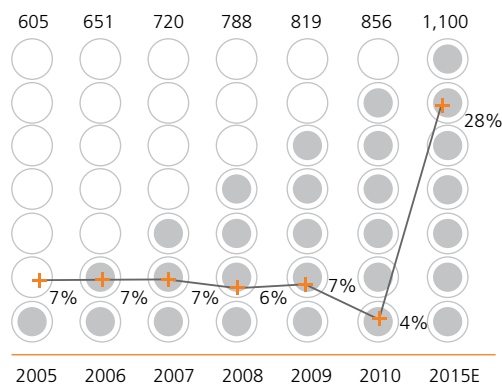
IMF forecasts the global economic growth to be around 3.3% in 2012, powered by emerging markets. The advanced markets are likely to witness 1.9% growth in 2012 from 1.6% in 2011, while the emerging markets are anticipated to grow at 5.4% in 2012 against 6.1% in 2011 (Source: IMF).

## 2 Global Pharmaceutical Industry

The global pharmaceutical industry is anticipated to grow at 5-7% to USD 880 Billion in 2011. The transformation of the global pharma persistently continues; the focus shifting from the regulated markets to emerging economies.

Despite major constraints, the global pharmaceutical market is expected to grow at 5-8% CAGR to reach USD 1.1 Trillion by 2014. The growth would be fuelled by the changing mix of innovative and mature products and rising healthcare access in emerging markets on one hand and pricing pressures by regulators on the other. (Sources: IMS Health, IDFC Report -Indian Pharma, June 2011, IMAP Healthcare Report).

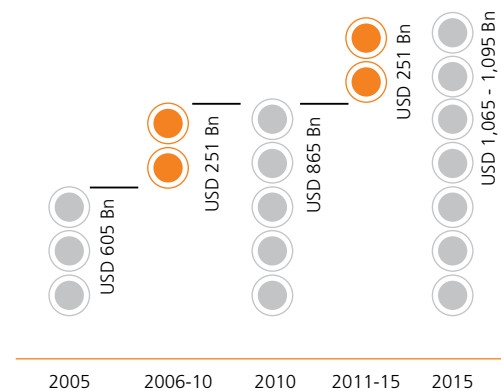
### Growth in the global pharmaceutical markets



+ Market (USD Bn) + Growth YoY (%)

(Source: IMS, Neworth Research, February 2012)

### Global spending on medicines



(Source: IMS Health)



### Innovator market

The spending on innovative drugs is expected to remain flat at 2010 level till 2015. Since all the increase in spending on innovative products will be offset by patent expiries which will result in reduction of brand spending by USD 120 Billion by 2015. The protected brands are projected to grow at about 7-8%, 3-4% of which would be contributed from price growth. The volume growth on branded products will be much lower over the next five years 2011-15 as compared to the period 2006-10. The major challenges for the innovative drug markets include FDA approval hurdles, patent exclusivity risk, weak pipelines, government payer and reimbursement pressure.

*(Source: IMS Institute for Health Informatics; Market Prognosis, April 2011)*

### Generic market

The global market for generics is expected to experience robust growth in the coming years, due to patent expiries of blockbuster drugs. The IMS Institute for Healthcare Informatics points to a likely decline in brands, as greater than USD 170 Billion worth of patents are set to expire in developed markets in the next five years. Cost containment strategies implemented by government, credit shift towards cheaper generics, ageing population and chronic diseases are anticipated to boost the generic markets.

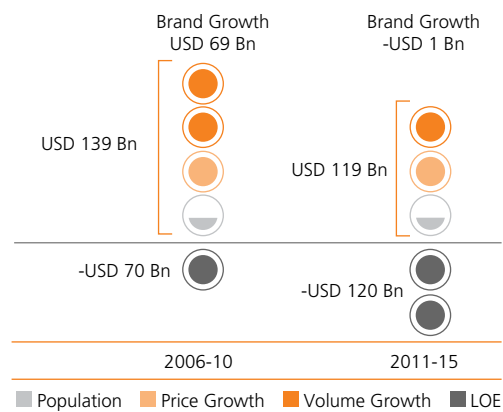
*(Source: Article from Generics and Biosimilars Initiative, February 2012)*

#### Future growth trend of the global generic market

- + By 2016, it is expected that the total global generics sector will be USD 358 Billion, a CAGR of 9.7%, representing 18% of the entire pharmaceutical sector, compared to USD 124 Billion in 2010.
- + The North American market is the largest generic market, estimated to be around USD 73 Billion in 2011, and is expected to grow at 7.9% CAGR to reach USD 107 Billion in 2016.
- + Emerging markets represent the second largest market category for generic drugs (worth USD 57 Billion in 2011) and is anticipated to grow by 15% to reach USD 115 Billion by 2016.

*(Source: IMS Health, Pharma voice report February 2012)*

### Components of Change in Brand Spending

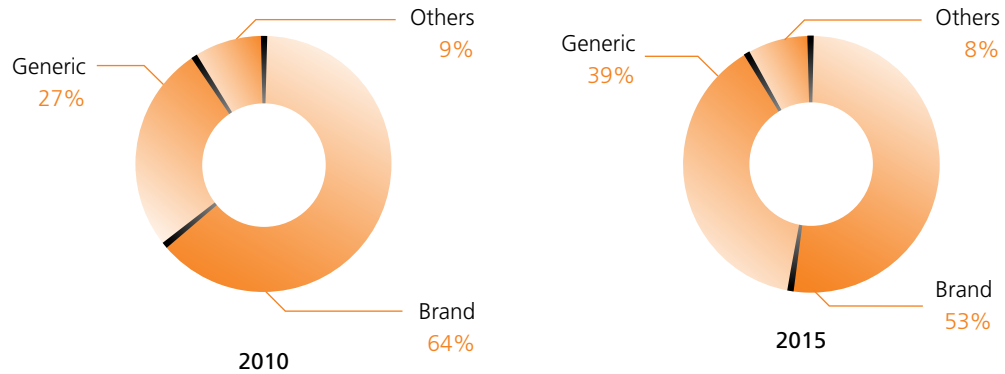


*(Source: IMS Health)*



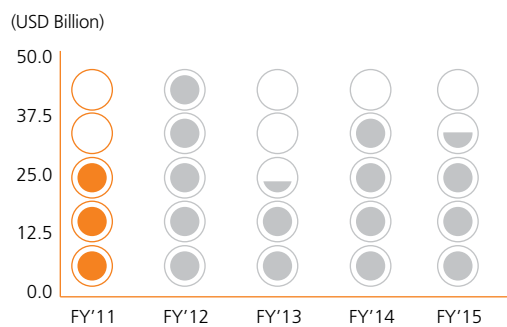
## Global spending to shift towards generics as patents expire over the next five years

### Spending by Segment



(Source: IMS Market Prognosis, April 2011)

### Market size of patents expiring



(Source: IMS Market Prognosis, April 2011)

### Specialty, optimistic road ahead

Globally, the specialty sector is undergoing consolidation due to scarcity of assets. It is a margin-accretive business, accounting for a majority of drug shortages in the US. There are high entry barriers for this segment, due to long gestation period and complex manufacturing processes. It is estimated that the spending on specialty pharma will climb to more than 40% of total drug spend by 2030. [Source: Macquarie research]

### Sterile injectables – Experiencing steady growth

In recent years, the sterile manufacturing sector has experienced steady growth as a result of technology and product advancements, reformulation of existing products within innovator pipelines, and a shift in the philosophy of Big Pharma companies to focus on core products and competencies. Accordingly, contract manufacturing of injectables has led this sector to high growth during the last two years. The market for outsourcing of injectables manufacturing is expected to grow by approximately 14% annually over the next three years, with over 150 new sterile product approvals anticipated by 2015.

The potential global injectable market is valued over USD 200 Billion, of which the generic injectable market valued at USD 25 Billion and expected to grow at a compounded annual growth of 10% over the next few years to reach USD 35 Billion by 2015. The inherent characteristics of injectables include complex manufacturing processes, high cGMP and FDA regulatory standards and sourcing complex APIs and marketing channels. This leads to high entry barriers for the injectables business. Limited competition and minimal price erosion after patent expiries result in a niche business opportunity and higher profitability.





**Drug shortages**

The number of new prescription drug shortages shot up from 211 in 2010 to 267 in 2011. As per a latest report by the IMS Institute for Healthcare Informatics, over 80% of all the affected drugs were generic injectables medications that generally treat acute diseases. Although all major therapy areas were affected, cancer drugs took a significant hit, accounting for 16% of all medications in shortage.

**Major reasons for shortages**

- + Manufacturing constraints
- + Stringent regulatory norms
- + Consolidation in the generic drug industry

**Executive orders passed by the US government to address the issue of drug shortages**

- + USFDA to take measures to reduce current and future supply disruptions
- + Requires drug manufactures to notify in advance production discontinuation
- + USFDA to proactively expedite regulatory reviews, evaluate new drug suppliers, manufacturing sites, and manufacturing changes to mitigate potential drug shortages
- + USFDA to inform The Department of Justice of any findings that shortages have led market participants to stockpile the affected drugs or sell them at exorbitant prices

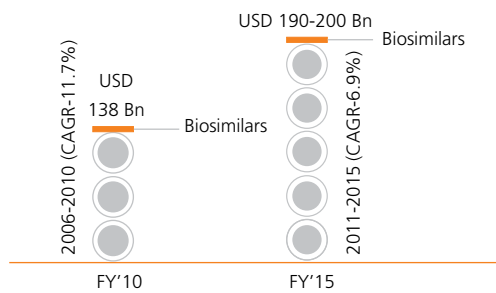
**Biosimilars, an emerging opportunity**

The global Biosimilars market likely to reach USD 3.7 Billion by 2015 from USD 243 Million in 2010. Biologics are utilised to substitute diseases caused by endogenous factors and are also aid in treating diseases such as cancer, arthritis and certain rare genetic disorders. The growth in this segment would be fuelled by patent expiries for more than 30 biologic medicines, with turnover of USD 51 Billion in the next five years. (Source: Indian Pharmaceutical Sector, ICRA 2012)

Currently, pharmaceutical and biotechnology companies are increasingly moving into bio-therapeutics, which require a liquid or semi-liquid form to be administered intravenously. Biosimilars are a small, but growing part of the pharmaceutical market. New biosimilars are expected to enter the US and European markets by 2014, according to IMS, which will increase spending on biosimilars by USD 311 Million, compared with 2010 levels.

EU has taken the lead on this front with the issuance of guidelines for biosimilar drug approvals. Biosimilars, first launched in Germany, developed into a testing ground for biosimilar drugs.

**Global Biologics Spending**



(Source: IMS Institute for Healthcare Informatics; MIDAS, December 2010)

The German biosimilars market is expected to contribute almost half of all seven major market biosimilars volume sales in 2012; beyond this period it may be overtaken by the US biosimilars market.

US, the largest pharmaceutical market characterised by high generic substitution. It is forecasted to constitute nearly 90% of the seven major markets by volume by 2014.



### 3 Global pharmaceutical market overview

#### Regulated market

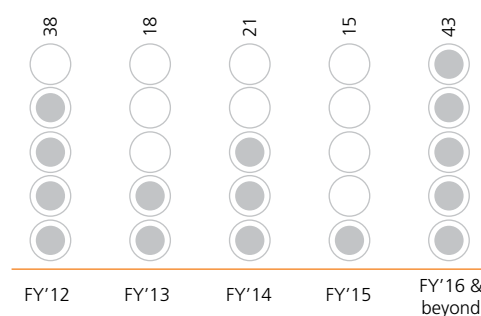
##### USA

USA, the largest pharmaceutical market globally, is estimated to have grown around 3% to 5% in 2011. IMS suggests that USA's share in global spending is expected to decline from 41% in 2005 to 31% in 2015.

The year 2012 marks the entry into peak waves of patent expiry, with brands worth USD 40 Billion losing patent expiration. Several blockbuster drugs are set to expire this year. The major beneficiaries are expected to be the generic companies. It is expected that most generic companies in USA would clock 30-50% growth in FY2013.

#### US patent expiry schedule

(USD Bn)



(Source: IMS, Nomura Research, January 2012)

##### Japan

Japan is the second largest pharmaceutical market and accounts for 11.7% in the global pharma market. In 2011, the market is expected to have registered 5.7% growth. The Japanese pharma market is expected to grow at a low single digit CAGR. The recent Tsunami has impacted production, leading to drug shortages and expiry of many patents in 2011-12. The overall industry is anticipated to grow at a CAGR of 2.6% from 2011-2016.

##### Europe

The European pharmaceutical market is the one largest pharma market following North America and Japan. The five major European markets are poised to grow around 1-3%. The Central and Eastern pharmaceutical market is expected to have registered growth of USD 63.6 Billion at retail prices, and is likely to reach market value of USD 104.2 Billion by 2016. The markets are anticipated to expand at moderate CAGR as the region is facing economic distress. Generics have retained a favourable position, as they are affordable and favoured by the government. The Northern European countries are projected to reach a market value of over USD 26 Billion by 2016. The leading markets in Europe are poised to grow at an average CAGR of 2.5% up to USD 220 Billion by 2016.

#### Emerging pharmaceutical markets

The robust growth in the emerging pharmaceuticals market has outpaced growth of developed markets. The emerging markets are being driven by rapid growth in the economies of these countries, increasing per capita income, growing prevalence of lifestyle diseases due to rapid urbanisation and low-cost factors. This shift from developed global powers (US, UK and Japan) to emerging economies (China, India, Brazil, and Russia) would create new growth dynamics.

- + The 17 pharmerging countries\* are expected to contribute 28% to global market spending by 2015.
- + The pharmerging countries are anticipated to contribute 48% to the annual market growth in 2013, up from 37% from last year.
- + The E7\*\* countries pharmaceutical market value was estimated at around USD 136 Billion and the markets are expected to surpass USD 230 Billion by 2014 end.

\* China, Brazil, India, Venezuela, Poland, Argentina, Turkey, Mexico, Vietnam, South Africa, Thailand, Indonesia, Romania, Egypt, Pakistan, Ukraine and Russia.

\*\* Brazil, Russia, China, India, Turkey, Mexico and Indonesia



**List of Pharmedging Countries**

Tier	Countries	2009 GDP based on PPP valuation (Trillion USD)	Incremental Pharma Market Growth from 2009-13 (Billion USD)
Tier 1	1. China	9	40
Tier 2	2. Brazil 3. Russia 4. India	2-4	5-15
Tier 3	5. Venezuela 6. Poland 7. Argentina 8. Turkey 9. Mexico 10. Vietnam 11. S. Africa 12: Thailand 13: Indonesia 14: Romania 15: Egypt 16: Pakistan 17: Ukraine	<2	1-5

(Source: IMS Health, IMAP)

**China**

China’s pharmaceutical industry has been growing at a rapid pace and has attained the 4th position in the global pharma market in terms of size. The pharmaceutical market in China is poised to grow at the rate of 19%-22%, between 2010-2015 (Source: IMS Health). The growth is fuelled by a vast pool of talent, low-cost manufacturing capabilities, and huge market potential, and as a consequence has attracted several global drug giants to outsource their R&D and invest in China. The over-the counter (OTC) market segment in Chinese pharma markets are set to double by 2014.

**Latam**

The Latin America’s pharmaceutical market is currently worth USD 45 Billion. Despite cost-curtail measures, the country’s pharma sector’s growth would be fuelled by strong growth in production, sales, exports and employment. According to IMS Health, LATAM is expected to grow to USD 51.3 Billion by 2014. In general Latin America has shown growth trend of approximately 12-16% in terms of revenue.

Brazil leads the LATAM pharmaceutical markets, reporting average gross revenues of USD12 Billion annually. As per IMS Health, Brazil is expected to have registered 10% growth, with revenues of about USD 25.6 Billion in 2011. By 2015, it is expected to reach market value of USD 32.8 Billion. Mexico, the second largest pharma market of the region, is projected to grow at 11.7% between 2009 and 2014 to reach market value of USD 14.9 Billion as per Business Monitor International (BMI).

**India**

India’s pharmaceutical industry ranks 10th in terms of value and 3rd in terms of volume. The domestic pharma market is expected to touch USD 21.7 Billion in 2011.

Indian Pharmaceutical sector would evolve across:

- + USA patent expiries
- + Secular domestic growth
- + Participation in other emerging markets
- + R&D and outsourcing

(Source: Nomura Research, January 2012)



#### Global approach with Indian Pharma

India's pharmaceutical market is highly fragmented with 300 large and 18,000 mid-sized and small companies. The last two years have witnessed a surge of multiple global giants in India, setting up offices and R&D centres, offering patented products at a special India price, building a portfolio of branded generics and expanding their rural reach.

#### Indian Pharma exports scenario

India's pharmaceutical companies are exporting to around 220 countries across the globe. Currently, the U.S is the major market and accounts for 22% of the sector's exports, while Africa accounts for 16% and the Commonwealth of Independent States (CIS) places around 8% of orders.

The Ministry of Commerce has proposed an ambitious Strategy Plan to double pharmaceutical exports from USD 10.4 Billion in 2009-10 to USD 25 Billion by 2013-14. The Government has also planned a 'Pharma India' brand promotion action plan spanning over a three-year period to give an impetus to generic exports. India has world renowned capacity in producing low cost, high quality bulk and generic drugs.

*(Source: IBEF, 2011)*

#### Key trends of the Indian Pharma sector

- + Strategic tie-up: Strategic tie-ups with MNCs to strengthen the product portfolio of Indian companies.
- + Geographic expansion: Expanding presence in rural India (67% of the total population)
- + Shifting disease profile: Enhanced quality of life and ageing population will drive the incidence of chronic diseases
- + Acquisitions and partnerships by MNCs: Acquisitions and partnerships by MNCs to gain quick foothold in the fast growing Indian pharma

#### Advantage India

- + Cost efficient: Low production cost and R&D will drive the efficiency of Indian pharma companies.
- + Diversified portfolio: India accounts for over 60,000 generic brands across 60 therapeutic categories and manufactures more than 500 different APIs.
- + Economic drivers: Economic prosperity, leading to improvement in drugs affordability and increased penetration of health insurance.
- + Policy support: The Indian government has unveiled 'Pharma Vision 2020' aspiring India to be a global leader in producing end-to-end drugs.

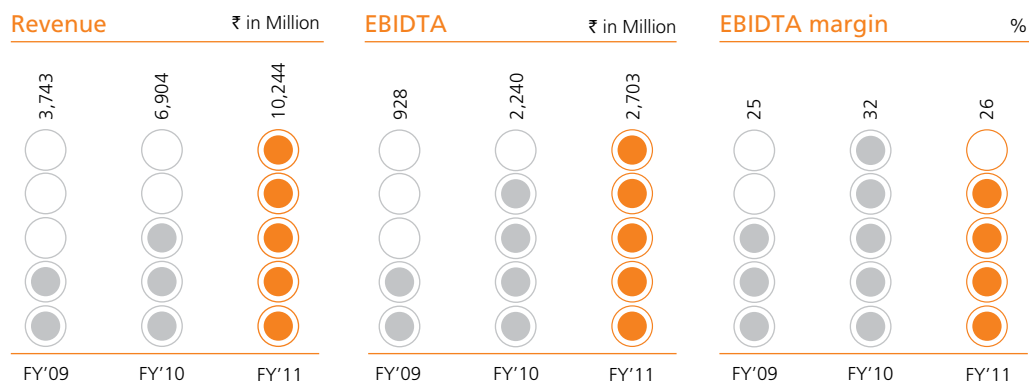
## 4 Strides Arcolab Limited

Strides is a global pharmaceutical company headquartered in Bangalore, India, that develops and manufactures a wide range of IP-led niche pharmaceutical products with an emphasis on sterile injectables. It has collaborations with five of the top 10 global pharmaceutical players and a presence in over 75 countries. Strides has reorganised its business into two divisions: Specialty (Agila) and Pharmaceuticals.



**Divisional review**

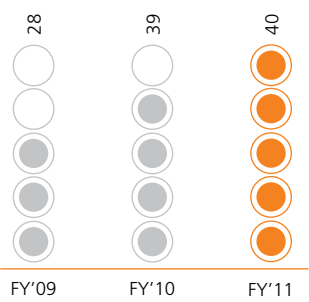
**Specialty (Agila)**



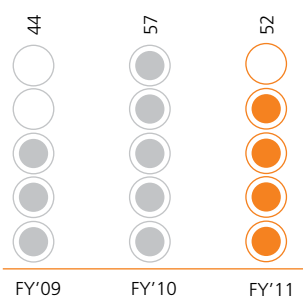
\* 48% growth in 2011 over 2010

\* 21% growth in 2011 over 2010

**Percentage contribution to revenue** %



**Percentage contribution to EBIDTA** %



**Overview**

Strides branded its Specialty division in 2010 as 'Agila' to focus on Specialty business .

**Core competencies**

The Agila brand has a competitive edge due to its strengths. It has eight manufacturing facilities globally and is one of the largest lyophilization (freeze drying) capacities globally. On an average 35 ANDAs have been filed from the last three years successively. It is ensuring steady revenue stream for the Company with consistent repeat business.

**Key highlights, 2011**

- + Continuous US FDA approvals – for two new facilities in Bangalore
- + Performance enhanced by new products launches
- + Performance boosted by new product launches during the year: Pfizer - 8 (20 SKUs); USA, Sagent - 5 (8 SKU's), USA; Aspen - 6 ( 8 SKUs ), Australia and Venezuela; and GSK in 7 emerging markets



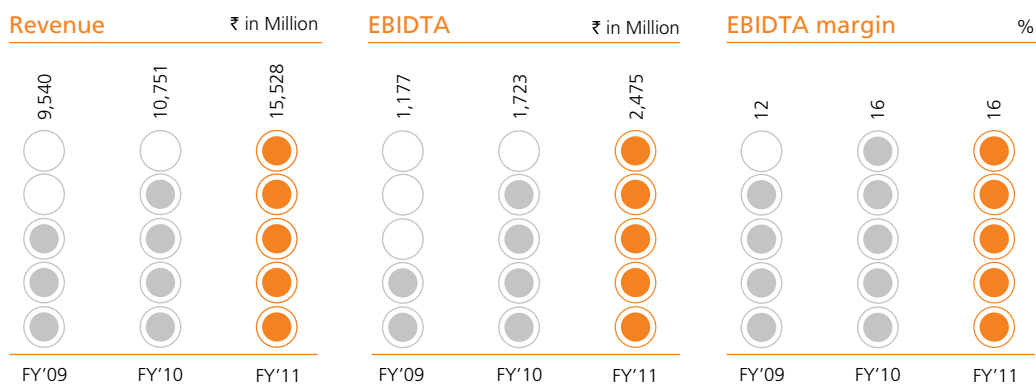
## Offerings

Product categories – Wide range	Packaging formats – All major types
High Potency Drugs (Oncology, Peptides and Controlled Substances)	Vials – Liquid and Dry Powder
Antibiotics	Pre filled syringes (PFS)
Penems and Penicillins	Ampoules
Cephalosporins	Market leading ability to package in lyophilized form
	Focus on pre filled syringes and lyophilized formats
	Suspension injections

## Value streams for level-next growth

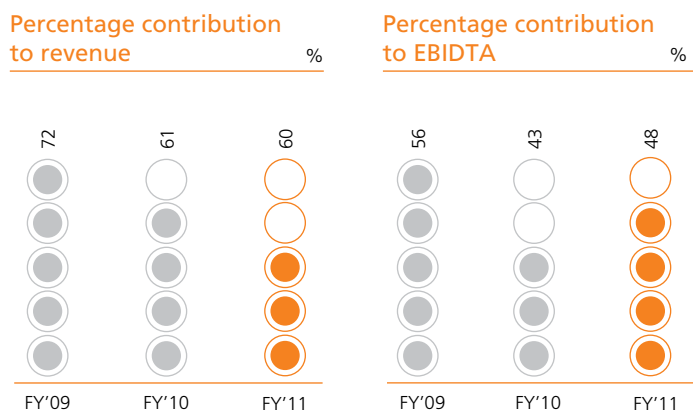
- I **Biologics:** Strides acquired 70% controlling stake in Inbiopro - a biotechnology focused company. Got immediate access to a pipeline of eight products (including five MABs), estimated to have global sales of USD 28 Billion; commercialization is expected to begin in 2013 in emerging markets. The way ahead for biologics remain buoyant with expected market of USD 225 Billion by 2015
- II **Front Ending:** Focused on building front-end sales and marketing capabilities to capture market share in the selected geographies of USA, Canada, Brazil, Nordic, South-East Asia, India, Turkey and Indonesia
- III **Value Generics:** Aims to create portfolio of fewer but valuable products in R&D and intends to achieve capabilities with first-to-file, Para-IV, delivery systems and devices
- IV **Oncology:** Possesses state-of-the-art manufacturing facility (all key regulated agencies approved) with one of the broadest portfolio of Oncology products (all major formats). Along with global partnership with Big Pharma for established and emerging market Strides is poised sustainable growth
- V **Penems:** Major regulatory agencies approved Brazilian facility with 2 filed ANDAs (awaiting approval). Strides is looking at ample growth opportunities as top three Penems covering 90% of the global market are in pipeline
- VI **Steriles Injectables:** With marketing tie-ups with Big Pharma across key geographies and wide product portfolio (Cephalosporins, Beta-Lactum and Niche Steriles); Strides is positioned for value driven growth

## Pharmaceuticals



\* 44% growth in 2011 over 2010

\* 44% growth in 2011 over 2010



Overview

Strides pharma business is led by IP-driven licensing agreements and partnerships globally.

Core competencies

The pharma division is scaling new heights owing to its proficiencies. It is one of the leading manufacturers of soft gelatin capsules globally with five dedicated lines in Orals Drug facility in Bangalore, India. The division has 39 ANDA (21 PEPFAR) filings and 22 (17 PEPFAR) approved as on date. It has an extensive number of completed product filings. It has intellectual led manufacturing alliance in the US, UK, Australia, New Zealand and South Africa. The facilities have been approved by major regulatory authorities, such as USFDA, MHRA, MCC, TGA and ANVISA. The organisation got an approval from EU for semi solids facility in Milan, Italy.

Key highlights, 2011

- + Successful regulatory audits - US FDA, UK MHRA and WHO
- + Strong focus on operational execution
- + Plant upgradation, expansion completed
- + Strengthened leadership in supply chain
- + Focus on value creation through strong R&D program in niche areas of soft gels and Immunosuppressants

**Post balance sheet sell-off:** After significantly increasing the value of Ascent Pharmahealth (Strides' operations in Australia and Southeast Asia); the Company sold it to Watson Pharmaceuticals for AUD 375 Million (approx ₹ 1,900 crores).The consideration will primarily be used for debt reduction and as Agila growth capital.

Offerings

- + Anti-infective (anti-biotic, anti-viral, anti-fungal and anti-tubercular)
- + Anti-diabetic
- + Anti-malarial
- + Central nervous system
- + Cardiovascular
- + Immunosuppressant
- + Over-the-counter\*
- + Analgesic



- + Anthelmintic
- + Anti-psoriatic
- + Gastroenterology
- + Anti-retroviral

\* Antiallergy products, antacids, cough suppressants, antihistamines, anti-diarrheal products and laxatives, antifungal products, anti-itch lotions and creams, nasal decongestants and cold remedies, motion sickness products, vitamins and supplements

#### Value streams for level-next growth

- + Successfully commercialise the approvals in US
- + Proactive supply of oral products to regulated markets
- + Oral plants to support growth with limited capex requirements, going forward
- + Long-term customer contracts to provide stable revenue stream
- + Second sachet line to leverage strong order-book for sachets

#### Brand generics performance

	Africa	India
Description	Leading player for manufacturing and marketing volume-driven generics and margins-driven branded products	Emerging as a niche player in branded pharmaceutical products
Manufacturing	Three dedicated facilities: one in Lagos, Nigeria and two in India	Orals plant in Bangalore, also used for manufacturing branded generics
Footprint	West Africa, French Africa and other parts of Africa	Grandix enjoys presence in five states in South India
Products	<ul style="list-style-type: none"> <li>+ Branded generics, Commodity generics and OTC products marketed through own sales team in partnership with local distributors</li> <li>+ French Africa business is front ended comprising ethically promoted and OTC products</li> </ul>	Grandix covers therapeutic areas of diabetes, cardiovascular diseases, neurology and female healthcare
Sales	2011: ₹ 1,285 Million 2010: ₹ 1,233 Million	2011: ₹ 640 Million 2010: ₹ 477 Million

#### Global disease eradication progress

Strides supplies drugs in the anti-retroviral, tuberculosis and malaria segment through UNITAID, President's Emergency Plan for AIDS Relief (PEPFAR) and Clinton Foundation among others. Oral dosage forms facility in Bangalore is pre-qualified by WHO for the manufacture of anti-retroviral drugs (ARVs) and anti-TB products and by the US FDA for ARVs under the PEPFAR programme. We supply ARV products to global procurement agencies, catering to disease-prone regions in Africa, Asia and Latin America, and have received several ANDA approvals under the PEPFAR programme. We have distributed to more than 27 countries worldwide.

#### Anti-retroviral (ARV)

- + 18 ANDA approvals by US FDA under the PEPFAR programme
- + 8 anti-retroviral drugs have been prequalified by the WHO
- + Partnership with Clinton Foundation for supply of AIDS (ARV) drugs. We have acquired Voluntary Licenses from major Pharma companies to supply antiretroviral drugs that covered under patent



**Anti-tuberculosis**

- + Technical and marketing alliance with Big pharma for supply of anti-TB products to the Global TB Drug Facility
- + 9 products with 2 of them pre-qualified by the WHO in association with big pharma
- + Strides' range of anti-TB drugs are approved by the WHO under the ERP (Emergency Response Plan) and expected to be pre-qualified soon

**Anti-malarial and H1N1**

- + 5 different anti-malarial products
- + Partnership with the Ministry of Health, Government of India in control of Influenza A H1N1
- + Indian government's approval of restricted retail sale of Oseltamivir (Starflu) for H1N1 treatment
- + Oseltamivir (Starflu) has been pre-qualified by WHO - Strides is the 2nd Company globally to receive it

**Research and development**

- + Strides filed 183 ANDA till date, 144 under its specialties segment and the remaining 39 under its pharma segment. In 2011, Strides filed 31 ANDAs and received 27 approvals
- + Strides received 22 final approvals for sterile products in 2011 (including 7 oncology products out-licensed to Pfizer), one of the highest in the industry for the year
- + Strides is also a prominent player under PEPFAR with 17 approved ANDA filings (mostly for anti-retroviral drugs)
- + 76 product filings (cumulative: 314) in established markets (other than US) during the year, with 43 approvals (cumulative: 160)
- + 115 product filings (cumulative: 1541) in emerging markets during the year, with 91 approvals (cumulative: 1084)
- + Research & Development and licensing income grew 45.85% of ₹ 5,280 Million in 2011 against ₹ 3,620 Million in 2010

**Financial performance****Consolidated**

Praiseworthy performance in FY2011

Particulars	(₹ In Million)		
	FY2011	FY2010	Increase (%)
Revenue	25,772	17,655	46
EBITDA	5,178	3,963	31
PBT	2,727	1,864	46
PAT (after minority)	2,245	1,224	83
EPS (In ₹)	38.65	26.11	48

**Consolidated**

Key ratios

Particulars	₹ In Million	
	FY2011	FY2010
Debt / Equity	1.87	1.57
Debt/Equity ( Net of Cash)	1.67	1.30
Working Capital (Loan) Turnover	4.21	3.68
EBITDA / Interest	2.72	2.70
Interest / Revenues (%)	7	9
Debtors Turnover	4.59	4.05

**Standalone**

Sustainable performance in FY2011

Particulars	₹ In Million		
	FY2011	FY2010	Increase (%)
Revenue	7,662	5,294	37
EBITDA	1,655	947	31
PBT	1,262	891	42
PAT	1,179	736	60
EPS (In ₹)	20.30	15.69	29

**Opportunities and threats****Drug shortages**

In past few years US has faced a series of shortages of pharmaceutical drugs; from 61 molecules under shortage in 2005 to 168 molecule in 2011 (October). Of the total reported molecules under shortage, injectables represent the largest chunk with 83% (139) in 2011. Therapeutically, oncology is the largest impacted therapy with 16% coverage of the shortage molecules. Five therapy areas covering oncology, anti infectives, cardiovascular, central nervous system and pain account for 63% of the total number of products in the shortage list. Strides with its major regulatory approved facilities, wide product portfolio and fast track USFDA filing/approval is well poised to meet this challenging scenario.

**Obama's Bill**

The president of US has passed various executive orders in order to address the drug shortage issue. As per the orders passed, the drug manufactures would have to notify in advance if they discontinue the production of any drugs. USFDA would take steps to improve its regulatory reviews to mitigate potential drug shortages. This executive order will benefit the existing manufacturer with adequate capacity to manufacture these drugs, like Strides.

**USFDA norms**

There are few big injectable players. Most large injectable players impacted by regulatory compliance issues from FDA heightened regulatory requirements. However, Strides possesses USFDA approval for all its injectable facilities to meet the global crisis for injectables.

**Risk management**

At Strides, a dedicated and experienced management identifies the risk involved with the business proactively and takes adequate measures to contain its impact. The Company's comprehensive risk management is structured around prudent norms and reporting. The management's risk management initiatives are trickled down to all levels for effective implementation. The consistent implementation of this framework is monitored by a risk compliance team through audits and reviews.



### Risk management framework



#### 1. Regulatory risk

Deviation from regulatory requirements could impact the organisation's growth and profitability adversely.

##### Mitigation

Strides has always maintained a commendable track record in receiving approvals from most regulatory authorities globally. Most of the facilities have been approved by foreign regulatory authorities, including the United States FDA, MHRA and MCA in the United Kingdom, TGA in Australia, ANVISA in Brazil and Health Canada in Canada. In 2011, the organisation received US FDA approval for seven of its facilities (6 Injectables and 1 Oral). The Company conducts regular quality audits and review meetings to ensure that the regulatory norms are maintained according to global standards.

#### 2. Research and Development risk

Inconsistent research and development delivery pipeline may hamper profitable business opportunities

##### Mitigation

Strides have always proactively invested on R&D because it have yielded handsome return in terms of consistent product and plant approvals and itself and one of the high quality driven global pharmaceutical company. The Company has proactively employed newer and better technologies to develop and manufacture various dosage forms. Moreover, have established agreement with international pharmaceutical majors for product manufacture. Going forward, it maintains a consistent delivery pipeline ensuring sustainable revenue stream.

#### 3. Vertical integration risk

Procurement sources for Active Pharmaceutical Ingredient (API) for injectable are limited; any delay in raw material sourcing could impact production.

##### Mitigation

Strides sourced raw material from long term vendor (both domestic and international) sources and also has developed alternative supply sources to ensure uninterrupted raw material supply. The Company also maintains a stable inventory advance to ensure uninterrupted production flow.

#### 4. Foreign exchange volatility risk

Strides' derives over 90% of its revenue in foreign currency, exposing it to fluctuations in currency movements. Such a scenario, makes earnings volatile.

##### Mitigation

The forex techniques adopted by treasury in 2011 provided best possible outcome for the Company. Strides implemented cash flow hedge accounting, accounting Standard 30 and conversion of loans in functional currency. These simple techniques enabled us to optimise the forex management framework.

##### Human capital

Strides HR engagement comprises training and motivating people to achieve greater efficiencies. The organisational excellence has been made possible by continuous team efforts. The Company's employee strength was 3001 as at March 31, 2012 (including overseas locations.)

##### Internal control systems and adequacy

Strides has invested significantly in creating world-class IT infrastructure to ensure adequate internal controls to facilitate cross-functional business processes and practices. It has a strong in-system audit programme, and is also supported by Grant Thornton, which regularly covers various operations on a continuous basis. The Company's Audit Committee regularly reviews all internal audit observations.



# Directors' Report

Dear Shareholders,

We are pleased to present the Twenty First Annual Report together with the Audited Accounts for the year ended December 31, 2011.

## 1 Consolidated Financials

(Figures in Million)

	Year ended			
	2011		2010	
	₹	USD *	₹	USD *
<b>1.1 Financial Results</b>				
Income	25,771.52	483.79	17,610.69	393.89
Operating Profit (EBIDTA)	5,177.88	97.20	3,918.47	87.64
Cash Profit / (Loss)	2,428.30	45.58	2,071.42	46.33
Net Profit (PAT) / (Loss)	2,244.75	42.14	1,224.47	27.39
Retained earnings	13,103.35	245.98	12,229.51	273.53
<b>1.2 Profits</b>				
Operating Profit (EBIDTA)	5,177.88	97.20	3,918.47	87.64
Less : Interest	1,902.68	35.72	1,421.76	31.80
Depreciation and Amortisation	1,043.01	19.58	638.98	14.29
Exceptional items incl. AS 30	494.67	9.29	5.99	0.13
Profit before tax	2,726.86	51.19	1,863.72	41.68
Less: Provision for Tax				
Current	709.79	13.32	451.67	10.10
Deferred	(158.49)	(2.98)	0.27	0.01
MAT credit entitlement	(164.50)	(3.09)		
Profit / (Loss) after tax	2,340.06	43.93	1,411.78	31.58
Available for appropriation	4,682.61	87.90	2,924.28	65.41
<b>1.3 Appropriations</b>				
Dividend on Equity Shares (proposed)	117.37	2.20	91.59	2.05
Dividend Tax	18.71	0.35	14.98	0.34
Transfer to General Reserve	89.00	1.67	36.78	0.82
Transfer to Capital Redemption Reserve	-	-	491.61	11.00
Reversal of dividend and tax on preference shares no longer payable	-	-	(148.54)	(3.32)
Balance carried to Balance Sheet	4,457.53	83.68	2,437.86	54.53

Note \* 1 USD = ₹ 53.27 (Exchange Rate as on December 31, 2011).

\* 1 USD = ₹ 44.71 (Exchange Rate as on December 31, 2010).

Previous year figures have been regrouped/ restated wherever necessary to make them comparable with those of the current year.



## 2 Turnover and Profits

On a consolidated basis, the total income during the year stood at ₹ 25,771.52 Million against ₹ 17,610.69 Million in the previous year, growth of 46%. The Company posted a net profit of ₹ 2,244.75 Million as against ₹ 1,224.47 Million in the previous year.

On a standalone basis the total income during the year stood at ₹ 7,662.47 Million as against ₹ 5,607.64 Million in the previous year. The standalone net profit is ₹ 1,179.21 Million as against a net profit of ₹ 735.62 Million for the previous year.

Detailed analysis on financial performance is given in the Management Discussion and Analysis Report and CFO's Review which forms part of the Annual Report.

## 3 Dividend

The Board is pleased to recommend a dividend of 20 % i.e., ₹ 2/- per equity share of ₹ 10/- each for the year ended December 31, 2011.

## 4 Capital

The Authorised share capital of the Company as at December 31, 2011 is ₹ 1,517,500,000 divided into 89,750,000 equity shares of ₹ 10/- each and 620,000 Cumulative Redeemable Preference shares of ₹ 1,000/- each.

The Issued, Subscribed and Paid-Up Capital of the Company as at December 31, 2011 is ₹ 583,801,710 divided into 58,380,171 equity shares of ₹ 10/- each.

During the year there has been an increase in the Equity Capital of the Company on account of allotment of 635,500 shares consequent to exercise of employee stock options.

## 5 Preferential Allotment

In November 2011, the Board of Directors of the Company approved the issue of convertible warrants to the Promoter Group subject to obtaining necessary Shareholders' consent and regulatory approvals.

During October 2011, the Promoter Group entities of the Company executed certain inter-se transfer of shares within the Promoter Group. The Company sought an informal guidance by way of an interpretative letter from Securities & Exchange Board of India as to whether the inter-se transfers by the Promoter Group would be considered as 'sale' as envisaged in the regulation 72 (2) of SEBI (Issue of Capital & Disclosure Requirements) Regulation, 2009.

SEBI clarified that the said regulation and its explanation do not differentiate between inter-se transfers made to entities within promoter group and sales made to others.

Based on the aforesaid position clarified from Securities & Exchange Board of India, the Company did not proceed with the preferential allotment.



## 6 Business Overview

2011 was eventful for Strides due to strengthened business performance, multiple product and plant approvals and proactive business consolidation.

Strides had adopted a well-coordinated strategy to restructure the organisation into Pharma and Specialties business divisions.

2011 witnessed dynamic operations, delivery in terms of enhanced revenue share and growing focus on value-driven products and approvals.

### Key Business Highlights for 2011 :

#### Specialties (Agila)

- + Agila represents 40% of the group revenue and 52% of the group EBITDA.
- + Performance boosted by new product launches during the year. Key execution strategies includes optimum capacity utilisation focusing on lyophilized, liquid vials, penems and oncology; and the supply-chain focus shift to enhanced forecastable business.
- + US Joint Venture with Sagent consolidated its position in market place gaining significantly on market share and new product launches.
- + First year of consolidation of Brazilian operations. One-time loss in front-ended business in Brazil was considered in performance.
- + Continuous US FDA compliance for facilities. 2 new facilities in Bangalore, India received approvals during the year. The Brazilian Sterile Penems Facility received US FDA approval in February 2012.

#### Regulatory Filings

- + 29 ANDAs filed during the year. Cumulative ANDA filings in the US stands at 144. 25 new ANDAs approved during the year taking the cumulative US approvals tally to 62;
- + 76 new product filings completed in other established markets like EU, Canada, Korea, South Africa and Australia and New Zealand; and received approval for 43 products during the year.
- + Cumulative filings and approvals stands at 314 and 160 respectively.

#### Pharma

- + Pharma business represents 60% of the group revenue and 48% of the group EBITDA.
- + Key execution strategies include strong focus on operational execution, plant upgradation/ expansion and strong R&D program in niche areas of soft gels and immunosuppressants.
- + Successful regulatory audits of US FDA, UK MHRA and WHO.
- + IP products and ATM business post source change, contributed to the growth of India manufacturing business.
- + Australasia delivered solid growth. Revenue and EBITDA growth at 44% and 38% respectively over 2010.
- + Stable business in Africa despite political turmoil and civil unrest.
- + India brands grew by 20% over 2010. "Renerve" brand at ₹ 34 Crores, grown by 45%.

#### Pfizer Partnership

- + Licensing agreements expanded to Emerging Markets with additional sterile injectables and oncolytic products
- + Portfolio maximisation in established markets completed.



## Investments / Joint Ventures / Divestments

### Investments

- + The Company through its wholly owned subsidiary Agila Specialties (Malaysia) SDN BHD entered in to an agreement with Malaysian Bio-XCell Sdn Bhd, an undertaking of the Government of Malaysia, for the establishment of a customised facility to manufacture injectables in the Bio-XCell ecosystem in Johar, Malaysia.

### Divestments

- + The Company sold its Australia and South East Asian Business to Watson Pharmaceuticals Inc., USA for AUD 375 Million resulting in divestment of its stake in Ascent Pharmahealth Limited (Ascent). The transaction was closed on January 24, 2012.

### Subsidiaries added to the Group during the year

During the year (1) Agila Specialties Asia Pte Ltd, Singapore, (2) Sorepharma, Burkinofaso, (3) Congo Pharma, Congo, (4) Strides Pharma, Namibia and (5) SPC Co. Ltd, Sudan became subsidiaries of the Company.

### Research & Development

Detailed write-up on Research & Development activity forms part of the annexure to the Director's Report.

## 7 Consolidated Financials

In accordance with Accounting Standard 21 on consolidated financial statements read with Accounting Standard 27 on Accounting for Joint Ventures, the audited consolidated financial statements are provided in this Annual report.

In terms of the General Circular 2 of 2011 dated February 8, 2011 issued by the Ministry of Corporate Affairs, the audited Financial Statements of the Company's subsidiaries have not been attached to this Report. The Financial Statements of the subsidiaries shall be made available to the shareholders of the Company / its subsidiaries seeking such information any point of time and such Financial Statements will also be kept for inspection during business hours by any shareholder at the registered office and the corporate office of your Company / its subsidiaries. The Company will also make available the audited annual accounts and related information of the subsidiary companies, upon request by any shareholder of the Company.

## 8 Corporate Governance

The Company has complied with all the mandatory requirements of Corporate Governance specified by the Securities & Exchange Board of India through clause 49 of the Listing Agreement. As required by the said clause, a separate Report on Corporate Governance forms part of the Annual Report of the Company. A certificate from the Statutory Auditors of the Company regarding compliance with the conditions of Corporate Governance also forms part of this Report.

## 8 Management Discussion and Analysis

Pursuant to clause 49 of the Listing Agreement entered into with the Stock Exchanges, Management Discussion and Analysis report forms part of this Report.

## 9 Deposits

The Company has not accepted any deposits from public and accordingly no amount is outstanding as on the balance sheet date.

## 10 Employee Stock Option Scheme

The Company has granted ESOPs to few eligible employees under the Strides Arcolab ESOP 2006 scheme and Strides Arcolab ESOP 2008 scheme and to Directors under Strides Arcolab ESOP 2008 (Directors), scheme particulars of which are provided in the Corporate Governance Report forming part of this report. The Company has also floated Strides Arcolab ESOP 2011 scheme during the year.



Statement giving additional information in terms of Regulation 12 of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is annexed to this Report.

## 11 Board of Directors

Mr. P.M Thampi and Mr. A K Nair are directors who retire by rotation and being eligible, offer themselves for reappointment. Your directors recommend their re-appointment to the Board.

## 12 Personnel

Information pursuant to Section 217 (2A) of the Companies act, 1956 read with Companies (Particulars of Employees) Rules, 1975 will be provided on request.

## 13 Directors' Responsibility Statement

**In terms of Section 217 (2AA) of the Companies Act 1956, the Directors state that they have:**

- a) followed the applicable accounting standards in the preparation of annual accounts. However, the deviation on the accounting standard has been carried out with reference to the scheme of arrangement sanctioned by the Hon'ble High Court of Bombay for amalgamation of the Company's subsidiaries viz., Global Remedies Limited, Grandix Pharmaceuticals Limited, Grandix Laboratories Limited and Quantum Remedies Private Limited (the transferor companies) with Strides Arcolab Limited (the transferee company). Refer notes to accounts for details of the same.
- b) selected such accounting policies and applied them consistently and made adjustments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- c) 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
- d) prepared the annual accounts on a going concern basis.

## 14 Conservation of energy, R& D, technology absorption and foreign exchange earnings / outgo

The particulars as prescribed 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 set out in the Annexure to the Directors' Report.

## 15 Statutory Auditors

The Statutory Auditors viz., Deloitte Haskins & Sells, Chartered Accountants, Bangalore (ICAI registration number 0080725) retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. Your Directors recommend their reappointment.

## 16 Depository System

As the Members are aware, your Company's shares are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories, i.e., National Securities Depository Limited and Central Depository Services (India) Limited. In view of the numerous advantages offered by the Depository system, members are requested to avail the facility of dematerialisation of the Company's shares with any of the Depositories as aforesaid.





## 17 Acknowledgement

Your Directors place on record their sincere appreciation for the significant contribution made by the employees through their dedication, hard work and commitment and the trust and confidence reposed on us by the medical profession and trade.

We also acknowledge the support and wise counsel extended to us by the bankers, financial institutions, Government agencies, analysts, shareholders and investors at large.

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

Arun Kumar – Executive Vice Chairman & Managing Director

K. R. Ravishankar - Director

Place : Bangalore, India

Date: April 26, 2012



## Annexure to the Directors' Report

Particulars required by the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 forming part of the Directors' Report for the year ended December 31, 2011.

### 1. Conservation of Energy

#### a) Measures taken during the period for conservation of energy

- + Commissioning of 500 TR High efficiency Centrifugal chiller resulted in saving of 215,000 KWH
- + Optimising the chillers cut-off temperature resulted in saving of 146,800 KWH in packaging block
- + Carbon foot print reduction achieved was 19 Tons due to 3000 new plantations and gelatin net recycling
- + 1,000 KL Rain water harvested and used for recharging the ground water table .
- + Steam / Fuel ratio maintained at 14 kg / ltr for last 4 years.
- + 33,600 KL process water treated by the Waste Water Treatment Plant and reused for garden/ lawns in the plant premises

#### b) Plans for the future for conservation of energy

- + Optimising chiller load further is being planned
- + Recovery of Reverse Osmosis reject for domestic use
- + Solar hot water generator for canteen to reduce carbon print

### 2. Research and Development (R&D)

The vision of Strides Research and Development is to be a profitable provider of high quality pharmaceutical products and solutions that create strategic values to its partners . The Research and Development strategy includes building a strong development backbone and product pipeline catering to diverse therapeutic categories with key focus on sterile specialty formulations. Continued focus is also on development of niche soft-gelatin capsules pipeline to become a significant player in soft-gelatin domain globally.

With innovative formulation development skill sets and competitive development cost, Strides R&D delivers value to customers. Platform technologies are a part of growth strategy to aid value stream at Strides. Strong technical leadership and global talent pool are in place to take the future growth initiatives of the organisation.

#### Execution excellence:

- + Strides emerged as a leader in sterile space with strong technical leadership and research capabilities.
- + Enhanced valuation of the organisation by receiving highest number of calendar year approvals from US FDA, by any Indian company.
- + Intellectual property creation by filing maximum number of dossiers in USA, Europe, ANZ and Rest of the World markets.
- + Continued expansion of business in the domestic markets with niche product basket.



As committed, European filings have been the focus area of submissions in the year 2011. More than 25 European DCP (De-centralised Procedure) submissions were made in 2011. For Research and Development, 2011 has been a year of focus to build the development pipeline and new product launches to drive business growth.

The focus on the differentiated delivery formats, sustainable generic business and end-to-end customer support for their business needs, continue to be the other key areas of Research and Development throughout.

**The future plan is :**

- a) Focus on the value added intellectual property in the areas of Platform technologies, patent challenge/invalidations, Devices, new domains like Ophthalmics , mini bags , NDA submissions, dosage form conversions and line extensions. In addition to this, portfolio maximisation will be an additional key focus area. With a substantial value created in terms of dossier approvals and capacities, Research and Development continues to remain the growth engine for the organisation.
- b) Continue aggressive registration strategy to enable geographic (Organic/Inorganic) expansions in key emerging markets viz., Brazil, Russia, South East Asia, and India.

**Expenditure on R&D**

Particulars	(₹ In Million)	
	Year ended December 31, 2011	Year ended December 31, 2010
Capital	87.07	39.77
Revenue	956.66	700.42
<b>Total</b>	<b>1,043.73</b>	<b>740.19</b>

Place : Bangalore, India

Date: April 26, 2012

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

Arun Kumar – Executive Vice Chairman & Managing Director

K. R. Ravishankar - Director



## Form A

## Form of disclosure of particulars with respect to Conservation of Energy

A. Power and fuel consumption	December 31, 2011
1. Electricity	
(a) Purchased	
Units	9,651,989
Total Amount (₹ in Million)	54.71
Rate / Unit (₹)	5.67
(b) Own generation through diesel generator	
Units	1,759,767
Diesel consumed in litres	520,880
Unit per ltr., of diesel oil	3.38
Cost / Unit (₹)	11.23
2. Furnace Oil	
Quantity (k. ltrs)	544.72
Total amount (₹ in Million)	20.34
Average Rate	37.35
<b>B. Consumption per unit of production (with details)</b>	
Softgel & Tablets Division	
<b>Electricity units per Million (BESCOM units / Production Million.)</b>	3,140 Kwh
<b>Furnace oil units per Million (Steam generated from Boiler / Production Million)</b>	2,830 Kgs.
<b>Diesel units per Million (Units generated from DG / Production Million.)</b>	573 Kwh

Place : Bangalore, India

Date: April 26, 2012

For and on behalf of the Board of Directors

Arun Kumar – Executive Vice Chairman &amp; Managing Director

K. R. Ravishankar - Director

**Form B****Form of Disclosure of Particulars with respect to absorption****1. Technology Absorption, Adaptation and Innovation and Benefits derived as a result of the above efforts**

- + Overall Equipment Effectiveness (OEE) implemented as an improved concept of equipment maintenance for critical equipments.
- + De-mineralised water plant with two pass Reverse Osmosis (RO) system commissioned to optimise the reject reuse
- + High speed off-line cartonator from Romaco ,Italy commissioned to improve the quality and productivity of mono cartons
- + Medicine Mixing vessels with improved controls commissioned for handling prescription products in softgel manufacturing
- + New block constructed to create an additional storage capacity of 500 pallets
- + Stalled containers and missing label sensors installed in CVC bulk line to improve the product quality/ reliability
- + High capacity blender of 6,000 lt and auto coating machine of 600 kg commissioned

**2. Pollution Control Measures**

- + Recycling of gelatin net for paint ball manufacturing is implemented reducing the load on incineration and carbon footprint
- + Solar evaporation of third pass RO reject is being planned

**3. Foreign Exchange earnings and outgo**

Foreign exchange earned on FOB basis	₹ 6,326.33 Million
Foreign exchange used	₹ 75.45 Million

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

Place : Bangalore, India

Arun Kumar – Executive Vice Chairman & Managing Director

Date: April 26, 2012

K. R. Ravishankar - Director



## Annexure to Directors' Report

Details as per SEBI (Employees Stock Options Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 forming part of the Directors' Report for the year ended December 31, 2011

Sl. No.	Description	Strides Arcolab ESOP 2006	Strides Arcolab ESOP 2008	Strides Arcolab ESOP 2008 (Director)	Strides Arcolab ESOP 2011
A	Options granted as on December 31, 2011	1,500,000	1,572,000	300,000	-
B	The pricing formula	Decided by the Compensation Committee from time to time, which shall not be less than 85% of the Market Price of the shares on the date of grant of option.			
C	Options vested	150,000	435,500	75,000	-
D	Options exercised	150,000	410,500	75,000	-
E	The total number of shares arising as a result of exercise of options	150,000	410,500	75,000	-
F	Options lapsed / surrendered	27,500	131,750	-	-
G	Variation of terms of options	None	None	None	None
H	Money realised by exercise of options (₹)	15,862,500	47,463,550	4,425,000	-
I	Total number of options in force at the end of the year	472,500	531,250	125,000	1,500,000
J	Employee-wise details of options granted during the year				
	(i) Vice Presidents & above				
	(ii) Others Identified Employees				
	(iii) Any other employee who received a grant in any one year of option amounts to 5% or more of options granted during that year.	None	None	None	None
	(iv) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversion) of the Company at the time of grant	None	None	None	None
K	Diluted Earnings Per Share (DEPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard 20- 'Earnings Per Share'.	Refer note below			
L	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed. The impact of the difference on profits and EPS of the Company shall be disclosed	Refer note below			



Sl. No.	Description	Strides Arcolab ESOP 2006	Strides Arcolab ESOP 2008	Strides Arcolab ESOP 2008 - Directors	Strides Arcolab ESOP 2011
M	Weighted average exercise price of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	₹ 105.75	₹ 127.07	₹ 59.00	-
N	Weighted average fair value of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Refer note below			
O	A description of the method and significant assumptions used during the year to estimate the fair value of options, including the following weighted average information:	December 31, 2011		December 31, 2010	
		Base : Black Scholes Model		Base : Black Scholes Model	
	(i) risk free interest rate;	8.85% pa		8% pa	
	(ii) expected life	3 years		3 years	
	(iii) expected annual volatility of shares	48%		49.96%	
	(iv) expected dividend/ yield	15%		13.24%	
(v) the price of the underlying share in market at the time of option grant	₹ 399.71 per share		₹ 136.70 per share		

Note: As per the Scheme approved by the Honorable High Court of Judicature, expense relating to ESOP is permitted to be recorded in the BRR. Accordingly, there would be no impact on EPS if the options were accounted at the fair value instead of intrinsic values.

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

Place : Bangalore, India

Arun Kumar – Executive Vice Chairman & Managing Director

Date: April 26, 2012

K. R. Ravishankar - Director



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# Corporate Governance Report

For the year ended December 31, 2011 (pursuant to Clause 49 of Listing Agreement with Stock Exchanges)

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## 1 Our Approach to Corporate Governance

Leadership and Governance go hand in hand in every successful company. For both to work well, you need a clear path of what you want to Aspire, Act and Achieve (the 3 As).

For Strides, Governance is about making sure:

- + Taking the business in the right strategic direction;
- + Initiating appropriate actions to proactively manage the change;
- + Reviewing and strengthening the internal controls in line with future strategies;
- + Doing the right thing for all stakeholders.

The same is articulated in our Vision and Mission statements, which is reproduced below:

### Strides Vision

To be a profitable provider of high quality pharmaceutical products and solutions that create strategic value to our partners and to provide a rewarding work place for our employees.

### Strides Mission

We innovate and operate in niche areas; deliver high quality products and compelling service that ensure that our customers view us as a long term and reliable partner.

### How do we make it happen?

The Company is fully compliant with the requirements of the prevailing and applicable Corporate Governance Code. Your Company's compliance with these requirements is presented in the subsequent sections of this Report.

## 2 Board of Directors

The Board of Directors guide, direct and oversee the management and protect the long term interests of shareholders, employees and the society at large.

### Composition of Board of Directors

The Board currently comprises of 8 Directors, of which 2 are Executive Directors and 6 are Non-Executive Directors. Of the 6 Non-Executive Directors, 5 are Independent Directors.

The Board represents an optimal mix of professionalism, knowledge and experience. All the directors on the Board are highly experienced in their respective fields and known personalities in the corporate world. A detailed profile of the members of the Board of Directors is provided elsewhere in this Annual Report.



**Director's Category and Directorships held**

Name	Category of Directorships*	Date of joining the board	No. of other Directorships held	No. of other Committees of which member	Chairmanship of Committees of other companies
Deepak Vaidya (Chairman)	NED & ID	January 16, 1998	7	4	2
Arun Kumar (Executive Vice Chairman & Managing Director)	P & ED	June 28, 1990	2	1	-
K.R. Ravishankar	P & NED	March 11, 1994	4	1	-
V S Iyer	ED	January 19, 2010	2	-	-
M.R. Umarji	NED & ID	October 27, 2005	4	-	-
A.K. Nair	NED & ID	October 27, 2005	7	4	-
P.M. Thampi	NED & ID	December 21, 2005	3	3	-
Mukul Sarkar **	NED & ID	August 31, 2010	2	-	-
Virtanes Saatci #	NED	February 24, 1995	-	-	-

\* P = Promoter; NED = Non Executive Director; ED = Executive Director; ID = Independent Director

\*\* = Nominee Director of Export Import Bank of India

# = Resigned with effect from April 26, 2012

**Note**

- + None of the Directors is a member of the Board of more than fifteen companies or a member of more than ten Board-level Committees or Chairman of more than five such Committees.
- + While considering the total number of directorships, the directorship in Private Companies, Foreign Companies, Section 25 Companies and Alternate Directorships, if any, have been excluded.
- + While considering the position held as Member/ Chairman in Committees, only Audit Committee and Shareholders'/ Investors' Grievance Committee is considered.
- + Position held in the Company as Director and/or Member/ Chairman has been excluded in the above table.



### Board Meetings

The Board meets at regular intervals to discuss and decide on Company's business policy and strategy. The Board meetings are pre-scheduled and a tentative annual calendar of Board meetings is circulated to the Directors to facilitate them to plan their schedules and to ensure meaningful participation. However, in case of special and urgent business needs Board's approval is obtained by circulating the resolution, and the same is ratified in the next Board Meeting.

During the year ended December 31, 2011, 5 Board Meetings were held. These were held on February 24, 2011, April 25, 2011, July 27, 2011 October 24, 2011 and November 10, 2011. The Twentieth Annual General Meeting (AGM) was held on May 30, 2011.

### Attendance of Directors at Board Meeting and AGM

Name	No. of Board meetings attended during the year	AGM attended
Deepak Vaidya	5	YES
Arun Kumar	5	YES
K.R. Ravishankar	5	YES
V. S. Iyer	5	-
M.R. Umarji	4	YES
A.K. Nair	4	-
P.M. Thampi	5	-
Mukul Sarkar	3	-
Virtanes Saatci	-	-

The Company Secretary of the Company attends all the meetings of the Board and updates the Board on all key compliance and governance matters. The Company also seeks professional advice on key corporate actions to ensure adherence to compliance and governance matters.

## 3 Committees of the Board

The Board Committees play a vital role in the governance of the Company and deal with specific areas/activities which concern the Company and need a closer review.

The Board supervises the functioning of the Committees. The minutes of the meetings of all the Committees are placed before the Board for review.

The Board has currently established the following statutory and non-statutory Committees:

### A) Audit Committee

#### i) Brief description of terms of reference

The Audit Committee has been constituted in accordance with the requirements of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 and the terms of reference of the Audit Committee include:

- + Oversight
  - The Group's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- + Recommending to the Board
  - the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
  - approval of payment to statutory auditors for any other services rendered by the statutory auditors.



#### + Reviewing with the management

- the annual financial statements before submission to the Board for approval with particular reference to:
  - a. matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - b. changes, if any, in Group's accounting policies and practices and reasons for the same.
  - c. Group's major accounting entries involving estimates based on the exercise of judgment by the management.
  - d. significant adjustments made in the financial statements arising out of audit findings.
  - e. compliance with listing and other legal requirements relating to financial statements.
  - f. disclosure of any related party transactions.
  - g. qualifications in the draft audit report.
- quarterly financial statements before submission to the Board for approval.
- the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document / prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of public or rights issues, and making appropriate recommendations to the Board to take up steps in this matter.
- performance of statutory and internal auditors, adequacy of the internal control systems.

#### + Reviewing

- the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board across the group.
- functioning of the Whistle Blower mechanism, in case the same is existing.

#### + Discussion

- with internal auditors any significant findings and follow up there on.
- with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

#### + Looking into

- the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

#### + Others

- carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- to investigate any activity within its terms of reference.
- to seek information from any employee.
- to obtain outside legal or other professional advice.
- to secure attendance of outsiders with relevant expertise, if it considers necessary.

#### ii) Composition and attendance details

The Audit Committee comprises of Independent Directors. Mr. M.R. Umarji is the Chairman and Mr. Deepak Vaidyaare, Mr. A.K.Nair, Mr. P.M. Thampi and Mr. Mukul Sarkar its Members.



The Audit Committee met 4 times during the year 2011 i.e., on February 24, 2011, April 25, 2011, July 27, 2011 and October 24, 2011.

The meetings of the Audit Committee are also attended by the Managing Director, Group Chief Financial Officer, Statutory Auditors and Internal Auditors as special invitees. The Company Secretary acts as the secretary of the Committee.

#### Attendance of members at the Audit Committee meetings

Sl. No.	Name	Designation & category	No. of Meetings attended
1	M.R. Umarji	Chairman (NED & ID)	4
2	Deepak Vaidya	Member (NED & ID)	4
3	A.K. Nair	Member (NED & ID)	4
4	P.M. Thampi	Member (NED & ID)	4
5	Mukul Sarkar	Member (NED & ID)	3

## B) Remuneration Committee

### i) Brief description of terms of reference

The Company has constituted a Remuneration Committee. The terms of reference of the Committee is to recommend the remuneration by way of salary, perquisites, allowances and commission for executive directors including pension rights and any compensation payment.

The Committee also functions as the Compensation Committee as prescribed under SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 and Long Term Incentive Plan of the Company and determines eligibility of employees for the same.

### ii) Composition and attendance details

The Remuneration Committee comprises of Independent Directors. Mr. M R Umarji is the Chairman and Mr. Deepak Vaidya, Mr. P M Thampi and Mr. A K Nair are its Members.

The Remuneration Committee met 3 times during the year 2011 i.e., on February 24, 2011, April 25, 2011 and July 27, 2011

#### Attendance of Members at the Remuneration Committee Meetings

Sl. No.	Name	Designation & category	No. of Meetings attended
1	M.R. Umarji	Chairman (NED & ID)	3
2	Deepak Vaidya	Member (NED & ID)	3
3	P. M. Thampi	Member (NED & ID)	3
4	A. K. Nair	Member (NED & ID)	3

### iii) Remuneration Policy

The remuneration of the employees consists of fixed pay i.e., Basic pay, allowances, perquisites etc. and a variable pay and the remuneration varies with different grades and is related to the industry pattern, qualification, experience and responsibilities handled by the employee. The objectives of the remuneration policy is to motivate employees and recognise their contribution, reward merit and to attract and retain talent in the organisation.

## C) Shareholders' / Investors' Grievances Committee

### (i) Brief description of terms of reference

The Shareholders' / Investors' Grievances Committee has been constituted in terms of the provisions related thereto in the Listing Agreements with the Stock Exchanges.



The Committee is entrusted with the responsibility to address the shareholders and investors complaints with respect to transfer of shares, non-receipt of annual report, non-receipt of declared dividends etc.

#### (ii) Composition

The Committee comprises of Mr. Deepak Vaidya as the Chairman and Mr. M.R. Umarji and Mr. K.R. Ravishankar are its Members.

The Shareholders' / Investors' Grievance Committee met 4 times during the 2011 on February 24, 2011, April 25, 2011, July 27, 2011 and October 24, 2011. The Company Secretary acts as the secretary of the Committee.

#### Attendance of the Members at the Shareholders' / Investors' Grievances Committee Meetings

Sl. No.	Name	Designation & category	No. of Meetings attended
1	Deepak Vaidya	Chairman (NED & ID)	4
2	M. R. Umarji	Member (NED & ID)	4
3	K. R. Ravishankar	Member (NED & ID)	4

#### (iii) Investor / Shareholder Complaints

During the year ended December 31, 2011, there were 83 complaints from shareholders, all of which were resolved to the satisfaction of the shareholders.

#### (iv) Reconciliation of Share Capital Audit

The Company conducts a share capital audit on a quarterly basis in accordance with requirements of Securities and Exchange Board of India (Depositories and Participants) Regulations 1996 and SEBI Circular No. D&CC/FITC/CIR-16/2002 dated December 31, 2002.

The Reconciliation of Share Capital Audit Report obtained from a Company Secretary in Wholetime Practice, which has been submitted to the Stock Exchanges within the stipulated period, certifies that the equity shares of the Company held in the dematerialised form and in the physical form confirms to the issued and paid up equity shares capital of the Company.

#### (v) Secretarial Compliance Certificate

As per provisions of the clause 47(c) of the Listing Agreement entered with the National Stock Exchange of India Limited and Bombay Stock Exchange Limited, the Company has obtained the Secretarial Compliance Certificate on half yearly basis from a Company Secretary in Wholetime Practice to the effect that all transfer of shares are effected within stipulated time. The certificate has been submitted to the Stock Exchanges within the prescribed time.

## 4 Details of remuneration to all Directors

Non-Executive Directors and Independent Directors are paid sitting fees of ₹ 20,000/- for attending every meeting of the Board and Audit Committee.

Details of Remuneration paid / payable to directors for the year ended December 31, 2011 are as follows:

#### Non-Executive Directors

Sl. No	Name of the Director	Sitting fee (₹)
1	Deepak Vaidya	180,000
2	K. R. Ravishankar	100,000
3	M.R. Umarji	160,000
4	A.K. Nair	160,000
5	P.M. Thampi	180,000
6	Mukul Sarkar	120,000
7	Virtanes Saatci	-



## Executive Directors

Name of the Director	Salary and allowances (₹)	PF (₹)	Bonus (₹)	Total (₹)
Arun Kumar (Executive Vice Chairman & Managing Director)	28,516,200	1,468,800	14,000,000*	43,985,000
V. S Iyer (Executive Director)	21,060,000	1,440,000	61,250,000**	83,750,000

\* Out of ₹ 14,000,000 paid in the year 2011, ₹ 4,000,000 pertains to the bonus for the financial year 2010

\*\* Out of ₹ 61,250,000 paid in the year 2011, ₹ 11,250,000 pertains to the bonus for the financial year 2010

During the year there were no pecuniary relationship or transactions between the Company and any of its Non-Executive Directors.

Stock Options were granted to Non-Executive Directors (except Nominee Directors) of the Company under the Strides Arcolab ESOP 2008 (Director) Scheme on March 17, 2009 at an exercise price of ₹ 59/- per share.

## Details of the options granted, vested, exercised and outstanding as at December 31, 2011 is as follows

Sl. No	Name of the Director	Outstanding options as at January 1, 2011	Options exercised during the year	Balance options as at December 31, 2011
1	Deepak Vaidya	40,000	15,000	25,000
2	Virtanes Saatci	40,000	15,000	25,000
3	M. R. Umarji	40,000	15,000	25,000
4	A. K. Nair	40,000	15,000	25,000
5	P. M. Thampi	40,000	15,000	25,000

## 5 General Body Meetings

Details of the Annual General Meetings held in the last three years and summary of Special Resolutions passed therein:

Financial year ended	Date and time	Venue	Special resolutions passed
December 31, 2008	April 24, 2009 11.00 am	Hotel Tunga Regency, Plot No. 37, Sector 30-A, Vashi, Navi Mumbai 400 703	None
December 31, 2009	May 31, 2010 11.30 am	The Regenza by Tunga, Plot No. 37, Sector 30-A, Vashi, Navi Mumbai 400 703	Appointment of Mr. V.S Iyer as Executive Director
December 31, 2010	May 30, 2011 11.30 am	The Regenza by Tunga, Plot No. 37, Sector 30-A, Vashi, Navi Mumbai 400 703	Approval of Strides Arcolab ESOP 2011 Scheme  Extension of Strides Arcolab ESOP 2011 scheme to employees of subsidiaries of the Company



During the year, 1 (one) special resolution was passed by the shareholders through Postal Ballot on September 13, 2011. Voting pattern for this resolution is as under:

Sl. No.	Item	No. of valid votes polled	Votes cast	
			For	Against
1	Approval for revision in remuneration of Mr. V.S. Iyer (Executive Director)	22,731,048	22,700,197 (representing 99.864% of total net valid votes pooled)	30,851 (representing 0.136% of total net valid votes pooled)

Mr. Gigi Joseph K.J., Company Secretary in Wholetime Practice was appointed as Scrutiniser for overseeing the postal ballot process. The resolution was passed with requisite majority.

The Company has complied with the procedures for the postal ballot in terms of the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 and the amendments thereto.

## 6 Disclosures

- i) There are no materially significant related party transactions with the promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

Transactions with the related parties are disclosed in Note 23 of Schedule P to the financial statements in the Annual Report.

- ii) As per the Composite Scheme of Arrangement (“the Scheme”) under Sections 391 - 394 of the Companies Act, 1956 for amalgamation of Global Remedies Limited, Grandix Pharmaceuticals Limited, Grandix Laboratories Limited and Quantum Remedies Private Limited (“The Transferor Companies”) with and into Strides Arcolab Limited (“The Transferee Company”), as approved by the Hon’ble High Courts of Judicature at Mumbai, Karnataka and Chennai, a separate reserve account titled Reserve for Business Restructure (BRR) has been created by Fair Valuation of Assets of the Company for adjustment of certain expenses / impairments against the BRR. The same being at variance with applicable accounting standards, necessary disclosure has been made in the Notes to accounts in Standalone and Consolidated Financial Statements.
- iii) The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on matters relating to capital markets during the last 3 years. No penalties or strictures have been imposed on the Company by the Stock Exchange or SEBI or any statutory authorities relating to the above.
- iv) The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement.
- v) As regards the adoption of non-mandatory requirements as contained in Annexure I-D to clause 49 of the Listing Agreement, the Company has implemented the requirements with relation to constitution of Remuneration Committee and matters related therewith.

## 7 Reappointment of Directors

The Directors of the Company are appointed by shareholders at the General Meetings. All directors, except the Managing Director or a Whole-time Director and Nominee Director, are liable to retire by rotation at the Annual General Meeting each year, in accordance with the Articles of Association of the Company. The Executive Directors on the Board serve in accordance with the terms of their contracts of service with the Company.

The requisite details in terms of clause 49(IV)(G) of the Listing Agreement in respect of the Directors getting reappointed at the ensuing Annual General Meeting are as under:

**Mr. P. M. Thampi**

- + Mr. Thampi has over 44 years of experience in the Indian chemical industry.
- + He worked in ICI India for 29 years, before assuming the position of Chairman and Managing Director with BASF India for 14 years.
- + Currently, he is the Chairman of Pioneer Balloon India Private Limited and Director of several leading companies including HDFC Asset Management Company Limited and Brigade Enterprises Limited
- + He is an active member of Indo German Chamber of Commerce, and he has served as its President.
- + He holds 26,000 equity shares representing 0.045% of the paid up share capital of the Company.

Details of companies in which Mr. Thampi is a director and his memberships in Committees:

Sl.No.	Name of the companies	Committee Membership
1	Brigade Enterprises Limited	Audit Committee Remuneration Committee (Chairman)
2	HDFC Asset Management Company Limited	Audit Committee Customer Grievance Committee Remuneration Committee (Chairman)
3	Pioneer Balloon India Private Limited	-

Mr. Thampi is not related to any other Director in the Company.

**Mr. A. K. Nair**

- + Mr. Nair is an Engineer by profession and a Management Graduate from Cochin University.
- + He is a Director of Nitta Gelatin India Limited (erstwhile Kerala Chemicals & Proteins Limited), a joint venture of KSIDC and Nitta Gelatin Inc. and Mitsubishi Corporation, Japan.
- + In his earlier stints, he was the Executive Director & Managing Director of KSIDC.
- + He was also Managing Director of Nitta Gelatin India Limited (erstwhile Kerala Chemicals & Proteins Limited).
- + Mr. Nair holds 15,000 equity shares representing 0.03% of the paid up share capital of the Company.

Details of companies in which Mr. Nair is a director and his membership in Committees:

Sl. No.	Name of the companies	Committee Membership
1	CII Guardian International Limited	Remuneration Committee
2	Geojit Credits Private Limited	Audit Committee
3	Guardian Controls India Limited	-
4	Merchem Limited	Audit Committee
5	Nitta Gelatin India Limited	Share Transfer Committee Shareholders Grievance Committee
6	The Alleppey Company Limited	-
7	The Kerala Bailers Private Limited	-
8	V-Guard Industries Limited	Audit Committee Remuneration Committee
9	William Goodacre Sons India Private Limited	-

Mr. Nair is not related to any other Director in the Company





## 8 Disclosure of Shareholding of Non-Executive Directors

In terms of Clause 49(V)(E)(iv) of the Listing Agreement, the shares held by Non-Executive Directors in the Company are as under:

Sl. No.	Non-Executive Directors	No. of Shares held
1	Deepak Vaidya	65,000
2	K. R. Ravishankar	1,235,906
3	P. M. Thampi	26,000
4	M. R. Umarji	15,000
5	A. K. Nair	15,000
6	Mukul Sarkar	-

The following entities, in which Mr. K.R. Ravishankar is interested, also hold shares in the Company:

Sl. No.	Name of the entity	No. of Shares held
1	Agnus Holdings Private Limited	2,31,825
2	Agnus Capital LLP	20,000
3	Chayadeep Properties Private Limited	177,107
4	Karuna Ventures Private Limited	43,000
5	Pronomz Ventures LLP	12,665,000
6	Triumph Venture Holdings LLP	30,000

## 9 Communication to Shareholders

The Company regularly communicates to its stakeholders through multiple channels of communication such as results announcement, annual report, media releases and Company's website.

The quarterly, half-yearly and annual reports of the Company's performance are published in newspapers such as Business Standard, The Financial Express and Lokmath. The quarterly and half-yearly results of the Company are also submitted to the Stock Exchanges where the Company's shares are listed. These are also posted on the Company's website [www.stridesarco.com](http://www.stridesarco.com).

The Company also conducts earnings call with analysts and investors and their transcripts are published on the website thereafter. The website of the Company also displays the official news releases and presentations made to the institutional investors and analysts from time to time.

## 10 General Shareholders Information

### a) Annual General Meeting 2012

Day / Date	Friday, May 25, 2012
Time	11.30 am
Venue	The Regenza by Tunga, Plot No.37, Sector 30-A, Vashi, Navi Mumbai – 400 703.

### b) Financial Calendar for the Year 2012

Financial reporting for quarter / half year ended	During
March 31, 2012	April, 2012
June 30, 2012	July, 2012
September 30, 2012	October, 2012
December 31, 2012	February, 2013

**c) Date of Book closure:**

May 16, 2012 to May 25, 2012 (inclusive of both days)

**d) Dividend**

The Board of Directors at their meeting held on February 27, 2012 recommended a dividend of ₹ 2/- per share on equity share of face value of ₹ 10/- each for the financial year ended December 31, 2011, subject to the approval of the shareholders at the Annual General Meeting.

Dividend, if approved by shareholders, will be paid within 30 days from the date of declaration of dividend.

**Unclaimed Dividends**

Under the Companies Act, 1956, dividends that are unclaimed for a period of seven years, statutorily get transferred to the Investor Education and Protection Fund (IEPF) administered by the Central Government.

The unpaid / unclaimed dividends upto Final Dividend 2001-02 has been transferred to IEPF. Due dates for transfer of unpaid / unclaimed dividend to IEPF are as follows:

Year	Dividend rate	Date of declaration	Due date
2003-2004	15%	June 22, 2005	August 27, 2012
2004-2005	20%	June 15, 2006	August 28, 2013
2005-2006	20%	June 20, 2007	August 25, 2014
2006-2007	NIL	NA	NA
2007-2008	NIL	NA	NA
2008-2009	15%	May 31, 2010	August 5, 2017
2009-2010	15%	May 30, 20 11	August 4, 2018

The Members of the Company, who have not yet encashed their divided warrant(s) may write to the Company / Register and Transfer Agent immediately.

**e) Listing on Stock Exchanges and Stock Codes**

The names of the Stock Exchanges at which the securities of the Company are listed and the respective stock codes are as under:

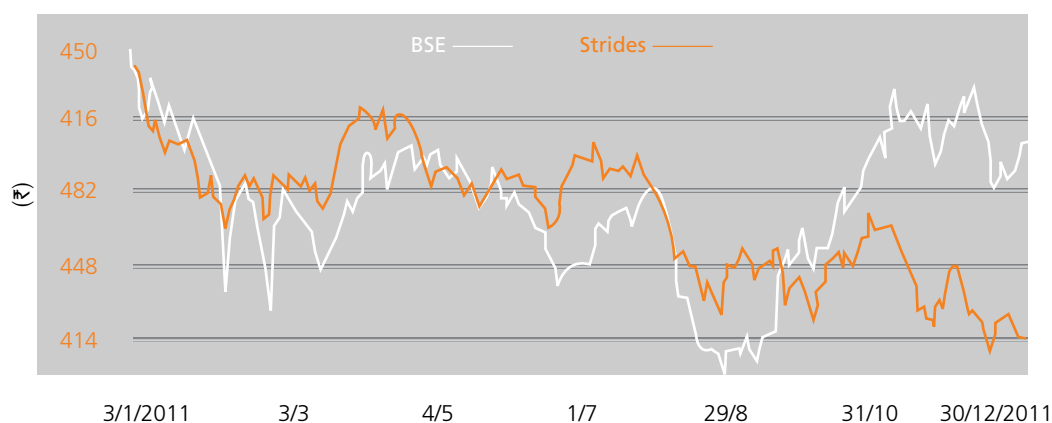
Sl. No.	Name of Stock Exchange	Security listed	ISIN	Stock code
1	Bombay Stock Exchange Limited	Equity Shares	INE939A01011	532531
2	National Stock Exchange of India Limited	Equity Shares	INE939A01011	STAR
3	Singapore Stock Exchange	FCCB	XS0305351891	3IKB

The Company has paid listing fees to all the above stock exchanges and there is no outstanding payment as on date.

**f) Market Price Data**

The High and Low prices of the shares of the Company at National Stock Exchange of India Limited, Mumbai (NSE) and The Bombay Stock Exchange Limited, Mumbai (BSE) for the year ended December 31, 2011 are as under.

Month	NSE			BSE		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
January, 2011	456.00	389.00	1,831,278	454.90	390.00	1,039,360
February, 2011	419.60	302.50	3,776,054	419.00	302.10	1,561,683
March, 2011	382.95	310.40	5,378,957	382.45	309.05	2,068,811
April, 2011	418.25	359.20	3,321,204	416.70	361.20	1,465,504
May, 2011	402.90	362.20	3,546,899	401.50	362.30	1,181,936
June, 2011	388.50	320.00	1,811,184	387.85	321.10	898,768
July, 2011	387.00	334.05	3,498,781	386.90	321.65	1,250,099
August, 2011	382.50	276.00	1,799,291	382.40	276.25	604,958
September, 2011	364.00	278.35	5,961,525	364.00	279.05	2,746,065
October, 2011	399.85	329.45	2,993,140	399.90	330.20	1,193,422
November, 2011	446.00	377.15	1,994,570	432.60	377.25	699,830
December, 2011	437.00	370.00	2,975,431	437.00	369.40	924,625

**g) Performance of Strides Arcolab Limited Share Price to Broad Based Index (BSE Sensex)****h) Registrar and Transfer Agent**

Karvy Computershare Private Limited, Plot No. 17 to 24, Vittalrao Nagar, Madhapur, Hyderabad – 500 081. Tel. No. 91-40-2342 0815 to 824, Fax No. 91-40-2342 0814 e-mail id: svraju@karvy.com

**i) Share Transfer System**

The Company has appointed Karvy Computershare Private Limited, Hyderabad, as its Registrar and Transfer Agent to expedite the process of share transfers. The share transfers lodged are being processed on a day-to-day basis and Memorandum of Transfers is generated on a fortnightly basis.

**j) Distribution of Shareholding as on December 31, 2011**

Slab of Shareholding	No. of Shareholders	% to total number of Shareholders	Amount ₹	% to paid up capital
1 – 5,000	22,727	93.85	14,606,080	2.50
5,001 - 10,000	674	2.78	5,294,440	0.91
10,001 - 20,000	320	1.32	4,769,910	0.82
20,001 - 30,000	117	0.48	2,991,000	0.51
30,001 - 40,000	54	0.22	1,950,520	0.33
40,001 - 50,000	57	0.24	2,710,100	0.46
50,001 - 100,000	68	0.28	5,002,740	0.86
100,001 & Above	202	0.83	546,476,920	93.61
<b>Total</b>	<b>24,219</b>	<b>100.00</b>	<b>583,801,710</b>	<b>100.00</b>

**k) Shareholding Pattern as at December 31, 2011**

Sl. No.	Category	No. of shares held	% to total shareholding
1.	Indian Promoters	16,594,258	28.42
2.	Mutual Funds & UTI	6,765,628	11.59
3.	Banks, Financial Institutions, Insurance Companies	3,028,856	5.19
4.	Foreign Institutional Investors	22,016,060	37.71
5.	Private Corporate Bodies	1,516,400	2.60
6.	Others (including Indian Public, Trust, Foreign Nationals)	5,868,486	10.05
7.	Non Resident Indians / Overseas Corporate Bodies	2,590,483	4.44
	<b>Total</b>	<b>58,380,171</b>	<b>100.00</b>

**l) Dematerialisation of Shares and Liquidity**

The Company shares are compulsorily traded in dematerialised form. The Company has established connectivity with both the Depositories viz., National Securities Depository Limited and Central Depository Services (India) Limited through the Registrars, Karvy Computershare Private Limited.

As on December 31, 2011, 99.56% of the paid-up share capital of the Company representing 58,125,784 shares has been dematerialised.

To enable us to serve our investors better, we request investors whose shares are in physical mode to dematerialise their shares and update their bank account with the respective depository participants.

**m) Outstanding Warrants or any Convertible instruments****Foreign Currency Convertible Bonds****(a) FCCB 100 Mio - 0% Convertible Bonds Due 2012 - ISIN : XS0305351891**

The Company had on June 26, 2007 issued USD 100 Million 'Zero Coupon Convertible Bonds due 2012' at an initial conversion price of ₹ 461.553 per share with a fixed rate of exchange on conversion of ₹ 40.70 = USD1.00 and further upon the terms and conditions as specified in the FCCB Offering Circular, the FCCBs are listed at the Singapore Stock Exchange.

As permitted by the Reserve Bank of India, during the year 2009, the Company bought back at discount FCCBs aggregating to face value USD 20 Million out of outstanding USD 100 Million – 0% convertible bonds.

The outstanding USD 80 Million FCCB, if not converted before June 20, 2012, are redeemable at a premium of 145.058%.

None of the bonds have been offered for conversion.

**n) Employee Stock Options**

Statement giving detailed information in terms of Regulation 12 of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is annexed to the Directors' Report.

**o) Plant Locations**

- (a) KRS Gardens, Suragajakkanahalli, Kasaba Hobli, Anekal Taluk, Bangalore – 562 106
- (b) No. 9-12, Dewan & Sons Industrial Area, Veroor, Palghar, District Thane – 401 404
- (c) 124, Sipcot Industrial Complex, Hosur – 635 126



### p) Investor Correspondence

#### To the Registrars & Share Transfer Agent:

Karvy Computershare Private Limited,  
Plot No. 17 to 24, Vittalrao Nagar, Madhapur,  
Hyderabad – 500 081  
Tel: +91-40 – 23420815 to 824,  
Fax +91-40 – 23420814  
e-mail id: svraju@karvy.com

#### Contact Persons :

Mr. S.V. Raju or  
Mr. Mohan Kumar. A

#### To the Company:

Mr. Badree Komandur  
EVP-Finance & Company Secretary

#### Corporate Office :

'Strides House',  
Bilekahalli, Bannerghatta Road,  
Bangalore – 560 076  
Tel. No.: +91-80-6784 0747  
Fax No. +91-80-6784 0800  
e-mail id. : badree.komandur@stridesarco.com  
investors@stridesarco.com

#### Registered Office :

No. 201, 'Devavrata'  
Sector 17, Vashi,  
Navi Mumbai - 400 705.  
Tel. No. 91-22-27895247  
Fax No. 91-22-27892924

The Company's designated email id for investor complaints is investors@stridesarco.com

## 11 Code of Conduct

Board has adopted Code of Conduct ('Code') for all Board Members and Senior Management of the Company. A copy of the said Code is available on the website of the Company [www.stridesarco.com](http://www.stridesarco.com).

The Code provides that members of the Board are required to avoid any interest in contracts entered into by the Company. If such an interest exists, the members are required to make disclosure to the Board and to abstain from discussion, voting or otherwise influencing on any matter in which the concerned Director has or may have such interest. The Code also restricts the Directors from accepting any gifts or incentives in their capacity as Director of the Company, except what is duly authorised under the Code.

All Board Members and senior management personnel have confirmed compliance with the Code for the year 2011.

A declaration to this effect signed by the CEO of the Company is given below:

"I confirm that the Company has in respect of the year ended December 31, 2011, received from its Board Members as well as senior management personnel affirmation as to compliance with the Code of Conduct."

**Arun Kumar**

Executive Vice Chairman & Managing Director



## CERTIFICATE

To the Members of

**Strides Arcolab Limited**

We have examined the compliance of conditions of corporate governance by Strides Arcolab Limited ('the Company'), for the year ended on December 31, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with the said stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above-mentioned Listing Agreement.

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

For **DELOITTE HASKINS & SELLS**

Chartered Accountants  
Registration No. 008072S

V. Balaji  
Partner

Membership No.: 203685

Place: Bangalore, India

Date: April, 26 2012



# Financial Statements

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# Auditors' Report

## AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF STRIDES ARCOLAB LIMITED

1. We have audited the attached Consolidated Balance Sheet of **STRIDES ARCOLAB LIMITED** (the "Company"), its subsidiaries and jointly controlled entities (the Company, its subsidiaries and jointly controlled entities constitute the "Group") as at December 31, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include the jointly controlled entities accounted in accordance with Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. 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 financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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. The Company has early adopted Accounting Standard (AS) 30 'Financial Instruments: Recognition and Measurement', AS 31 'Financial Instruments: Presentation' and AS 32 'Financial Instruments: Disclosure', to the extent such standards do not conflict with the standards notified under section 211(3C) of the Companies Act. Pursuant to the above:
  - a) the Foreign Currency Convertible Bonds (FCCBs or Bonds) issued by the Company have been segregated into two components comprising (a) option component which represents the value of the conversion option given to the FCCB-holders to convert the bonds into equity shares of the Company and (b) debt component which represents the debt to be redeemed in the absence of conversion option being exercised by FCCB-holder, net of issuance costs. The debt component has been recognised and measured at amortised cost and the fair value of the option component has been determined using a valuation model and a credit of ₹ 188.85 Million has been recognised in the Profit & Loss Account for the year ended December 31, 2011, being the change in the fair value of embedded option during the year.
  - b) the Group has designated its net investment in foreign operations of a subsidiary of the Company, whose functional currency is US dollars, as hedged items, and certain FCCBs and Borrowings payable in US dollars as hedging instruments, to hedge the foreign exchange risk arising out of fluctuations between the Indian Rupee and the US Dollar. The exchange fluctuations arising from the restatement of the designated hedging instruments has been recognised in a Hedge Reserve account in the Balance sheet as per the requirements of Accounting Standard 30. Accordingly a charge of ₹ 857 Million has been recognised in the Hedge Reserve account for the year ended December 31, 2011.
4. We draw attention to Note C 1 of Schedule Q regarding the accounting for the Scheme of Arrangement (the 'Scheme') between the Company, some of its subsidiaries and their respective shareholders under section 391 to 394 and the other provisions of the Companies Act, 1956, which has been approved by the Hon'ble High Court of Bombay. In accordance with the Scheme:
  - a) Investments in a subsidiary has been fair valued in prior years and the resultant surplus over the previously carried book values, amounting to ₹ 5,856.20 Million, has been recorded as a Goodwill on consolidation in these consolidated financial statements with a corresponding credit to Reserve for Business restructure, instead of such assets being recorded at historical costs as required by Accounting Standard 13 'Accounting for investments' and Accounting Standard 21 'Consolidated Financial Statements'.
  - b) Certain expenses (net) amounting to ₹ 609.82 Million has been debited to the Reserve for Business Restructure, instead of being charged to the Profit and Loss Account as required by Accounting Standard 5 'Net profit or Loss for the Period, Prior Period Items'.
5. We did not audit the financial statements of certain subsidiaries and joint ventures, whose financial statements reflect total assets (net) of ₹ 22,405.03 Million as at December 31, 2011, total revenues of ₹ 17,744.24 Million and net cash outflows amounting to ₹ 729.47 Million for the year ended on that date as considered in these Consolidated Financial Statements. In respect of these subsidiaries and joint ventures:
  - a) the financial statements of the subsidiaries and joint ventures, whose financial statements reflect total assets (net) of ₹ 19,939.63 Million as at December 31, 2011, total revenues of ₹ 16,029.36 Million and net cash outflows amounting to ₹ 656.83 Million for the year ended on that date, as considered in these financial statements have been audited by other





auditors and where applicable, their conversion based on accounting principles generally accepted in India have been reported upon by other accountants. These reports have been furnished to us, and our opinion, in so far as it relates to amounts included in respect of these subsidiaries and joint ventures is based solely on the audit report of other auditors/accountants;

- b) the financial statements of the subsidiaries and joint ventures, whose financial statements reflect total assets (net) of ₹ 2,465.40 Million as at December 31, 2011 and total revenues of ₹ 1,714.88 Million and net cash outflows amounting to ₹ 72.64 Million for the year ended on that date, as considered in these financial statements have been compiled by the management and have not been subject to audit by independent auditors.
6. Subject to our comments in paragraph 4 above, we report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) and Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified under the Companies (Accounting Standards) Rules, 2006.
7. Subject to our comments in paragraph 5(b) above, and read with our comments in paragraph 3 and paragraph 4 above, based on our audit and on consideration of the reports of other auditors/accountants on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;
- (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at December 31, 2011;
- (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date and
- (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants  
Registration No.008072S

V. BALAJI  
Partner

Membership No.203685

Mumbai  
February 27, 2012



# Consolidated Balance Sheet

as at December 31, 2011

₹ in Million

	Schedule	December 31, 2011	December 31, 2010
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' funds</b>			
a) Share capital	A	583.80	577.45
b) Employees stock options outstanding	B	27.59	20.86
c) Reserves & surplus	C	13,103.35	12,229.51
		<b>13,714.74</b>	<b>12,827.82</b>
<b>2. Minority Interest</b>		<b>464.57</b>	<b>2,724.74</b>
<b>3. Loan funds</b>	D		
a) Secured loans		19,387.96	13,873.90
b) Unsecured loans		6,276.15	6,224.45
		<b>25,664.11</b>	<b>20,098.35</b>
<b>4. Deferred tax liability (Net)</b>		<b>93.49</b>	<b>46.36</b>
<b>Total</b>		<b>39,936.91</b>	<b>35,697.27</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed assets</b>	E		
a) Gross block		16,622.31	11,510.70
Less : Accumulated depreciation		4,571.88	2,984.41
Net block		12,050.43	8,526.29
b) Capital work-in-progress & advances		3,523.35	1,914.55
		<b>15,573.78</b>	<b>10,440.84</b>
<b>2. Goodwill (on consolidation)</b>		<b>19,825.94</b>	<b>14,756.39</b>
<b>3. Investments</b>	F	-	17.59
<b>4. Deferred Tax Asset (Net)</b>		<b>220.31</b>	<b>15.77</b>
<b>5. Current assets, loans and advances</b>	G		
a) Inventories		4,799.31	3,119.97
b) Sundry debtors		5,384.44	3,837.84
c) Unbilled debtors		1,596.91	411.72
d) Cash & bank balances		2,597.25	3,394.51
e) Loans and advances		4,543.27	8,839.95
		<b>18,921.18</b>	<b>19,603.99</b>
<b>Less: Current liabilities &amp; provisions</b>	H		
a) Current liabilities		11,448.54	7,248.50
b) Provisions		3,256.75	1,987.99
		<b>14,705.29</b>	<b>9,236.49</b>
<b>Net current assets</b>		<b>4,215.89</b>	<b>10,367.50</b>
<b>6. Miscellaneous expenditure</b>	I	<b>100.99</b>	<b>99.18</b>
(To the extent not written off or adjusted)			
<b>Total</b>		<b>39,936.91</b>	<b>35,697.27</b>
Basis of Consolidation,			
Accounting policies and notes on accounts	Q		
The above schedules form an integral part of the financial statements.			

In terms of our report attached

**For DELOITTE HASKINS & SELLS**

Chartered Accountants

V. Balaji

Partner

Mumbai, February 27, 2012

**For and on behalf of the Board**

Arun Kumar

- Executive Vice Chairman &amp; Managing Director

K.R.Ravishankar

- Director

Dr. T.S. Rangan

- Group CFO

Badree Komandur

- Company Secretary

Bangalore, February 27, 2012



# Consolidated Profit & Loss Account

for the year ended December 31, 2011

₹ in Million

	Schedule	December 31, 2011	December 31, 2010
<b>I. INCOME</b>			
1. Sales & services	J	25,245.19	16,958.44
2. Other income	K	526.33	652.25
<b>Total</b>		<b>25,771.52</b>	<b>17,610.69</b>
<b>II. EXPENDITURE</b>			
1. Materials consumed	L	13,150.17	8,508.14
2. Increase/(Decrease) in stock	M	(512.54)	(452.88)
3. Personnel cost	N	3,027.35	2,249.19
4. Operating and other expenses	O	4,928.66	3,387.77
5. Finance charges (Net)	P	1,902.68	1,421.76
<b>Total</b>		<b>22,496.32</b>	<b>15,113.98</b>
<b>III. PROFIT BEFORE DEPRECIATION, AMORTISATION, EXCEPTIONAL ITEMS AND TAX</b>		<b>3,275.20</b>	<b>2,496.71</b>
6. Depreciation and amortisation (Note C.1.3(c) & C.3.4, Schedule 'Q')	E	1,043.01	638.98
<b>IV. PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS</b>		<b>2,232.19</b>	<b>1,857.73</b>
7. Exceptional Items			
(i) Profit/(Loss) on Sale / Disposal of investments (net) (Note C.6(b) & C.14, Schedule 'Q')		(19.64)	(41.61)
(ii) Reversal of hedge reserve on disposal of foreign operations (net) (Note C.15, Schedule 'Q')		-	(95.80)
(iii) Exchange (loss) / gain (Note C.4, Schedule 'Q')		325.46	159.03
(iv) Changes in fair value options embedded in FCCB's (Note C.11.1, Schedule 'Q')		188.85	(15.63)
<b>V. PROFIT BEFORE TAX</b>		<b>2,726.86</b>	<b>1,863.72</b>
Less: Provision for tax			
- Current		709.79	451.67
- Deferred (Net)		(158.49)	0.27
- MAT Credit entitlement		(164.50)	-
<b>VI. PROFIT AFTER TAX BEFORE SHARE OF MINORITY INTEREST</b>		<b>2,340.06</b>	<b>1,411.78</b>
Less: Share of Profit / (Loss) of Minority Interest		95.31	187.31
<b>PROFIT AFTER MINORITY INTEREST</b>		<b>2,244.75</b>	<b>1,224.47</b>
Balance brought forward		2,437.86	1,714.87
Consolidation adjustment		-	(15.06)
<b>VII. PROFIT AVAILABLE FOR APPROPRIATIONS</b>		<b>4,682.61</b>	<b>2,924.28</b>
<b>VIII. APPROPRIATIONS</b>			
Proposed Dividend		117.37	91.59
Tax on dividends		18.71	14.98
Transfer to General reserve		89.00	36.78
Reversal of Dividend and Tax on preference shares no longer payable (Note C.8, Schedule 'Q')		-	(148.54)
Transfer to Capital Redemption Reserve (Note C.8, Schedule 'Q')		-	491.61
Balance carried to balance sheet		4,457.53	2,437.86
<b>Total</b>		<b>4,682.61</b>	<b>2,924.28</b>
<b>IX. Earnings / (Loss) per share</b>			
(Face value of ₹ 10 each)			
- Basic (in ₹)		38.65	26.11
- Diluted (in ₹)		38.32	24.56
(Note C.24, Schedule 'Q')			
Accounting policies and notes on accounts	Q		
The above schedules form an integral part of the financial statements.			

In terms of our report attached

**For DELOITTE HASKINS & SELLS**

Chartered Accountants

V. Balaji

Partner

Mumbai, February 27, 2012

**For and on behalf of the Board**

Arun Kumar

- Executive Vice Chairman &amp; Managing Director

K.R.Ravishankar

- Director

Dr. T.S. Rangan

- Group CFO

Badree Komandur

- Company Secretary

Bangalore, February 27, 2012



# Consolidated Cash Flow Statement

for the year ended December 31, 2011

₹ in Million

		For the year ended December 31, 2011	For the year ended December 31, 2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Profit / (Loss) before tax		2,726.86	1,863.72
Adjustments for:			
Depreciation and amortisation		1,043.01	638.54
Provision for doubtful debts and bad debts written off		242.88	27.61
Interest on borrowings		1,793.01	1,365.80
Unrealised Exchange (Gain)/Loss		(506.77)	(59.99)
Reversal of hedge reserve on disposal of foreign operations		-	(95.80)
Expense deferred		(34.66)	(99.18)
Amortisation of deferred revenue expenditure		32.85	-
Changes in fair value of embedded derivatives in FCCB's		(188.85)	15.63
Loss / (Profit) on sale of investments (Net)		19.64	41.61
Profit on sale of assets (Net)		(2.14)	(0.09)
Interest received		(45.62)	(44.74)
<b>Operating profit before working capital changes</b>		<b>5,080.21</b>	<b>3,653.11</b>
Changes in working capital			
(Increase)/Decrease in Trade and other receivables		(3,943.37)	673.82
(Increase)/Decrease in Inventories		(1,356.13)	(839.48)
Increase/(Decrease) in Trade and other payables		5,705.01	165.29
(Increase)/Decrease in Margin money		(331.73)	(20.49)
<b>Net change in working capital</b>		<b>73.78</b>	<b>(20.86)</b>
<b>Cash generated from operations</b>		<b>5,153.99</b>	<b>3,632.25</b>
Direct taxes paid and Others (Refer Note C. 25.(c), Schedule 'Q')		(583.01)	(392.91)
<b>Net cash from Operating Activities</b>	A	<b>4,570.78</b>	<b>3,239.34</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets / CWIP		(2,391.74)	(1,666.73)
Sale of fixed assets		222.25	27.94
Purchase of investments		(4,364.10)	(4,179.29)
Advance towards purchase of investments / assets		(60.00)	(3,839.28)
Sale/redemption of investments		-	208.30
Dividend / interest received		28.90	39.08
<b>Net cash used in Investing Activities</b>	B	<b>(6,564.69)</b>	<b>(9,409.98)</b>

₹ in Million

		For the year ended December 31, 2011	For the year ended December 31, 2010
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital / Share warrants		72.45	5,031.73
Share Issue Expenses		-	(108.96)
Redemption of preference shares		-	(325.75)
Redemption of FCCB		-	(2,124.86)
Proceeds from long term borrowings		6,443.31	6,952.78
Repayment of long term borrowings		(2,985.44)	(2,262.53)
Proceeds from/ (repayment) of short term borrowings (Net)		(709.01)	2,631.23
Dividends paid (including tax on dividend)		(100.71)	(75.86)
Interest paid on borrowings		(1,826.99)	(1,216.84)
<b>Net cash generated from Financing Activities</b>	C	<b>893.61</b>	<b>8,500.94</b>
<b>Net Increase/(Decrease) in cash and cash equivalents</b>	(A+B+C)	<b>(1,100.10)</b>	<b>2,330.30</b>
Cash and cash equivalents at the beginning of the year		3,251.70	789.97
Effect of exchange differences on restatement of foreign currency cash and cash equivalents		(33.41)	3.71
Cash and cash equivalents on account of acquisition & disposal of subsidiaries		4.52	127.72
<b>Cash and cash equivalents at the end of the year</b>		<b>2,122.71</b>	<b>3,251.70</b>
Note: Refer Note C.25, Schedule 'Q' for notes on Cash Flow Statement			
Basis of Consolidation,			
Accounting policies and notes on accounts	Q		

In terms of our report attached

**For DELOITTE HASKINS & SELLS**

Chartered Accountants

V. Balaji

Partner

Mumbai, February 27, 2012

**For and on behalf of the Board**

Arun Kumar

- Executive Vice Chairman &amp; Managing Director

K.R.Ravishankar

- Director

Dr. T.S. Rangan

- Group CFO

Badree Komandur

- Company Secretary

Bangalore, February 27, 2012



## Schedules forming part of the Consolidated Balance Sheet

### SCHEDULE-A

₹ in Million

	December 31, 2011	December 31, 2010
<b>Share Capital</b>		
<b>1. Authorised</b>		
a) Equity		
89,750,000 equity shares of ₹ 10 each	897.50	897.50
b) Preference		
620,000 cumulative redeemable preference shares of ₹ 1,000 each	620.00	620.00
<b>Total</b>	<b>1,517.50</b>	<b>1,517.50</b>
<b>2. Issued, subscribed and paid-up</b>		
Equity		
58,380,171 (previous year 57,744,671) equity shares of ₹ 10 each fully paid .	583.80	577.45
3,387,979 Equity Shares of ₹10 each were allotted for consideration other than cash consequent to amalgamation and issue of bonus shares.		
<b>Total</b>	<b>583.80</b>	<b>577.45</b>

### SCHEDULE-B

#### Employee Stock Options Outstanding

Employee Stock Options Outstanding (Note C.12, Schedule 'Q')	55.47	36.52
Less: Deferred employee compensation expenses	27.88	15.66
Closing Balance	27.59	20.86

# Schedules

forming part of the Consolidated Balance Sheet

SCHEDULE-C	₹ in Million	
	December 31, 2011	December 31, 2010
<b>Reserves And Surplus</b>		
<b>1. General Reserve</b>		
Opening Balance	402.07	365.29
Add: Transfer from Profit & Loss account	89.00	36.78
Closing Balance	<b>491.07</b>	<b>402.07</b>
<b>2. Capital Redemption Reserve</b>		
Opening Balance	551.61	60.00
Add: Transfer from Profit & Loss account (Note C.8, Schedule 'Q')	-	491.61
Closing Balance	<b>551.61</b>	<b>551.61</b>
<b>3. Securities Premium</b>		
Opening Balance	6,661.10	2,138.49
Add: Additions during the year on fresh issue of shares (Note C.10 & C.12, Schedule 'Q')	78.96	5,026.63
Less: Amortisation of Premium on redemption of FCCBs and issue expenses (Note C. 11.1, Schedule 'Q')	676.23	395.06
Less: Share issue expenses (Note C.10, Schedule 'Q')	-	108.96
Closing Balance	<b>6,063.83</b>	<b>6,661.10</b>
<b>4. Exchange Reserve (on consolidation)</b>		
Opening Balance	(78.18)	698.52
Add: Transactions during the year	1,272.82	(776.70)
Closing Balance	<b>1,194.64</b>	<b>(78.18)</b>
<b>5. Capital Reserve</b>		
On Consolidation	66.41	62.87
Forfeiture of Monies received towards Share Warrants	225.60	225.60
Closing Balance	<b>292.01</b>	<b>288.47</b>
<b>6. Reserve for Business Restructure</b> (Note C.1, Schedule 'Q')		
Opening Balance	2,394.00	2,854.06
Less: Utilisation during the year (Net)	609.82	460.06
Closing Balance	<b>1,784.18</b>	<b>2,394.00</b>
<b>7. Hedge Reserve</b> (Note C.11.2, Schedule 'Q')	(1,731.52)	(427.42)
<b>8. Profit &amp; Loss Account</b>	4,457.53	2,437.86
<b>Total</b>	<b>13,103.35</b>	<b>12,229.51</b>



## Schedules forming part of the Consolidated Balance Sheet

SCHEDULE-D	₹ in Million	
	December 31, 2011	December 31, 2010
<b>Loan Funds</b>		
<b>A. SECURED LOANS</b>		
1. Long term loans		
From banks	13,747.07	9,331.33
From others	-	4.60
	<b>13,747.07</b>	<b>9,335.93</b>
2. Short term loans		
From banks (Note C.11.3, Schedule 'Q')	5,640.89	4,537.97
<b>Total</b>	<b>19,387.96</b>	<b>13,873.90</b>
<b>B. UNSECURED LOANS</b>		
1. Long term loans		
a) Foreign Currency Convertible Bonds:		
- Debt portion of FCCBs (Note C.7 & C.11.1, Schedule 'Q')	5,854.24	4,381.89
- Fair value of embedded derivatives in FCCB's (Note C.11.1, Schedule 'Q')	2.09	190.95
2. Short term loans		
a) From banks	178.91	978.57
b) From others	240.91	673.04
<b>Total</b>	<b>6,276.15</b>	<b>6,224.45</b>

### Notes on above :

- Loans under different categories are secured against certain moveable and immovable assets of the parent company or concerned subsidiaries.
- Some of the above loans are guaranteed by some of the Directors of the Company in their personal capacities.
- Long term loans from financial institutions and banks (other than hire purchase loans) due within one year ₹ 2841.14 Million (Previous year ₹1,693.87 Million). Hire purchase loans due within one year ₹ 3.45 Million (Previous year ₹ 2.29 Million)
- Short term loans from Banks includes Billls discounted with Banks ₹ 1,663.74 Million (Previous year ₹ 956.07 Million) . These loans are secured by the respective debtors (Note C.11.3, Schedule 'Q').



# Schedules

forming part of the Consolidated Balance Sheet

Particulars	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK		
	As on Jan 01, 2011	Consolidation adjustment	Additions During the year	Deletions During the year	As on Dec 31, 2011	Upto Dec 31, 2010	Consolidation adjustment	For the Year	Withdrawn on Deletions / Adjustments	Upto Dec 31, 2011	As on Dec 31, 2010
<b>Tangible Assets</b>											
Freehold Land	804.37	9.28	0.03	-	813.68	-	-	-	-	-	804.37
Leasehold Land	88.67	98.01	86.29	2.53	270.44	-	45.27	9.63	2.53	52.37	88.67
Building	2,113.96	929.87	107.62	11.00	3,140.45	325.98	74.94	150.46	-	551.38	1,787.98
Furniture & Fixtures	399.76	70.99	42.43	59.98	453.20	208.74	38.72	46.24	7.95	285.75	191.02
Office Equipment & Computers	120.79	17.06	89.13	4.28	222.70	69.44	(4.46)	19.82	0.69	84.11	51.35
Plant & Machinery	5,366.37	1,644.73	853.03	27.67	7,836.46	1,444.86	258.78	549.25	7.56	2,245.33	3,921.51
Motor Vehicles	62.41	10.84	20.26	9.72	83.79	31.40	2.62	21.03	5.84	49.21	31.01
<b>Intangible Assets</b>											
Registration & Brands	2,184.55	(59.28)	71.93	123.06	2,074.14	799.37	102.78	238.93	17.31	1,123.77	1,385.18
Software Licenses	369.82	362.15	1,022.67	27.19	1,727.45	104.62	4.28	74.92	3.86	179.96	265.20
<b>Total</b>	<b>11,510.70</b>	<b>3,083.65</b>	<b>2,293.39</b>	<b>265.43</b>	<b>16,622.31</b>	<b>2,984.41</b>	<b>522.93</b>	<b>1,110.28</b>	<b>45.74</b>	<b>4,571.88</b>	<b>8,526.29</b>
<b>Previous Year</b>	<b>10,713.26</b>	<b>137.98</b>	<b>782.91</b>	<b>123.45</b>	<b>11,510.70</b>	<b>2,241.06</b>	<b>30.79</b>	<b>808.60</b>	<b>96.04</b>	<b>2,984.41</b>	<b>8,472.20</b>
Capital work in progress at cost and advance payments against capital expenditure											1,914.55
<b>Grand Total</b>											<b>10,440.84</b>

₹ in Million

Notes :

1. Building include buildings on leasehold land ₹ 242.34 Million (Previous Year ₹ 231.12 Million)
2. Gross block of Motor Vehicle include vehicle purchased under hire purchase scheme amounting to ₹ 9.87 Million (Previous Year ₹ 18.83 Million)
3. Additions / Capital Work-in-Progress includes interest on borrowings ₹ 19.73 Million (Previous Year ₹ 25.03 Million) (Note C.25, Schedule 'Q')
4. Depreciation / Amortisation considered in the Profit and Loss Account is net off ₹ 170.04 Million (Previous Year ₹ 169.62 Million), being depreciation / amortisation of Brands and Plant & Machinery, fair valued under the Scheme, which are permitted to be debited to BRR. (Note C.1, Schedule 'Q')



## Schedules forming part of the Consolidated Balance Sheet

### SCHEDULE-F

₹ in Million

	December 31, 2011	December 31, 2010
<b>Investments (Unquoted)</b>		
<b>1. Long term investments</b>		
Trade investments [at cost less permanent diminution in value (if any)]		
a) Red Vault Investments Pty Limited, Australia	150.87	150.87
Investment in 1,050 Equity shares of AU\$ 1 each		
Less: Diminution in value of investments	(150.87)	(150.87)
(Note C 6(a), Schedule 'Q')		
b) Strides Italia S.r.L, Italy (Note C.10.2.(iii), Schedule 'Q')	68.88	57.80
Investment in 286,900 equity shares of Euro 1 each.		
Less: diminution in value of investments	(68.88)	(57.80)
c) Central Healthcare Services Pty Ltd	-	17.59
Investment in 100 equity shares of AUD 1 each		
(Note C 6(b), Schedule 'Q')		
<b>Total</b>	<b>-</b>	<b>17.59</b>

### SCHEDULE-G

#### Current Assets, Loans & Advances

<b>A. Current assets</b>		
1. Inventories		
a) Raw materials and packing materials	2,272.83	1,464.79
b) Work-in-process	278.50	224.66
c) Finished goods	2,247.98	1,430.52
<b>Total</b>	<b>4,799.31</b>	<b>3,119.97</b>
2. Sundry Debtors (unsecured)		
a) More than six months		
- Considered Good	348.30	180.82
- Considered Doubtful	201.66	83.18
	549.96	264.00
b) Others		
- Considered Good	5,036.14	3,657.02
	5,586.10	3,921.02
Less : Provision for Doubtful Debts	201.66	83.18
<b>Total</b>	<b>5,384.44</b>	<b>3,837.84</b>
3. Unbilled debtors (Note C.18, Schedule 'Q')	1,596.91	411.72
4. Cash and bank balances		
a) Cash in hand	4.85	4.59
b) Balance with banks	-	-
i) In current account	2,046.43	2,768.32
ii) In margin money and deposit accounts	474.54	142.81
iii) In fixed deposit account	71.43	478.79
<b>Total</b>	<b>2,597.25</b>	<b>3,394.51</b>

# Schedules

forming part of the Consolidated Balance Sheet

<b>SCHEDULE-G</b>		₹ in Million	
	December 31, 2011	December 31, 2010	
<b>B. Loans and advances</b>			
(unsecured, considered good)			
a) Advance recoverable in cash or in kind or for value to be received	2,391.58	594.18	
b) Advance income tax and tax deducted at source	1,401.12	762.67	
c) Deposits with and dues from Government departments	486.10	338.18	
d) Deposits with others	204.47	176.45	
e) Advance towards purchase of investments (Note A. 2 (g) & (h), Schedule 'Q')	-	6,968.47	
f) Advances towards Purchase of Assets	60.00	-	
<b>Total</b>	<b>4,543.27</b>	<b>8,839.95</b>	
<b>Total (A+B)</b>	<b>18,921.18</b>	<b>19,603.99</b>	

<b>SCHEDULE-H</b>			
<b>Current Liabilities And Provisions</b>			
<b>A. Current liabilities</b>			
a) Sundry Creditors	6,796.31	4,198.50	
b) Consideration payable towards purchase of investments Note A.2 (i), Schedule 'Q')	-	1,541.06	
c) Unclaimed dividend	2.41	2.12	
d) Interest accrued but not due	121.27	33.59	
e) Other liabilities	316.95	84.70	
f) Advances received from customers	4,211.60	1,388.53	
<b>Total</b>	<b>11,448.54</b>	<b>7,248.50</b>	
<b>B. Provisions</b>			
a) Leave salary	138.50	112.13	
b) Gratuity and other employee benefits	129.10	119.61	
c) Provision for losses on Forward Exchange Contracts	547.48	-	
d) Taxes	1,761.44	1,079.04	
e) Proposed equity dividend	116.95	86.62	
f) Tax on equity dividends	18.98	14.39	
g) Long Term Employee compensation	544.30	576.20	
<b>Total</b>	<b>3,256.75</b>	<b>1,987.99</b>	
<b>Total (A+B)</b>	<b>14,705.29</b>	<b>9,236.49</b>	

<b>SCHEDULE-I</b>			
<b>Miscellaneous Expenditure</b>			
(To the extent not written off or adjusted)			
a) Deffered Revenue Expenditure (Note C.13, Schedule 'Q')	100.99	99.18	
<b>Total</b>	<b>100.99</b>	<b>99.18</b>	

## Schedules forming part of the Consolidated Profit & Loss account for the year ended

### SCHEDULE-J

₹ in Million

	December 31, 2011	December 31, 2010
<b>Sales &amp; Services</b>		
a) Sale of products	20,436.66	13,564.61
Less: Excise duty	125.45	20.91
Net Sales	20,311.21	13,543.70
b) Development Income	4,691.04	3,375.53
c) Contract manufacturing services	144.91	32.43
d) Export licences & incentives (net)	98.03	6.78
<b>Total</b>	<b>25,245.19</b>	<b>16,958.44</b>

### SCHEDULE-K

#### Other Income

a) Miscellaneous income (Note C.27, Schedule 'Q')	524.19	652.16
b) Profit on Sale / Disposal of assets	2.14	0.09
<b>Total</b>	<b>526.33</b>	<b>652.25</b>

### SCHEDULE-L

#### Materials Consumed (Note C.1, Schedule 'Q')

Raw materials & packing materials		
Opening stock	1,464.79	1,094.40
Consolidation adjustment	215.30	(11.17)
	1,680.09	1,083.23
Add: Purchases	13,636.92	8,889.70
Less: Closing stock	2,166.84	1,464.79
<b>Total</b>	<b>13,150.17</b>	<b>8,508.14</b>

### SCHEDULE-M

#### Increase / (Decrease) In Stock

i) Opening stock		
Work in process	224.66	145.59
Finished goods	1,430.52	1,094.20
	1,655.18	1,239.79
ii) Consolidation adjustment		
Work in process	29.61	6.41
Finished goods	329.15	(43.90)
	358.76	(37.49)
iii) Closing stock		
Work in process	278.50	224.66
Finished goods	2,247.98	1,430.52
	2,526.48	1,655.18
<b>Total</b>	<b>(512.54)</b>	<b>(452.88)</b>

## Schedules forming part of the Consolidated Profit & Loss account for the year ended

### SCHEDULE-N

₹ in Million

	December 31, 2011	December 31, 2010
<b>Personnel Cost</b> (Note C.1, Schedule 'Q')		
Salaries, wages and allowances	2,773.31	2,027.83
Contribution to provident and other funds	139.45	116.72
Staff welfare expenses	114.59	104.64
<b>Total</b>	<b>3,027.35</b>	<b>2,249.19</b>

### SCHEDULE-O

#### Operating And Other Expenses (Note C.1, Schedule 'Q')

Power, fuel & water	542.45	302.29
Consumables	485.58	367.64
Conversion & Processing charges	72.91	59.05
Excise duty paid	6.19	1.27
Freight & forwarding	684.46	491.92
Rent	326.60	278.29
Rates & taxes	170.94	167.49
Communication charges	61.27	40.15
Repairs & maintenance		
- Buildings	19.18	10.07
- Machinery	206.86	102.31
- Others	111.45	99.20
Insurance	43.90	37.38
Travelling & conveyance	252.99	173.46
Advertisement & Selling expenses	359.76	279.59
Commission on sales	116.48	108.67
Legal and Professional fees	472.23	320.46
Amortisation of Deferred Revenue Expenses	32.85	-
Other expenses	240.62	195.56
Cost of product rights transferred	252.69	325.36
Provision for doubtful debts and bad debts written off	242.88	27.61
Exchange fluctuation Loss (net)	226.37	-
<b>Total</b>	<b>4,928.66</b>	<b>3,387.77</b>

### SCHEDULE-P

#### Finance Charges (Note C.1, Schedule 'Q')

Bank charges & commission	155.29	100.70
Interest on working capital and other facilities	976.83	426.03
Interest on Fixed loans and Foreign Currency Convertible Bonds	816.18	939.77
<b>Total</b>	<b>1,948.30</b>	<b>1,466.50</b>
Less: Interest received	45.62	44.74
<b>Total</b>	<b>1,902.68</b>	<b>1,421.76</b>

# Notes on Accounts and accounting policies

## SCHEDULE-Q

### Basis of Consolidation, Significant Accounting Policies and Notes on Accounts:

#### A. Basis of Consolidation

The Consolidated Financial Statements relate to Strides Arcolab Limited (the "Company"), its subsidiary companies and joint ventures, together, the "Group". The Financial Statements of the entities in the Group used in the consolidation are drawn up to the same reporting date as of the Company, i.e. December 31, 2011.

The Group is into the business of development and manufacture of wide range of IP-led niche pharmaceutical products. The Group has 13 manufacturing facilities across 5 countries with presence in more than 75 countries comprising developed and emerging markets.

##### 1. Principles of Consolidation:

The Consolidated Financial Statements ('the CFS') have been prepared on the following basis:

- a. The Financial Statements of the Company and its subsidiary companies have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expense. The intra-group balances, intra-group transactions and unrealised profits or losses have been eliminated fully.
- b. Share of profit / loss, assets and liabilities in the jointly controlled entities have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, incomes and expenses on a proportionate basis to the extent of the Company's equity interest in such entity. The intra-group balances, intra-group transactions and unrealised profits or losses have been eliminated to the extent of the Company's share in the entity.
- c. The excess of cost to the Company of its investments in the subsidiary companies over its share of the equity of the subsidiary companies, at the dates on which the investments in the subsidiary companies were made, is recognised as 'Goodwill on consolidation', being an asset in the CFS. Where the share of the equity in the subsidiary companies as on the date of investment is in excess of cost of investment of the Company, it is recognised as 'Capital Reserve' and shown under the head 'Reserves & Surplus'.
- d. Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments as stated above.
- e. Investment in Associates has been accounted under the equity method as per Accounting Standard (AS) -23, Accounting for investments in Associates in Consolidated Financial Statements.

##### 2. Information on Subsidiary Companies, Associates & Joint Ventures:

- a. The following companies are considered in the consolidated financial statements:

Sl. No.	Name of the entity	Country of Incorporation	Ownership at December 31, 2011 held by	Status	% ownership held either directly or through subsidiaries as at December 31, 2011	% ownership held either directly or through subsidiaries as at December 31, 2010
1.	Arcolab Limited SA	Switzerland	Strides Arcolab Ltd, India (Strides)	Subsidiary	100%	100%
2.	Strides, Inc.	USA	Strides Pharma Limited (formerly Linkace Limited)	Subsidiary	100%	100%
3.	Strides S.A. Pharmaceuticals Pty Ltd.	Republic of South Africa	Strides Pharma Limited	Subsidiary	74%	74%



## Notes on Accounts and accounting policies

Sl. No.	Name of the entity	Country of Incorporation	Ownership at December 31, 2011 held by	Status	% ownership held either directly or through subsidiaries as at December 31, 2011	% ownership held either directly or through subsidiaries as at December 31, 2010
4.	Agila Specialties Private Limited	India	Strides	Subsidiary	100%	100%
5.	Strides Africa Limited	British Virgin Islands	Strides	Subsidiary	100%	100%
6.	Pharma Strides Canada Corporation	Canada	Strides Inc	Subsidiary	100%	100%
7.	Akorn Strides LLC	USA	Strides Inc	Joint Venture	50%	50%
8.	Strides Arcolab International Limited (SAIL)	UK	Strides	Subsidiary	100%	100%
9.	Beltapharm S.p.A	Italy	SAIL	Subsidiary	96.57%	96.57%
10.	Strides Australia Pty Limited	Australia	SAIL	Subsidiary	100%	100%
11.	Strides Arcolab Polska Sp.Z o.o	Poland	Agila Specialties Limited (formerly Starsmore Limited)	Subsidiary	100%	100%
12.	Ascent Pharmahealth (Asia) Pte. Limited	Singapore	Ascent Pharmahealth Limited, Australia (APH)	Subsidiary	94.03%	60.33%
13.	Drug Houses of Australia (Asia) Pte. Limited ('DHA')	Singapore	Ascent Pharmahealth (Asia) Pte. Limited (APHA)	Subsidiary	94.03%	60.33%
14.	Strides CIS Limited	Cyprus	Strides Pharma Limited	Subsidiary	51%	51%
15.	Strides Arcolab UK Limited (Wound up during the year)	UK	SAIL	Subsidiary	-	100%
16.	Plus Farma ehf	Iceland	SAIL	Subsidiary	100%	100%
17.	Farma Plus AS	Norway	Agila Specialties Limited	Subsidiary	100%	100%
18.	Ascent Pharmahealth Asia (Hong Kong ) Limited	Hong Kong	APHA	Subsidiary	94.03%	60.33%



## Notes on Accounts and accounting policies

Sl. No.	Name of the entity	Country of Incorporation	Ownership at December 31, 2011 held by	Status	% ownership held either directly or through subsidiaries as at December 31, 2011	% ownership held either directly or through subsidiaries as at December 31, 2010
19.	Ascent Pharmahealth Asia (Malaysia) SDN.BHD.	Malaysia	APHA	Subsidiary	94.03%	60.33%
20.	Agila Specialties Limited	Cyprus	Strides	Subsidiary	100%	100%
21.	Strides Pharma Limited	Cyprus	Agila Specialties Limited	Subsidiary	100%	100%
22.	Onco Laboratories Limited (OLL)	Cyprus	Strides Specialties (Holdings) Cyprus Limited	Subsidiary	100%	100%
23.	Strides Vital Nigeria Limited	Nigeria	Strides Pharma / (Cyprus) Limited	Subsidiary	74%	74%
24.	Sagent Strides LLC.	Wyoming, USA	Strides Inc	Joint Venture	50%	50%
25.	Co Pharma Ltd.	UK	92.72% held by Strides Pharma Limited and 7.28% held by SAIL	Subsidiary	100%	100%
26.	Ascent Pharmahealth Asia (B) SDN. BHD. (wound up as at December 31, 2011)	Brunei	APHA	Subsidiary	-	60.33%
27.	Onco Therapies Limited (OTL)	India	Agila Specialties Private Limited	Subsidiary	100%	100%
28.	Pharmasave Australia Pty Limited	Australia	APH	Subsidiary	94.03%	60.33%
29.	Ascent Pharmahealth Limited	Australia	Strides Pharma Limited	Subsidiary	94.03%	60.33%
30.	Ascent Pharmaceuticals Limited	New Zealand	APH	Subsidiary	94.03%	60.33%
31.	Ascent Pharma Pty Limited	Australia	APH	Subsidiary	94.03%	60.33%
32.	Strides Pharma (Cyprus) Limited	Cyprus	Strides Pharma Limited	Subsidiary	100%	100%





## Notes on Accounts and accounting policies

Sl. No.	Name of the entity	Country of Incorporation	Ownership at December 31, 2011 held by	Status	% ownership held either directly or through subsidiaries as at December 31, 2011	% ownership held either directly or through subsidiaries as at December 31, 2010
33.	Strides Specialties (Holdings) Cyprus Limited	Cyprus	Agila Specialties Limited	Subsidiary	100%	100%
34.	Strides Specialties (Holdings) Limited	Mauritius	Agila Specialties Private Limited	Subsidiary	100%	100%
35.	Strides Pharmaceuticals (Holdings) Limited	Mauritius	Strides Pharma Limited	Subsidiary	100%	100%
36.	Strides Pharma International Limited	Cyprus	Strides	Subsidiary	100%	100%
37.	Strides Pharmaceutical (Mauritius ) Limited	Mauritius	Strides Pharmaceuticals (Holdings) Limited	Subsidiary	100%	100%
38.	Inbiopro Solutions Private Limited	India	Agila Specialties Private Limited	Subsidiary	70%	70%
39.	Ascent Pharmacy Services Pty Limited	Australia	APH	Subsidiary	94.03%	60.33%
40.	Linkace Investments Pty Limited	Australia	Strides Pharma Limited	Subsidiary	100%	100%
41.	Strides Farmaceutica Participacoes Ltda	Brazil	Agila Specialties Limited	Subsidiary	100%	100%
42.	Agila Specialties (Malaysia) SDN BHD	Malaysia	Strides Specialties (Holdings) Cyprus Limited	Subsidiary	100%	100%
43.	African Pharmaceutical Development Company	Cameroon	Strides Pharma (Cyprus) Limited	Subsidiary	80%	80%



## Notes on Accounts and accounting policies

Sl. No.	Name of the entity	Country of Incorporation	Ownership at December 31, 2011 held by	Status	% ownership held either directly or through subsidiaries as at December 31, 2011	% ownership held either directly or through subsidiaries as at December 31, 2010
44.	Agila Marketing e Distribuição de Productos Hospitalares Ltda. (formerly Ephos - 106 Produtos Hospitalares Ltda.)	Brazil	Agila Specialties Limited	Subsidiary	76%	-
45.	Agila Especialidades Farmaceuticas Ltda.	Brazil	Strides Farmaceutica Participacoes Ltda	Subsidiary	100%	-
46.	Agila Specialties Asia Pte. Limited	Singapore	Agila Specialties Limited	Subsidiary	100%	-
47.	Sorepharma SA	Burkino Faso	79% held by Strides Pharma Cyprus Limited & 1% held by SAIL	Subsidiary	80%	-
48.	Congo Pharma SPRL	Congo	Strides Pharma (Cyprus) Limited	Subsidiary	85%	-
49.	Strides Pharma Namibia Pty Limited	Namibia	Strides Pharma (Cyprus) Limited	Subsidiary	70%	-
50.	SPC Co. Limited	Sudan	Strides Pharma (Cyprus) Limited	Subsidiary	51%	-
51.	Strides Technology & Research Private Limited (as at December 31, 2011, the Group has filed application for winding up of this subsidiary)	India	Strides	Subsidiary	100%	100%

b. In respect of entities in Sl. No. 3, 4, 6, 9, 10, 12, 13, 16, 17, 22, 23, 25, 27, 29, 38, 44 & 45 (previous year 3, 4, 6, 9, 10, 12, 13, 16, 17, 22, 23, 25, 27, 29 & 38) the Company's cost of investment is in excess of its share of equity on the date of investment and the difference has been recognised as goodwill.

c. The following entities have been renamed during the year:

- + EPHOS 106 Productos Hospitalares Limited, Brazil as Agila Marketing e Distribuição de Productos Hospitalares Limited, Brazil.

## Notes on Accounts and accounting policies

- + Linkace Limited, Cyprus as Strides Pharma Limited, Cyprus.
  - + Starsmore Limited, Cyprus as Agila Specialties Limited, Cyprus.
  - + Strides Specialty (Cyprus) Limited, Cyprus as Strides Pharma International Limited, Cyprus.
- d. During the year, as part of corporate restructuring, certain entities within the Group were reorganised. The summary of the same are as follows:
- i. Strides Arcolab Polska Sp.Zo.o, Poland transferred from Strides Pharma Limited, Cyprus to Agila Specialties Limited, Cyprus.
  - ii. Farma Plus AS, Norway is transferred from Plus Farma e.h.f, Iceland to Agila Specialties Limited, Cyprus
  - iii. Strides Vital Nigeria Limited, Nigeria is transferred from Strides Africa Limited, BVI to Strides Pharma Limited and then to Strides Pharma (Cyprus) Limited.
  - iv. Onco Therapies Limited, India is transferred from Strides Arcolab Limited, India to Agila Specialties Private Limited, India.
  - v. Onco Laboratories Limited, Cyprus is transferred from Agila Specialties Limited, Cyprus to Strides Specialties (Holdings) Cyprus Limited, Cyprus.
  - vi. Strides Specialties (Holdings) Cyprus Limited, Cyprus is transferred from Strides Specialties (Holdings) Limited, Mauritius to Agila Specialties Limited, Cyprus.
  - vii. Strides Pharma International Limited, Cyprus is transferred from Strides Specialties (Holdings) Cyprus Limited to Strides Arcolab Limited, India.
- e. The following subsidiaries were set up during the year:
- + Agila Specialties Asia Pte. Limited, Singapore
  - + Sorepharma SA, Burkinofaso
  - + Congo Pharma SPRL, Congo
  - + Strides Pharma Namibia Pty Limited, Namibia
  - + SPC Co. Limited, Sudan
- f. During the year, the Companies stated in the table below were acquired and the CFS includes the balances disclosed in the below table relating to these companies. (Figures disclosed are as stated in the consolidated financials of the respective subsidiaries as at the balance sheet date).

(₹ in Million)

Particulars	Agila Marketing e Distribuição de Productos Hospitalares Ltda	Agila Especialidades Farmaceuticas Ltda
Date of acquisition	January 01, 2011	January 01, 2011
<b>Liabilities as at December 31, 2011</b>		
Loans	1,846.94	4,079.36
Current Liabilities & Provisions	334.36	413.28
<b>Assets as at December 31, 2011</b>		
Fixed Assets (including Capital Work-in-Progress)	2.05	4,312.11
Current Assets	1,409.53	2,198.18
<b>Profit / (Loss) after Tax for period ended December 31, 2011</b>	(759.03)	(214.67)



## Notes on Accounts and accounting policies

- g. During 2008, the Group had entered into a series of agreements with the Aspen Group under which, the Group had decided to dispose its 49% shareholding in Pharmalatina Holdings Limited, Cyprus ('Pharmalatina', formerly known as Lakerose Limited). As part of these arrangements, the Group had entered into a Put and Call option agreement (the "Agreement") with the Aspen Group (a party that held 51% interest in Pharmalatina Holdings Limited), which provided for the Group to exit its investments in Pharmalatina at a consideration based on a specified EBITDA multiple in respect of EBITDA relating to a defined measurement period and based on such terms as defined in the Agreement. The Agreement referred above also provided that the Group will not be eligible for dividends or profits in respect of its 49% interest in the Associates (referred above). Accordingly, the Group had not consolidated the results of these Associates with effect from July 1, 2008.

In the year 2010, the Group entered into another Binding Heads of Agreement under which the Group will transfer 49% in Pharmalatina to Aspen Group as part settlement of the purchase consideration payable to Aspen Group for acquiring ownership over a Company that owned manufacturing facilities and other assets in Campos, Brazil (refer Note h below). Pending receipt of certain regulatory approvals for completing the acquisition, USD 70 Million (INR 3,129 Million) being the carrying value of the 49% interest in Pharmalatina was classified as advance towards purchase of investments under Loans & Advances in the CFS of 2010. In 2011, shares held in Pharmalatina have been transferred to Aspen Group and as at December 31, 2011, the USD 70 Million referred above has been capitalised and included under Goodwill on Consolidation in the balance sheet. Refer Note h below for further details.

- h. During the year 2010, the Group had entered into Binding Heads of Agreement ('BHA') with Aspen Global Incorporated ('Aspen Group' or 'Aspen') for the acquisition of ownership over Agila Especialidades Farmaceuticas Ltda, Brazil as per the terms of the BHA. Pursuant to amendments to the BHA in 2011, the parties agreed that the Group would gain control over Agila Especialidades Farmaceuticas Ltda with effect from January 1, 2011 and that the Purchase consideration would be settled finally as follows:

- + USD 67 Million payable in cash,
- + Brazilian Reals 18 Million payable in Cash and
- + Transfer of 49% shares held by the Group in Pharmalatina Holdings Limited (formerly known as Lakerose Limited) - also refer Note (g) above.

As at December 31, 2011, the Group had settled the Purchase consideration payable to Aspen and had consolidated Agila Especialidades Farmaceuticas Ltda with effect from January 1, 2011.

As at December 31, 2010, the amounts paid under the BHA of USD 67 Million were included as advance towards purchase of investments under Loans & Advances in the CFS.

- i. In the year 2010, the Group had entered into a Sale of Share Agreement ('SSA') with Aspen Group for purchase of 49% & 50% shares held by Aspen Group in Onco Therapies Limited and Onco Laboratories Limited respectively. As per the SSA, the Aspen Group had ceded the economic interest in the mentioned companies in favor of Strides Group effective from January 1, 2010. Accordingly, for the purpose of consolidation, OTL & OLL had been considered as wholly owned subsidiaries of the Group with effect from January 1, 2010. The balance purchase consideration payable as at December 31, 2010 amounting to ₹ 1,510 Million has been discharged in full in 2011.
- j. The CFS include the share of assets, liabilities, income and Expenses, which are included on the basis of Un-audited financial statements, in respect of the following subsidiaries / joint venture:
- + African Pharmaceutical Development Company
  - + Agila Australia Pty Limited
  - + Agila Specialties (Malaysia) SDN BHD
  - + Agila Specialties Asia Pte. Limited
  - + Arcolab Limited SA
  - + Congo Pharma SPRL
  - + Farma Plus AS

## Notes on Accounts and accounting policies

- + Inbiopro Solutions Private Limited
- + Linkace Investments Pty Limited
- + Pharma Strides Canada Corporation
- + Plus Farma e.h.f
- + Sagent Strides LLC.
- + Sorepharma SA
- + SPC Co. Limited
- + Strides Africa Limited
- + Strides Arcolab Polska Sp. Z o.o
- + Strides Arcolab UK Limited
- + Strides Australia Pty Limited
- + Strides CIS Limited
- + Strides Pharma (Cyprus) Limited
- + Strides Pharma International Limited
- + Strides Pharma Namibia Pty Limited
- + Strides Pharmaceutical (Mauritius) Limited
- + Strides Pharmaceuticals (Holdings) Limited
- + Strides S.A. Pharmaceuticals Pty Limited
- + Strides Specialties (Holdings) Cyprus Limited
- + Strides Specialties (Holdings) Limited
- + Strides Technology & Research Private Limited

Particulars	₹ in Million
	Amount
Loans	260.01
Fixed Assets	1,318.52
Current Assets, Loans & Advances (including Deferred tax assets)	1,146.87
Current Liabilities & Provisions	507.60
Income	1,714.88
Expenditure (including taxes on income)	1,691.42

- k. Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the Company's financial statements.

### B. Significant Accounting Policies

#### 1. Basis for preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention except for certain financial and other assets and liabilities which are measured on fair value basis as permitted by:

## Notes on Accounts and accounting policies

- (i) the Scheme of Arrangement approved by the Honorable High Courts of Judicature (the 'Scheme') or,
- (ii) Accounting Standard (AS) 30: Financials Instruments: 'Recognition and Measurement' read with AS 31 Financial Instruments: 'Presentation' and AS 32 Financials Instruments: 'Disclosure', to the extent such standards do not conflict with other standards notified under the Companies (Accounting Standards) Rules, 2006 of the Companies Act, 1956.

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

### 2. Revenue

2.1 Revenue from export sales is recognised on the basis of the shipping bills for exports. Revenue from domestic sales is recognised based on the passage of title to goods which generally coincides with dispatch. Sales include excise duty and are stated net of discounts, other taxes, and sales returns.

2.2 Revenue from development services:

- (a) In respect of contracts which require development on end to end basis, revenue is recognised based on technical estimates of the stage of work.
- (b) In respect of other development contracts, revenue is recognised on the basis of the performance milestones provided in the contract.

2.3 Revenue from contract manufacturing is recognised based on the services rendered in accordance with the terms of the contract.

2.4 Export incentives are accrued for based on fulfillment of eligibility criteria for availing the incentives and when there is no uncertainty in receiving the same. These incentives include estimated realisable values/benefits from special import licenses and benefits under Duty Entitlement Pass Book Schemes, Focus Market Schemes, and Market-Linked Focus Product Schemes wherever applicable.

2.5 Dividends are recognised whenever the right to receive dividends is established.

2.6 Interest and other income is recognised on accrual basis.

### 3. Fixed Assets

Fixed assets, except to the extent permitted to be fair valued under the Scheme, are carried at cost less accumulated depreciation and impairment losses, if any. The cost of fixed assets includes interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use and other incidental expenses incurred up to that date. Subsequent expenditure relating to fixed assets are capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Fixed asset acquired in full or part exchange for another asset / security is recorded at the fair market value or the net book value of the asset given up, adjusted for any balancing cash consideration. Fair market value is determined either for the asset acquired or asset given up / security given up/issued, whichever is more clearly evident.

The Company fair valued land and machineries upon the Scheme becoming effective (December 31, 2009) and such assets are carried at the fair value less accumulated depreciation and impairment losses, if any.

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

In-house product development costs are capitalised in accordance with Paragraph 8 below.

#### Capital work-in-progress

Projects under which assets are not ready for its intended use and other Capital Work-in-Progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

## Notes on Accounts and accounting policies

### 4. Impairment of Assets

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

### 5. Depreciation/Amortisation

Depreciation/Amortisation is provided under the straight-line method based on the following useful lives

Sl. No.	Nature of Asset	Useful life (range)
1	Building	4 to 65 years
2	Plant and Machinery	3 to 20 years
3	Furniture's & Fixtures	5 to 16 years
4	Office Equipment	5 to 12 years
5	Motor Vehicles	5 to 12 years
6	Software licenses	5 years
7	Registration & Brands	Not exceeding 10 years

With respect to assets carried at fair value cost as permitted under the Scheme, depreciation / amortisation is recorded under the straight line method over the balance useful life of the respective assets.

Individual assets costing less than ₹ 5,000 are depreciated in full in the year of purchase.

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

### 6. Inventories

Inventories comprise raw materials, packing materials, consumables, work in process and finished goods. These are valued at the lower of cost and net realisable value after providing for obsolescence and other losses, where considered necessary. Cost is determined as follows:

Raw materials, packing materials and consumables	weighted average basis
Work in process	at material cost and an appropriate share of production overheads
Finished Goods	material cost and an appropriate share of production overheads and excise duty, wherever applicable

### 7. Employee benefits

Employee benefits include provident fund, gratuity fund and compensated absences.

#### Defined contribution plans

The Company's contribution to Provident Fund are considered defined contribution plans and are charged as an expense as they fall due based on the amount of contribution required to be made.

#### Defined benefit plans

Liability for gratuity is funded with SBI Life Insurance Company Limited. Gratuity expenses for the year are accounted based on actuarial valuation carried out as at the end of the fiscal year using the Projected Unit Credit method. Actuarial gains and losses are recognised in the Profit and Loss account in the period in which they occur. Past service cost is recognised immediately to the extent that the benefit is already vested and otherwise is amortized on a straight line basis over the average period until the benefits becomes vested. The retirement obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of the scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

## Notes on Accounts and accounting policies

### Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employees render the service. These benefits include performance incentives and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences are accounted as under:

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non - accumulating compensated absences, when the absences occur

### Long term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of the plan assets out of which the obligations are expected to be settled.

The Company has introduced Long Term Employee Compensation Plan under which certain employees are eligible for retention and performance linked payouts. These payouts are accrued as and when services are rendered and or when the specific performance criteria are met.

In respect of foreign subsidiaries, liabilities with respect to Employee benefits are accrued based on the laws applicable in those countries.

### 8. Research & Development Expenditure

Revenue expenditure pertaining to research is charged to the Profit and Loss account. Development costs of products are also charged to the Profit and Loss account / Reserve for Business Restructure unless a product's technological feasibility and commercial viability has been established, in which case such expenditure is capitalised. The amount capitalised comprises expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for Fixed Assets.

### 9. Foreign currency transactions

#### Initial recognition

Transactions in foreign currencies by the Company and its integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

#### Translation

Foreign currency monetary items (other than derivative contracts) of the Company and its net investment in non-integral foreign operations outstanding at the balance sheet date are restated at year end rates.

In the case of integral operations, assets and liabilities (other than non-monetary items), are translated at the exchange rate prevailing on the balance sheet date. Non-monetary items are carried at historical cost. Revenue and expenses are translated at yearly average exchange rates prevailing during the year.

In the case of non-integral operations, assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Revenue and expenses are translated at yearly average exchange rates prevailing during the year. Exchange differences arising out of these translations are included in 'Exchange Reserve on Consolidation' under Reserves and Surplus.

#### Treatment of exchange differences

Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Company and its integral foreign operations are recognised as income or expense in the Profit and Loss account. The exchange differences on restatement/settlement of loans to non-integral foreign operations that are considered as net investment in such operations are accumulated in a "Exchange Reserve on Consolidation", until disposal / recovery of the net investment.

Exchange differences arising out of the translations of integral foreign operations are charged to the Profit and Loss account.

Exchange differences arising out of the translations of non-integral foreign operations are included under Exchange Reserve on Consolidation under Reserves and Surplus.



# Notes on Accounts and accounting policies

## Accounting of forward contracts

Premium / discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts, if such contracts relate to monetary items as at the Balance sheet date. Refer Notes 20 and 21 in this Section for accounting for forward exchange contracts relating to firm commitments and highly probable forecast transactions.

## 10. Investments

- (a) Current investments are carried at lower of cost and fair market value.
- (b) Long-term investments are valued at cost (except for investments which are recorded at fair value as per the Scheme) less impairment considered to be other than temporary.
- (c) Costs of investments include acquisition charges such as brokerage, fees and duties.

## 11. Leases

Where the Company as a lessor leases assets under finance leases, such amounts are recognised as receivables at an amount equal to the net investment in the lease and the finance income is based on a constant rate of return on the outstanding net investment.

Assets leased by the Company in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vests with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Profit and Loss account on a straight-line basis.

## 12. Financial Assets, Financial Liabilities, Financial Instruments, Derivatives and Hedge Accounting.

- (a) The Group classifies its financial assets into the following categories: financial instruments at fair value through profit and loss, loans and receivables, held to maturity investments and available for sale financial assets.

Financial assets of the Group mainly include cash and bank balances, sundry debtors, loans and advances and derivative financial instruments with a positive fair value.

Financial liabilities of the Group mainly comprise secured and unsecured loans, sundry creditors, accrued expenses and derivative financial instruments with a negative fair value.

Financial assets / liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when all of risks and rewards of the ownership have been transferred. The transfer of risks and rewards is evaluated by comparing the exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred assets.

Available for sale financial assets (not covered under the notified Accounting Standards) are carried at fair value, with changes in fair value being recognised in Equity, unless they are designated in a fair value hedge relationship, where such changes are recognised in the Profit and Loss Account. Loans and receivables, considered not to be in the nature of short-term receivables, are discounted to their present value. Short-term receivables with no stated interest rates are measured at original invoice amount, if the effect of discounting is immaterial. Non-interest-bearing deposits, meeting the criteria of financial asset, are discounted to their present value.

Financial liabilities held for trading and liabilities designated at fair value, are carried at fair value through profit and loss.

Other financial liabilities are carried at amortised cost using the effective interest method. The Group measures the short-term payables with no stated rate of interest at original invoice amount, if the effect of discounting is immaterial.

Financial liabilities are derecognised when extinguished.

- (b) Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined with

## Notes on Accounts and accounting policies

reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial markets pricing models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value.

### 13. Employee Stock Option Schemes

The Company has formulated Employee Stock Option Schemes (ESOS) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Schemes provides for grant of options to employees of the Company and its subsidiaries to acquire equity shares of the Company that vest in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines, the excess, if any, of the closing market price on the day prior to the grant of the options under ESOS over the exercise price is amortised on a straight line basis over the vesting period in the Profit and Loss account /Reserve for Business Restructure.

Options with cash settlement features are fair valued at the time of the grant and at each reporting date. Changes in the fair value of the options at each reporting date are recognized in the Profit and Loss Account.

### 14. Income Tax

Income Tax comprises the current tax provision and the net change in the deferred tax asset or liability during the year.

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

Current and deferred tax relating to items directly recognised in equity is recognised in equity and not in the Profit and Loss account.

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

### 15. Segment Reporting

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

The accounting policies adopted for segment reporting are in line with the accounting policies of the Group. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Inter-segment revenue is accounted on the basis of transactions which are primarily determined based on market / fair value factors.

Revenue, expenses, assets and liabilities which relate to the Company as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities".

### 16. Deferred Revenue Expenditure

The Group operates in an environment which requires the manufacturing facilities to be approved by industry regulators in certain territories prior to manufacture and sale of products in such territories. If the interval between the date the facility is ready to commence commercial production and the date at which commercial production is expected to commence is prolonged, all expenses incurred during this period are treated as deferred revenue expenditure and amortised over a period not exceeding 3 years from the date of receipt of approvals.

# Notes on Accounts

and accounting policies

## 17. Use of estimates

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

Examples of such estimates include the useful life of fixed assets (including intangible assets), provision for doubtful debts/ advances, provision for employee benefits, deferred employee compensations, allowances for slow-moving/ non-moving inventory, provision for tax, estimate of percentage of completion of work under contracts for development services and sale of dossiers.

## 18. Provisions and Contingencies

A provision is recognised when the Group has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation. Contingent liabilities are not recognised but are disclosed in the notes to financial statements.

## 19. Earnings per share

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

## 20. Hedge accounting

### Cash flow hedge

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in Accounting Standard 30 Financial Instruments: Recognition and Measurement. These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognised directly in "Hedge reserve account" under Reserves and surplus, net of applicable deferred income taxes, if any, and the ineffective portion is recognised immediately in the Profit and Loss account. Amounts accumulated in the Hedge reserve account are reclassified to the Profit and Loss account in the same periods during which the forecasted transaction affects profit and loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in Hedge reserve account is retained until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in Hedge reserve account is immediately transferred to the Profit and Loss account.

### Net Investments hedge

Hedges of net investments in foreign operations, including monetary items that are accounted for as part of net investment are accounted as follows: the effective portion of the gain or loss on the hedging instrument is recognised in shareholders' equity and the ineffective portion recognised in the Profit and Loss Account. The cumulative gain or loss previously recognised in equity is recognised in the Profit and Loss Account on the disposal / partial disposal of the foreign operation.

## Notes on Accounts and accounting policies

Hedges of net investments may include non-derivative liabilities as well as derivative financial instruments although for a non-derivative financial liability only the foreign exchange risk is designated as the hedged risk.

### 21. Derivative contracts

The Group enters into derivative contracts in the nature of foreign currency swaps, currency options, forward contracts with an intention to hedge its existing assets and liabilities, firm commitments and highly probable transactions. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the accounting policy stated for foreign currency transactions and translations.

Derivative contracts designated as a hedging instrument for highly probable forecast transactions are accounted as per the policy stated for Hedge accounting.

All other derivative contracts are marked-to-market and losses are recognised in the Profit and Loss account. Gains arising on the same are not recognised on grounds of prudence.

### C. Notes on Accounts

#### 1. Scheme of Arrangement under Section 391 – 394 of the Companies Act, 1956

1.1 During the year ending December 31, 2009, the shareholders of the Company, in their meeting held on April 13, 2009 approved the Scheme of Restructuring that envisaged inter alia a Scheme of Arrangement (the 'Scheme') to be filed under Sections 391 to 394 of the Companies Act, 1956 covering the merger of some of the subsidiaries of the Company (Transferor companies) with itself (Transferee Company), fair valuation of some of the assets of the Company and creation of a Reserve for Business Restructure ('BRR') out of any surpluses arising from these, to be utilised as specified in the Scheme.

#### 1.2 *The details of the Scheme are given below.*

The Scheme filed by the Company had been approved by the High Courts of Judicature with an appointed date of January 1, 2009 and an effective date of December 31, 2009 ('the Effective Date'), being the date on which the all requirements under the Companies Act had been completed.

In terms of the Scheme and upon the Scheme becoming effective, amongst other things:

- + expenses incurred by the Company or its subsidiaries in the nature of impairment, diminution, loss, amortisation and/ or write-off of assets/ investments/ intangibles, interest on borrowings for acquisitions, employee compensation expenses, additional depreciation charged or suffered by the Transferee Company on account of fair valuation, scheme expenses and other expenses or arising in the future as may be determined by the Board of Directors of the Transferee Company, have been/ shall be debited to the BRR. The maximum amount that can be written off against the BRR instead of being debited to the Profit and Loss Account on or at any time after January 1, 2009 would be restricted to the balance in the BRR or upto December 31, 2012 and not beyond that.
- + the balance in the Securities Premium Account, as appearing in the books of the Transferee Company may be transferred to BRR, to such extent as determined by the Board.

#### 1.3 *The accounting treatment effected for the Scheme was as follows:*

- (a) The fair value of net assets acquired from the Transferor Companies in excess of the carrying value of investment in the subsidiaries and the value of equity shares issued to minority share holders, amounting to ₹ 146.77 Million was credited to BRR.

Had the Scheme not prescribed the above accounting treatment of crediting the excess of fair value of assets and liabilities over the carrying value of the investment in the Transferor Companies and the equity shares of the Transferee Company issued to the minority shareholders of the Transferor Companies to the BRR, this surplus of ₹ 146.77 Million would have been credited to Capital Reserve as required under the AS 14 'Accounting for Amalgamations'.

- (b) Upon the Scheme becoming effective, and based on legal advice received, the assets and liabilities of the Transferee Company had been fair valued as determined by the Board of Directors of the Company and the net surplus arising out of such fair valuation (over the carrying value of the respective assets and liabilities prior to the fair valuation) was credited to the BRR as follows during the year ended December 31, 2009:

## Notes on Accounts and accounting policies

₹ in Million

Particulars of assets and liabilities fair valued	Amount credited to BRR
(i) Investment in ASPL (a wholly owned subsidiary of the Company)	5,856.20
(ii) Land	754.32
(iii) Machineries	281.25
<b>Net Amount credited to BRR</b>	<b>6,891.77</b>

Consequent to the above referred fair valuation of Investment in ASPL, the Goodwill as at December 31, 2010 and 2011 is higher to the extent of ₹ 5,856.20 Million.

Had the Scheme not prescribed the above accounting treatment, in terms of the Group's accounting policy, Land and Machineries would continue to have been carried at cost and Goodwill in these consolidated financial statements would have been lower as referred in the previous paragraph.

- (c) The following expenses incurred during the year have been adjusted against the BRR as per the Scheme:

₹ in Million

Particulars	December 31, 2011	December 31, 2010
<b>Impairment of Goodwill / Investments (Refer Note C.6(d) below)</b>	1,724.45	150.87
Amortisation of Brands / depreciation	170.04	169.62
Interest on Purchase consideration	7.88	162.33
Interest on Fixed Loans	241.53	-
Long term Employee Compensation (including cost under ESOP)	31.62	38.71
Restructuring & Others Expenses	368.80	146.01
<b>Realisation of assets written off in earlier years</b>		
<b>Current assets (net)</b>	-	(207.48)
Reversal of impairment of Goodwill (Refer Note C.6(c) below)	(1,934.50)	-
<b>Expense (net) debited to BRR</b>	<b>609.82</b>	<b>460.06</b>

Had the Scheme not prescribed the above accounting treatment, these would have been included in the Profit & Loss Account for the year.

- (d) Had the Scheme not provided for the above accounting treatment, the effect of accounting as per the mandatory Accounting Standards issued under the Companies (Accounting Standards) Rules, 2006, would have been as under:

In the Profit and Loss account

₹ in Million

Particulars	For the year ended December 31, 2011 (Increase) / decrease	For the year ended December 31, 2010 (Increase) / decrease
Other income	-	(214.31)
Materials consumed	(35.55)	(6.82)
Personnel costs	(31.63)	(38.71)
Operating and Other expenses	(333.24)	(146.02)
Depreciation and Amortisation	(170.04)	(169.62)
Finance Cost	(249.41)	(162.33)
Impairment of Goodwill / Investments (net)	210.05	(150.87)
<b>Net Profit after tax</b>	<b>609.82</b>	<b>460.06</b>

## Notes on Accounts and accounting policies

Particulars	Amount in ₹	
	For the year ended December 31, 2011	For the year ended December 31, 2010
After considering the above adjustments the Earnings / (Loss) per share would have been:		
- Basic	28.15	16.30
- Diluted	27.91	15.33

In the Balance sheet

Particulars	₹ in Million	
	As at December 31, 2011 Increase / (decrease)	As at December 31, 2010 Increase / (decrease)
BRR	(1,784.18)	(2,394.00)
Profit & Loss Account	(5,254.36)	(4,644.54)
Goodwill on consolidation	(5,856.20)	(5,856.20)
Land	(754.32)	(754.32)
Machineries	(171.58)	(226.63)
Capital Reserve	146.77	146.77

### 2. Capital Commitments

- 2.1 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of Advances) ₹ 1,873.43 Million (Previous year ₹ 525.98 Million).
- 2.2 The Group has entered into a Share Purchase Agreement (SPA) with the promoters of Beltapharm S.p.A, under which a put option has been granted to promoters of Beltapharm S.p.A, where in the Group has a maximum capital commitment of Euro 0.13 Million – (₹ 8.81 Million) in respect of such shares.
- 2.3 In the year 2010, the Group had entered into Share Subscription Agreement, Share Holders' Agreement and Share Purchase Agreement (together referred to 'Share Purchase Agreement' or 'SPA') with Inbiopro Solutions Private Limited ('Inbiopro'), Promoters of Inbiopro and Other Shareholders in Inbiopro respectively for purchase of shares in Inbiopro for a total consideration of ₹ 649.05 Million. As at December 31, 2011, the Group has paid a sum of ₹ 329.05 Million and balance consideration of ₹ 320 Million is payable as per the term and conditions mentioned in the SPA.

### 3. Contingent Liabilities

- 3.1 As at December 31, 2011, the Group has disputed tax liabilities arising from assessment proceedings relating to earlier years from the income tax authorities amounting to ₹ 741.27 Million (Previous year ₹ Nil)
- 3.2 The Company preferred appeal with the CESTAT against the order of the Commissioner of Central Excise for disallowing transfer of cenvat credit of ₹ 3.86 Million (Previous year ₹ 3.86 Million) as on the date of conversion of one of the units of the Company into a 100% EOU.
- 3.3 The Group derives the majority of its revenue from the sale of generic pharmaceuticals. Operating in this segment, the Group is occasionally subject to litigation where the Originator seeks to have patents upheld to protect the life of its products against a generic competitor.

At balance sheet date Ascent Pharmaceuticals Limited ('APL'), a subsidiary of Ascent Pharmahealth Limited, has been joined to proceedings against a generic manufacturer in relation to a generic pharmaceutical that APL licenses from the manufacturer. The manufacturer is the primary respondent and a number of other generic distributors who license the product in Australia have also been joined to the proceeding.

The Originator has been unsuccessful in upholding its patent claims for the same product in other jurisdictions, including the United Kingdom. A final hearing on this matter was held in December 2011 with judgment reserved for delivery in 6-9 months and as at the Balance Sheet date the outcome remains uncertain.

## Notes on Accounts and accounting policies

3.4 Ascent Pharmahealth Limited ('APH'), one of the entities in the Group entered into contracts with a software vendor for purchase of relevant software and installation of an ERP and CRM system. In August 2010, APH sent a letter of dispute to the vendor claiming that the vendor had not delivered the project on time or within budget and had failed to deliver the project and that APH must be reimbursed all fees paid to date, and would not be paying any further fees. In October 2010 the vendor issued a material breach notice to APH alleging failure to pay fees in accordance with the contracts. In November 2010 APH filed a writ and statement of claim in the Victorian Supreme Court, Australia against the vendor alleging failure to deliver the project. The matter which was scheduled for mediation has been settled with the vendor in the current year. The software purchased from the vendor aggregating to AUD 2.11 Million (₹ 102.77 Million) which was earlier in capital work-in-progress has been expensed under depreciation and amortisation in the Profit and Loss Account in 2011.

4. Exchange gain / (loss) classified as exceptional items in line IV.7.iii in the Profit and Loss account comprises the following:

Particulars	₹ in Million	
	December 31, 2011	December 31, 2010
Exchange Gain / (Loss) on restatement of FCCB	-	109.90
Exchange Gain / (Loss) (net) on restatement of Long Term Foreign Currency Loans	(373.24)	20.22
Exchange Gain / (Loss) on restatement of Share Application Money to the extent considered as monetary items	1,037.49	680.02
Exchange Fluctuation on Restatement of Hedged Investments	-	(695.68)
Others	(338.79)	44.57
<b>Total</b>	<b>325.46</b>	<b>159.03</b>

5. In the year 2010, Ascent Pharmahealth Limited ('APH'), a subsidiary within the Group (held through Strides Pharma Limited Cyprus), and an entity listed on the Australian Securities Exchange ('ASX'), had filed for buyback of shares and thereby delisting of its shares from ASX. In the current year, APH has completed the buyback and delisting of its shares from ASX. After such buy back, APH has 2 shareholders, 94.03% held by Strides Pharma Limited & balance 5.97% held by I-Investments Pty Limited (an investment company of Mr. Dennis Bastas, CEO of Ascent Pharmahealth Limited). Also refer note 12 (g) below.
- On January 24, 2012, the Group sold its investments in APH at an enterprise value of AUD 375 Million.
6. Impairment / Sale of Investments:
- In 2010, the Group had assessed the value of its investment in Red Vault for impairment. Based on such analysis, the Group had impaired its investment in Red Vault to the extent of AUD 3.32 Million (INR 150.87 Million) and had accounted for the same in the BRR as provided for under the Scheme
  - In 2010, the Group had invested in Central Healthcare Services Pty Limited (CHS), Australia (an associate of the Group). In the current year, the Group has sold its investment in CHS and a loss on sale of investment to the extent of ₹19.64 Million has been recognised in the current year Profit & Loss Account under Exceptional Items.
  - In the year 2009, the group had assessed the value of Goodwill (arising on consolidation) relating to its wholly owned subsidiary, Strides Pharma Limited and had recorded an impairment of USD 41.58 Million (₹ 1,934.50 Million) which was primarily represented by impairment in the investment in Ascent Pharmahealth Limited. The said impairment loss was recorded (in 2009) in the BRR in accordance with the Scheme and had resulted in a reduction of Goodwill on consolidation. Consequent to a reassessment of the carrying value of the investments referred to in Note C.5 above, the impairment provision has been reversed in the current year (ended December 31, 2011) with the resultant credit arising out of such reversal also being recognised in the BRR.
  - As at December 31, 2011, the Group has assessed the value of its investments in subsidiaries based out of Brazil. Based on such evaluation, the Group has provided for an impairment loss in the amount of USD 35 Million (₹ 1,724.45 Million) in these consolidated financial statements. The impairment loss has been recorded in the BRR.



## Notes on Accounts and accounting policies

### 7. Foreign currency convertible bonds:

- (a) During the accounting year ending December 31, 2007, the Company had issued Foreign Currency Convertible Bonds (FCCB) amounting to USD 100 Million (₹ 4,070 Million) (FCCB 100 Million) on June 26, 2007. These bonds carry zero coupon and are to be redeemed on June 27, 2012 (unless converted into Equity Shares) at 145.058 per cent of the Principal amount.

The bonds may be redeemed in whole, but not in part at the option of the Company at any time on or after July 18, 2010 and on and prior to June 20, 2012 with a redemption premium of 7.575 per cent (which is identical to the gross yield in case of redemption at maturity) calculated on a semiannual basis. Any tax cost that may arise on the bond-holder on redemption is determinable on redemption and would need to be absorbed by the Group.

The Bonds are convertible at any time on or after August 6, 2007 and up to the close of business on June 20, 2012 by the holders of the Bonds into shares at the option of the Bondholder, at an initial conversion price of ₹ 461.553 per share with a fixed rate of exchange of ₹ 40.70 per USD on conversion. The bonds are listed on Singapore Exchange Securities Trading Limited, Singapore.

As permitted by the Reserve Bank of India (RBI), during the year 2009, the Company bought back FCCB's with a face value aggregating to USD 20 Million from the outstanding bonds issued under FCCB 100 Million, at a discount.

As at December 31, 2010, none of the outstanding bonds had been offered for conversion.

- (b) The Company had issued FCCB's (listed in the Singapore Exchange Securities Trading Limited, Singapore) to the extent of USD 40 Million (FCCB 40 Million) during the year ended December 31, 2005. In 2009, as permitted by RBI, the Company had bought back FCCB's with a face value aggregating to USD 6 Million out of the FCCB's face value of USD 40 Million. In 2010, as per the terms and conditions agreed with the holders of FCCB 40 Million, the Company had redeemed the balance outstanding FCCB's aggregating to USD 34 Million. The Company had paid in total USD 46.51 Million (₹ 2,062.50 Million) including USD 12.51 Million towards redemption premium. An amount of ₹ 61.60 Million paid towards withholding taxes on redemption premium had been debited to Securities Premium Account in 2010.

### 8. Cumulative Redeemable Preference Shares:

In May 2005, the Company had issued 491,606 6% Cumulative Redeemable Preference Shares (CRPS) of ₹1,000 each fully paid to K V Pharmaceuticals, USA ('KV Pharma')(approximately USD 10.95 Million). The Preference shares were redeemable at par along with accrued unpaid dividend on or before December 31, 2012.

The Company, Strides Inc. (a step-subsiary of the Company) and KV Pharma had also entered into a License and Supply agreement ('LSA') pursuant to which the Company and Strides Inc. had agreed to undertake certain development work for developing certain pharmaceutical products, subject to certain terms and conditions mentioned in LSA. In March 2009 due to certain adverse developments at KV Pharma, the Company terminated the said LSA. KV Pharma had approached the International Court of Arbitration disputing the termination of the LSA.

In the year 2010, pursuant to a negotiation for an out of court settlement, the Company had entered into a Settlement Agreement & Release (Settlement Agreement) with KV Pharma. In accordance with the Settlement Agreement, the rights and obligations of all parties under the LSA and those arising out of the subscription to the CRPS were settled on a net basis. Pursuant to the Settlement Agreement, the Company had paid out KV Pharma an amount of USD 7.25 Million in full and final settlement. Consequent to the net settlement, the dividend on the CRPS that were accrued for in 2005 through 2009 along with the related dividend distribution taxes to the extent unpaid, had been reversed in the year 2010 and the same had been credited under appropriations in the Profit and Loss Account and an amount of ₹ 165.86 Million had been credited to the Reserve for Business Restructure ('BRR') being the extent attributable to recoveries of receivables under the LSA that were written off to the BRR in earlier years.

Consequent to the redemption of the CRPS as referred above, the Company in the year 2010 had credited Capital Redemption Reserve to the extent of ₹ 491.61 Million being the face value of CRPS redeemed.

### 9. Share Warrants

As authorised by the shareholders of the Company in the Extra-ordinary General meeting held on May 13, 2009, 6,180,000 warrants were allotted to Net Equity Ventures Private Limited, a Promoter Group company and 20,000 warrants to relatives of the Promoters, on preferential basis which were convertible into an equivalent number of fully paid up equity shares of ₹10 each at a price of ₹ 91.15 per warrant. In the year 2010, the Company had completed the allotment of equity shares against the Warrants.



# Notes on Accounts

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10. In the year 2010, the Company had received ₹ 4,550 Million on issue of 10,742,533 equity shares of ₹ 10 each at a premium of ₹ 413.55 per equity share to Qualified Institutional Buyers (QIP) in terms of SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009. The purpose of the mentioned issue was to finance overseas acquisitions, repayment and prepayment of debt, investments and other uses, including capital expenditure, as permitted by applicable rules and regulations. The Company had completed the allotment of equity shares on October 1, 2010. Expense incurred in relation to issue to the extent of ₹ 108.96 Million had been debited to Securities Premium Account in 2010.
11. Early Adoption of Accounting Standard – 30: Financial Instruments: Recognition and Measurement, issued by Institute of Chartered Accountants of India:

The Company had chosen to early adopt AS 30: 'Financial Instruments: Recognition and Measurement' during the year ended December 31, 2008, with effect from January 1, 2008. Contemporaneously with this, in the spirit of complete adoption, the Company had also implemented the consequential limited revisions in view of AS 30 to AS 2, 'Valuation of Inventories', AS 11 'The Effect of Changes in Foreign Exchange Rates', AS 19 'Accounting for Leases', AS 21 'Consolidated Financial Statements and Accounting for Investments in Subsidiaries in Separate Financial Statements', AS 23 'Accounting for Investments in Associates in Consolidated Financial Statements', AS 26 'Intangible Assets', AS 27 'Financial Reporting of Interests in Joint Ventures', AS 28 'Impairment of Assets' and AS 29 'Provisions, Contingent Liabilities and Contingent Assets' as had been announced by the Institute of Chartered Accountants of India (ICAI).

On February 11, 2011, the ICAI has issued a notification stating that AS 30 can be adopted only to the extent the Accounting Standard does not conflict with other mandatory standards notified under section 211 (3C) of the Companies Act, 1956. In case of conflict, the mandatory standards will prevail. This notification did not have an impact on these CFS, since none of the accounting policies followed by the Group under AS 30 in the CFS contradicted the provisions of other mandatory standards.

Consequent to early adoption of AS 30: 'Financial Instruments: Recognition and Measurement' as referred above, the Company has changed the designation and measurement principles for all its significant financial assets and liabilities. The impact on account of the above measurement of these is as described below:

#### 11.1 Foreign Currency Convertible Bonds (the 'FCCBs' or the 'Bonds')

The FCCBs are split into two components comprising (a) option component which represents the value of the option in the hands of the FCCB-holders to convert the bonds into equity shares of the Company and (b) debt component which represents the debt to be redeemed in the absence of conversion option being exercised by FCCB-holder, net of issuance costs.

The debt component is recognised and measured at amortised cost while the fair value of the option component is determined using a valuation model with the below mentioned assumptions.

Assumptions used to determine fair value of the options:

*Valuation and amortisation method* - The Company estimates the fair value of stock options granted using the Black Scholes Merton Model and the principles of the Roll-Geske-Whaley extension to the Black Scholes Merton model. The Black Scholes Merton model along with the extensions above requires the following inputs for valuation of options:

*Stock Price as at the date of valuation* - The Company's share prices as quoted in the National Stock Exchange Limited (NSE), India have been converted into equivalent share prices in US Dollar terms by applying currency rates as at valuation dates. Further, stock prices have been reduced by continuously compounded stream of dividends expected over time to expiry as per the principles of the Black-Scholes Merton model with Roll-Geske-Whaley extensions.

*Strike price for the option* - has been computed in dollar terms by computing the redemption amount in US dollars on the date of redemption (if not converted into equity shares) divided by the number of shares which shall be allotted against such FCCBs.

*Expected Term* - The expected term represents time to expiry, determined as number of days between the date of valuation of the option and the date of redemption.

*Expected Volatility* - Management establishes volatility of the stock by computing standard deviation of the simple exponential daily returns on the stock. Stock prices for this purpose have been computed by expressing daily closing prices as quoted on the NSE into equivalent US dollar terms. For the purpose of computing volatility of stock prices, daily prices for the last one year have been considered as on the respective valuation dates.

*Risk-Free Interest Rate* - the risk-free interest rate used in the Black-Scholes valuation method is the risk free rate as applicable to the Company.



## Notes on Accounts and accounting policies

*Expected Dividend* - Dividends have been assumed to continue, for each valuation rate, at the rate at which dividends were earned by shareholders in the last preceding twelve months before the date of valuation.

Measurement of Amortised cost of debt component:

For the purpose of recognition and measurement of the debt component, the effective yield has been computed considering the amount of the debt component on initial recognition, origination costs of the FCCB and the redemption amount if not converted into Equity Shares. To the extent the effective yield pertains to redemption premium and the origination costs, the effective yield has been amortised to the Securities Premium Account as permitted under section 78 of the Companies Act, 1956. The balance of the effective yield is charged to the Profit and Loss Account.

Consequent to the above method of accounting of FCCBs, the following adjustments were made:

**For the year ended December 31, 2010:**

- (a) Amortisation of interest of ₹ 146.81 (net) and redemption premium (net) on FCCBs amounting to ₹ 395.06 Million had been recorded in the Profit and Loss Account and in the Securities Premium Account respectively.
- (b) Change in the fair values of option component in the FCCBs, being a loss of ₹ 15.63 Million had been recorded in the Profit & Loss Account.

**For the year ended December 31, 2011:**

- (a) Amortisation of interest (net) ₹ 147.48 Million and redemption premium (net) on FCCBs amounting to ₹ 676.23 Million have been recorded in the Profit and Loss Account and in the Securities Premium Account respectively.
- (b) Change in the fair values of option component in the FCCBs, being a gain of ₹ 188.85 Million for the year 2011 has been recorded in the Profit & Loss Account.

### 11.2 Hedge accounting

(a) Net Investment in Foreign Operations:

- (i) The Group has designated certain portions of its net investments in the consolidated operations of Agila Specialties Limited (formerly Starsmore Limited), whose functional currency is US dollars, as hedged items, and certain FCCB's and other borrowings payable in foreign currency (US dollars) as hedging instruments, to hedge the foreign exchange risk arising out of fluctuations between the Indian Rupee and the US Dollar. The carrying values of the designated hedged items and the hedging instruments as at December 31, 2011 is USD 100 Million (USD 50 Million at December 31, 2010).

Accordingly, exchange fluctuation losses arising on restatement of the hedging instruments in 2011, to the extent relating to the portion of the hedge considered effective amounting to ₹ 857 Million, has been recorded in a Hedge Reserve account as per the requirement of AS 30. The accumulated exchange fluctuation losses recorded in the Hedging reserve in respect of the net investment hedge is ₹ 1,284.42 Million as at December 31, 2011.

- (ii) As explained in Note A 2 (g) above, in 2010, the Group had exchanged its investment in Pharmalatina (an associate of the Group), as part of the settlement of consideration for the acquisition of the Campos Facility from the Aspen group. Accordingly, the accumulated exchange losses (net) on the hedged instruments accumulated in Hedging Reserve Account upto December 31, 2009, to the extent attributable to the disposal of foreign operations arising out of the non-monetary exchange as above, amounting to ₹ 499.10 Million was recorded in the Profit and Loss Account in 2010.

(b) Cash flow hedge

The Group has designated certain highly probable forecasted US dollar denominated sales transactions and certain forward contracts to sell US dollars as hedged items and hedging instruments respectively, in a Cash Flow Hedge ('CFH') to hedge the foreign exchange risk arising out of fluctuations between the India rupee and the US dollar. The exchange fluctuations arising from marking to market of the hedging instruments, to the extent relatable to the CFH being effective has been recognised in a Hedge reserve in the Balance sheet. Accordingly exchange fluctuations losses amounting to ₹ 447.10 Million for the year ended December 31, 2011 have been recognised in the Hedge Reserve account.

11.3 The Company has availed bill discounting facility from Banks. The bill discounting do not meet the de-recognition criteria of transfer of contractual rights to receive cash flows from the respective debtors since they are with recourse

## Notes on Accounts and accounting policies

to the Company. Accordingly, as at December 31, 2011 a sum of ₹ 1,663.74 Million (Previous year ₹ 956.07 Million) has been recognised as a financial liability to the Banks and the same is included as part of short-term secured loans.

### 12. Employee Stock Option Scheme:

- (a) In the extraordinary general meeting held on January 25, 2007, the shareholders approved the issue of 1,000,000 options under the Scheme titled "Strides Arcolab ESOP 2006" (ESOP 2006).

The ESOP 2006 allows the issue of options to employees of the Company and its subsidiaries (whether in India or abroad). Each option comprises one underlying equity share.

During the current year, the Remuneration Committee in its meeting held on February 24, 2011 has granted 500,000 options under the ESOP 2006 to few eligible employees of the Company. The options allotted under ESOP 2006 are convertible into equal number of equity shares.

As per the Scheme, the Compensation committee grants the options to the employees deemed eligible. The exercise price of each option shall not be less than 85 per cent of the "Market Price" as defined in the Scheme. The options granted vest over a period of 3 years from the date of the grant in proportions specified in the Scheme. Options may be exercised within 30 days of vesting.

In respect of the ESOP 2006 and all the other ESOP schemes detailed in this note, the difference between the fair price of the share underlying the options granted, on the date of grant of option and the exercise price of the option, (being the intrinsic value of the option) representing Stock compensation expense, is expensed over the vesting period.

- (b) The ESOP scheme titled "Strides Arcolab ESOP 2008" (ESOP 2008) was approved by the shareholders through postal ballot on June 18, 2008. 1,500,000 options are covered under the scheme for 1,500,000 shares.

In the previous years, the Remuneration Committee of the Company had granted 1,382,500 options under the ESOP 2008 to few eligible employees of the Company. During the current year, the Remuneration Committee in its meetings held on February 24, 2011 and July 25, 2011 has granted 180,500 and 9,000 options respectively under the ESOP 2008 to few eligible employees of the Company. The options allotted under ESOP 2008 are convertible into equal number of equity shares.

The vesting period of these options range over a period of three years. The options may be exercised with in a period of 30 days from the date of vesting.

- (c) The ESOP scheme titled "Strides Arcolab ESOP 2008 (Directors)" (ESOP 2008 Directors) was approved by the shareholders through postal ballot on January 12, 2009. 500,000 options are covered under the scheme for 500,000 equity shares.

The Remuneration Committee of the Company, on March 16, 2009 had granted 300,000 options under the Strides Arcolab ESOP 2008 (Directors) scheme to few Directors of the Company. The shares covered by such options were 300,000 equity shares.

The vesting period of these options range over a period of three years. The options may be exercised with in a period of 30 days from the date of vesting.

- (d) The ESOP scheme titled "Strides Arcolab ESOP 2011" (ESOP 2011) was approved by the shareholders on May 30, 2011. 1,500,000 options are covered under the scheme for 1,500,000 shares. No options are granted under this scheme in the current year.

- (e) In terms of the Scheme of arrangement, employee compensation costs under the above referred various ESOP schemes may be recorded to BRR. Consequently, during the year 2011, an amount of ₹ 19.59 Million (net) as noted below has been debited to BRR.

₹ in Million

Particulars	ESOP 2006	ESOP 2008	ESOP 2008 (D)	Total
Expenses during the year	13.21	14.12	0.65	27.98
Reversal due to Lapse	(4.23)	(6.30)	-	(10.53)
Expense due to re-pricing	0.82	1.32	-	2.14
<b>Total</b>	<b>9.80</b>	<b>9.14</b>	<b>0.65</b>	<b>19.59</b>

## Notes on Accounts and accounting policies

(f) Employee stock options details as on the balance sheet date are as follows

Particulars	During the year 2011		During the year 2010	
	Options (No's)	Weighted average exercise price per option ₹	Options (No's)	Weighted average exercise price per option ₹
Option outstanding at the beginning of the year				
- ESOP 2006	150,000	105.75	680,000	105.75
- ESOP 2008	884,000	186.35	786,500	99.81
- ESOP 2008 (Director)	200,000	59.00	300,000	59.00
- ESOP 2011	-	-	-	-
Granted during the year:				
- ESOP 2006	500,000	311.40	-	-
- ESOP 2008	189,500	330.25	375,000	295.56
- ESOP 2008 (Director)	-	-	-	-
- ESOP 2011	-	-	-	-
Vested during the year:				
- ESOP 2006	300,000	105.75	380,000	105.75
- ESOP 2008	455,250	138.24	235,000	107.32
- ESOP 2008 (Director)	90,000	59.00	60,000	59.00
- ESOP 2011	-	-	-	-
Exercised during the year:				
- ESOP 2006	150,000	105.75	290,000	105.75
- ESOP 2008	410,500	127.07	223,000	106.50
- ESOP 2008 (Director)	75,000	59.00	60,000	59.00
- ESOP 2011	-	-	-	-
Lapsed during the year:				
- ESOP 2006	27,500	311.40	240,000	105.75
- ESOP 2008	131,750	179.95	54,500	135.26
- ESOP 2008 (Director)	-	-	40,000	59.00
- ESOP 2011	-	-	-	-
Options outstanding at the end of the year				
- ESOP 2006	472,500	311.40	150,000	105.75
- ESOP 2008	531,250	285.07	884,000	186.35
- ESOP 2008 (Director)	125,000	59.00	200,000	59.00
- ESOP 2011	-	-	-	-
Options available for Grant				
- ESOP 2006	27,500	-	500,000	-
- ESOP 2008	229,650	-	287,400	-
- ESOP 2008 (Director)	240,000	-	240,000	-
- ESOP 2011	1,500,000	-	-	-

## Notes on Accounts and accounting policies

- (g) In August 2011, the Group had entered into an agreement with Mr. Dennis Bastas under which the Group had granted an option to Mr. Dennis Bastas (the "optionee") to buy from Strides Pharma Limited (a subsidiary), a certain number of shares of Ascent Pharmahealth Limited at a rate and terms specified in the agreement. The life of the option was 5 years from the date of the agreement. As at the balance sheet date, the intrinsic value of the option granted was ₹ Nil.
- (h) The impact on Earnings per Share if the 'fair value' of the options (on the date of the grant) were considered instead of the 'intrinsic value' is as under:

Particulars	₹ in Million	
	December 31,2011	December 31,2010
Net Profit (as reported)	2,244.75	1,224.47
Add: stock based employee compensation (intrinsic value)		
Less: stock based compensation expenses determined under fair value method for the grants issued (See note below)		
	Refer Note Below	
Net Profit (proforma)	2,244.75	1,224.47
	₹	₹
Basic earnings per share (as reported)	38.65	26.11
Basic earnings / (loss) per share (proforma)		
	Refer Note below	
Diluted earnings per share (as reported)	38.32	24.56
Diluted earnings / (loss) per share (proforma)		
	Refer Note below	

Note: As per the Scheme approved by the Honorable High Courts of Judicature, expense relating to ESOP is permitted to be recorded in the BRR. Accordingly, there would no impact on Earnings per Share if the options were accounted at fair values instead of intrinsic value.

- (i) The fair value of the options has been determined under the Black-Scholes model. The assumptions used in this model for calculating fair value are as below:

Assumptions	December 31,2011	December 31, 2010
Risk Free Interest Rate	8.85%	8.00%
Expected Life	3 years	3 years
Expected Annual Volatility of Shares	48%	50%
Expected Dividend Yield	0.37%	13.24%

13. In the year 2010, pending approval from the Food and Drug Administrations, (USFDA) certain cost incurred at one of the new manufacturing facility (the Plant) of the Group set up for manufacturing to the USA market, were being deferred and amortised over 3 years from the date of receipt of the required approval from USFDA.

The Group received USFDA approval for the Plant in April, 2011 and cumulative expenses deferred upto March 31, 2011 is amortised as per the accounting policy followed by the Group. The details of expense deferred upto to the mentioned period and expense amortised in the current year is given below:

Particulars	₹ in Million	
	March 31, 2011	December 31, 2010
Salaries	10.05	33.77
Power, Fuel and Water	14.28	46.11
Consumables	5.43	6.28
Repairs & Maintenance	2.39	10.62
Other	2.51	2.40
<b>Total</b>	<b>34.66</b>	<b>99.18</b>
<b>Total expense deferred upto March 31, 2011</b>	<b>133.84</b>	
Amortised upto December 31, 2011	(32.85)	
<b>Balance to be amortised</b>	<b>100.99</b>	



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14. Exceptional items for 2010 include net loss of ₹ 40.80 Million, recognised on sale of investments in Formule Naturelle Pty. Ltd.
15. Reversal of exchange fluctuation losses from Hedge reserve on disposal of foreign operations in 2010 included under Exceptional Items (line IV.7.ii in the Profit & Loss Account) is net off an amount of ₹ 403.30 Million, being exchange fluctuation gains attributable to the disposed operations, which were recycled into the Profit & Loss Account from the Exchange Reserve on Consolidation. Also refer note 11.2.a.ii above.
16. During 2011, certain intra-group loans amounting to BRL 169.26 Million (given by Agila Specialties Limited to Strides Farmaceutica Participacoes Ltda, Brazil and Agila Especialidades Farmaceuticas Ltda, Brazil) as at December 31, 2011, were recognised as net investment in non-integral foreign operations. In accordance with AS 11 'The Effect of Changes in Foreign Exchange Rates', the exchange fluctuation losses arising out of restatement of the net investment to the extent of ₹ 685.19 Million (USD 12.86 Million) for the year ended December 31, 2011 is accumulated in Exchange Reserve on Consolidation in the Balance Sheet.
17. Interest in Joint ventures

The Group's aggregate share of the Assets and Liabilities (as at December 31, 2011) in the below mentioned Joint Ventures and the share in the income and expenses of the Joint Ventures for the year ended December 31, 2011 is as follows:

₹ in Million			
Sl. No.	Particulars	Akorn Strides LLC	Sagent Strides LLC
A	Assets	96.12 (278.64)	411.08 (158.25)
B	Liabilities	72.49 (154.92)	176.27 (23.16)
C	Income	149.51 (369.33)	249.22 (133.46)
D	Expenses	189.52 (342.61)	191.84 (119.79)
E	Capital Commitments	Nil	Nil

Note:

(a) Figures in brackets relate to previous year ended December 31, 2010.

18. Unbilled revenue includes income recognised on development services contracts, against which no invoices are raised, and are net of advances received against the respective contracts. Development income recognised in the Profit & Loss Account is net of unbilled revenue written off in the current year against development income recognised in the previous years.
19. Details of Research and Development expenditure incurred:

Particulars	₹ in Million	
	For the year ended	
	December 31, 2011	December 31, 2010
Materials	449.64	195.02
Salaries	193.30	206.69
Bio Study Expenses	50.90	36.16
Professional fees	64.60	4.03
Consumables	69.67	110.20
Interest	0.38	0.01
Travelling expenses	3.75	4.10
Rent	22.29	21.00
Depreciation	26.76	22.29
Others	75.37	100.92
<b>Total</b>	<b>956.66</b>	<b>700.42</b>

## Notes on Accounts and accounting policies

The above are as certified by the management and relied upon by the auditors and include costs associated with the development services undertaken for customers.

### 20. Consolidated Segment Information

During the year ended December 31, 2011, the Group operated in only one business Segment viz 'Pharmaceuticals'. Consequently no separate Primary Segment disclosures have been made.

#### Information about Secondary Segment

##### Geographic Segment

Revenue attributable to location of customers is as follows:

Geographic location	Revenue from external customers for the year ended			
	December 31, 2011		December 31, 2010	
	₹ in Million	%	₹ in Million	%
Africa	1,835.42	7%	1,796.46	11%
Australasia	9,002.34	36%	5,823.91	34%
North America & Europe	5,859.99	23%	5,703.53	34%
South & Central America	2,675.19	11%	1,120.43	7%
India	894.10	4%	581.73	3%
Rest of the World	4,978.15	19%	1,932.38	11%
<b>Total</b>	<b>25,245.19</b>	<b>100%</b>	<b>16,958.44</b>	<b>100%</b>

₹ in Million

Segment assets based on their location are as follows:

Geographic Location	₹ in Million			
	Carrying amount of Segment Assets	Additions To Fixed assets	Carrying amount of segment assets	Additions to Fixed assets
	At December 31, 2011		At December 31, 2010	
Africa	1,287.34	19.09	1,114.79	17.65
Australasia	5,373.29	228.60	3,514.88	208.23
North America & Europe	7,680.35	738.58	9,542.26	618.15
South & Central America	6,778.87	2,244.72	3,851.35	0.02
India	31,799.93	671.20	26,032.87	1,006.86
<b>Total</b>	<b>52,919.78</b>	<b>3,902.19</b>	<b>44,056.15</b>	<b>1,850.91</b>

Note: Additions to fixed assets disclosed above do not include assets on the date of acquisition in respect of new subsidiaries that have been consolidated during the year.



## Notes on Accounts and accounting policies

### 21. Deferred Taxation

Tax provision has been made in accordance with the requirements of Accounting Standard 22 "Accounting for taxes on income"

The deferred tax balances included in the balance sheet comprises the tax impact arising from timing differences on account of the following:

Particulars	For the Year ended	
	December 31, 2011	December 31, 2010
	₹ in Million	
Depreciation	(520.99)	(197.53)
Section 43B Disallowances & Others	(44.69)	(21.39)
Business Loss and unabsorbed depreciation	167.63	26.75
<b>Total</b>	<b>(398.05)</b>	<b>(192.17)</b>
<b>Deferred tax liability relating to the above</b>	<b>(93.49)</b>	<b>(46.36)</b>
Depreciation	(1,180.30)	(1,213.17)
Section 43B Disallowances & Others	183.27	171.89
Business Loss and unabsorbed depreciation	1,715.21	1,123.28
<b>Total</b>	<b>718.18</b>	<b>(82.00)</b>
<b>Deferred tax Assets relating to the above</b>	<b>220.31</b>	<b>15.77</b>

Deferred Tax assets in respect of business losses are recognised based on the criteria of virtual certainty.

### 22. Related Party Transactions :

<b>Joint Ventures (JV):</b>	Akorn Strides LLC, USA
	Sagent Strides LLC, USA
<b>Key Management Personnel:</b>	Mr. Arun Kumar (Vice Chairman & Managing Director)
	Mr. V.S. Iyer (Executive Director)
<b>Enterprises owned or significantly influenced by key management personnel and relative of key management personnel</b>	Atma Projects, India
	Chayadeep Properties Private Limited, India
	Fraxis Life Sciences Limited, India
	(Merged with Sequent Scientific Limited w.e.f. September 13, 2011)
	Higher Pharmatech Private Limited, India
	Keerthapathi Ravishankar – HUF
	Nous Infosystems Private Limited, India
	Patsys Consulting Private Limited, India
	Sequent Research Limited, India
	Sequent Scientific Limited
	Strides Italia srl., Italy
	Deepa Arun Kumar
	Hemalatha Pillai
	Jyothi Iyer
	Padma Kumar Pillai
	Rajeshwari Amma
Usha Rani	

Note:

Related parties disclosed above are as identified by the Management and relied upon by the Auditors.





# Related Party Balances as at December 31, 2011

Sl. No.	Nature of Transactions	Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10
<b>Advances Receivable/(Payable) as at:</b>							
1	Mr. Arun Kumar						
2	Mr. V.S. Iyer			(10.39)	(0.69)		
3	Akorn Strides LLC			(39.84)	6.74		
4	Sequent Global Holdings Limited		29.53			10.61	20.93
<b>Creditors Balance as at (net of Advance paid):</b>							
1	Chayadeep Properties Private Limited					(2.39)	4.63
2	Sequent Scientific Limited					(0.01)	(0.80)
3	Atma Projects						37.67
4	Sequent Research Limited					(4.45)	0.61
<b>Debtors Balance as at (Net of advance received):</b>							
1	Akorn Strides LLC	(3.11)	(2.58)				
2	Sagent Strides LLC	(21.92)	58.82			19.44	23.44
3	Sequent Scientific Limited						

₹ in Million



## Related Party Transactions for the year ended December 31, 2011

Sl. No.	Nature of Transactions	Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10
	<b>Sales of materials/services</b>						
1	Akorn Strides LLC	10.22	268.37				
2	Sagent Strides LLC	158.55	115.93			0.15	22.61
3	Sequent Scientific Limited						
	<b>Interest received</b>						
1	Sequent Scientific Limited					-	1.72
	<b>Other Income</b>						
1	Akorn Strides LLC	-	0.08				
	<b>Purchase of materials/services</b>						
1	Sequent Research Limited					27.05	33.36
2	Sequent Scientific Limited					5.67	5.18
	<b>Sale of Machinery/Assets</b>						
1	Sequent Scientific Limited					0.33	-
	<b>Purchase of Machinery/Assets</b>						
1	Atma Projects						5.07
	<b>Interest Paid</b>						
1	Agnus Holdings Private Limited						2.18
2	Sequent Scientific Limited						7.66
	<b>Managerial Remuneration</b>						
1	Arun Kumar			43.98	30.00		
2	V.S.Iyer			83.75	22.50		
	<b>Reimbursement of Expenses Incurred by</b>						
1	Sequent Scientific Limited						0.05

₹ in Million



Sl. No.	Nature of Transactions	Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10
<b>Reimbursement of Expenses Incurred on behalf of</b>							
1	Akorn Strides LLC		2.35				
2	SeQuant Research Limited					0.04	3.25
3	Sequent Scientific Limited						3.39
4	Sagent Strides LLC		3.23				
<b>Rent Paid</b>							
1	Atma Projects					31.94	29.86
2	Chayadeep Properties Private Limited					72.38	68.94
<b>Loans / advances given / Repaid by Company</b>							
1	Akorn Strides LLC	10.38					
2	Agnus Holdings Private Limited						81.96
3	SeQuant Research Limited						1.82
4	Sequent Scientific Limited						225.70
<b>Loans / advances taken by company / repaid to company</b>							
1	Agnus Holdings Private Limited						80.00
2	Sequent Scientific Limited						221.72
3	Akorn Strides LLC	1.95					
<b>Receipt of Share application monies against ESOP allotment</b>							
1	V.S.Iyer			5.29			
<b>Receipt of Share application monies against warrants</b>							
1	Agnus Holdings Private Limited						220.09
2	G P Pillai						0.68
3	Mohan Kumar pillai						0.68
4	Net Equity Ventures Private Limited						202.32

₹ in Million



## Notes on Accounts and accounting policies

### 23. Leases

The group's significant leasing arrangements are mainly in respect of factory buildings, residential and office premises. The aggregate lease rentals payable on these leasing arrangements charged to the Profit and Loss account is ₹ 326.60 Million (Previous year ₹ 278.29 Million).

The Group has entered into non-cancellable lease agreements for its facilities and office premises. The tenure of lease ranges from 3 years to 15 years. The said lease arrangements have an escalation clause wherein lease rental is subject to an increment ranging from 6% to 15%. Details of the lease commitment at the year end are as follows:

Particulars	₹ in Million	
	For the year ended	
	December 31, 2011	December 31, 2010
Not Later than one year	232.08	206.67
Later than one year up to five years	760.23	781.85
Later than five years	727.23	901.29

### 24. Earnings / (Loss) per share :

Particulars	₹ in Million	
	For the Year ended	
	December 31, 2011	December 31, 2010
Profit after tax as per the Profit & Loss Account attributable to Equity shareholders	2,244.75	1,224.47
Preference Dividend and tax there on (see note (b) below)	-	-
<b>Profit attributable to Equity Shareholders</b>	<b>2,244.75</b>	<b>1,224.47</b>
Interest Expense & Exchange fluctuation gain on Foreign Currency Convertible Bonds (FCCBs) etc., (Net)	See note (a) below	See note (a) below
<b>Profit/(Loss) attributable to Equity Shareholders (on dilution)</b>	<b>2,244.75</b>	<b>1,224.47</b>
<b>Weighted Average number of Shares for Basic EPS</b>	<b>58,077,558</b>	<b>46,893,259</b>
Add: Effect of outstanding Warrants, Employee Stock Options & FCCBs as applicable	498,161	2,957,659
<b>Weighted Average Number of equity shares for diluted EPS</b>	<b>58,575,719</b>	<b>49,850,918</b>
Nominal value of equity shares (₹)	10.00	10.00
<b>Earnings/ (Loss) Per Share</b>		
- Basic	<b>38.65</b>	<b>26.11</b>
- Diluted	<b>38.32</b>	<b>24.56</b>

Note:

- The FCCB's outstanding at December 31, 2011 and 2010 are antidilutive and hence ignored for the purpose of computing diluted earnings per share.
- During the year ending December 31, 2010 the Company had reversed the preference dividend along with dividend tax thereon accrued in earlier years amounting to ₹ 148.54 Million, since such dividend is no longer payable consequent to the agreement with the preference shareholders. Consequent to the above reversal such amount is also available for distribution to the equity shareholders. The basic and diluted EPS for the year ended December 31, 2010 after considering the reversal of preference dividend and tax thereon is ₹ 29.58 & ₹ 27.54 respectively.

## Notes on Accounts and accounting policies

### 25. Cash flow statement

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

Cash comprises of cash on hand and demand deposits with banks. Cash equivalents are short term (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents in the nature of investments are disclosed under Current investments.

- (b) Interest paid is inclusive of and purchase of Fixed Assets excludes, interest capitalised ₹ 19.73 Million (Previous year ₹ 25.03 Million).
- (c) Direct tax paid and Others in the Cash Flow Statement includes outflows on account of permitted utilisation from the BRR of ₹ 81.67 Million (Previous Year ₹ 69.80 Million) and Direct Taxes of ₹ 501.34 Million (Previous Year ₹ 323.11 Million)
- (d) Reconciliation of Cash and Cash Equivalents to Cash and Bank balances included in Schedule G.A.4:

Particulars	₹ in Million	
	As at December 31, 2011	As at December 31, 2010
Cash in hand	4.85	4.59
Balance with banks in current accounts	2,046.43	2,768.32
Fixed Deposits	71.43	478.79
<b>Cash and cash equivalents</b>	<b>2,122.71</b>	<b>3,251.70</b>
Margin money not included above	474.54	142.81
<b>Cash and bank balances as per Schedule G.A.4</b>	<b>2,597.25</b>	<b>3,394.51</b>

26. Employee benefits pertaining to overseas subsidiaries have been accrued based on their respective local labour laws. Details of Gratuity benefits provided to employees in the Company and its subsidiaries in India.

Sl. No.	Particulars	₹ in Million	
		December 31, 2011	December 31, 2010
<b>I</b>	<b>Components of employer expense</b>		
1	Current Service cost	14.94	15.30
2	Interest cost	7.71	6.65
3	Expected return on plan assets	(3.37)	(2.11)
4	Curtailement cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Past Service Cost	-	-
7	Actuarial Losses/(Gains)	(0.70)	(23.12)
8	Total expense recognised in the Statement of Profit & Loss	18.58	(3.28)
<b>II</b>	<b>Actual Contribution and Benefits Payments for year ended December 31, 2011</b>		
1	Actual benefit payments	-	2.76
2	Actual Contributions	-	0.73



## Notes on Accounts and accounting policies

₹ in Million

Sl. No.	Particulars	December 31, 2011	December 31, 2010
<b>III</b>	<b>Net asset/(liability) recognised in balance sheet as at December 31, 2011</b>		
1	Present value of Defined Benefit Obligation (DBO)	112.61	96.41
2	Fair value of Plan Assets	39.77	42.16
3	Funded status [Surplus/(Deficit)]	(72.84)	(54.25)
4	Unrecognised Past Service Costs	-	-
5	Net asset/(liability) recognised in balance sheet	(72.83)	(54.25)
<b>IV</b>	<b>Change in Defined Benefit Obligations during the year ended December 31, 2011</b>		
1	Present Value of DBO at beginning of period	96.41	91.41
2	Current Service cost	14.94	15.30
3	Interest cost	7.71	6.65
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Plan amendments	-	-
7	Acquisitions	-	-
8	Actuarial (gains)/ losses	(6.45)	(14.19)
9	Benefits paid	-	(2.76)
10	Present Value of DBO at the end of period	112.61	96.41
<b>V</b>	<b>Change in Fair Value of Assets during the year ended December 31, 2011</b>		
1	Plan assets at beginning of period	42.16	28.20
2	Acquisition Adjustment	-	-
3	Actual return on plan assets	3.37	2.11
4	Actual Company contributions	-	0.73
5	Actuarial gains/( losses)	(5.76)	13.88
6	Benefits paid	-	(2.76)
7	Plan assets at the end of period	39.77	42.16
<b>VI</b>	<b>Assumptions</b>		
1	Discount Rate	8.00%	8.00%
2	Expected Return on plan assets	8.00%	8.00%
3	Salary escalation	7.00%	7.00%
4	Withdrawal rates	10.00%	10.00%
5	Attrition	10.00%	10.00%

### Actuarial valuation experience adjustment:

Particulars	2011	2010	2009	2008	2007
Defined Benefit Obligation	112.61	96.41	91.41	75.79	41.32
Plan Assets	23.96	26.55	46.12	30.74	24.15
Net Liability transferred on account of de-merger	15.81	15.62	(18.80)	-	-
<b>Net Surplus / (Deficit)</b>	<b>(72.84)</b>	<b>(54.24)</b>	<b>(64.09)</b>	<b>(45.05)</b>	<b>(17.17)</b>
Experience Adjustment on Plan Liabilities	(6.46)	(14.19)	-	-	-
Experience Adjustment on Plan Assets	(5.76)	13.89	-	-	-

# Notes on Accounts

and accounting policies

Note:

1. The estimate of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
2. In the absence of information relating to category wise breakup of Plan Assets, the same has not been disclosed.
3. Disclosure on actuarial valuation experience adjustment is disclosed to the extent the details are available with the Group.

## 27. Details of Miscellaneous income:

Particulars	₹ in Million	
	December 31, 2011	December 31, 2010
Compensation for termination of contract	77.99	243.28
Marketing & Distribution Income	259.46	228.16
Provision no longer required written back	68.93	95.94
Rental Income	29.52	43.84
Others	88.29	40.94
<b>Total</b>	<b>524.19</b>	<b>652.16</b>

## 28. Disclosures relating to financial instruments to the extent not disclosed elsewhere in Schedule Q.

### 28.1 Breakup of Allowance for Credit Losses is as under:

Particulars	₹ in Million	
	December 31, 2011	December 31, 2010
Provision for Bad and Doubtful Debts at the beginning of the Year	83.18	68.60
Additional Provision during the year	155.48	27.61
Less: Consolidation adjustment	(7.48)	9.73
Less: Provision reversed during the year	44.48	3.30
<b>Provision for Bad and Doubtful Debts at the end of the Year</b>	<b>201.66</b>	<b>83.18</b>

### 28.2 Details on Derivatives Instruments & Un-hedged Foreign Currency Exposures:

The following derivative positions are open as at December 31, 2011. These transactions have been undertaken to act as economic hedges for the Company's exposures to various risks in foreign exchange markets. These instruments are therefore classified as held for trading and gains/ losses recognised in the Profit and Loss Account except to the extent they qualified as Cashflow hedges in the context of the rigour of such classification under Accounting Standard 30.

- The Company has entered into the following derivative instruments
  - Forward Exchange Contracts [being a derivative instrument], which are not intended for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.

The following are the outstanding Forward Exchange Contracts entered into by the Company as on December 31, 2011.

Currency	Amount	Buy / Sell	Cross Currency
USD	92,000,000	Sell	Rupees
EUR	550,000	Buy	AUD

- Interest Rate Swaps to hedge against fluctuations in interest rate changes: No. of contracts: Nil (Previous year : Nil )
- Currency Swaps (other than forward exchange contracts stated above) to hedge against fluctuations in changes in exchange rate. No. of contracts: Nil (Previous Year: Nil)



## Notes on Accounts and accounting policies

- II. The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Figures in Million

Receivable / (Payable) (₹)	Receivable / (Payable) In Foreign currency (₹)		Receivable / (Payable) (₹)	Receivable / (Payable) In Foreign currency (₹)	
At December 31, 2011			At December 31, 2010		
(5,789.32)	USD	(108.68)	(7,591.82)	USD	(169.84)
246.07	EUR	3.61	137.13	EUR	2.29
(169.39)	AUD	(3.17)	56.99	AUD	1.25
1.00	CAD	0.02	(2.72)	CAD	(0.06)
(316.25)	GBP	(3.90)	(562.28)	GBP	(8.12)
4,806.97	BRL	169.27	-	-	-
0.56	JPY	0.81	(1.12)	JPY	(2.04)
1.96	CHF	0.04	(1.79)	CHF	(0.04)

- III. There were no outstanding option contracts as at December 31, 2011.
- IV. Loss on Forward Exchange Derivative contracts (Net) included in the Profit and Loss account for year ended December 31, 2011 amounts to ₹ 128.21 Million (Previous Year: Loss (Net) ₹ 72.12 Million).

### 28.3 Categories of Financial Instruments

- a. Loans and Receivables:

The following financial assets in the Balance Sheet have been classified as Loans and Receivables as defined in Accounting Standard 30. These are carried at amortised cost less impairment if any.

The carrying amounts are as under:

₹ in Million

Particulars	December 31, 2011	December 31, 2010
Sundry Debtors	5,384.44	3,837.84
Unbilled Debtors	1,596.91	411.72
Advance recoverable in cash	3,082.15	1,108.81
Cash and Bank Balances	2,597.25	3,394.51

In the opinion of the management, the carrying amounts above are reasonable approximations of fair values of the above financial assets.



## Notes on Accounts and accounting policies

### b. Financial Liabilities Held at Amortised Cost

The following financial liabilities are held at amortised cost. The Carrying amounts of Financial Liabilities are as under:

Particulars	₹ in Million	
	December 31, 2011	December 31, 2010
<b>Secured Loans:</b>		
Long term loans	13,747.07	9,335.93
Short term loans	5,640.89	4,537.97
<b>Unsecured Loans</b>		
<b>Long term loans:</b>		
Foreign currency convertible bonds (debt component)	5,854.24	4,381.89
<b>Short term loans:</b>		
From banks	178.91	978.57
From others	240.91	673.04
<b>Current Liabilities</b>		4,198.50
Sundry Creditors	6,798.03	1,541.06
Consideration payable towards purchase of investments	-	2.12
Unclaimed dividend	2.41	33.59
Interest accrued but not due	121.27	84.70
Other Liabilities	316.95	
<b>Provision For:</b>		
Leave salary	138.50	112.13
Gratuity & other employee benefits	127.38	119.61
Long Term Employee Compensation	544.30	576.20
Provision for mark-to-market losses	547.48	-
Equity Dividend (including dividend distribution tax thereon)	135.93	101.01

### c. Financial Liabilities Held for Trading

The option component of FCCBs has been classified as held for trading, being a derivative under AS 30. The carrying amount of the option component was ₹ 2.09 Million as at December 31, 2011 and ₹190.95 Million as at December 31, 2010. The difference in carrying value between the two dates, amounting to ₹188.85 Million is taken as gain to the Profit and Loss Account of the year in accordance with provisions of AS 30.

The fair value of the option component has been determined using a valuation model. Refer to Note C.11.1 above on FCCBs for detailed disclosure on the valuation method.



## Notes on Accounts and accounting policies

### 28.4 Financial assets pledged

The following financial assets have been pledged:

₹ in Million				
Financial Asset	Carrying value December 31, 2011	Carrying value December 31, 2010	Liability / Contingent Liability for which pledged as collateral	Terms and conditions relating to pledge
I. Investment in Subsidiary	10,382.81	3,493.16	Loan from Banks	The Shares have been pledged against specific Borrowing, the charge will be extinguished on repayment of the Loan. (subsequent to year end, charge to the extent of ₹ 4,162.88 Mio has been released on repayment of loan)
II. Margin Money with Banks				
A. Margin Money for Letter of Credit	467.21	131.18	Letter of Credit	The Margin Money is interest bearing deposit with Banks. These deposits can be withdrawn on the maturity of all Open Letters of Credit.
B. Margin Money for Bank Guarantee	7.33	11.63	Bank Guarantee	The Margin Money is interest bearing deposit with Banks. These Deposits are against Performance Guarantees. These can be withdrawn on the satisfaction of the purpose for which the Guarantee is provided.
II. Sundry debtors	1,663.74	956.07	Bills discounted	The Bills discounted with Banks are secured by the Receivable

## Notes on Accounts and accounting policies

### 28.5 Nature and extent of risks arising from financial instruments

The main financial risks faced by the Company relate to fluctuations in interest and foreign exchange rates, the risk of default by counter parties to financial transactions, and the availability of funds to meet business needs. The Balance Sheet as at December 31, 2011 is representative of the position through the year. Risk management is carried out by a central treasury department under the guidance of the Management.

#### Interest rate risk

Interest rate risk arises from long term borrowings. Debt issued at variable rates exposes the Company to cash flow risk. Debt issued at fixed rate exposes the Company to fair value risk. In the opinion of the management, interest rate risk during the year under report was not substantial enough to require intervention or hedging through derivatives or other financial instruments. For the purposes of exposure to interest risk, the Company considers its net debt position evaluated as the difference between financial assets and financial liabilities held at fixed rates and floating rates respectively as the measure of exposure of notional amounts to interest rate risk. This net debt position is quantified as under:

Particulars	₹ in Million	
	December 31, 2011	December 31, 2010
<b>Fixed</b>		
Financial Assets	12,660.75	8,752.88
Financial liabilities	(15,329.05)	(11,792.17)
	<b>(2,668.30)</b>	<b>(3,039.29)</b>
<b>Floating</b>		
Financial Assets	-	-
Financial liabilities	(19,065.22)	(14,884.15)
	<b>(19,065.22)</b>	<b>(14,884.15)</b>

#### Credit risk

Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions. Credit risk also arises from trade receivables and other financial assets.

The credit risk arising from receivables is subject to concentration risk in that the receivables are predominantly denominated in USD and any appreciation in the INR will affect the credit risk. Further, the Company is not significantly exposed to geographical distribution risk as the counter parties operate across various countries across the Globe.

#### Liquidity risk

Liquidity risk is managed using short term and long term cash flow forecasts.

The following is an analysis of undiscounted contractual cash flows payable under financial liabilities and derivatives as at December 31, 2011. (Figures in brackets relates to Previous Year).

## Notes on Accounts and accounting policies

₹ in Million

Financial Liabilities	Due within (years)					
	1	1 and 2	2 and 3	3 and 4	4 and 5	Beyond 5
Bank & other borrowings	8,901.85 (7,883.45)	3,124.18 (2,264.90)	1,662.47 (2,005.59)	2,666.65 (952.00)	1,404.87 (827.00)	1,799.32 (912.25)
Interest payable on borrowings	121.27 (33.59)	-	-	-	-	-
Hire Purchase liabilities	3.45 (2.29)	2.14 (0.41)	1.37	-	-	-
Other Borrowings	6,095.72 (677.64)	- (4,381.89)	-	-	-	-
Trade and other payables not in net debt (excluding provision for expense)	8,063.50 (6,735.33)	-	-	-	-	-
Fair Value of Options	2.09 -	- (190.95)	-	-	-	-
Fair value of Forward exchange derivative contracts	547.48	-	-	-	-	-
<b>Total</b>	<b>23,735.36</b>	<b>3,126.32</b>	<b>1,663.84</b>	<b>2,666.65</b>	<b>1,404.87</b>	<b>1,799.32</b>
<b>Total</b>	<b>(15,332.30)</b>	<b>(6,838.15)</b>	<b>(2,005.59)</b>	<b>(952.00)</b>	<b>(827.00)</b>	<b>(912.25)</b>

For the purposes of the above table, undiscounted cash flows have been applied. Undiscounted cash flows will differ from carrying values in the financial statements and the fair values. Floating interest rates have been computed by applying interest rates on the Balance Sheet date. Foreign currency liabilities have been computed applying spot rates on the Balance Sheet date.

### Foreign exchange risk

The Company is exposed to foreign exchange risk principally via:

- + Debt availed in foreign currency
- + Net investments in subsidiaries and joint ventures that are in foreign currencies
- + Exposure arising from transactions relating to purchases, revenues, expenses etc. to be settled (outside the group) in currencies other than the functional currency of the respective entities.

# Notes on Accounts and accounting policies

## 28.6 Sensitivity analysis as at December 31, 2011

Financial instruments affected by interest rate changes include Secured Long term loans from banks, Secured Long term loans from others, Secured Short term loans from banks and Unsecured Short term loans from banks. The impact of a 1% change in interest rates on the profit of an annual period will be ₹ 190.65 Million (Previous year ₹ 148.84 Million) assuming the loans as of December 31, 2011 continue to be constant during the annual period. This computation does not involve a revaluation of the fair value of loans as a consequence of changes in interest rates. The computation also assumes that an increase in interest rates on floating rate liabilities will not necessarily involve an increase in interest rates on floating rate financial assets.

Financial instruments affected by changes in foreign exchange rates include FCCBs, External Commercial Borrowings (ECBs), loans in foreign currency to erstwhile subsidiaries and joint ventures. The Company considers US Dollar and the Euro to be principal currencies which require monitoring and risk mitigation. The Company is exposed to volatility in other currencies including the Great Britain Pounds (GBP) and the Australian Dollar (AUD).

Particulars	Increase / (Decrease) in Equity in	
	2011	2010
A 5% appreciation in the USD	(289.47)	(379.59)
A 5% depreciation in the USD	289.47	379.59
A 5% appreciation in the EUR	12.30	6.86
A 5% depreciation in the EUR	(12.30)	(6.86)
A 5% appreciation in the AUD	(8.47)	2.85
A 5% depreciation in the AUD	8.47	(2.85)
A 5% appreciation in the GBP	(15.81)	(28.11)
A 5% depreciation in the GBP	15.81	28.11
A 5% appreciation in the BRL	240.35	-
A 5% depreciation in the BRL	(240.35)	-

For the purposes of the above table, it is assumed that the carrying value of the financial assets and liabilities as at the end of the respective financial years remains constant thereafter. The exchange rate considered for the sensitivity analysis is the Exchange Rate prevalent as at December 31, 2011.

29. Previous year's figures have been recast / restated, wherever necessary, to conform to the current year's classification



## 30. Key Information pertaining to Subsidiary companies' Financial Statements as at December 31, 2011

Sl. No.	Name of the Subsidiary	Country of Incorporation	Reporting Currency	Exchange rate as on December 31, 2011	Capital (includes Monies pending allotment)	Reserves	Total Assets	Total Liabilities (excl. a & b)	Investment - Other than in subsidiaries	Turnover	Profit before Taxation	Provision for taxation	Profit after Taxation	Proposed dividend
					a	b	c	d	e	f	g	h	i	j
1	Strides Arcolab International Ltd	UK	GBP	81.12	951.45	102.23	6,330.38	5,276.69	-	(335.82)	193.33	-	193.33	-
2	Beltapharm S.P.A	Italy	EUR	68.09	99.14	(32.77)	519.06	452.69	-	467.71	0.39	5.58	(5.19)	-
3	Arcolab Limited SA	Switzerland	CHF	55.90	55.90	(17.95)	38.01	0.06	-	-	-	-	-	-
4	Agila Specialities Private Limited	India	INR	1.00	171.00	865.80	9,664.13	8,627.33	-	5,223.30	448.43	(165.30)	613.73	-
5	Inbiopro Solutions Private Limited	India	INR	1.00	1.14	127.06	159.13	30.93	-	0.80	(13.32)	(0.18)	(13.13)	-
6	Strides Australia Pty Ltd	Australia	AUD	53.39	0.01	(68.58)	0.09	68.67	-	-	(0.04)	-	(0.04)	-
7	Plus Farma ehf	Iceland	EUR	68.09	41.23	(88.86)	373.54	421.17	-	1.11	(10.62)	-	(10.62)	-
8	Farma Plus AS	Norway	NOK	9.05	5.43	91.09	222.71	126.19	-	292.20	39.85	11.18	28.67	-
9	Strides Africa Ltd	British Virgin Islands	USD	53.27	240.94	(194.90)	223.85	177.82	-	(0.10)	(30.52)	-	(30.52)	-
10	Strides Vital Nigeria Limited	Nigeria	NGN	0.33	3.31	(89.35)	596.31	682.35	-	533.07	(50.78)	-	(50.78)	-
11	Agila Specialities Limited (formerly known as Stairsmore Ltd)	Cyprus	USD	53.27	3,400.25	4,134.61	21,703.96	14,169.10	-	5,541.51	4,165.14	16.53	4,148.61	-
12	Strides Pharma Limited (formerly known as Linkace Ltd)	Cyprus	USD	53.27	1,024.73	916.79	8,320.04	6,378.53	-	637.69	(154.93)	(0.68)	(154.25)	-
13	Linkace Investments Pty Ltd	Australia	AUD	53.39	0.01	-	0.01	-	-	-	-	-	-	-
14	Strides Farmaceutica Participacoes Ltda	Brazil	BRL	28.40	55.60	(745.46)	9,260.81	9,950.67	-	-	(695.91)	-	(695.91)	-
15	Onco Laboratories Limited	Cyprus	USD	53.27	0.30	3,422.78	6,191.98	2,768.90	-	1,436.27	764.02	91.60	672.41	-
16	Onco Therapies Limited	India	INR	1.00	24.06	1,240.99	4,658.11	3,393.05	-	626.85	(86.34)	(36.00)	(50.34)	-
17	Strides S.A. Pharmaceuticals Pty Ltd.	Republic of South Africa	ZAR	6.67	0.01	7.22	19.77	12.55	-	9.74	6.69	0.65	6.04	-
18	Strides Specialities (Holdings) Ltd., Mauritius	Mauritius	USD	53.27	0.00	(0.87)	0.53	1.40	-	-	(0.77)	-	(0.77)	-
19	Strides Arcolab UK Ltd	UK	GBP	81.12	0.00	-	0.00	-	-	-	-	-	-	-
20	Co Pharma Ltd	UK	GBP	81.12	1.17	(57.24)	375.50	431.56	-	495.19	(107.95)	-	(107.95)	-

₹ in Million



Sl. No.	Name of the Subsidiary	Country of Incorporation	Reporting Currency	Exchange rate as on December 31, 2011	Capital (includes Monies pending allotment)	Reserves	Total Assets	Total Liabilities (excl. a & b)	Investment - Other than in subsidiaries	Turnover	Profit before Taxation	Provision for taxation	Profit after Taxation	Proposed dividend
					a	b	c	d	e	f	g	h	i	j
21	Ascent Pharmahealth Limited	Australia	AUD	53.39	4,400.27	651.82	9,214.01	4,161.93	-	7,269.07	1,328.35	270.79	1,057.56	-
22	Ascent Pharma Pty Limited (Formerly Genepharm Pty Ltd.)	Australia	AUD	53.39	-	-	-	-	-	-	-	-	-	-
23	Ascent Pharmaceuticals Limited (Formerly Genepharm (Australia) Ltd)	Newzealand	AUD	53.39	-	-	-	-	-	-	-	-	-	-
24	Ascent Pharmacy Services Pty Ltd	Australia	AUD	53.39	-	-	-	-	-	-	-	-	-	-
25	Pharmasave Australia Pty Ltd	Australia	AUD	53.39	-	-	-	-	-	-	-	-	-	-
26	Ascent Pharmahealth (Asia) Pte Ltd.,	Singapore	SGD	41.78	830.55	422.49	1,503.11	250.06	-	1,308.74	486.71	10.59	476.11	402.92
27	Drug houses of Australia (Asia) Pte Ltd	Singapore	SGD	41.78	62.67	290.79	757.41	403.94	-	1,350.94	313.25	47.18	266.07	416.97
28	Ascent Pharmahealth Asia (Hong Kong) Limited formerly Strides Arcolab Hong Kong Ltd.,	Hongkong	HKD	6.99	0.00	(1.94)	-	1.94	-	0.02	(0.31)	-	(0.31)	-
29	Ascent Pharmahealth Asia (Malaysia) SDN BHD	Malaysia	MYR	17.08	0.00	0.24	7.53	7.30	-	2.48	1.19	-	1.19	-
30	Ascent Pharmahealth Asia (B) SDN BHD formerly Strides Arcolab SDN BHD	Brunei	BND	41.17	0.00	(0.84)	-	0.84	-	-	(0.76)	-	(0.76)	-
31	Strides Arcolab Polska Sp. z o.o	Poland	PLN	15.83	327.59	(287.89)	1,181.89	1,142.20	-	379.56	(204.46)	-	(204.46)	-
32	Strides CIS Limited	Cyprus	USD	53.27	0.16	0.49	14.84	14.20	-	(0.01)	(0.66)	-	(0.66)	-
33	Strides Inc	USA	USD	53.27	644.18	(190.98)	830.27	377.06	-	599.29	480.03	22.25	457.79	-
34	Pharma Strides Canada Corporation	Canada	CAD	51.55	0.52	(31.51)	17.49	48.48	-	-	(2.92)	-	(2.92)	-
35	Strides Technology and Research Private Limited	India	INR	1.00	-	-	-	-	-	-	-	-	-	-
36	Strides Pharma (Cyprus) Limited	Cyprus	USD	53.27	0.12	463.41	824.14	360.61	-	746.15	197.67	20.73	176.94	-
37	Strides Pharma International Ltd Cyprus (Formerly known as Strides Specialities (Cyprus) Limited)	Cyprus	USD	53.27	0.05	(2.14)	0.39	2.48	-	(0.06)	(0.79)	-	(0.79)	-
38	Strides Pharmaceuticals (Holdings) Limited	Mauritius	USD	53.27	0.00	(0.79)	0.45	1.25	-	-	(0.70)	-	(0.70)	-
39	Strides Pharmaceuticals (Mauritius) Limited	Mauritius	USD	53.27	0.00	(0.79)	0.12	0.92	-	-	(0.70)	-	(0.70)	-

₹ in Million



Sl. No.	Name of the Subsidiary	Country of Incorporation	Reporting Currency	Exchange rate as on December 31, 2011	Capital (includes Monies pending allotment)	Reserves	Total Assets	Total Liabilities (excl. a & b)	Investment - Other than in subsidiaries	Turnover	Profit before Taxation	Provision for taxation	Profit after Taxation	Proposed dividend
					a	b	c	d	e	f	g	h	i	j
40	Strides Specialities (Holdings) Cuprus Limited	Cyprus	USD	53.27	0.80	8,720.39	8,723.57	2.38	-	-	(0.84)	-	(0.84)	-
41	Agila Specialities (Malaysia) SDN BHD	Malaysia	MYR	17.08	0.00	-	0.00	-	-	-	-	-	-	-
42	African Pharmaceutical Development Company	Cameroon	XAF	0.11	1.05	7.82	120.43	111.56	-	229.16	27.22	10.29	16.93	24.22
43	Agila Especialidades Farmaceuticas Ltda	Brazil	BRL	28.40	2,131.49	(113.85)	6,510.29	4,492.64	-	967.82	(214.67)	-	(214.67)	-
44	Agila Marketing E Distribuicao De Produtos Hospitalares Ltda	Brazil	BRL	28.40	333.80	(902.22)	1,612.89	2,181.31	-	2,059.34	(759.03)	-	(759.03)	-
45	SPC Co Ltd, Sudan	Sudan	SDD	0.19	-	-	-	-	-	-	-	-	-	-
46	Pharma Congo SPRL	Congo	CDF	0.05	-	-	-	-	-	-	-	-	-	-
47	Societe' de Repatriation Pharmaceutiques	Burkinafaso	XAF	0.10	-	-	-	-	-	-	-	-	-	-
48	Strides Pharma Namibia Pty Limited	Namibia	NAD	6.69	-	-	-	-	-	-	-	-	-	-
49	Agila Specialities Asia Pte Ltd	Singapore	SGD	41.78	-	-	-	-	-	-	-	-	-	-

#### For and on behalf of the Board

Arun Kumar - Executive Vice Chairman & Managing Director  
 K.R.Ravishankar - Director  
 Dr. T.S. Rangan - Group CFO  
 Badree Komandur - Company Secretary  
 Bangalore, February 27, 2012





# Break up of Cash and Bank Balances

Entity	Cash on hand		Bank balance		Overnight Deposit		Cash & Cash Equivalent		Margin		Total	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2011	December 31, 2010	
Akkorn Strides LLC	-	-	22.87	26.94	-	-	22.87	26.94	-	22.87	26.94	
African Pharmaceutical Development	0.35	0.18	4.33	2.71	-	-	4.69	2.89	-	4.69	2.89	
Agila Specialities Limited (Formerly known as Starsmore Ltd)	-	-	1.35	9.31	-	-	1.35	9.31	-	1.35	9.31	
Arcolab Limited SA	-	-	34.31	29.29	-	-	34.31	29.29	-	34.31	29.29	
Ascent Pharmahealth Limited	0.80	0.66	302.56	(3.60)	-	-	303.36	(2.95)	-	303.36	(2.95)	
Ascent Pharmahealth (Asia) Pte Ltd	0.00	0.00	97.92	24.36	0.17	0.17	98.13	24.53	-	98.13	24.53	
Beitapharm S p A	0.09	0.13	2.70	-	-	-	2.78	0.13	-	2.78	0.13	
Cash in Transit	-	-	-	48.23	-	-	-	48.23	-	-	48.23	
Co-pharma Ltd	-	-	-	3.69	-	-	-	3.69	-	-	3.69	
Drug House of Australia (Asia) Pte Ltd	0.10	0.08	160.92	112.90	-	-	161.02	112.99	-	161.02	112.99	
Farma Plus AS	-	-	44.25	-	-	-	44.25	-	-	44.25	-	
Inbiopro Solutions Private Limited	0.01	0.01	5.82	4.38	15.00	106.90	20.83	111.29	-	20.83	111.29	
Onco Therapies Ltd	0.30	0.05	7.95	410.12	-	-	8.25	410.16	5.25	13.50	415.41	
Plus farma ehf	1.85	1.62	-	21.58	-	-	1.85	23.20	-	1.85	23.20	
Onco Laboratories Ltd (formerly Powercliff Ltd)	-	-	498.45	2.59	347.71	-	498.45	350.30	-	498.45	350.30	
Agila Speciality Pvt Ltd (Formerly known as Stides Speciality Pvt Ltd)	0.09	0.15	160.56	74.66	-	-	160.66	74.80	244.95	405.61	75.80	
Strides (CIS) Limited	-	-	12.00	11.20	-	-	12.00	11.20	-	12.00	11.20	
Sagent Strides LLC	-	0.02	0.03	-	-	-	0.03	0.02	-	0.03	0.02	
Strides Africa Ltd	-	-	0.10	0.09	-	-	0.10	0.09	-	0.10	0.09	
Strides Arcolab International Ltd	-	-	3.51	1.12	-	-	3.51	1.12	-	3.51	1.12	
Strides Arcolab Limited	0.81	1.50	635.88	652.10	54.00	20.13	690.70	673.73	123.92	814.62	810.29	
Strides Arcolab Polska Sp Z.oo	0.09	0.03	-	1.17	2.22	1.39	2.31	2.59	-	2.31	2.59	
Strides Australia Pty Ltd	-	-	0.09	0.08	-	-	0.09	0.08	-	0.09	0.08	
Strides Inc	0.00	0.00	1.78	1,270.87	-	-	1.79	1,270.87	-	1.79	1,270.87	



Entity	Cash on hand		Bank balance		Overnight Deposit		Cash & Cash Equivalent		Margin		Total	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2011	December 31, 2010	December 31, 2010
Strides SA Pharmaceuticals Pty Ltd	0.00	0.00	2.59	0.06	-	-	2.60	0.06	-	2.60	0.06	
Strides Pharma Limited (Formerly known as Linkace Ltd)		-	5.29	4.65	-	-	5.29	4.65	-	5.29	4.65	
Strides Vital Nigeria Ltd	0.23	0.15	0.39	7.93	2.50	10.58	0.62	10.58	-	0.62	10.58	
Strides Technology & Research Pvt Ltd		-		0.10	-	0.10	-	0.10	-	-	0.10	
Strides Farmaceutica Participacoes LTDA	0.02	0.00	16.30	28.70	-	28.70	16.32	28.70	-	16.32	28.70	
Strides Pharma (Cyprus) Limited		-	10.70	23.04	-	23.04	10.70	23.04	-	10.70	23.04	
Strides Specialties (Cyprus) Limited / Strides Pharma International Limited		-	0.32	0.04	-	0.04	0.32	0.04	-	0.32	0.04	
Strides Specialties (Holdings) Cuprus Limited		-	0.46	0.03	-	0.03	0.46	0.03	-	0.46	0.03	
Strides Specialties (Holdings) Limited, Mauritius		-	0.17	0.00	-	0.00	0.17	0.00	-	0.17	0.00	
Ascent Pharmahealth Asia (Malaysia) SDN BHD			2.44				2.44			2.44		
Agila Specialties (Malaysia) SDN BHD			0.00				0.00			0.00		
Agila Especialidades Farmaceuticas Ltda	0		1.19				1.24			1.24		
Agila Marketing E Distribuicao De Produtos Hospitalares Ltda	0.04		9.18				9.22		100.42	109.64		
<b>Total</b>	<b>4.85</b>	<b>4.59</b>	<b>2,046.43</b>	<b>2,768.32</b>	<b>71.43</b>	<b>478.79</b>	<b>2,122.70</b>	<b>3,251.70</b>	<b>474.54</b>	<b>2,597.25</b>	<b>142.81</b>	<b>3,394.51</b>

# Auditors' Report

## AUDITORS' REPORT TO THE MEMBERS OF STRIDES ARCOLAB LIMITED

1. We have audited the attached Balance Sheet of **STRIDES ARCOLAB LIMITED** (the "Company") as at December 31, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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 auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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. The Company has early adopted Accounting Standard (AS) 30 'Financial Instruments: Recognition and Measurement', AS 31 'Financial Instruments: Presentation' and AS 32 'Financial Instruments: Disclosure', to the extent such standards do not conflict with the standards notified under section 211(3C) of the Companies Act. Pursuant to the above, the Foreign Currency Convertible Bonds (FCCBs or Bonds) issued by the Company have been segregated into two components comprising (a) option component which represents the value of the conversion option given to the FCCB-holders to convert the bonds into equity shares of the Company and (b) debt component which represents the debt to be redeemed in the absence of conversion option being exercised by FCCB-holder, net of issuance costs. The debt component has been recognised and measured at amortised cost and the fair value of the option component has been determined using a valuation model and a credit of ₹ 188.85 Million has been recognised in the Profit & Loss Account for the year ended December 31, 2011, being the change in the fair value of embedded option during the year.
4. We draw attention to Note B 5 of Schedule P regarding the accounting for the Scheme of Arrangement (the "Scheme") between the Company, some of its subsidiaries and their respective shareholders under section 391 to 394 and the other provisions of the Companies Act, 1956, which has been approved by the Hon'ble High Court of Bombay. In accordance with the Scheme:
  - (a) Investments in a subsidiary has been fair valued in prior years and the resultant surplus over the previously carried book values, amounting to ₹ 5,856.20 Million, has been credited to Reserve for Business Restructure instead of such assets being recorded at historical costs as required by Accounting Standard 13 'Accounting for investments'.
  - (b) Certain expenses (net) amounting to ₹ 480.79 Million has been debited to the Reserve for Business Restructure, instead of being charged to the Profit and Loss Account as required by Accounting Standard 5 'Net profit or Loss for the Period, Prior Period Items'.
5. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
6. Further to our comments in the Annexure referred to in paragraph 5 above, we report that:
  - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) subject to our comments in paragraph 4 above and read with our comments in paragraph 3 above, in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and read with our comments in paragraph 4 above, give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2011;
    - (b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
    - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.



## Auditors' Report

7. On the basis of the written representations received from the Directors as on December 31, 2011 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on December 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
Registration No.0080725

V. BALAJI  
Partner  
Membership No.203685

Mumbai,  
February 27, 2012

## Annexure to the Auditors' Report

(Referred to in paragraph 5 of our report of even date)

- (i) Having regard to the nature of the Company's business / activities / result, clauses iii (b) to (d), (f) and (g), vi, xii, xiii, xiv, xix & xx of CARO are not applicable.
- (ii) In respect of its fixed assets:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
- (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
- (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 were 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 explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
- (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
- (b) In our opinion and having regard to our comments in paragraph (v) above, with regard to purchases of certain items of inventory which are of a specialised nature for which comparative quotes are not available, transactions made in pursuance of such contracts or arrangements, in excess of ₹ 5 Lakhs in respect of any party, have been made at prices which are, prima facie, reasonable having regard to the prevailing market prices at the relevant time.



- (vii) In our opinion, the Company has an internal audit system which is commensurate with the size and nature of its business.
- (viii) 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 Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (ix) According to the information and explanations given to us in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed dues, including Investor Education and Protection Fund, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities except in the case of Provident Fund and Employees' State Insurance dues, where there have been delays.
- (b) There were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at December 31, 2011 for a period of more than six months from the date they became payable except Employees State Insurance dues amounting to ₹ 189,478. These dues have been remitted in January 2012.
- (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on December 31, 2011 on account of disputes are given below:

Name of statute	Nature of the dues	Amount (₹ In Million)	Period to which the amount relates	Forum where dispute is pending
The Income - tax Act, 1961	Income Tax	109.76	AY 2007-08	Income Tax Appellate Tribunal
The Income - tax Act, 1961	Income Tax	598.70	AY 2008-09	Dispute Resolution Panel
The Karnataka Value Added Tax Act, 2003	Sales Tax	1.29	FY 2006-07	Deputy Commissioner of Commercial Taxes
The Central Excise Act, 1944	Excise duty	3.86	August 2005	Customs and Excise Service Tax Appellate Tribunal

- (x) The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses during the year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and financial institutions during the year.
- (xii) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by wholly owned subsidiary companies from banks and financial institutions, are not prima facie prejudicial to the interests of the Company.
- (xiii) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.
- (xiv) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- (xv) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xvi) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For DELOITTE HASKINS & SELLS

Chartered Accountants  
Registration No.008072S

V. BALAJI  
Partner

Membership No.203685

Mumbai,  
February 27, 2012

# Balance Sheet

as at December 31, 2011

₹ in Million

	Schedule	December 31, 2011	December 31, 2010
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' funds</b>			
a) Share capital	A	583.80	577.45
b) Employees stock options outstanding account	B	27.59	20.86
c) Reserves & surplus	C	12,980.71	13,462.74
		<b>13,592.10</b>	<b>14,061.05</b>
<b>2. Loan funds</b>	D		
a) Secured loans		8,330.17	6,461.36
b) Unsecured loans		6,067.84	5,969.34
		<b>14,398.01</b>	<b>12,430.70</b>
<b>Total</b>		<b>27,990.11</b>	<b>26,491.75</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed assets &amp; intangibles assets</b>	E		
a) Gross block		4,940.96	4,451.15
Less : Accumulated depreciation / amortization		1,701.94	1,335.63
Net block		3,239.02	3,115.52
b) Capital work-in-progress & advances		79.92	375.28
		<b>3,318.94</b>	<b>3,490.80</b>
<b>2. Investments</b>	F	<b>7,868.18</b>	<b>8,645.20</b>
<b>3. Current assets, loans and advances</b>	G		
a) Inventories		1,303.20	1,293.08
b) Sundry debtors		2,642.84	1,597.31
c) Unbilled revenues		305.62	145.28
d) Cash & bank balances		814.61	810.29
e) Loans and advances		17,046.28	14,210.23
		<b>22,112.55</b>	<b>18,056.19</b>
<b>Less: Current liabilities &amp; provisions</b>	H		
a) Current liabilities		3,159.91	2,209.61
b) Provisions		2,149.65	1,490.83
		<b>5,309.56</b>	<b>3,700.44</b>
<b>Net current assets</b>		<b>16,802.99</b>	<b>14,355.75</b>
<b>Total</b>		<b>27,990.11</b>	<b>26,491.75</b>
Accounting policies and notes on accounts	P		
The above schedules form an integral part of the financial statements.			

In terms of our report attached

**For DELOITTE HASKINS & SELLS**

Chartered Accountants

V. Balaji

Partner

Mumbai, February 27, 2012

**For and on behalf of the Board**

Arun Kumar

K.R.Ravishankar

Dr. T.S. Rangan

Badree Komandur

Bangalore, February 27, 2012

- Executive Vice Chairman & Managing Director

- Director

- Group CFO

- Company Secretary

# Profit & Loss Account

for the year ended December 31, 2011

₹ in Million

	Schedule	December 31, 2011	December 31, 2010
<b>I. INCOME</b>			
1. Sales & services (including export incentives)	I	7,211.62	5,060.97
Less : Excise Duty		48.07	14.36
		7,163.55	5,046.61
2. Other income	J	498.92	561.03
<b>Total</b>		<b>7,662.47</b>	<b>5,607.64</b>
<b>II. EXPENDITURE</b>			
1. Cost of materials, dossiers and related services	K	4,250.49	3,015.41
2. (Increase) / Decrease in stock	L	66.19	(78.54)
3. Personnel cost	M	629.78	525.51
4. Operating and other expenses	N	1,061.33	884.86
5. Finance charges (Net)	O	775.88	733.74
<b>Total</b>		<b>6,783.67</b>	<b>5,080.98</b>
<b>III. PROFIT BEFORE DEPRECIATION, AMORTISATION, EXCEPTIONAL ITEMS AND TAX</b>		<b>878.80</b>	<b>526.66</b>
6. Depreciation and amortisation	E	176.15	150.82
<b>IV. PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS</b>		<b>702.65</b>	<b>375.84</b>
7. Exchange Gain / (Loss) (net) (Refer Note B.14 Schedule 'P')		370.21	948.03
8. Reversal of Exchange Fluctuation on Restatement of Hedged Investments in earlier year (Refer Note. B.8 Schedule 'P')		-	(695.68)
9. Changes in fair value of embedded derivatives in FCCBs, Gain / (Loss) (Refer Note. B.8.1 Schedule 'P')		188.85	(15.63)
10. Profit on sale of Investment (Refer Note. B.11 & B.12 of Schedule 'P')		-	94.40
11. Provision for diminution in value of investment reversed (Refer Note B.11, Schedule 'P')		-	183.87
<b>V. PROFIT BEFORE TAX</b>		<b>1,261.71</b>	<b>890.83</b>
Less: Provision for tax - Current		192.50	155.21
- MAT Credit entitlement		(110.00)	-
<b>VI. PROFIT AFTER TAX</b>		<b>1,179.21</b>	<b>735.62</b>
Balance brought forward		1,029.80	780.60
<b>VII. PROFIT AVAILABLE FOR APPROPRIATIONS</b>		<b>2,209.01</b>	<b>1,516.22</b>
<b>VIII. APPROPRIATIONS</b>			
Dividend on equity shares (Refer Note B.24 Schedule 'P')		117.37	91.59
Tax on equity dividend		18.71	14.98
Transfer to general reserve		89.00	36.78
Reversal of Dividend and Tax on preference shares no longer payable (Refer Note B.4 Schedule 'P')		-	(148.54)
Transfer to Capital Redemption Reserve (Refer Note B.4 Schedule 'P')		-	491.61
Balance carried forward to Balance sheet		1,983.93	1,029.80
<b>IX. Total</b>		<b>2,209.01</b>	<b>1,516.22</b>
<b>X. EARNINGS PER SHARE</b>			
(Refer Note B.30 Schedule 'P')			
(Face value of ₹10 each)			
- Basic (in ₹)		20.30	15.69
- Diluted (in ₹)		20.13	11.98
Accounting policies and notes on accounts	P		
The above schedules form an integral part of the financial statements.			

In terms of our report attached

**For DELOITTE HASKINS & SELLS**

Chartered Accountants

V. Balaji

Partner

Mumbai, February 27, 2012

**For and on behalf of the Board**

Arun Kumar

- Executive Vice Chairman &amp; Managing Director

K.R.Ravishankar

- Director

Dr. T.S. Rangan

- Group CFO

Badree Komandur

- Company Secretary

Bangalore, February 27, 2012

# Cash Flow Statement

for the year ended December 31, 2011

₹ in Million

		December 31, 2011	December 31, 2010
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Profit before tax		1,261.71	890.83
Adjustments for:			
Depreciation and amortisation		176.15	150.82
Provision for doubtful debts		4.39	-
Loss on sale of assets / Assets written off		4.60	1.62
Interest Expenses		694.61	942.11
Management fees, interest received / recovered from Group Companies and others		(531.52)	(754.37)
Unrealised Exchange (Gain) / Loss (net)		(304.10)	(251.53)
Profit on Sale of Investment		-	(94.40)
Provision for diminution in value of investment reversed		-	(183.87)
Changes in fair value of embedded derivatives in FCCBs		(188.85)	15.63
<b>Operating profit before working capital changes</b>		<b>1,116.99</b>	<b>716.84</b>
Changes in working capital			
(Increase) / Decrease in Trade and other receivables		(1,222.01)	528.43
(Increase) / Decrease in Inventories		(45.66)	(376.40)
Increase / (Decrease) in Trade and other payables		889.94	(200.35)
(Increase) / Decrease in Margin money		12.64	(15.08)
<b>Net change in working capital</b>		<b>(365.09)</b>	<b>(63.40)</b>
<b>Cash generated from operations</b>		<b>751.90</b>	<b>653.44</b>
Direct taxes paid and Others (Refer Note B. 31(c) Schedule 'P')		(223.86)	(172.03)
<b>Net cash from Operating Activities</b>	A	<b>528.04</b>	<b>481.41</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets / CWIP		(232.94)	(400.04)
Investment in subsidiaries / Joint Ventures		(102.04)	(5,396.00)
Redemption of investments in preference shares		183.87	-
Change in loans and advance to Group Companies		165.29	2,285.45
Sale of fixed assets		4.93	6.42
Dividend / interest / management fees received		470.82	28.97
<b>Net cash used in Investing Activities</b>	B	<b>489.93</b>	<b>(3,475.20)</b>





₹ in Million

		December 31, 2011	December 31, 2010
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of Shares / Warrants (Net)		72.45	5,031.73
Share issue expenses		-	(108.96)
Redemption of 6% cumulative redeemable preference shares		-	(325.75)
Redemption of FCCBs		-	(2,124.86)
Proceeds from / (Repayment of) short term borrowings		(791.62)	899.02
Proceeds from long term borrowings		3,305.14	3,208.15
Repayment of long term borrowings		(2,796.08)	(2,219.16)
Dividend paid (including tax on dividend)		(100.71)	(75.86)
Interest paid on borrowings		(656.78)	(812.87)
<b>Net cash generated from Financing Activities</b>	C	<b>(967.60)</b>	<b>3,471.44</b>
<b>Net Increase / (Decrease) in cash and cash equivalents during the year</b>	(A+B+C)	<b>50.37</b>	<b>477.65</b>
Effect of exchange differences on restatement of foreign currency cash and cash equivalents		(33.41)	3.74
<b>Cash and cash equivalents at the beginning of the year</b>		<b>673.73</b>	<b>192.34</b>
Cash and cash equivalents at the end of the year		690.69	673.73
Note: Refer Note B.31, Schedule 'P' for notes on Cash Flow Statement			

In terms of our report attached

**For DELOITTE HASKINS & SELLS**

Chartered Accountants

V. Balaji

Partner

Mumbai, February 27, 2012

**For and on behalf of the Board**

Arun Kumar

K.R.Ravishankar

Dr. T.S. Rangan

Badree Komandur

Bangalore, February 27, 2012

- Executive Vice Chairman &amp; Managing Director

- Director

- Group CFO

- Company Secretary



## Schedules forming part of the Balance Sheet

<b>SCHEDULE-A</b>		₹ in Million	
	December 31, 2011	December 31, 2010	
<b>Share Capital</b>			
<b>1. Authorised</b>			
a) Equity			
89,750,000 (Previous year 89,750,000 equity shares of ₹10 each)	897.50	897.50	
b) Preference			
620,000 cumulative redeemable preference shares of ₹1,000 each	620.00	620.00	
<b>Total</b>	<b>1,517.50</b>	<b>1,517.50</b>	
<b>2. Issued, subscribed and paid-up</b>			
Equity			
58,380,171 (previous year 57,744,671) equity shares of ₹10 each fully paid	583.80	577.45	
i) 3,387,979 Equity Shares of ₹10 each were allotted for consideration other than cash consequent to amalgamation and issue of bonus shares.			
<b>Total</b>	<b>583.80</b>	<b>577.45</b>	

<b>SCHEDULE-B</b>			
<b>Employee Stock Options Outstanding</b>			
Employee Stock Options Outstanding	55.47	36.53	
(Refer Note B.9, Schedule 'P')			
Less: Deferred employee compensation expenses	27.88	15.67	
Closing Balance	27.59	20.86	

# Schedules

forming part of the Balance Sheet

SCHEDULE-C	₹ in Million	
	December 31, 2011	December 31, 2010
<b>Reserves And Surplus</b>		
<b>1. General Reserve</b>		
Opening Balance	280.80	244.02
Add: Transfer from Profit & Loss account	89.00	36.78
Closing Balance	<b>369.80</b>	<b>280.80</b>
<b>2. Capital Reserve</b>	<b>225.61</b>	<b>225.61</b>
<b>3. Capital Redemption Reserve</b>		
Opening Balance	551.61	60.00
Add: Transfer from Profit & Loss account (Refer Note B.4, Schedule 'P')	-	491.61
Closing Balance	<b>551.61</b>	<b>551.61</b>
<b>4. Securities Premium</b>		
Opening Balance	6,661.10	2,138.49
Add: Additions during the year on fresh issue of shares	78.96	5,026.63
Less: Amortisation of Premium on redemption of FCCB's and issue expenses (Refer Note B.8.1 Schedule 'P')	676.23	395.06
Less: Share issue expenses (Refer Note B.7, Schedule 'P')	-	108.96
Closing Balance	<b>6,063.83</b>	<b>6,661.10</b>
<b>5. Reserve for Business Restructure (Refer Note B.5, Schedule 'P')</b>		
Opening Balance	4,713.82	4,760.77
Less: Utilisation during the year (Net)	480.79	46.95
Closing Balance	<b>4,233.03</b>	<b>4,713.82</b>
Carried forward for further utilisation	1,784.18	2,394.00
Reserved for consolidation adjustments	2,448.85	2,319.82
Closing Balance	<b>4,233.03</b>	<b>4,713.82</b>
(Note: Out of the balance ₹ 4,233.03 Million, a sum of ₹ 2,448.85 Million has been reserved for adjustments in Consolidated Financial Statements as at December 31, 2011)		
<b>6. Hedge Reserve (Refer Note B.8.5 Schedule 'P')</b>	<b>(447.10)</b>	-
<b>7. Profit &amp; Loss Account</b>	<b>1,983.93</b>	<b>1,029.80</b>
<b>Total</b>	<b>12,980.71</b>	<b>13,462.74</b>



## Schedules forming part of the Balance Sheet

### SCHEDULE-D

₹ in Million

	December 31, 2011	December 31, 2010
<b>Loan Funds</b>		
<b>A. SECURED LOANS</b>		
1. Long term loans		
From banks	4,814.05	3,237.23
2. Short term loans		
From banks (Notes 'e' below)	2,322.89	3,224.13
From others	1,193.23	-
	3,516.12	3,224.13
<b>Total</b>	<b>8,330.17</b>	<b>6,461.36</b>

#### Notes :

- Long term loans (other than hire purchase loans) are secured by a pari passu first charge on all movable properties and the immovable properties at certain facilities of the Company, subservient charge on the current assets and fixed assets of the Company and exclusive charge on the cash flows and the asset of Onco Laboratories Limited (wholly owned subsidiary). Hire purchase loans from Banks are secured by hypothecation of assets acquired thereunder.
- Long term loans (other than hire purchase loans) due within one year ₹ 1,161 Million (Previous year ₹ 1,225.58 Million). Hire purchase loans from banks due within one year ₹ 1.10 Million (Previous year ₹ 1.58 Million).
- Short term loans from banks are working capital loans, which are secured by a pari passu first charge on the Company's immovable property located at Navi Mumbai and the current assets of the Company and by a pari passu second charge of certain other immovable properties.
- Some of the above loans amounting to ₹ 6,049.25 Million (Previous year ₹ 3,375 Million) are guaranteed by some of the Directors of the Company in their personal capacities.
- Short term loans from Banks includes Bills discounted with various Banks for ₹ 1,130.70 Million (Previous year ₹ 480.35 Million). These loans are secured by the underlying receivables.
- During the current year, the Company has borrowed term loan from Housing Development Finance Corporation (HDFC) and The Ratnakar Bank Limited to the extent of ₹ 1,250 Million and ₹ 500 Million respectively. As at balance sheet date, the Company was in the process of creating charges in favour of HDFC and The Ratnakar Bank Limited.

### B. UNSECURED LOANS

1. Long term loans		
a) Foreign currency convertible bonds (FCCB's) (Refer Note B.8.1, Schedule 'P')		
- Debt Portion of FCCB's	5,854.24	4,381.89
- Fair value of embedded derivatives in FCCB's	2.09	190.95
b) From subsidiaries	-	681.52
	5,856.33	5,254.36
2. Short term loans		
a) From banks	111.51	514.98
b) From others	100.00	200.00
	211.51	714.98
<b>Total</b>	<b>6,067.84</b>	<b>5,969.34</b>

#### Notes :

Refer Note B.3, Schedule 'P', for dates and other terms of redemption of FCCB's. Other long term loans due within one year is ₹ Nil (Previous year ₹ 480 Million).

# Schedules

forming part of the Balance Sheet

SI No		Particulars	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK			
			As on Jan 01, 2011	Additions During the year	Deletions During the year	As on December 31, 2011	Upto December 31, 2010	For the Year	Withdrawn on Deletions / Adjustments	Upto December 31, 2011	As on December 31, 2011	As on December 31, 2010		
		Tangible Assets												
1		Freehold Land	770.40	0.03	-	770.43	-	-	-	-	-	-	770.43	770.40
2		Leasehold Land	48.13	-	-	48.13	-	-	-	-	-	-	48.13	48.13
3		Building	525.86	63.71	-	589.57	122.87	43.39	-	166.26	-	-	423.31	402.99
4		Furniture & Fixtures	87.75	4.77	0.90	91.62	32.52	6.06	0.89	37.69	0.89	-	53.93	54.86
5		Office Equipment & Computers	76.33	6.27	1.77	80.83	37.92	11.58	0.48	49.02	0.48	-	31.81	38.41
6		Plant & Machinery	1,621.12	386.91	9.28	1,998.75	817.59	164.09	3.50	978.18	3.50	-	1,020.57	803.52
7		Motor Vehicles	24.63	2.52	4.05	23.10	8.89	9.60	1.57	16.92	1.57	-	6.18	15.75
		Intangible Assets												
8		Registration & Brands	1,190.71	-	-	1,190.71	265.28	117.59	-	382.87	-	-	807.84	925.43
9		Software Licenses	106.22	41.60	-	147.82	50.56	20.47	0.03	71.00	0.03	-	76.82	55.66
		<b>TOTAL</b>	<b>4,451.15</b>	<b>505.81</b>	<b>16.00</b>	<b>4,940.96</b>	<b>1,335.63</b>	<b>372.78</b>	<b>6.47</b>	<b>1,701.94</b>	<b>6.47</b>	<b>-</b>	<b>3,239.02</b>	<b>3,115.15</b>
		Previous Year	4,285.31	175.15	9.31	4,451.15	1,016.38	320.88	1.26	1,336.00	1.26	-	3,115.15	3,268.93
		Capital work in progress at cost and advance payments against capital expenditure											79.92	375.28
		<b>Total</b>											<b>3,318.94</b>	<b>3,490.43</b>

## SCHEDULE-E

### Fixed Assets & Intangible Assets

Notes :

- Buildings include buildings on leasehold land ₹ 97.86 Million (Previous year ₹ 96.51 Million).
- Motor Vehicles include Vehicles purchased under Hire purchase schemes amounting to ₹ 5.45 Million (Previous year ₹ 18.83 Million).
- Additions / Capital work in progress includes interest on borrowings ₹ 6.13 Million (Previous year ₹ 12.46 Million).
- Depreciation / amortisation considered in the Profit and Loss Account is net of (i) ₹ 170.04 Million (Previous year ₹ 170.06 Million), being depreciation / amortisation of Brands and other assets fair valued under the Scheme, (ii) impairment of fixed assets ₹ 26.59 Million (Previous year ₹ Nil), which are permitted to be debited to Reserve for Business Restructure.



## Schedules forming part of the Balance Sheet

### SCHEDULE-F

₹ in Million

	Face Value	December 31, 2011		December 31, 2010		
		Nos	Value	Nos	Value	
<b>Investments (Unquoted)</b>						
<b>Long term investments</b>						
<b>Trade investments</b>						
<b>Subsidiaries</b>						
i) Agila Specialties Private Limited (Refer Note B.5, Schedule 'P')	Equity	₹ Total	15,100,000	6,982.20	15,100,000	6,982.20
ii) Onco Therapies Limited (Refer Note B.10, Schedule 'P')	Equity	₹10/-	-	-	543,687	228.36
iii) Onco Therapies Limited (Refer Note B.10, Schedule 'P') (Partly paidup Equity Shares)	Equity	₹10/-	-	-	683,468	364.74
iv) Arcolab SA, Switzerland	Equity	SFR 1000	1,000	45.00	1,000	45.00
v) Strides Africa Ltd, British Virgin Islands	Equity	US\$ 1/-	4,522,911	198.68	4,522,911	198.68
vi) Strides Arcolab International Ltd, UK	Equity	GBP 1/-	1,000,000	78.38	1,000,000	78.38
vii) Agila Specialties Private Limited	0.1% Redeemable Preference shares	₹100/-	200,000	200.00	200,000	200.00
viii) Strides Inc, USA (Refer Note B.11, Schedule 'P')	6% Redeemable Preference shares	US\$ 1/-	-	-	4,010,883	183.87
ix) Agila Specialties Limited (formerly Starsmore Limited)	Equity	EUR 1	3,500	408.87	3,500	408.87
x) Strides Technology & Research Pvt.Ltd	Equity	₹10/-	-	-	10,000	0.10
xi) Strides Pharma International Limited (Refer Note 4 below) (formerly Strides Specialty Cyprus Limited)	Equity	US\$ 1/-	1,000	0.05	-	-
			-	<b>7,913.18</b>	-	<b>8,690.20</b>
<b>Less :</b>						
<b>Diminution in value of Investments</b>						
i) Arcolab SA, Switzerland	Equity	SFR 1000	-	45.00	-	45.00
				<b>45.00</b>		<b>45.00</b>
<b>Total</b>				<b>7,868.18</b>		<b>8,645.20</b>
Aggregate value of unquoted investments				<b>7,868.18</b>		<b>8,645.20</b>



## Schedules forming part of the Balance Sheet

	Nos	Cost	Sale Value	Profit / (Loss) on Sale
Additions during the year :				
i) Strides Pharma International Limited Equity (formerly Strides Specialty Cyprus Limited)	1,000	0.05		
ii) Onco Therapies Limited (Refer Note B.10, Schedule 'P') Equity	1,179,032	1,649.04		
iii) Onco Therapies Limited Equity	683,468	101.99		
Deletion during the year :				
i) Onco Therapies Limited (Refer Note B.10, Schedule 'P') Equity	3,089,655	2,344.13	2,344.13	-
ii) Strides Inc, USA (Refer Note 2 below) 6% Redeemable Preference	4,010,883	183.87	183.87	Not Applicable
iii) Strides Technology & Research Pvt.Ltd (Refer Note 3 below) Equity	10,000	0.10		Not Applicable

**Note:**

- All the investments in shares are fully paid other than to the extent indicated in the above.
- Preference shares of Strides Inc, USA were redeemed during the year.
- Investment in Strides Technology & Research Pvt. Ltd. has been written off during year since a winding up petition has been filed for this Company.
- In the current year, the Company has purchased investments in Strides Pharma International Limited (formerly Strides Specialty Cyprus Limited) from Strides Specialties (Holdings) Cyprus Limited, Cyprus, a step subsidiary of the Company.



## Schedules forming part of the Balance Sheet

SCHEDULE-G	₹ in Million	
	December 31, 2011	December 31, 2010
<b>Current Assets, Loans &amp; Advances</b>		
<b>A. Current assets</b>		
1. Inventories		
a) Raw materials and packing materials	964.38	888.07
b) Work-in-process	153.22	160.99
c) Finished goods	185.60	244.02
<b>Total</b>	<b>1,303.20</b>	<b>1,293.08</b>
2. Sundry Debtors (unsecured)		
a) More than Six months		
- Considered Good	280.15	178.33
- Considered Doubtful	30.94	26.55
b) Others		
- Considered Good	2,362.69	1,418.98
	2,673.78	1,623.86
Less : Provision for Doubtful Debts	30.94	26.55
<b>Total</b>	<b>2,642.84</b>	<b>1,597.31</b>
3. Unbilled Revenues	<b>305.62</b>	<b>145.28</b>
4. Cash and bank balances		
a) Cash in hand	0.81	1.50
b) Balance with scheduled banks	-	-
i) In current account	635.88	637.58
ii) In margin money account	123.92	136.56
iii) In fixed deposit account	54.00	20.13
iv) Cash In Transit	-	14.52
<b>Total</b>	<b>814.61</b>	<b>810.29</b>
<b>B. Loans and advances</b> (unsecured, considered good)		
a) Advance recoverable in cash or in kind or for value to be received	271.32	306.43
b) MAT credit availed	124.00	14.00
c) Advance income tax and tax deducted at source	710.34	520.92
d) Deposits with and dues from Government departments	194.40	133.71
e) Deposits with others	51.70	51.37
f) Advances and loans to subsidiaries	11,699.26	1,979.29
g) Advances towards Purchase of Shares (Refer Note B.10, Schedule 'P')	-	1,649.04
h) Advance towards Share Application money	3,995.26	9,555.47
<b>Total</b>	<b>17,046.28</b>	<b>14,210.23</b>
<b>Total</b>	<b>22,112.55</b>	<b>18,056.19</b>



# Schedules

forming part of the Balance Sheet

<b>SCHEDULE-H</b>		₹ in Million	
	December 31, 2011	December 31, 2010	
<b>Current Liabilities And Provisions</b>			
<b>A. Current liabilities</b>			
a) Sundry Creditors			
- Dues to Micro / Small Enterprises (Refer Note B.26, Schedule 'P')	17.03		13.67
- Due to Others	2,744.48		1,869.15
b) Unclaimed dividend	2.41		2.12
c) Interest accrued but not due	67.12		21.73
d) Other Liabilities	72.36		38.44
e) Advances received from customers	256.51		264.50
<b>Total</b>	<b>3,159.91</b>		<b>2,209.61</b>
<b>B. Provisions</b>			
a) Leave salary	66.70		62.37
b) Income taxes including FBT	913.80		721.28
c) Gratuity	41.82		29.97
d) Proposed equity dividend	116.95		86.62
e) Tax on proposed equity dividend	18.98		14.39
f) Provision for MTM losses on Forward Exchange Contracts (Refer Note B.8.5, Schedule 'P')	447.10		-
g) Deferred Employee Compensation	544.30		576.20
<b>Total</b>	<b>2,149.65</b>		<b>1,490.83</b>
<b>Total</b>	<b>5,309.56</b>		<b>3,700.07</b>



## Schedules forming part of the Profit & Loss account

### SCHEDULE-I

₹ in Million

	For the year ended December 31, 2011	For the year ended December 31, 2010
<b>Sales &amp; Services</b>		
a) Sale of products [including sale of traded goods ₹1,469.34 Million (Previous year ₹1,063.70 Million)]	6,370.64	4,314.15
b) Development Income	447.59	609.68
c) Contract manufacturing services	44.49	32.43
d) Export licences & incentives (Net)	68.43	6.79
e) Finder's fees	280.47	-
f) Share of Profit on sale of product	-	97.92
<b>Total</b>	<b>7,211.62</b>	<b>5,060.97</b>

### SCHEDULE-J

#### Other Income

Other Income (Refer Note B.29, Schedule 'P')	498.92	561.03
<b>Total</b>	<b>498.92</b>	<b>561.03</b>

### SCHEDULE-K

#### Materials Consumed

Raw materials, packing materials & Consumables		
Opening stock	888.07	628.56
Add: Purchases [including purchase of traded goods ₹ 1,072.11 Million (Previous year ₹ 646.06 Million)]	4,326.80	3,274.92
Less: Closing stock	964.38	888.07
<b>Total</b>	<b>4,250.49</b>	<b>3,015.41</b>

### SCHEDULE-L

#### (Increase) / Decrease In Stock

i) Opening stock		
Work in process	160.99	87.79
Finished goods	244.02	238.68
	<b>405.01</b>	<b>326.47</b>
ii) Closing stock		
Work in process	153.22	160.99
Finished goods	185.60	244.02
	<b>338.82</b>	<b>405.01</b>
<b>Total</b>	<b>66.19</b>	<b>(78.54)</b>

### SCHEDULE-M

#### Personnel Cost (Refer Note B.20.6, Schedule 'P')

Salaries, wages and allowances	553.75	456.70
Contribution to provident and other funds	41.52	35.79
Staff welfare expenses	34.51	33.02
<b>Total</b>	<b>629.78</b>	<b>525.51</b>

## Schedules forming part of the Profit & Loss account

<b>SCHEDULE-N</b>		₹ in Million	
	For the year ended December 31, 2011	For the year ended December 31, 2010	
<b>Operating And Other Expenses</b> (Refer Note B.20.6, Schedule 'P')			
Power, fuel & water	100.12	87.98	
Consumables	68.55	59.91	
Conversion & Processing charges	38.16	34.20	
Freight & forwarding	243.34	223.48	
Rent	37.14	43.73	
Rates & taxes	15.97	12.24	
Communication charges	12.39	9.89	
Repairs & maintenance			
- Buildings	6.18	4.83	
- Machinery	26.55	26.29	
- Others	18.48	20.38	
Insurance	13.49	15.20	
Travelling & conveyance	105.08	87.52	
Advertisement & Selling expenses	80.98	58.86	
Commission on sales	80.14	61.37	
Legal & Professional fees (Refer Note B.22, Schedule 'P')	68.09	51.76	
Bad Debt Written off	31.40	3.61	
Provision for Doubtful Debts	4.39	-	
Other expenses	49.30	33.52	
Loss on sale of assets	2.47	0.08	
Assets writtenoff	2.13	1.54	
Market Support Services	-	13.41	
Bio Study Expense	26.69	-	
Exchange fluctuation Loss (Net)	30.29	35.06	
<b>Total</b>	<b>1,061.33</b>	<b>884.86</b>	

<b>SCHEDULE-O</b>			
<b>Finance Charges</b> (Refer Note B.20.5, Schedule 'P')			
Bank charges & commission	150.64	94.19	
Interest on working capital & other facilities	139.43	168.22	
Amortised Interest on Fixed loans and Foreign Currency Convertible Bonds	555.18	773.89	
	<b>845.25</b>	<b>1,036.30</b>	
Less: Recovery of Interest from Subsidiary	39.35	258.97	
Less: Interest income from Subsidiaries	10.22	9.88	
Less : Interest received [Gross of TDS ₹ 0.52 Million (Previous year ₹ 2.40 Million)]	19.80	33.71	
	<b>69.37</b>	<b>302.56</b>	
<b>Total</b>	<b>775.88</b>	<b>733.74</b>	

# Notes on Accounts and accounting policies

## SCHEDULE-P

Strides Arcolab Limited (Strides) is a global pharmaceutical company headquartered in Bangalore, India and listed on the Bombay Stock Exchange Limited (532531) and National Stock Exchange of India Limited (STAR),

Strides develops and manufactures a wide range of IP-led niche pharmaceutical products. The Company has 13 manufacturing facilities across 5 countries with presence in more than 75 countries in developed and emerging markets.

### Section A:

#### Significant Accounting Policies

##### 1. Basis for preparation of financial statements

(a) The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention except for certain financial & other assets and liabilities which are measured on fair value basis as permitted by:

- (i) the Scheme of Arrangement approved by the Honorable High Courts of Judicature (the 'Scheme') or,
- (ii) Accounting Standard (AS) 30: Financial Instruments: 'Recognition and Measurement' read with AS 31 Financial Instruments: 'Presentation' and AS 32 Financial Instruments: 'Disclosure', to the extent such standards do not conflict with other standards notified under section 211(3C) of the Companies Act, 1956.

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

(b) In terms of a Business Transfer Agreement (BTA) with Agila Specialties Private Limited (ASPL), formerly known as Strides Specialties Private Limited, a wholly owned subsidiary of the Company, the Specialties Business of the Company was transferred to ASPL with effect from December 30, 2009. As per the BTA, until completion of all formalities and regulatory approvals, the Company was required to continue to carry on the Specialties Business in Trust and on behalf of ASPL. All required regulatory approvals for such transfer were received in the month of February 2011. The financial statements do not include the transactions pertaining to ASPL.

##### 2. Revenue

2.1 Revenue from export sales is recognised on the basis of the shipping bills for exports. Revenue from domestic sales is recognised based on the passage of title to goods which generally coincides with dispatch. Sales include excise duty and are stated net of discounts, other taxes, and sales returns.

##### 2.2 Revenue from development services:

- (a) In respect of contracts which require development on end to end basis, revenue is recognised based on technical estimates of the stage of work.
- (b) In respect of other development contracts, revenue is recognised on the basis of the performance milestones provided in the contract.

2.3 Revenue from contract manufacturing is recognised based on the services rendered in accordance with the terms of the contract.

2.4 Export incentives are accrued for based on fulfillment of eligibility criteria for availing the incentives and when there is no uncertainty in receiving the same. These incentives include estimated realisable values / benefits from special import licenses and benefits under Duty Entitlement Pass Book Schemes, Focus Market Schemes, and Market-Linked Focus Product Schemes wherever applicable.

2.5 Dividends are recognised whenever the right to receive dividends is established.

2.6 Interest and other income is recognised on accrual basis

## Notes on Accounts and accounting policies

### 3. Fixed Assets

Fixed assets, except to the extent permitted to be fair valued under the Scheme are carried at cost less accumulated depreciation and impairment losses, if any. The cost of fixed assets includes interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use and other incidental expenses incurred up to that date. Subsequent expenditure relating to fixed assets are capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Fixed asset acquired in full or part exchange for another asset / security is recorded at the fair market value or the net book value of the asset given up, adjusted for any balancing cash consideration. Fair market value is determined either for the asset acquired or asset given up / security given up / issued, whichever is more clearly evident

The Company fair valued land and machineries upon the Scheme becoming effective (December 31, 2009) and such assets are carried at the fair value less accumulated depreciation and impairment losses, if any.

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

In-house product development costs are capitalised in accordance with Paragraph 8 below.

#### Capital work-in-progress

Projects under which assets are not ready for its intended use and other Capital Work-in-Progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

### 4. Impairment of Assets

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

### 5. Depreciation / Amortisation

The following assets are depreciated / amortised over the useful lives under the straight line method.

Dies and Punches	:	4 years
Registrations and Brands	:	5 to 10 years
Software Licenses	:	5 years

In respect of all other assets, depreciation is provided under the straight-line method at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956, based on technical estimates that indicate the useful lives would be comparable with or higher than those arrived at using these rates.

With respect to assets carried at fair value cost as permitted under the Scheme, depreciation / amortisation is recorded under the straight line method over the balance useful life of the respective assets.

Individual assets costing less than ₹ 5,000 are depreciated in full in the year of purchase.

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

## Notes on Accounts and accounting policies

### 6. Inventories

Inventories comprise raw materials, packing materials, consumables, work in process and finished goods. These are valued at the lower of cost and net realisable value after providing for obsolescence and other losses, where considered necessary. Cost is determined as follows:

Raw materials, packing materials and consumables	weighted average basis
Work in process	at material cost and an appropriate share of production overheads
Finished Goods	material cost and an appropriate share of production overheads and excise duty, wherever applicable

### 7. Employee benefits

Employee benefits include provident fund, superannuation fund, gratuity fund and compensated absences.

#### Defined contribution plans

The Company's contribution to Provident Fund are considered defined contribution plans and are charged as an expense as they fall due based on the amount of contribution required to be made.

#### Defined benefit plans

Liability for gratuity is funded with SBI Life Insurance Company Limited. Gratuity expenses for the year are accounted based on actuarial valuation carried out as at the end of the fiscal year using the Projected Unit Credit method. Actuarial gains and losses are recognised in the Profit and Loss account in the period in which they occur. Past service cost is recognised immediately to the extent that the benefit. The retirement obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of the scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

#### Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employees render the services. These benefits include performance incentives and compensated absences which are expected to occur within the twelve months after the end of the period in which the employee renders the related services. The cost of such compensated absences are accounted as under:

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non - accumulating compensated absences, when the absences occur.

#### Long term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of the plan assets out of which the obligations are expected to be settled.

The Company has introduced Long Term Employee Compensation Plan under which certain employees are eligible for retention and performance linked payouts. These payouts are accrued as and when services are rendered and or when the specific performance criteria are met.

### 8. Research & Development Expenditure

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Profit and Loss account / Reserve for Business Restructure unless a product's technological feasibility and commercial viability has been established, in which case such expenditure is capitalised. The amount capitalised comprises expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for Fixed Assets.

### 9. Foreign currency transactions and translations

#### Initial recognition

Transactions in foreign currencies by the Company and its integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

# Notes on Accounts and accounting policies

## Measurement of foreign currency monetary items at the balance sheet date

Foreign currency monetary items (other than derivative contracts) of the Company and its net investment in non-integral foreign operations outstanding at the balance sheet date are restated at year end rates.

In the case of integral operations, assets and liabilities (other than non-monetary items), are translated at the exchange rate prevailing on the balance sheet date. Non-monetary items are carried at historical cost. Revenue and expenses are translated at yearly average exchange rates prevailing during the year. Exchange differences arising out of these translations are charged to the Profit and Loss account.

## Treatment of exchange differences

Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the Company and its integral foreign operations are recognised as income or expense in the Profit and Loss account. The exchange differences on restatement / settlement of loans to non-integral foreign operations that are considered as net investment in such operations are accumulated in a "Foreign currency translation reserve", until disposal / recovery of the net investment.

## Accounting of forward contracts

Premium / discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts, if such contracts relate to monetary items as at the Balance sheet date. Refer Notes 19 and 20 in this Section for accounting for forward exchange contracts relating to firm commitments and highly probable forecast transactions.

## 10. Investments

- (a) Current investments are carried at lower of cost and fair market value.
- (b) Long-term investments are valued at cost (except for investments which are recorded at fair value as per the Scheme) less impairment considered to be other than temporary.
- (c) Cost of investments include acquisition charges such as brokerage, fees and duties.

## 11. Leases

Where the Company as a lessor leases assets under finance leases, such amounts are recognised as receivables at an amount equal to the net investment in the lease and the finance income is based on a constant rate of return on the outstanding net investment.

Assets leased by the Company in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vests with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Profit and Loss account on a straight-line basis

## 12. Financial Assets, Financial Liabilities, Financial Instruments, Derivatives and Hedge Accounting

- (a) The Company classifies its financial assets into the following categories: financial instruments at fair value through profit and loss, loans and receivables, held to maturity investments and available for sale financial assets.

Financial assets of the Company mainly include cash and bank balances, sundry debtors, loans and advances and derivative financial instruments with a positive fair value.

Financial liabilities of the Company mainly comprise secured and unsecured loans, sundry creditors, accrued expenses and derivative financial instruments with a negative fair value.

Financial assets / liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when all of risks and rewards of the ownership have been transferred. The transfer of risks and rewards is evaluated by comparing the exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred assets.

Available for sale financial assets (not covered under the notified Accounting Standards) are carried at fair value, with changes in fair value being recognised in Equity, unless they are designated in a fair value hedge relationship, where such

## Notes on Accounts and accounting policies

changes are recognised in the Profit and Loss Account. Loans and receivables, considered not to be in the nature of short-term receivables, are discounted to their present value. Short-term receivables with no stated interest rates are measured at original invoice amount, if the effect of discounting is immaterial. Non-interest-bearing deposits, meeting the criteria of financial asset, are discounted to their present value.

Financial liabilities held for trading and liabilities designated at fair value, are carried at fair value through profit and loss.

Other financial liabilities are carried at amortised cost using the effective interest method. The Company measures the short-term payables with no stated rate of interest at original invoice amount, if the effect of discounting is immaterial.

Financial liabilities are derecognised when extinguished.

### (b) Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial markets pricing models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value.

### 13. Employee Stock Option Schemes

The Company has formulated Employee Stock Option Schemes (ESOS) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Schemes provides for grant of options to employees of the Company and its subsidiaries to acquire equity shares of the Company that vest in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines, the excess, if any, of the closing market price on the day prior to the grant of the options under ESOS over the exercise price is amortised on a straight line basis over the vesting period in the Profit and Loss account /Reserve for Business Restructure.

Options with cash settlement features are fair valued at the time of the grant and at each reporting date. Changes in the fair value of the options at each reporting date are recognized in the Profit and Loss Account.

### 14. Income Tax

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

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

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

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

### 15. Deferred Revenue Expenditure

The Company operates in an environment which requires the manufacturing facilities to be approved by industry regulators in certain territories prior to manufacture and sale of products in such territories. If the interval between the date the facility is ready to commence commercial production and the date at which commercial production is expected to commence is prolonged, all expenses incurred during this period are treated as deferred revenue expenditure and amortised over a period not exceeding 3 years from the date of receipt of approvals.



## Notes on Accounts and accounting policies

### 16. Use of estimates

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

Examples of such estimates include the useful life of fixed assets (including intangible assets), provision for doubtful debts / advances, provision for employee benefits, deferred employee compensations, allowances for slow-moving / non-moving inventory, provision for tax, estimate of percentage of completion of work under contracts for development services and sale of dossiers.

### 17. Provisions and Contingencies

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

### 18. Earnings per share

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

### 19. Hedge accounting

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in Accounting Standard 30 Financial Instruments: Recognition and Measurement. These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognised directly in "Hedge reserve account" under Reserves and surplus, net of applicable deferred income taxes and the ineffective portion is recognised immediately in the Profit and Loss account. Amounts accumulated in the Hedge reserve account are reclassified to the Profit and Loss account in the same periods during which the forecasted transaction affects profit and loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in Hedge reserve account is retained until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in Hedge reserve account is immediately transferred to the Profit and Loss account.

### 20. Derivative contracts

The Company enters into derivative contracts in the nature of full currency swaps, currency options, forward contracts with an intention to hedge its existing assets and liabilities, firm commitments and highly probable transactions. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the accounting policy stated for Foreign currency transactions and translations.

Derivative contracts designated as a hedging instrument for highly probable forecast transactions are accounted as per the policy stated for Hedge accounting.

All other derivative contracts are marked-to-market and losses are recognised in the Profit and Loss account. Gains arising on the same are not recognised on grounds of prudence.



# Notes on Accounts and accounting policies

## Section B: Notes On Accounts

### 1. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) is ₹ 88.63 Million (Previous year ₹ 168.45 Million).

### 2. Contingent Liabilities

2.1 As at December 31, 2011, the Company has given corporate guarantees upto ₹ 4,572.94 Million (Previous year ₹ 3,516.27 Million) to financial institutions and other parties, on behalf of its subsidiaries. At December 31, 2011, the subsidiaries had availed facilities from such financial institutions / were obligated to the parties referred above for an aggregate amount of ₹ 3,672.54 Million (Previous year ₹ 3,143.66 Million). The Company's fixed assets (paripassu second charge) and certain investments in the respective subsidiaries have been offered as security in respect of some of these facilities.

2.2 As at December 31, 2011, the Company has disputed tax liabilities arising from assessment proceedings relating to earlier years from the income tax authorities amounting to ₹ 741.27 Million (Previous year ₹ Nil)

2.3 The Company preferred appeal with the CESTAT against the order of the Commissioner of Central Excise for disallowing transfer of CENVAT credit of ₹ 3.86 Million (Previous year ₹ 3.86 Million) as on the date of conversion of one of the units of the Company into a 100% EOU.

### 3. Foreign currency convertible bonds

(a) During the accounting year ending December 31, 2007, the Company had issued Foreign Currency Convertible Bonds (FCCB), listed in the Singapore Stock Exchange, amounting to USD 100 Million (₹ 4,070 Million) (FCCB 100 Million) on June 26, 2007. These bonds carry zero coupon and are to be redeemed on June 27, 2012 (unless converted into Equity Shares) at 145.058 per cent of the Principal amount.

The bonds may be redeemed in whole, but not in part at the option of the Company at any time on or after July 18, 2010 and on and prior to June 20, 2012 with a redemption premium of 7.575 per cent (which is identical to the gross yield in case of redemption at maturity) calculated on a semi-annual basis. Any tax cost that may arise on the bond-holder on redemption is determinable on redemption and would need to be absorbed by the Company.

The Bonds are convertible at any time on or after August 6, 2007 and up to the close of business on June 20, 2012 by the holders of the Bonds into shares at the option of the Bondholder, at an initial conversion price of ₹ 461.553 per share with a fixed rate of exchange of ₹ 40.70 per USD on conversion. The bonds are listed on Singapore Exchange Securities Trading Limited, Singapore.

As permitted by the Reserve Bank of India (RBI), during the year 2009, the Company bought back FCCB's with a face value aggregating to USD 20 Million from the outstanding bonds issued under FCCB 100 Million, at a discount.

As at December 31, 2011, none of the outstanding bonds had been offered for conversion.

(b) The Company had issued FCCB's (listed in the Singapore Exchange Securities Trading Limited, Singapore) to the extent of USD 40 Million (FCCB 40 Million) during the year ended December 31, 2005. In the year 2009, as permitted by RBI, the Company had bought back FCCB's with a face value aggregating to USD 6 Million out of the FCCB's face value of USD 40 Million. In the year 2010, as per the term and conditions agreed with the holders of FCCB 40 Million, the Company had redeemed the balance outstanding FCCB's aggregating to USD 34 Million. The Company had paid in total USD 46.51 Million (₹ 2,062.50 Million) including USD 12.51 Million towards redemption premium. An amount of ₹ 61.60 Million paid towards withholding taxes on redemption premium had been debited to Securities Premium Account in 2010.

### 4. Cumulative Redeemable Preference Shares

In May 2005, the Company had issued 491,606 6% Cumulative Redeemable Preference Shares (CRPS) of ₹ 1,000 each fully paid to K V Pharmaceuticals, USA ('KV Pharma') (approximately USD 10.95 Million). The Preference shares were redeemable at par along with accrued unpaid dividend on or before December 31, 2012.

The Company, Strides Inc. (a step-subsiary of the Company) and KV Pharma had also entered into a License and Supply agreement ('LSA') pursuant to which the Company and Strides Inc. had agreed to undertake certain development work for developing certain pharmaceutical products, subject to certain terms and conditions mentioned in LSA. In March 2009 due to certain adverse developments at KV Pharma, the Company terminated the said LSA. KV Pharma had approached the International Court of Arbitration disputing the termination of the LSA.

## Notes on Accounts and accounting policies

In the year 2010, pursuant to a negotiation for an out of court settlement, the Company had entered into a Settlement Agreement & Release (Settlement Agreement) with KV Pharma. In accordance with the Settlement Agreement, the rights and obligations of all parties under the LSA and those arising out of the subscription to the CRPS were settled on a net basis. Pursuant to the Settlement Agreement, the Company had paid out KV Pharma an amount of USD 7.25 Million in full and final settlement. Consequent to the net settlement, the dividend on the CRPS that were accrued for in 2005 through 2009 along with the related dividend distribution taxes to the extent unpaid, had been reversed in the year 2010 and the same had been credited under appropriations in the Profit and Loss Account and an amount of ₹ 165.86 Million had been credited to the Reserve for Business Restructure ('BRR') being the extent attributable to recoveries of receivables under the LSA that were written off to the BRR in earlier years under a Scheme of Arrangement approved by the Honorable High Courts of Judicature (refer note 5 below).

Consequent to the redemption of the CRPS as referred above, the Company in the year 2010 had credited Capital Redemption Reserve to the extent of ₹ 491.61 Million being the face value of CRPS redeemed.

### 5. Scheme of Arrangement under Section 391 – 394 of the Companies Act, 1956

5.1 During the year ending December 31, 2009, the shareholders of the Company, in their meeting held on April 13, 2009 approved the Scheme of Restructuring that envisaged inter alia a Scheme of Arrangement (the 'Scheme') to be filed under Sections 391 to 394 of the Companies Act, 1956 covering the merger of some of the subsidiaries of the Company (Transferor companies) with itself (Transferee company), fair valuation of some of the assets of the Company and creation of a Reserve for Business Restructure ('BRR') out of any surpluses arising from these, to be utilised as specified in the Scheme.

5.2 The details of the Scheme are given below.

The Scheme filed by the Company had been approved by the High Courts of Judicature with an appointed date of January 1, 2009 and an effective date of December 31, 2009 ('the Effective Date'), being the date on which the all requirements under the Companies Act had been completed.

In terms of the Scheme and upon the Scheme becoming effective, amongst other things:

- + expenses incurred by the Company or its subsidiaries in the nature of impairment, diminution, loss, amortisation and / or write-off of assets / investments / intangibles, interest on borrowings for acquisitions, employee compensation expenses, additional depreciation charged or suffered by the Transferee Company on account of fair valuation, scheme expenses and other expenses or arising in the future as may be determined by the Board of Directors of the Transferee Company, have been / shall be debited to the BRR. The maximum amount that can be written off against the BRR instead of being debited to the Profit and Loss Account on or at any time after January 1, 2009 would be restricted to the balance in the BRR or upto December 31, 2012 and not beyond that.
- + the balance in the Securities Premium Account, as appearing in the books of the Transferee Company may be transferred to BRR, to such extent as determined by the Board.

5.3 The accounting treatment effected for the Scheme was as follows:

- (a) The fair value of net assets acquired from the Transferor Companies in excess of the carrying value of investment in the subsidiaries and the value of equity shares issued to minority shares holders, amounting to ₹ 146.77 Million was credited to BRR.

Had the Scheme not prescribed the above accounting treatment of crediting the excess of fair value of assets and liabilities over the carrying value of the investment in the Transferor Companies and the equity shares of the Transferee Company issued to the minority shareholders of the Transferor Companies to the BRR, this surplus of ₹ 146.77 Million would have been credited to Capital Reserve as required under the AS 14 'Accounting for Amalgamations'.

- (b) Upon the Scheme becoming effective, and based on legal advice received, the assets and liabilities of the Transferee Company had been fair valued as determined by the Board of Directors of the Company and the net surplus arising out of such fair valuation (over the carrying value of the respective assets and liabilities prior to the fair valuation) was credited to the BRR as follows during the year ended December 31, 2009.



## Notes on Accounts and accounting policies

Particulars of assets and liabilities fair valued	Amount credited to BRR (₹ in Million)
(i) Investment in Agila Specialties Private Limited (a Wholly Owned Subsidiary ['WOS'] of the Company)	5,856.20
(ii) Land	754.32
(iii) Machineries	281.25
<b>Net Amount credited to BRR</b>	<b>6,891.77</b>

Had the Scheme not prescribed the above accounting treatment, in terms of the Company's accounting policies, these assets would continue to have been carried at cost.

- (c) In accordance with the Scheme, the following have been adjusted against the BRR during the year

Particulars	₹ in Million	
	December 31, 2011	December 31, 2010
<b>Impairment of:</b>		
- Current Assets	35.55	-
- Fixed Assets	26.59	-
Amortisation of Brands / depreciation	170.04	169.62
Deferred Employee Compensation (including cost under ESOP)	31.62	38.70
Finance Cost	148.90	-
Restructuring & Others Expenses	68.09	46.11
<b>Realisation from assets written off in earlier years.</b>		
Current assets (net)	-	207.48
<b>Total expense (Net) debited to BRR</b>	<b>480.79</b>	<b>46.95</b>

Had the Scheme not prescribed the above accounting treatment, these would have been included in the Profit & Loss Account for the year.

- (d) Had the Scheme not provided for the above accounting treatment, the effect of accounting as per the mandatory Accounting Standards issued under the Companies (Accounting Standards) Rules, 2006, would have been as under:

In the Profit and Loss account

Particulars	₹ in Million	
	For the year ended December 31, 2011 (Increase) / decrease	For the year ended December 31, 2010 (Increase) / decrease
Other Income	--	(214.32)
Materials Consumed	(35.55)	(6.82)
Personnel Costs	(31.62)	(38.72)
Operating & Other Expense	(68.09)	(46.11)
Finance Charges	(148.90)	--
Depreciation & Amortisation	(196.63)	(169.62)
<b>Impact on Net Profit after Tax</b>	<b>480.79</b>	<b>46.95</b>

Particulars	Amount in ₹	
	For the year ended December 31, 2011	For the year ended December 31, 2010
After considering the above adjustments the Earnings / (Loss) per share would have been:		
- Basic	12.03	14.69
- Diluted	11.92	11.18

# Notes on Accounts and accounting policies

In the Balance sheet

Particulars	₹ in Million	
	As at December 31, 2011 Increase / (decrease)	As at December 31, 2010 Increase / (decrease)
BRR	(4,233.03)	(4,713.82)
Profit & Loss Account	(2,805.51)	(2,324.72)
Investments in Agila Specialties Private Limited (a Wholly Owned Subsidiary)	(5,856.20)	(5,856.20)
Land	(754.32)	(754.32)
Reserves and Surplus	146.77	146.77
Machineries	(171.58)	(226.63)

## 6. Share Warrants

As authorised by the shareholders of the Company in the Extra Ordinary General meeting held on May 13, 2009, 6,180,000 warrants were allotted to Net Equity Ventures Private Limited, a Promoter Group company and 20,000 warrants to relatives of the Promoters, on preferential basis which were convertible into an equivalent number of fully paid up equity shares of ₹ 10 each at a price of ₹ 91.15 per warrant. In the year 2010, the Company completed the allotment of equity shares against the Warrants.

7. In the year 2010, the Company had received ₹ 4,550 Million on issue of 10,742,533 equity shares of ₹ 10 each at a premium of ₹ 413.55 per equity share to Qualified Institutional Buyers (QIB) in terms of SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009. The purpose of the mentioned issue was to finance overseas acquisitions, repayment and prepayment of debt, investments and other uses, including capital expenditure, as permitted by applicable rules and regulations. The Company had completed the allotment of equity shares on October 1, 2010. Expense incurred in relation to QIP to the extent of ₹ 108.96 Million had been debited to Securities Premium Account in 2010.

8. Early Adoption of AS-30: Financial Instruments: Recognition and Measurement, issued by Institute of Chartered Accountants of India (ICAI).

The Company had chosen to early adopt AS 30: 'Financial Instruments: Recognition and Measurement' during the year ended December 31, 2008, with effect from January 1, 2008. Contemporaneously with this, in the spirit of complete adoption, the Company had also implemented the consequential limited revisions in view of AS 30 to AS 2, 'Valuation of Inventories', AS 11 'The Effect of Changes in Foreign Exchange Rates', AS 19 'Accounting for Leases', AS 21 'Consolidated Financial Statements and Accounting for Investments in Subsidiaries in Separate Financial Statements', AS 23 'Accounting for Investments in Associates in Consolidated Financial Statements', AS 26 'Intangible Assets', AS 27 'Financial Reporting of Interests in Joint Ventures', AS 28 'Impairment of Assets' and AS 29 'Provisions, Contingent Liabilities and Contingent Assets' as had been announced by the Institute of Chartered Accountants of India (ICAI).

On February 11, 2011, the ICAI had issued a notification stating that AS 30 can be adopted only to the extent the Accounting Standard does not conflict with other mandatory standards notified under section 211 (3C) of the Companies Act, 1956. In case of conflict, the mandatory standards will prevail. Consequently, in the year 2010, the Company had reversed an amount of ₹ 695.68 Million being the cumulative gains recognised upto December 31, 2009, on restatement at period end rates of certain USD denominated investments in certain subsidiaries and a joint venture (including advances towards shares) that were designated as hedged items in a fair value hedge, since such restatement is not permitted under AS 13 'Accounting for Investment', a mandatory accounting standard. Such reversals have been classified under the head exceptional items, being the same head under which the gains on restatement were presented in the financial statements of earlier years.

Consequent to adoption of AS 30 to the extent it is permitted, the Company had changed the designation and measurement principles for all its significant financial assets and liabilities. The impact on account of the above measurement of these is as described below:

### 8.1 Foreign Currency Convertible Bonds (the 'FCCBs' or the 'Bonds')

The FCCBs are split into two components comprising (a) option component which represents the value of the option in the hands of the FCCB-holders to convert the bonds into equity shares of the Company and (b) debt component which represents the debt to be redeemed in the absence of conversion option being exercised by FCCB-holder, net of issuance costs.

## Notes on Accounts and accounting policies

The debt component is recognised and measured at amortised cost while the fair value of the option component is determined using a valuation model with the below mentioned assumptions.

### Assumptions used to determine fair value of the options:

*Valuation and amortisation method* - The Company estimates the fair value of stock options granted using the Black Scholes Merton Model and the principles of the Roll-Geske-Whaley extension to the Black Scholes Merton model. The Black Scholes Merton model along with the extensions above requires the following inputs for valuation of options:

*Stock Price as at the date of valuation* – The Company's share prices as quoted in the National Stock Exchange Limited (NSE), India have been converted into equivalent share prices in US Dollar terms by applying currency rates as at valuation dates. Further, stock prices have been reduced by continuously compounded stream of dividends expected over time to expiry as per the principles of the Black-Scholes Merton model with Roll Geske Whaley extensions.

*Strike price for the option* - has been computed in dollar terms by computing the redemption amount in US dollars on the date of redemption (if not converted into equity shares) divided by the number of shares which shall be allotted against such FCCBs.

*Expected Term* - The expected term represents time to expiry, determined as number of days between the date of valuation of the option and the date of redemption.

*Expected Volatility* - Management establishes volatility of the stock by computing standard deviation of the simple exponential daily returns on the stock. Stock prices for this purpose have been computed by expressing daily closing prices as quoted on the NSE into equivalent US dollar terms. For the purpose of computing volatility of stock prices, daily prices for the last one year have been considered as on the respective valuation dates.

*Risk-Free Interest Rate* - The risk-free interest rate used in the Black-Scholes valuation method is the risk free interest rate applicable to the Company.

*Expected Dividend* - Dividends have been assumed to continue, for each valuation rate, at the rate at which dividends were earned by shareholders in the last preceding twelve months before the date of valuation.

### Measurement of Amortised cost of debt component:

For the purpose of recognition and measurement of the debt component, the effective yield has been computed considering the amount of the debt component on initial recognition, origination costs of the FCCB and the redemption amount if not converted into Equity Shares. To the extent the effective yield pertains to redemption premium and the origination costs, the effective yield has been amortised to the Securities Premium Account (along with related exchange fluctuations) as permitted under section 78 of the Companies Act, 1956. The balance of the effective yield is charged to the Profit and Loss Account.

Consequent to the above method of accounting of FCCBs, the following adjustments were made:

#### For the year ended December 31, 2010:

- (a) Amortisation of interest of ₹ 146.81 (net) and redemption premium (net) on FCCBs amounting to ₹ 395.06 Million had been recorded in the Profit and Loss Account and in the Securities Premium Account respectively.
- (b) Change in the fair values of option component in the FCCBs, being a loss of ₹ 15.63 Million had been recorded in the Profit & Loss Account.

#### For the year ended December 31, 2011:

- (a) Amortisation of interest (net) ₹ 147.48 Million and redemption premium (net) on FCCBs amounting to ₹ 676.23 Million have been recorded in the Profit and Loss Account and in the Securities Premium Account respectively.
- (b) Change in the fair values of option component in the FCCBs, being a gain of ₹ 188.85 Million has been recorded in the Profit & Loss Account.

8.2 The financial assets and liabilities arising out of issue of corporate financial guarantees to third parties are accounted at fair values on initial recognition. Financial assets continue to be carried at fair values. Financial liabilities are subsequently measured at the higher of the amounts determined under AS 29 or the fair values on the measurement date.

8.3 Gains / losses on fair valuation of all the open derivative positions as on December 31, 2011 not designated as hedging instruments have been recognised in the Profit and Loss Account.

## Notes on Accounts and accounting policies

8.4 The Company has availed bill discounting facility from Banks which do not meet the de-recognition criteria for transfer of contractual rights to receive cash flows from the debtors since they are with recourse to the Company. Accordingly, as at December 31, 2011, sundry debtor balances include ₹ 1,130.70 Million (Previous year ₹ 480.35 Million) and the corresponding financial liability to the Banks is included as part of short term secured loans.

8.5 The Company has designated certain highly probable forecasted US dollar denominated sales transactions and certain forward contracts to sell US dollars as hedged items and hedging instruments respectively, in a Cash Flow Hedge ('CFH') to hedge the foreign exchange risk arising out of fluctuations between the India rupee and the US dollar. The exchange fluctuations arising from marking to market of the hedging instruments, to the extent relatable to the CFH being effective has been recognised in a Hedge reserve in the Balance sheet. Accordingly exchange fluctuations losses amounting to ₹ 447.10 Million for the year ended December 31, 2011 have been recognised in the Hedge Reserve account. These exchange difference would be considered in Profit and Loss Account as and when the forecasted transactions is estimated to occur (i.e., over a period from January 2012 to September 2012).

### 9. Employee Stock Option Scheme

(a) In the extraordinary general meeting held on January 25, 2007, the shareholders approved the issue of 1,000,000 options under the Scheme titled "Strides Arcolab ESOP 2006" (ESOP 2006).

The ESOP 2006 allows the issue of options to employees of the Company and its subsidiaries (whether in India or abroad). Each option comprises one underlying equity share.

During the current year, the Remuneration Committee in its meeting held on February 24, 2011 has granted 500,000 options under the ESOP 2006 to few eligible employees of the Company. The options allotted under ESOP 2006 are convertible into equal number of equity shares.

As per the Scheme, the Compensation committee grants the options to the employees deemed eligible. The exercise price of each option shall not be less than 85 per cent of the "Market Price" as defined in the Scheme. The options granted vest over a period of 3 years from the date of the grant in proportions specified in the Scheme. Options may be exercised within 30 days of vesting.

In respect of the ESOP 2006 and all the other ESOP schemes detailed in this note, the difference between the fair price of the share underlying the options granted, on the date of grant of option and the exercise price of the option, (being the intrinsic value of the option) representing Stock compensation expense, is expensed over the vesting period.

(b) The ESOP scheme titled "Strides Arcolab ESOP 2008" (ESOP 2008) was approved by the shareholders through postal ballot on June 18, 2008. 1,500,000 options are covered under the scheme for 1,500,000 shares.

In the previous years, the Remuneration Committee of the Company had granted 1,382,500 options under the ESOP 2008 to few eligible employees of the Company. During the current year, the Remuneration Committee in its meetings held on February 24, 2011 and July 25, 2011 has granted 180,500 and 9,000 options respectively under the ESOP 2008 to few eligible employees of the Company. The options allotted under ESOP 2008 are convertible into equal number of equity shares.

The vesting period of these options range over a period of three years. The options may be exercised with in a period of 30 days from the date of vesting.

(c) The ESOP scheme titled "Strides Arcolab ESOP 2008 (Directors)" (ESOP 2008 Directors) was approved by the shareholders through postal ballot on January 12, 2009. 500,000 options are covered under the scheme for 500,000 equity shares.

The Remuneration Committee of the Company, on March 16, 2009 had granted 300,000 options under the Strides Arcolab ESOP 2008 (Directors) scheme to few Directors of the Company. The shares covered by such options were 300,000 equity shares.

The vesting period of these options range over a period of three years. The options may be exercised with in a period of 30 days from the date of vesting.

(d) The ESOP scheme titled "Strides Arcolab ESOP 2011" (ESOP 2011) was approved by the shareholders on May 30, 2011. 1,500,000 options are covered under the scheme for 1,500,000 shares. No options are granted under this scheme in the current year.



## Notes on Accounts and accounting policies

- (e) In terms of the Scheme of arrangement, employee compensation costs under the above referred various ESOP schemes may be recorded to BRR. Consequently, during the year 2011, an amount of ₹ 19.59 Million (net) as noted below has been debited to BRR.

₹ in Million

Particulars	ESOP 2006	ESOP 2008	ESOP 2008 (D)	Total
Expenses during the year	13.21	14.12	0.65	27.99
Reversal due to lapse	(4.23)	(6.30)	-	(10.53)
Expense due to re-pricing	0.82	1.32	-	2.14
<b>Total</b>	<b>9.80</b>	<b>9.14</b>	<b>0.65</b>	<b>19.59</b>

Employee stock options details as on the balance sheet date are as follows:

Particulars	During the year 2011		During the year 2010	
	Options (No's)	Weighted average exercise price per option (₹)	Options (No's)	Weighted average exercise price per option (₹)
Option outstanding at the beginning of the year				
- ESOP 2006	150,000	105.75	680,000	105.75
- ESOP 2008	884,000	186.35	786,500	99.81
- ESOP 2008 (Director)	200,000	59.00	300,000	59.00
- ESOP 2011	-	-	-	-
Granted during the year:				
- ESOP 2006	500,000	311.40	-	-
- ESOP 2008	189,500	330.25	375,000	295.56
- ESOP 2008 (Director)	-	-	-	-
- ESOP 2011	-	-	-	-
Vested during the year:				
- ESOP 2006	300,000	105.75	380,000	105.75
- ESOP 2008	455,250	138.24	235,000	107.32
- ESOP 2008 (Director)	90,000	59.00	60,000	59.00
- ESOP 2011	-	-	-	-
Exercised during the year:				
- ESOP 2006	150,000	105.75	290,000	105.75
- ESOP 2008	410,500	127.07	223,000	106.50
- ESOP 2008 (Director)	75,000	59.00	60,000	59.00
- ESOP 2011	-	-	-	-
Lapsed during the year:				
- ESOP 2006	27,500	311.40	240,000	105.75
- ESOP 2008	131,750	179.95	54,500	135.26
- ESOP 2008 (Director)	-	-	40,000	59.00
- ESOP 2011	-	-	-	-
Options outstanding at the end of the year				
- ESOP 2006	472,500	311.40	150,000	105.75
- ESOP 2008	531,250	285.07	884,000	186.35



## Notes on Accounts and accounting policies

Particulars	During the year 2011		During the year 2010	
	Options (No's)	Weighted average exercise price per option (₹)	Options (No's)	Weighted average exercise price per option (₹)
- ESOP 2008 (Director)	125,000	59.00	200,000	59.00
- ESOP 2011	-	-	-	-
Options available for Grant				
- ESOP 2006	27,500	-	500,000	-
- ESOP 2008	229,650	-	287,400	-
- ESOP 2008 (Director)	240,000	-	240,000	-
- ESOP 2011	1,500,000	-	-	-

- (f) The impact on Earnings per Share if the 'fair value' of the options (on the date of the grant) were considered instead of the 'intrinsic value' is as under:

Particulars	₹ in Million	
	December 31, 2011	December 31, 2010
<b>Strides Arcolab Esop:</b>		
Net Profit (as reported)	1,179.21	735.62
Add: stock based employee compensation (intrinsic value)		
Less: stock based compensation expenses determined under fair value method for the grants issued (See note below)		
Net Profit (proforma)	1,179.21	735.62
	₹	₹
Basic earnings per share (as reported)	20.30	15.69
Basic earnings / (loss) per share (proforma)		
	Refer Note below	
Diluted earnings per share (as reported)	20.13	11.98
Diluted earnings / (loss) per share (proforma)		
	Refer Note below	

Note: As per the Scheme approved by the Honorable High Courts of Judicature, expense relating to ESOP is permitted to be recorded in the BRR. Accordingly, there would no impact on Earnings per Share if the options were accounted at fair values instead of intrinsic value.

- (g) The fair value of the options has been determined under the Black-Scholes model. The assumptions used in this model for calculating fair value are as below:

Assumptions	December 31, 2011	December 31, 2010
Risk Free Interest Rate	8.85%	8.00%
Expected Life	3 years	3 years
Expected Annual Volatility of Shares	48%	50%
Expected Dividend Yield	0.37%	13.24%

## Notes on Accounts and accounting policies

10. The Company during 2009 had entered into a Subscription and Shareholders agreement with Aspen Group (Aspen) under which Aspen subscribed to 49% of the share capital of Onco Therapies Limited (ONCO), a subsidiary of the Company. Onco was set up to operate in the Oncology products line of business that the Company was in the process of building up.

In the year 2010, the Company had entered into a binding agreement with Aspen for purchase of their shares in ONCO for a consideration of USD 37.36 Million and had paid USD 36.95 Million (₹1,649.04 Million) as advance towards purchase of shares in ONCO. As per the contractual terms the risk and economic benefit in the shares of ONCO held by Aspen has been transferred to the Company with effect from January 1, 2010. Pending completion of transfer of shares, purchase consideration paid was classified as advance towards purchase of shares as at December 31, 2010. In 2011, the shares were transferred in favour of the Company.

Further in the current year, as part of corporate restructuring initiatives of the Company, the investment in ONCO have been transferred to Agila Specialties Private Limited ('ASPL'), a wholly owned subsidiary of the Company at a consideration of ₹ 2,344 Million, being the carrying value of investment in ONCO in the books of the Company.

11. In the year 2010, the Company had sold investment in equity shares of Strides Inc. a subsidiary of the Company, to Strides Pharma Limited (formerly Linkace Limited), a wholly owned step subsidiary of the Company and recognised a profit of ₹ 6.20 Million on sale of such transfer.

Consequent to certain developments in Strides Inc. during 2010, the Company reversed provision for impairment against Preference shares issued by Strides Inc. amounting to ₹ 183.87 Million. In the year 2011, the preference shares have been redeemed by Strides Inc.

12. Interest in Joint ventures

In the year 2010, the Company had transferred the ownership interest in Akorn Strides LLC, USA, a joint venture company with Akorn Inc., USA, to Strides Pharma Limited ('SPL') (formerly Linkace Limited, a wholly owned step subsidiary of the Company) for a consideration of USD 3.41 Million and a profit of ₹ 88.20 Million on such transfer had been recognised in the Profit & Loss account in the same year.

13. As of December 31, 2011, the Company has invested an amount of USD 162.82 Million in Agila Specialties Limited, Cyprus ('Agila Cyprus', formerly known as Starsmore Limited) and USD 114.41 Million in Strides Arcolab International Limited (SAIL), both wholly owned subsidiaries of the Company. The investments were in the nature of subscriptions for shares of these entities and as at December 31, 2011, shares were pending to be allotted. Out of the above, monies aggregating to USD 99.00 Million (₹ 5,273.70 Million) invested in Agila Cyprus and USD 93.00 Million (₹ 4,954.11 Million) invested in SAIL have been considered as monetary items and have been restated in accordance with the requirements of Accounting Standard 11 'The Effect of Changes in Foreign Exchange Rates' and have been classified under Loans and advances to subsidiaries in these financial statements. The resultant unrealised exchange gain of ₹ 1,564.00 Million has been recognised under Exceptional items in the Profit & Loss Account.

14. Exchange gain / (loss) classified as exceptional items in line IV.7 in the Profit and Loss account comprises the following:

Particulars	₹ in Million	
	December 31, 2011	December 31, 2010
Exchange Gain / (Loss) on restatement of FCCB	(648.64)	201.40
Exchange Gain / (Loss) (net) on restatement of Long Term Foreign Currency Loans	(581.60)	20.22
Exchange Gain / (Loss) on restatement of Share Application Money to the extent considered as monetary items	1,564.00	680.02
Others	36.45	46.39
<b>Total</b>	<b>370.21</b>	<b>948.03</b>

15. Unbilled revenue includes income recognised on development services contracts and contracts for production of dossiers, against which no invoices are raised, and are net of advances received against the respective contracts. Development income recognised in the Profit & Loss Account is net of unbilled revenue written off in the current year against development income recognised in the previous years.

## Notes on Accounts and accounting policies

### 16. Particulars of materials consumed and percentage to total consumption of Imported and Indigenous materials.

Since none of the individual items of raw materials and packing materials constitute more than 10% of the consumption, quantitative details in respect of the same have not been given.

Percentage of total consumption of imported and indigenous materials (including packing material and consumables)

₹ in Million

Particulars	For the year ended December 31, 2011		For the year ended December 31, 2010	
	%	Value	%	Value
Imported	35	1,122.88	27	634.06
Indigenous	65	2,055.50	73	1,735.29
<b>Total</b>	<b>100</b>	<b>3,178.38*</b>	<b>100</b>	<b>2,369.35*</b>

\*Note:

- This includes purchases of dossiers of ₹ 45 Million (Previous Year ₹ 124.85 Million)
- Consumption of Traded Items not included above is ₹ 1,072.11 Million (Previous Year ₹ 646.06 Million)

### 17. Quantitative Details

#### 17.1 Licensed and Installed Capacities

Particulars	Units	Licensed Capacity As at		Installed Capacity As at	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
<b>Soft Gelatin Plant</b> Softgel Capsules	Numbers in Million	** N.A	** N.A	2,645	2,645
<b>Hard Gelatin Plant</b> Capsules	Numbers in Million	** N.A	** N.A	450	450
<b>Tablet Plant</b> Tablets	Numbers in Million	** N. A	** N. A	2,160	2,160

Note: Installed Capacities are as certified by the management and relied upon by the Auditors. The installed capacities serve multiple purposes and will vary according to product mix.

\*\* Not applicable as the products have been de-licensed.

#### 17.2 Particulars of Production, Sales & Stock-in-Trade:

₹ in Million

Particulars	Opening Stock		Production	Sales (Gross of ED)		Closing Stock	
	Qty	Rupees		Qty	Rupees	Qty	Rupees
Tablets	49,932	84.40	2,115,452	2,132,071	3,643.35	33,313	48.26
(in '000's)	(48,824)	(50.93)	(1,573,457)	(1,572,349)	(2,346.38)	(49,932)	(84.40)
Capsules	26,796	58.86	699,734	709,873	1,156.60	16,657	39.11
(in '000's)	(43,757)	(93.40)	(574,037)	(590,998)	(799.58)	(26,796)	(58.86)
Others	1,044	6.06	2,105	2,740	101.35	409	1.60
(in '000's)	(2,932)	(9.15)	(8,161)	(10,049)	(104.49)	(1,044)	(6.06)
<b>Total</b>		<b>149.32</b>			<b>4,901.30</b>		<b>88.97</b>
		<b>(153.48)</b>			<b>(3,250.45)</b>		<b>(149.32)</b>

### 18. Particulars of Traded Goods

₹ in Million

Particulars	Opening Stock	Sales	Closing Stock
Current Year	94.70	1,469.34	96.63
Previous Year	(85.20)	(1063.70)	(94.70)

None of the items individually account for more than 10% of the total value of the purchases, stock or turnover, hence quantitative details have not been furnished.



## Notes on Accounts and accounting policies

### 19. Details of Research and Development expenditure incurred

₹ in Million

Particulars	For the year ended	
	December 31, 2011	December 31, 2010
Salaries	29.78	17.27
Materials	54.00	134.57
Professional fees	6.37	0.01
Bio Study Expenses	26.69	-
Consumables	46.11	-
Traveling expenses	0.15	0.08
Others	7.80	0.53
<b>Total</b>	<b>170.90</b>	<b>152.46</b>

The above are as certified by the management and relied upon by the auditors and include costs associated with the development services undertaken for customers.

### 20. Other information

#### 20.1 Managerial remuneration

₹ in Million

Particulars	For the year ended	
	December 31, 2011	December 31, 2010
<b>Computation of Net Profits in accordance with Section 349 of the Companies Act, 1956.</b>		
Profit before Tax as per Profit & Loss Account (A)	1,261.71	890.83
<b>Add / (Less) :</b>		
Managerial remuneration for the year	124.83	49.68
Managerial remuneration relating to earlier years debited to Profit & Loss Account during the year on receipt of approval	-	17.86
Contribution to Provident Fund & other funds	2.91	2.82
Director's Sitting Fees	0.90	1.00
Profit from services rendered to Onco Therapies Limited	-	(1.98)
Loss on sale of assets	4.60	1.62
Reversal of provision for diminution in value of investment	-	(183.87)
Profit on sale of investments	-	(94.40)
<b>Total (B)</b>	<b>133.24</b>	<b>(207.27)</b>
<b>Net Profit / (Loss) u/s 349 of the Companies Act, 1956 (A+B)</b>	<b>1,394.95</b>	<b>683.56</b>
Maximum managerial remuneration available to two whole time directors* (including Commission) @ 10% of net profit	139.49	68.35
Commission component of managerial remuneration and to whole time Directors	-	-
<b>Remuneration paid by the Company to Whole-time Directors</b>		
Salary & Allowances	124.83	49.68
Contribution to Provident fund and other funds	2.91	2.82
<b>Total (A)</b>	<b>127.74</b>	<b>52.50</b>
Sitting Fees paid to Non-whole time Directors	0.90	1.00
<b>Total (B)</b>	<b>0.90</b>	<b>1.00</b>
<b>Total [ (A) + (B) ]</b>	<b>128.64</b>	<b>53.50</b>

Note: The details of managerial remuneration stated in the above table exclude leave encashment and gratuity costs (for which separate actuarial valuation are not available).

## Notes on Accounts and accounting policies

### 20.2 CIF Value of Imports

₹ in Million

Particulars	For the Year ended	
	December 31, 2011	December 31, 2010
Capital goods	37.12	185.55
Raw materials	1,241.02	612.69
Other goods	11.56	6.45
<b>Total</b>	<b>1,289.70</b>	<b>804.69</b>

### 20.3 Expenditure in foreign currency

₹ in Million

Particulars	For the Year ended	
	December 31, 2011	December 31, 2010
Travel expenses	4.50	6.29
Commission	13.10	26.49
Interest and bank charges	21.24	28.31
Professional fees	11.75	17.79
Membership & Subscription	1.34	2.45
Business Development Expenses	5.35	6.86
Others	18.17	49.53
<b>Total</b>	<b>75.45</b>	<b>137.72</b>

**Note:**

Expenditure in foreign currency includes expenditure incurred by the Company on behalf of and in trust to Agila Specialties Private Limited (formerly known as Strides Specialties Private Limited), a wholly owned subsidiary of the Company.

### 20.4 Earnings in foreign currency

₹ in Million

Particulars	For the Year ended	
	December 31, 2011	December 31, 2010
FOB Value of exports of goods / contract	5,404.61	3,277.18
Development Income & Income from Product Dossier sales	447.59	609.68
Share of Profit on sale of product	--	97.92
Management advisory service fees	332.64	312.97
Other Income	131.26	149.97
Interest income	10.23	9.88
Profit on sale of Investment	--	94.40
<b>Total</b>	<b>6,326.33</b>	<b>4,552.00</b>

### 20.5 Expenditure debited to the Profit & Loss Account excludes the following expenditure capitalised

₹ in Million

Particulars	For the Year ended	
	December 31, 2011	December 31, 2010
Interest	6.13	12.46
<b>Total</b>	<b>6.13</b>	<b>12.46</b>

## Notes on Accounts and accounting policies

20.6 Expenditure debited to Profit & Loss Account is net of following expense cross charged by the Company to its subsidiaries:

₹ in Million

Particulars	For the Year ended	
	December 31, 2011	December 31, 2010
Personnel cost	96.68	215.55
Operating and other expense	131.41	85.70
<b>Total</b>	<b>228.09</b>	<b>301.25</b>

### 21. Taxation

- (a) Provision for deferred tax has been made in accordance with the requirements of Accounting Standard 22 "Accounting for taxes on income".

The net deferred tax liability comprises the tax impact arising from timing differences on account of:

₹ in Million

Particulars	For the Year ended	
	December 31, 2011	December 31, 2010
Depreciation	(274.90)	(243.88)
Disallowances under the Income Tax Act, 1961	143.84	118.89
Business losses and unabsorbed depreciation	131.06	124.99
<b>Total</b>	-	-
Deferred Tax liability (net) relating to the above	-	-

Recognition of Deferred tax assets with respect to unabsorbed depreciation and tax losses has been done in cases where there is corresponding timing differences creating deferred tax liabilities and the amount of such assets recognised is restricted to the extent of such liabilities. Deferred Tax assets in respect of business losses are recognised based on the criteria of virtual certainty.

### 22. Remuneration to Auditors

₹ in Million

Particulars	For the Year ended	
	December 31, 2011	December 31, 2010
Audit fees (including fees for undertaking Limited reviews)	5.50	5.50
Other attest services	-	6.50
Taxation and other matters	0.70	1.29
Service tax	0.64	1.38
Out of pocket expenses	0.06	0.14

### 23. Related Party Transactions : Name of the related parties

Wholly owned subsidiaries :	
	<b>Direct Holding</b>
	Arcolab Limited SA, Switzerland
	Agila Specialties Private Limited, India
	Agila Specialties Limited (formerly Starsmore Limited), Cyprus
	Strides Africa Limited, British Virgin Islands
	Strides Arcolab International Limited, U.K (SAIL)
	Onco Therapies Ltd, India (upto December 16, 2011 )

## Notes on Accounts and accounting policies

	Strides Pharma International Limited (formerly Strides Specialty (Cyprus) Limited), Cyprus (w.e.f August 2, 2011)
	Strides Technology & Research Private Limited, India (Under the process of striking off)
	<b>Indirect Holding</b>
	Pharma Strides Canada Corporation, Canada
	Onco Therapies Limited, India (w.e.f. December 17, 2011)
	Strides Pharma Limited (formerly Linkace Limited), Cyprus
	Linkace Investments PTY Ltd, Australia
	Plus Farma ehf. Iceland
	Farma Plus AS , Norway
	Strides Specialties (Holdings) Limited, Mauritius
	Strides Specialties (Holdings) Cyprus Limited, Cyprus
	Strides Pharmaceuticals (Holdings) Limited, Mauritius
	Strides Pharmaceuticals (Mauritius) Limited, Mauritius
	Strides Pharma International Limited (formerly Strides Specialty (Cyprus) Limited), Cyprus (Upto August 1, 2011)
	Co Pharma Ltd, UK
	Strides Arcolab Polska Sp.Z.o.o, Poland
	Onco Laboratories Limited, Cyprus
	Strides Arcolab UK Limited, UK (woundup w.e.f December 27, 2011)
	Agila Especialidades Farmaceuticas Ltda, Brazil
	Agila Specialties (Malaysia) SDN BHD, Malaysia
	Strides Australia Pty Limited, Australia
	Agila Specialties Asia Pte. Limited, Singapore (w.e.f. December 14, 2011 )
	Strides Inc., USA
	Strides Farmaceutica Participacoes Ltda, Brazil
	Strides Pharma (Cyprus) Limited, Cyprus
<b>Other Subsidiaries:</b>	<b>Direct Holding: 'NIL'</b>
	<b>Indirect Holding:</b>
	Ascent Pharmahealth Limited, Australia
	Ascent Pharmahealth Asia Pte., Limited, Singapore
	Ascent Pharma Pty Limited (formerly Genepharm Pty Limited), Australia
	Beltapharm S.p.A., Italy
	Drug Houses of Australia (Asia) Pte. Limited, Singapore
	Pharmasave Australia Pty Limited, Australia
	Strides S.A. Pharmaceuticals Pty. Limited, South Africa
	Inbiopro Solutions Private Limited, India
	Ascent Pharmacy Services Pty Limited, Australia
	Ascent Pharmaceuticals Limited (formerly Genepharm (New Zealand) Limited), New Zealand
	African Pharmaceutical Development Company (APHAD), Cameroon
	Agila Marketing e distribicao de Productos Hospitalaries Ltda. (formerly Ephos – 106 Produtos Hospitalaries Ltda Me), Brazil
	Ascent Pharmahealth Asia (Hong Kong) Limited (formerly Strides Arcolab Hong Kong Limited), Hong Kong



## Notes on Accounts and accounting policies

	Ascent Pharmahealth Asia (Malaysia) SDN BHD (formerly Strides Arcolab Malaysia SDN. BHD) , Malaysia
	Ascent Pharmahealth Asia (B) SDN BHD (formerly Strides Arcolab SDN. BHD), Brunei (windup w.e.f April 20, 2011 )
	Strides CIS Limited, Cyprus
	Strides Vital Nigeria Limited, Nigeria
	Congo Pharma SPRL, Congo (w.e.f. February 18, 2011)
	SPC Co. Ltd, Sudan (w.e.f June 1, 2011 )
	Strides Pharma Namibia (Pty) Ltd, Namibia (w.e.f. March 17, 2011)
	Sorepharm SA, Burkinofaso (w.e.f. March 1, 2011 )
<b>Joint Ventures (JV):</b>	Akorn Strides LLC, USA Sagent Strides LLC, USA
<b>Key Management Personnel:</b>	Mr. Arun Kumar (Vice Chairman & Managing Director) Mr. V.S. Iyer (Executive Director)
<b>Enterprises owned or significantly influenced by key management personnel and relative of key management personnel</b>	Atma Projects, India Chayadeep Properties Private Limited, India Fraxis Life Sciences Limited, India (Merged with Sequent Scientific Limited w.e.f. September 13, 2011) Higher Pharmatech Private Limited, India Keerthapathi Ravishankar – HUF Nous Infosystems Private Limited, India Patsys Consulting Private Limited, India Sequent Research Limited, India Sequent Scientific Limited, India Strides Italia srl., Italy Deepa Arun Kumar Hemalatha Pillai Jyothi Iyer Padma Kumar Pillai Rajeshwari Amma Usha Rani

Note: Related parties are as identified by the Company and relied upon by the Auditors.



# Related Party Balances as at December 31, 2011

Sl No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10
	<b>Advances Receivable/(Payable) as at:</b>										
1	Ascent Pharmahealth Asia Pte Limited			0.44	0.36						
2	Ascent Pharmahealth Limited			-	0.01						
3	Beltapharm S.p.A			0.24	0.20						
4	Co Pharma Limited		(0.57)								
5	Linkace Limited		143.80								
6	Onco Therapies Limited	156.60	227.88								
7	Agila Specialities Limited, Cyprus	5,804.95	727.88								
8	Strides Africa Limited	3.06	2.83								
9	Strides Arcolab International Limited	5,024.50	39.64								
10	Strides Arcolab Polska s p a zoo	66.40	25.46								
11	Strides Inc, USA			-	(9.48)						
12	Strides SA Pharmaceuticals Pty Limited			0.05	0.48						
13	Agila Specialities Private Limited	452.27	639.39								
14	Strides Vital Nigeria Limited			0.01	0.01						
15	Strides Technology & Research (P) Limited		0.01								
16	Mr. Arun Kumar							(10.39)	(0.69)		
17	Mr. V.S. Iyer							(39.84)	6.74		
18	Drug Houses of Australia (Asia) Pte Ltd				0.03						
19	Farma Plus AS		11.45								
20	Strides Pharma Cyprus Limited		0.41								
21	Akorn Strides LLC									59.05	
22	Agila Especialidades Farmaceuticas Ltda, Brazil	12.45	-								

₹ in Million



Sl No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10
23	Onco Laboratories Limited, Cyprus	0.02	-								
24	Drug Houses of Australia (Asia) Pte. Limited, Singapore			-	0.03						
<b>Creditors Balance as at (net of Advance paid):</b>											
1	Chayadeep Properties Private Limited									(0.61)	(0.36)
2	Sequent Scientific Limited									(0.01)	(0.80)
3	Onco Therapies Limited	(40.77)	(28.12)								
4	Agila Specialities Private Limited	(351.98)	(31.80)								
5	Strides Arcolab Polska sp.z.o.o	-	0.31								
6	Atma Projects										37.67
7	Sequent Research Limited									(2.52)	(0.13)
8	Co-Pharma Limited	(1.27)	-								
9	Strides Inc	(63.06)	-								
10	Linkace Limited	(168.94)	-								
11	Strides Pharma Cyprus Limited	(9.20)	-								
12	Drug Houses of Australia (Asia) Pte Ltd			(0.14)	-						
13	Belta Pharma Spa			(0.59)	-						
<b>Loans receivable as at :</b>											
1	Strides Arcolab International Limited	227.12	182.01								
2	Strides Arcolab Polska s p a zoo	19.66	15.97								
<b>Loans payable as at :</b>											
1	Onco Therapies Limited	-	(681.51)								
<b>Debtors Balance as at (Net of advance received):</b>											
1	Ascent Pharmahealth Asia Pte Limited			21.20	74.97						
2	Ascent Pharma Pty Limited			47.11	17.70						
3	Ascent Pharma Health Limited			-	(57.60)						
4	Agila Specialities Private Limited	288.07	9.67								

₹ in Million



Sl No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10
5	Co-Pharma Limited	283.95	107.32	-	-	-	-	-	-	-	-
6	Drug Houses of Australia (Asia ) Pte Limited	-	-	4.15	4.42	-	-	-	-	-	-
7	Onco Therapies Limited	1.02	25.14	-	-	-	-	-	-	-	-
8	Sagent Strides LLC	-	-	-	-	0.02	11.24	-	-	-	-
9	Sequent Scientific Limited	-	-	-	-	-	-	-	-	(2.01)	(0.30)
10	Solara S.A. de C.V.	-	-	-	-	-	-	-	-	-	-
11	Strides Atcolab Polska s p a zoo	2.54	23.00	-	-	-	-	-	-	-	-
12	Strides Inc, USA	12.46	(5.42)	-	-	-	-	-	-	-	-
13	Strides Vital Nigeria Limited	-	-	-	-	-	-	-	-	-	-
14	Strides Pharma Cyprus Limited	256.63	236.42	-	28.37	-	-	-	-	-	-
15	Agila Specialities Limited, Cyprus	(21.12)	-	-	-	-	-	-	-	-	-
16	Onco Laboratories Limited, Cyprus	0.02	-	-	-	-	-	-	-	-	-

₹ in Million





Sl No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10
	<b>Purchase of materials/services</b>										
1	Agila Specialities Private Limited	546.84	26.80								
2	Co Pharma Limited	1.22	2.26		2.99						
3	Onco Therapies Limited	41.50	28.50								
4	Sequent Research Limited									24.26	30.30
5	Sequent Scientific Limited									2.39	1.87
6	Drug Houses of Australia (Asia ) Pte Limited			0.14							
	<b>Sale of Machinery/Assets</b>										
1	Onco Therapies Limited	0.01								0.33	
2	Sequent Scientific Limited										
3	Agila Specialities Private Limited	0.36									
	<b>Purchase of Machinery/Assets</b>										
1	Atma Projects										5.07
	<b>Interest Paid</b>										
1	Agnus Holdings Private Limited										2.18
2	Onco Therapies Limited	7.18	123.43								
3	Sequent Scientific Limited										7.66
	<b>Recovery of Interest</b>										
1	Agila Specialities Private Limited	39.35	258.97								
	<b>Professional Fee Paid</b>										
1	Onco Therapies Limited	-	17.76								
	<b>Managerial Remuneration</b>										
1	Arun Kumar						43.98			30.00	
2	V.S.lyer						83.75			22.50	
	<b>Market Support Services</b>										
1	Strides Inc.	-	13.41								
	<b>Reimbursement of Expenses Incurred by</b>										
1	Beltapharm S.p.A			0.59							
2	Co Pharma Limited	1.11			0.27						
3	Drug Houses of Australia (Asia) Pte Ltd				0.01						



Sl No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10
4	Sequent Scientific Limited										
5	Strides Africa Limited	0.07									
6	Strides Arcolab International Limited		0.05								
7	Strides CIS Limited			16.34							
8	Strides Inc.	4.21									
9	Strides Pharma Cyprus Limited	2.00									
10	Agila Specialities Limited, Cyprus	0.07									
11	Farma Plus AS	11.69									
12	Strides SA Pharmaceuticals Pty Limited			2.03							
<b>Reimbursement of Expenses Incurred on behalf of</b>											
1	Agila Specialities Private Limited	199.78	205.99								
2	Ascent Pharmahealth Asia Pte Limited			0.17							
3	Agila Especialidades Farmaceuticas Ltda, Brazil	8.15									
4	Drug Houses of Australia (Asia) Pte Ltd			0.04							
5	Onco Therapies Limited	14.15	82.29								1.83
6	SeQuent Research Limited										3.39
7	Sequent Scientific Limited								0.03		
8	Strides Africa Limited		0.21								
9	Strides Arcolab International Limited	3.26	-								
10	Strides Arcolab Polska sp.z.o.o		6.79								
11	Strides Vital Nigeria Limited			0.01	0.04						
12	Agila Specialities Limited, Cyprus		0.50								
13	Strides Pharma Cyprus Limited	1.61	0.00								
14	Strides Pharma Limited	1.06	-								
15	Onco Laboratories Limited	0.03	-								
<b>Rent Paid</b>											
1	Atma Projects									31.94	29.86
2	Chayadeep Properties Private Limited									4.85	4.18
<b>Loans / advances given / Repaid by Company</b>											
1	Agila Specialities Private Limited	605.34	538.71								

₹ in Million



Sl No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10
2	Agnus Holdings Private Limited										81.96
3	Farma Plus AS		11.63								
4	Inbiopro Solutions Private Ltd				46.60						
5	Strides Pharma Limited		154.76								
6	Onco Therapies Limited	568.79	316.96								
7	SeQuent Research Limited										1.82
8	Sequent Scientific Limited										225.70
9	Agila Specialities Limited, Cyprus	457.02	433.40								
10	Strides Africa Limited		0.72								
11	Strides Inc.										
12	Strides Vital Nigeria Limited				14.17						
13	Strides Arcolab Polska sp.z.o.o		0.29		0.17						
14	Strides Arcolab International Limited	31.04	19.67								
15	Strides Pharma Cyprus Limited		22.77								
16	Strides SA Pharmaceuticals (PTY) Ltd			1.86	0.62						
<b>Loans / advances taken by company / repaid to company</b>											
1	Agila Specialities Private Limited	-	2,287.41								
2	Agnus Holdings Private Limited										80.00
3	Drug Houses of Australia (Asia) Pte Ltd			-	0.04						
4	Inbiopro Solutions Private Ltd			-	46.60						
5	Strides Pharma Limited	157.41	31.76								
6	Onco Therapies Limited		681.52								
7	Sequent Scientific Limited										221.72
8	Agila Specialities Limited, Cyprus	63.82	227.43								
9	Strides Arcolab International Limited	16.77	15.11								
10	Strides Pharma Cyprus Limited		22.36								
11	Strides Africa Ltd		0.36								
12	Strides Inc.	95.53									
13	Strides Vital Nigeria Limited			-	0.29						

₹ in Million



Sl No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10	Year Ended 31.12.11	Year Ended 31.12.10
	<b>Investments during the period</b>										
1	Agila Specialities Private Limited		1,000.00								
2	Onco Therapies Limited	101.99	130.48								
	<b>Share application money paid</b>										
1	Strides Arcolab International Limited	2,988.69	-								
2	Agila Specialities Limited, Cyprus	1,728.11	3,644.24								
	<b>Refund of Share application money</b>										
1	Strides Arcolab International Limited	449.75									
2	Agila Specialities Limited, Cyprus	1,163.42	829.36								
	<b>Diminution/(reversal of diminution) in value of Investments</b>										
1	Strides Inc		(183.87)								
	<b>Receipt of Share application monies against ESOP allotment</b>										
1	V.S.Iyer						5.29				
	<b>Receipt of Share application monies against warrants</b>										
1	Agnus Holdings Private Limited									220.09	
2	G P Pillai									0.68	
3	Mohan Kumar pillai									0.68	
4	Net Equity Ventures Private Limited									202.32	
	<b>Guarantees given on behalf of</b>										
1	Strides Pharma Limited	799.05	670.65								
2	Agila Specialities Limited, Cyprus	3,462.55	1,499.51								
3	Strides Arcolab Polska sp.z.o.o	710.39	610.12								
4	Agila Specialities Private Limited	400.00	-								
5	Strides Farmaceutica Participacoes Ltda, Brazil	2,663.50	2,235.50								
	<b>Investments sold</b>										
1	Agila Specialities Private Limited	2,344.12	-								
2	Strides Pharma Limited		159.96								

₹ in Million



## Notes on Accounts and accounting policies

24. Equity dividend accrued in 2011 includes ₹ 0.42 Million being dividends relating to the year ended December 31, 2010 on the incremental number of shares that were issued between December 31, 2010 and the date of the Annual General Meeting of the Company held on May 30, 2011. Divided tax accrued in 2011 is net of excess provision made for the 2010 to the extent of ₹ 0.27 Million.

As on December 31, 2011, no amount was due for transfer to the Investor Education and Protection Fund (IEPF) as required under Section 205(C) of the Companies Act, 1956.

25. Leases

The Company's significant leasing arrangements are mainly in respect of factory buildings, residential and office premises. The aggregate lease rentals payable on these leasing arrangements charged to the Profit and Loss Account is ₹ 37.14 Million (Previous year ₹ 43.73 Million).

The Company has entered in to non-cancelable lease agreements for its facilities and office premises. The tenure of lease ranges from 3 years to 15 years. The said lease arrangements have an escalation clause wherein lease rental is subject to an increment ranging from 6% to 10%. Details of the lease commitment at the yearend are as follows:

Particulars	₹ in Million	
	December 31, 2011	December 31, 2010
Up to one year	39.01	36.59
From one year to five years	174.84	166.81
Above five years	82.57	119.65
<b>Total</b>	<b>296.42</b>	<b>323.05</b>

The Company has given on an operating lease for an initial term of 5 years, certain plant and machinery to its step down wholly owned subsidiary Strides Arcolab Polskasp.z.o o.

Details relating these assets are as follows:

Particulars	₹ in Million	
	December 31, 2011	December 31, 2010
Gross carrying amount of assets leased	44.96	44.96
Accumulated depreciation	14.33	11.00
Future minimum lease income under the initial term:		
Not later than one year	8.79	7.38
Later than one year but not later than 5 years	19.04	23.36
Later than 5 years	-	-

26. Details of dues to Micro and Small Enterprises are as under:

Particulars	₹ in Million	
	December 31, 2011	December 31, 2010
(i) The principal amount remaining unpaid to any supplier at the end of accounting year.	17.00	13.67
(ii) The interest due on above.	0.03	-
The total of (i) & (ii)	17.03	13.67
The amount of interest paid by the buyer in terms of section 16 of the Act.	-	-
The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	-	-
The amounts of interest accrued and remaining unpaid at the end of financial year	0.03	-

Note: The information regarding Micro and Small Enterprises and the disclosure in Schedule H.A (a) 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.



## Notes on Accounts and accounting policies

### 27. Transfer Pricing

The Finance Act, 2001, has introduced, with effect from assessment year 2002-03 (effective April 1, 2001), detailed Transfer Pricing regulations ('regulations') for computing the income from 'international transactions' between 'associated enterprises' on an 'arm's length' basis. These regulations, inter alia, also require the maintenance of prescribed documents and information including furnishing a report from an Accountant which is to be filed with the Income tax authorities.

The Company has undertaken necessary steps to comply with the Transfer Pricing regulations. The Management is of the opinion that the international transactions are at arm's length, and hence the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

28. Since the Company prepares consolidated financial statements, segment information has not been provided in these financial statements.

29. Details of Other income

₹ in Million

Particulars	For the year ended	
	December 31, 2011	December 31, 2010
Corporate Guarantee Commission	121.44	142.18
Management advisory services fees	332.98	312.97
Provision no longer required written back	17.51	38.68
Lease Rental	7.70	6.54
Project management fees	--	1.98
Customer advances no longer payable written back	13.41	57.26
Others	5.88	1.42
<b>Total</b>	<b>498.92</b>	<b>561.03</b>

30. Earnings per Share

₹ in Million

Particulars	For the Year ended	
	December 31, 2011	December 31, 2010
Profit after tax as per the Profit & Loss Account attributable to equity share holder	1,179.21	735.62
Exchange fluctuation, interest expenses and other expenses on Foreign Currency Convertible Bonds (FCCBs) (Net)	-	(38.85)
<b>Profit / (Loss) attributable to Equity Shareholders (on dilution)</b>	<b>1,179.21</b>	<b>696.77</b>
Weighted Average number of Shares for Basic EPS	58,077,558	46,893,146
Add: Effect of outstanding Warrants, Employee Stock Options & FCCBs as applicable	498,161	11,251,031
<b>Weighted Average Number of equity shares for diluted EPS</b>	<b>58,575,719</b>	<b>58,144,177</b>
Nominal value of equity shares (₹)	10.00	10.00
<b>Earnings / (Loss) Per Share</b>		
- Basic	<b>20.30</b>	<b>15.69</b>
- Diluted	<b>20.13</b>	<b>11.98</b>

#### Note:

- During 2011, FCCB's outstanding were anti-dilutive and hence not considered for computing diluted Earnings per Share.
- In the year 2010, the Company had reversed the preference dividend along with dividend tax thereon accrued in earlier years amounting to ₹ 148.54 Million, since such dividend was no longer payable consequent to the agreement with the preference shareholders. Consequent to reversal such amount is also available for distribution to the equity shareholders (refer Note B.4 above). The basic and diluted EPS for the year ended December 31, 2010 after considering the reversal of preference dividend and tax thereon was ₹ 18.85 & ₹14.54 respectively.

## Notes on Accounts and accounting policies

### 31. Cash flow statement

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

Cash comprises of cash on hand and demand deposits with banks. Cash equivalents are short term (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents in the nature of investments are disclosed under Current investments.

- (b) Interest paid is inclusive of and purchase of Fixed Assets excludes, interest capitalised ₹ 6.13 Million (Previous year ₹ 12.46 Million).
- (c) Direct tax paid and Others in the Cash Flow Statement includes outflows on account of permitted utilisation from the BRR of ₹ 34.45 Million (Previous Year ₹ 69.80 Million) and Direct Taxes of ₹ 189.41 Million (Previous Year ₹ 102.23 Million)
- (d) Reconciliation of Cash and Cash Equivalents to Cash and bank balances included in Schedule G.A.4.

Particulars	₹ in Million	
	As at December 31, 2011	As at December 31, 2010
Cash in hand	0.81	1.50
Cash in transit	-	14.52
Balance with Scheduled banks	635.88	637.58
Fixed Deposits	54.00	20.13
<b>Cash and Cash equivalents</b>	<b>690.69</b>	<b>673.73</b>
Margin money not included above	123.92	136.56
<b>Cash and bank balances as per Schedule G</b>	<b>814.61</b>	<b>810.29</b>

### 32. Employee Benefits (Gratuity):

Sl. No.	Particulars	₹ in Million	
		2011	2010
<b>I</b>	<b>Components of employer expense</b>		
1	Current Service cost	7.97	8.88
2	Interest cost	4.41	6.05
3	Expected return on plan assets	(3.31)	(2.05)
4	Curtailement cost / (credit)	-	-
5	Settlement cost / (credit)	-	-
6	Past Service Cost	-	-
7	Actuarial Losses / (Gains)	2.19	(49.86)
8	Total expense recognised in the Statement of Profit & Loss	11.26	(36.98)
<b>II</b>	<b>Actual Contribution and Benefits Payments for year ended December 31, 2011.</b>		
1	Actual benefit payments	-	2.76
2	Actual Contributions	-	-



## Notes on Accounts and accounting policies

₹ in Million

Sl. No.	Particulars	2011	2010
<b>III</b>	<b>Net asset / (liability) recognised in balance sheet as at December 31, 2011</b>		
1	Present value of Defined Benefit Obligation (DBO)	63.89	55.10
2	Fair value of Plan Assets	22.07	25.13
3	Funded status [Surplus / (Deficit)]	(41.82)	(29.97)
4	Unrecognised Past Service Costs	-	-
5	Net asset / (liability) to be recognised in balance sheet	(41.82)	(29.97)
6	Net assets / (liability) recognised in balance sheet	(41.82)	(29.97)
<b>IV</b>	<b>Change in Defined Benefit Obligations during the year ended December 31, 2011</b>		
1	Present Value of DBO at beginning of period	55.10	66.77
2	Current Service cost	7.97	8.88
3	Interest cost	4.41	6.05
4	Curtailment cost / (credit)	-	-
5	Settlement cost / (credit)	-	-
6	Plan amendments	-	-
7	Actuarial (gains) / losses	(3.59)	(23.84)
8	Benefits paid	-	(2.76)
9	Present Value of DBO at the end of period	63.89	55.10
<b>V</b>	<b>Change in Fair Value of Assets during the year ended December 31, 2011</b>		
1	Plan assets at beginning of period	25.13	27.33
2	Acquisition Adjustment	(0.60)	(16.24)
3	Actuarial gains / (losses)	(5.77)	14.75
4	Actual return on plan assets	3.31	2.05
5	Actual Company contributions	-	-
6	Benefits paid	-	(2.76)
7	Plan assets at the end of period	22.07	25.13
<b>VI</b>	<b>Assumptions</b>		
1	Discount Rate	8.00%	8.00%
2	Expected Return on plan assets	8.00%	9.00%
3	Salary escalation	7.00%	7.00%
4	Attrition Rate	10.00%	10.00%

### Actuarial valuation experience adjustment:

Particulars	2011	2010	2009	2008
Defined Benefit Obligation	63.89	55.10	85.57	64.39
Plan Assets	22.07	25.13	27.33	24.60
Surplus / (Deficit)	(41.82)	(29.97)	(58.24)	(39.79)
Liability transferred on account of de-merger	-	-	(18.80)	-
Net Surplus / (Deficit)	(41.82)	(29.97)	(39.44)	(39.79)
Experience Adjustment on Plan Liabilities	(3.58)	(35.11)		
Experience Adjustment on Plan Assets	57.73	14.75		

# Notes on Accounts and accounting policies

Note:

1. The estimate of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
  2. In the absence of information relating to category wise breakup of Plan Assets, the same has not been disclosed.
  3. Disclosure on actuarial valuation experience adjustment is disclosed to the extent the details are available with the Company.
33. Disclosures relating to Financial instruments to the extent not disclosed elsewhere in Schedule P

33.1 Breakup of Allowance for Credit Losses is as under:

₹ in Million		
Particulars	December 31, 2011	December 31, 2010
Provision for Bad and Doubtful Debts at the beginning of the Year	26.55	22.82
Additional Provision during the year	4.39	7.02
Provision reversed / written off during the year	-	3.29
Provision for Bad and Doubtful Debts at the end of the Year	30.94	26.55

33.2 Details on Derivatives Instruments & Un-hedged Foreign Currency Exposures

The following derivative positions are open as at December 31, 2011. These transactions have been undertaken to act as economic hedges for the Company's exposures to various risks in foreign exchange markets. These instruments are therefore classified as held for trading and gains / losses recognised in the Profit and Loss Account except to the extent they qualified as Cash flow hedges in the context of the rigour of such classification under Accounting Standard 30.

- I. The Company has entered into the following derivative instruments:
  - (a) Forward Exchange Contracts [being a derivative instrument], which are not intended for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.

The following are the outstanding Forward Exchange Contracts entered into by the Company as on December 31, 2011, which qualified as Cashflow hedging instruments.

Currency	Amount	Buy / Sell	Cross Currency
USD	67,000,000	Sell	Rupees

- (b) Interest Rate Swaps to hedge against fluctuations in interest rate changes: No. of contracts: Nil (Previous year : Nil)
  - (c) Currency Swaps (other than forward exchange contracts stated above) to hedge against fluctuations in changes in exchange rate. No. of contracts: Nil (Previous Year: Nil)
- II. The yearend foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Receivable / (Payable) ₹ in Million	Receivable / (Payable) In Foreign currency		Receivable / (Payable) ₹ in Million	Receivable / (Payable) In Foreign currency	
At December 31, 2011			At December 31, 2010		
882.05	USD	16.56	(6,030.82)	(134.92)	USD
21.41	EUR	0.31	(37.21)	(0.62)	EUR
183.90	AUD	3.44	14.24	0.31	AUD
-	CAD	-	(2.11)	(0.05)	CAD
182.50	GBP	2.25	(8.83)	(0.13)	GBP
0.24	ZAR	0.04	-	-	JPY
0.13	SGD	0.003	-	-	CHF

## Notes on Accounts and accounting policies

- III. There were no outstanding option contracts as at December 31, 2011.
- IV. Loss on Forward Exchange Derivative contracts (Net) included in the Profit and Loss Account for year ended December 31, 2011 amounts to ₹ 27.83 Million (Previous Year: Loss (Net) ₹ 72.12 Million).

### 33.3 Categories of Financial Instruments

#### (a) Loans and Receivables:

The following financial assets in the Balance Sheet have been classified as Loans and Receivables as defined in Accounting Standard 30. These are carried at amortised cost less impairment if any.

The carrying amounts are as under:

Particulars	₹ in Million	
	December 31, 2011	December 31, 2010
Sundry Debtors	2,642.84	1,597.31
Unbilled Debtors	305.62	145.28
Advance recoverable in cash	517.42	491.51
Loans and Advances to subsidiaries	11,699.26	1,979.29
Cash and Bank Balances	814.61	810.29

In the opinion of the management, the carrying amounts above are reasonable approximations of fair values of the above financial assets.

#### (b) Financial Liabilities Held at Amortised Cost

The following financial liabilities are held at amortised cost. The carrying amount of Financial Liabilities is as under:

Particulars	₹ in Million	
	December 31, 2011	December 31, 2010
<b>Secured Loans:</b>		
Long term loans	4,814.05	3,237.23
Short term loans	3,516.12	3,224.13
<b>Unsecured Loans</b>		
Long term loans:		
Foreign currency convertible bonds (debt component)	5,854.24	4,381.89
Others	-	681.52
<b>Short term loans (Unsecured) :</b>		
From banks and others	211.51	714.98
<b>Current Liabilities</b>		
Sundry Creditors	2,761.51	1,882.82
Unclaimed dividend	2.41	2.12
Interest accrued but not due	67.12	21.73
Other Liabilities	72.36	38.44
<b>Provision For:</b>		
Leave salary	66.70	62.37
Gratuity	41.82	29.97
Long Term Employee Compensation	544.30	576.20
Equity dividend (including dividend distribution tax)	135.93	101.01
Provision for Mark-to-Market losses on forward exchange contracts	447.10	-

Note: Interest expense calculated using effective interest rate method as prescribed in AS 30 for financial liabilities that are carried at amortised cost is ₹ 555.18 Million (Previous Year ₹ 773.89 Million)

#### (a) Financial Liabilities Held for Trading

The option component of FCCBs has been classified as held for trading, being a derivative under AS 30. The carrying amount of the option component was ₹ 2.09 Million as at December 31, 2011 and ₹ 190.95 Million as at December 31, 2010. The difference in carrying value between the two dates, amounting to ₹ 188.85 Million is considered as a gain in the Profit and Loss Account of the year in accordance with provisions of AS 30.

## Notes on Accounts and accounting policies

The fair value of the option component has been determined using a valuation model. Refer to Note B.8.1 above on FCCBs for detailed disclosure on the valuation method.

(b) There are no other financial assets / liabilities in the following categories:

- + Financial assets:
  - + Carried at fair value through profit and loss designated as such at initial recognition.
  - + Held to maturity
  - + Available for sale (other than investment in Subsidiaries & Joint Venture)
- + Financial liabilities:
  - + Carried at fair value through profit and loss designated as such at initial recognition.

### 33.4 Financial assets pledged

The following financial assets have been pledged

₹ in Million

Financial Asset	Carrying value December 31, 2011	Carrying value December 31, 2010	Liability / Contingent Liability for which pledged as collateral	Terms and conditions relating to pledge
<b>I. Margin Money with Banks</b>				
A. Margin Money for Letter of Credit	116.59	131.18	Letter of Credit	The Margin Money is interest bearing deposit with Banks. These deposits can be withdrawn on the maturity of all Open Letters of Credit.
B. Margin Money for Bank Guarantee	7.33	5.38	Bank Guarantee	The Margin Money is interest bearing deposit with Banks. These Deposits are against Performance Guarantees. These can be withdrawn on the satisfaction of the purpose for which the Guarantee is provided.
II. Sundry debtors	1,130.70	480.35	Bills discounted	The Bills discounted with Banks are secured by the Receivable

### 33.5 Nature and extent of risks arising from financial instrument

The main financial risks faced by the Company relate to fluctuations in interest and foreign exchange rates, the risk of default by counterparties to financial transactions, and the availability of funds to meet business needs. The Balance Sheet as at December 31, 2011 is representative of the position through the year. Risk management is carried out by a central treasury department under the guidance of the Management.

#### Interest rate risk

Interest rate risk arises from long term borrowings. Debt issued at variable rates exposes the Company to cash flow risk. Debt issued at fixed rate exposes the Company to fair value risk. In the opinion of the management, interest rate risk during the year under report was not substantial enough to require intervention or hedging through derivatives or other financial instruments. For the purposes of exposure to interest risk, the Company considers its net debt position evaluated as the difference between financial assets and financial liabilities held at fixed rates and floating rates respectively as the measure of exposure of notional amounts to interest rate risk. This net debt position is quantified as under:



## Notes on Accounts and accounting policies

### Financial Assets / Liabilities:

₹ in Million

Particulars	2011	2010
<b>Fixed</b>		
Financial Assets	4,483.19	3,238.57
Financial liabilities	(10,095.80)	(7,310.68)
	<b>(5,612.61)</b>	<b>(4,072.11)</b>
<b>Floating</b>		
Financial Assets	11,496.56	1,785.11
Financial liabilities	(8,439.37)	(7,643.73)
	<b>3,057.19</b>	<b>(5,858.62)</b>

### Credit risk

Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions. Credit risk also arises from trade receivables and other financial assets.

The credit risk arising from receivables is subject to concentration risk in that the receivables are predominantly denominated in USD and any appreciation in the INR will affect the credit risk. Further, the Company is not significantly exposed to geographical distribution risk as the counterparties operate across various countries across the Globe.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Company's reputation. Liquidity risk is managed using short term and long term cash flow forecasts.

The following is an analysis of undiscounted contractual cash flows payable under financial liabilities and derivatives as at December 31, 2011. (Figures in brackets relates to Previous Year)

₹ in Million

Financial Liabilities	Due within (years)					
	1	1 and 2	2 and 3	3 and 4	4 and 5	5 & above
Bank & other borrowings	4,788.63 (4,964.69)	746.90 (993.67)	319.87 (731.73)	519.53 (245.00)	665.88 (120.27)	1398.44 (120)
Interest payable on borrowings	67.12 (21.73)	-	-	-	-	-
Hire Purchase liabilities	1.10 (1.58)	0.80 (0.41)	0.53 (-0.51)	-	-	-
Other Borrowings	5,954.24 (680.00)	- (4,381.89)	-	-	-	-
Trade and other payables not in net debt	3,625.03 (2,692.93)	-	-	-	-	-
Fair Value of Options embedded in FCCBs	2.09 -	- (190.95)	-	-	-	-
Fair value of forward exchange derivative contracts	447.10 -	-	-	-	-	-
<b>Total</b>	<b>14,885.31</b> <b>(8,360.93)</b>	<b>747.70</b> <b>(5,566.92)</b>	<b>320.40</b> <b>(732.24)</b>	<b>519.53</b> <b>(245.00)</b>	<b>665.88</b> <b>(120.27)</b>	<b>1,398.44</b> <b>(120.00)</b>

For the purposes of the above table, undiscounted cash flows have been applied. Undiscounted cash flows will differ from fair values. Foreign currency liabilities have been computed applying spot rates on the Balance Sheet date.



# Notes on Accounts and accounting policies

## Foreign exchange risk

The Company is exposed to foreign exchange risk principally via:

- + Debt availed in foreign currency
- + Net investments in subsidiaries and joint ventures in foreign currencies
- + Exposure arising from transactions relating to purchases, revenues, expenses etc. to be settled in currencies other than Indian Rupees, the functional currency of the respective entities.

### 33.6 Sensitivity analysis as at December 31, 2011

Financial instruments affected by interest rate changes include Secured Long term loans from banks, Secured Long term loans from others, Secured Short term loans from banks and Unsecured Short term loans from banks. The impact of a 1% change in interest rates on the profit of an annual period will be ₹ 99.55 Million (Previous year ₹ 76.53 Million) assuming the loans as of December 31, 2011 continue to be constant during the annual period. This computation does not involve a revaluation of the fair value of loans as a consequence of changes in interest rates. The computation also assumes that an increase in interest rates on floating rate liabilities will not necessarily involve an increase in interest rates on floating rate financial assets.

Financial instruments affected by changes in foreign exchange rates include FCCBs, External Commercial Borrowings (ECBs), investments in subsidiaries, and loans to subsidiaries and joint ventures. The Company considers US Dollar and the Euro to be principal currencies which require monitoring and risk mitigation. The Company is exposed to volatility in other currencies including the Great Britain Pounds (GBP) and the Australian Dollar (AUD).

Particulars	Increase / (Decrease) in Equity in	
	2011	2010
A 5% appreciation in the US dollar	44.41	301.54
A 5% depreciation in the US dollar	(44.41)	(301.54)
A 5% appreciation in the Euro	1.07	(1.86)
A 5% depreciation in the Euro	(1.07)	1.86
A 5% appreciation in the Australian Dollar	9.19	0.71
A 5% depreciation in the Australian Dollar	(9.19)	(0.71)
A 5% appreciation in the GBP	9.13	(0.44)
A 5% depreciation in the GBP	(9.13)	0.44

For the purposes of the above table, it is assumed that the carrying value of the financial assets and liabilities as at the end of the respective financial years remains constant thereafter. The exchange rate considered for the sensitivity analysis is the Exchange Rate prevalent as at December 31, 2011.

34. The previous year's figures have been regrouped in line with the current year.

### For and on behalf of the Board

Arun Kumar	- Executive Vice Chairman & Managing Director
K.R.Ravishankar	- Director
Dr. T.S. Rangan	- Group CFO
Badree Komandur	- Company Secretary

Bangalore, February 27, 2012

# Balance Sheet Abstract

and Company's General Profile

## 1. STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

<b>I.</b>	<b>Registration Details</b>	
	Registration No.	11-57062
	State Code	11
	Balance Sheet Date	31.12.2011
		(₹ in thousands)
<b>II.</b>	<b>Capital Raised during the year</b>	
	Public Issue	Nil
	Bonus Issue	Nil
	Rights Issue	Nil
	Private Placement (Equity & Preference)	
<b>III.</b>	<b>Position of mobilisation and deployment of Funds</b>	
	Total Liabilities	27990.11
	Total Assets	27990.11
	Sources of Funds	
	Share Capital	583.80
	Monies pending allotment	Nil
	Employee Stock Options Outstanding	27.59
	Reserves and Surplus	12980.71
	Secured Loans	8330.17
	Unsecured Loans	6067.84
	Deferred Tax Liability	Nil
	Application of Funds	
	Net Fixed Assets	3318.94
	Investments	7868.18
	Net Current Assets	16802.99
	Miscellaneous Expenditure	Nil
	Accumulated Losses	Nil
<b>IV.</b>	<b>Performance of the Company</b>	
	Turnover (Total Income)	7662.47
	Total Expenditure	6400.76
	Profit Before Tax	1261.71
	Profit After Tax	1179.21
	Earnings per share (₹) (on profit after taxes)	20.30
	Dividend Rate (%)	20%
<b>V.</b>	<b>Generic Names of Three Principal Products / Service of the Company (as per monetary terms)</b>	
	Item Code No.	30039090
	Product Description	Lamivudine
	Item Code No.	30039090
	Product Description	Efavirenz
	Item Code No.	30039090
	Product Description	Nevirapine



## 2. DISCLOSURE AS PER CLAUSE 32 OF THE LISTING AGREEMENT

Loans and advances in the nature of loans given to subsidiaries, associates and others:

			₹ in Million
Name of the Company	Relationship	Amount outstanding at Dec 31, 2011	Maximum balance outstanding during the year
Strides Arcolab International Ltd	Wholly Owned Subsidiary	227.12	227.12
Strides Arcolab Polska Sp.Z.o.o	Wholly Owned Subsidiary	19.66	19.66

### For and on behalf of the Board

Arun Kumar

- Executive Vice Chairman & Managing Director

K.R.Ravishankar

- Director

Dr. T.S. Rangan

- Group CFO

Badree Komandur

- Company Secretary

Bangalore, February 27, 2012



## Equity History of the Company

Date	Particulars	Number of Shares Issued	Cumulative Number of Shares Issued	Face Value per share (₹)
28-Jun-90	Subscribers to Memorandum of Association	50	50	100
31-Jan-91	Preferential Issue	4,010	4,060	100
29-Mar-91	Preferential Issue	1,940	6,000	100
31-Mar-92	Preferential Issue	4,000	10,000	100
28-Jan-93	Preferential Issue	15,000	25,000	100
11-Mar-94	Preferential Issue	20	25,020	100
11-Apr-94	Reclassification of nominal value of shares from ₹100 each to ₹10 each	-	250,200	10
30-Apr-94	Issue of Bonus Shares	1,251,000	1,501,200	10
01-Sep-94	Preferential Issue	1,160,300	2,661,500	10
01-Sep-94	Allotment under ESOP	22,950	2,684,450	10
22-Jan-97	Preferential Issue	918,980	3,603,430	10
06-Dec-97	Preferential Issue	400,000	4,003,430	10
13-May-99	Preferential Issue on conversion of Fully Convertible Debentures	4,363,636	8,367,066	10
13-May-99	Preferential Issue	221,000	8,588,066	10
13-Jul-99	Preferential Issue	516,500	9,104,566	10
24-Aug-99	Allotment to erstwhile shareholders of Remed Laboratories (India) Limited consequent to its amalgamation with the Company	1,200,000	10,304,566	10
24-Aug-99	Preferential Issue	1,702,000	12,006,566	10
24-Aug-99	Allotment to erstwhile shareholders of Global Remedies Private Limited consequent to its acquisition by the Company	50,000	12,056,566	10
22-Sep-99	Preferential Issue	850,000	12,906,566	10
07-Dec-99	Allotment to erstwhile shareholders of Plama Laboratories Limited consequent to its amalgamation with the Company	712,500	13,619,066	10
27-Jun-01	Preferential Issue on conversion of Cumulative Convertible Preference Shares	3,144,445	16,763,511	10
24-Jan-02	Allotment to erstwhile shareholders of Bombay Drugs & Pharms Limited consequent to its amalgamation with the Company.	210,955	16,974,466	10
14-Feb-02	Preferential Issue	13,714,286	30,688,752	10
11-Dec-03	Preferential Issue on conversion of warrants	3,068,875	33,757,627	10
02-Feb-05	Preferential Issue	1,196,662	34,954,289	10



Date	Particulars	Number of Shares Issued	Cumulative Number of Shares Issued	Face Value per share (₹)
05-Jul-07	Preferential Issue on conversion of warrants	50,000	35,004,289	10
08-Mar-08	Preferential Issue on conversion of Convertible Debentures	4,000,000	39,004,289	10
17-Jun-08	Preferential Issue on conversion of Convertible Debentures	1,045,725	40,050,014	10
13-Aug-09 to 03-Dec-09	Allotment under ESOP	165,600	40,215,614	10
19-Jan-10	Allotment to erstwhile shareholders of Grandix Pharmaceuticals Limited consequent to its amalgamation with the Company.	12,822	40,228,436	10
19-Jan-10	Allotment to erstwhile shareholders of Grandix Laboratories Limited consequent to its amalgamation with the Company.	702	40,229,138	10
24-Feb-10	Preferential Issue on conversion of warrants	2,560,000	42,789,138	10
15-Mar-10	Preferential Issue on conversion of warrants	420,000	43,209,138	10
22-April-10 to 24-Aug-10	Allotment under ESOP	492,000	43,701,138	10
26-Aug-10	Preferential Issue on conversion of warrants	3,220,000	46,921,138	10
1-Oct-10	Allotment under QIP 2010	10,742,533	57,663,671	10
4-Oct-10 to 16-Nov-10	Allotment under ESOP	81,000	57,744,671	10
24-Feb-11 to 15-Oct-11	Allotment under ESOP	635,500	58,380,171	10

## A Historical Perspective

₹ in Million

Financials	2011 In USD mio	2011	2010	2009	2008	2007
<b>Income, Profit &amp; Dividend</b>						
<b>Total Income</b>	<b>545.71</b>	<b>25,771.52</b>	<b>17,655.44</b>	<b>13,283.41</b>	<b>10,799.14</b>	<b>8,696.25</b>
EBIDTA	109.64	5,177.89	3,963.21	2,105.04	1,292.10	1,029.44
Depreciation & Amortisation	22.09	1,043.01	638.98	491.90	400.63	377.14
Exceptional Items (Gain) / Loss	(10.47)	(494.68)	(5.99)	(575.30)	1,409.03	299.12
Profit After Tax (PAT)	47.53	2,244.77	1,224.47	1,096.83	1,079.63	(501.21)
Equity Dividend	2.49	117.37	91.59	60.32	-	-
Dividend Rate %	20.00	20.00	15.00	15.00	-	-
<b>Liabilities &amp; Assets</b>						
<b>Liabilities</b>						
Equity Share Capital	10.96	583.80	577.45	402.15	400.50	350.04
Preference Share Capital	-	-	-	491.61	491.61	491.61
Monies Pending Allotment	-	-	-	141.50	-	189.87
Reserves & surplus	248.53	13,239.30	12,229.51	7,240.92	3,244.10	1,729.65
<b>Total Net Worth</b>	<b>259.49</b>	<b>13,823.10</b>	<b>12,806.96</b>	<b>8,276.18</b>	<b>4,136.21</b>	<b>2,761.17</b>
ESOP	0.52	27.59	20.86	34.53	17.89	4.73
Long Term Loans	258.06	13,747.07	9,335.93	4,668.88	2,822.74	2,820.20
Short Term Loans	113.77	6,060.72	6,189.58	3,558.34	3,012.11	2,419.40
FCCBs	109.94	5,856.33	4,572.84	6,341.50	7,185.27	7,534.29
<b>Total Borrowings</b>	<b>481.77</b>	<b>25,664.12</b>	<b>20,098.35</b>	<b>14,568.72</b>	<b>13,020.12</b>	<b>12,773.89</b>
Minority Interest	8.72	464.57	2,724.74	2,585.04	1,802.84	169.34
Deferred Tax Liability	1.76	93.49	46.36	34.15	87.43	106.76
<b>Total Liabilities</b>	<b>752.26</b>	<b>40,072.87</b>	<b>35,697.27</b>	<b>25,498.62</b>	<b>19,064.49</b>	<b>15,815.89</b>
<b>Assets</b>						
Gross Block	312.04	16,622.31	11,510.70	10,713.26	5,991.11	5,947.48
Net Block incl CWIP	292.36	15,573.78	10,440.84	9,318.76	6,385.41	7,427.91
Goodwill	372.18	19,825.94	14,756.39	10,093.69	5,905.35	5,527.48
Investments	-	-	17.59	3,413.61	3,464.01	19.45
Deferred tax Asset	4.14	220.31	15.77	11.13	43.36	2.50
Net Current Assets	81.69	4,351.86	10,367.50	2,661.43	3,265.39	2,832.18
Miscellaneous Expenditure	1.90	100.99	99.18	-	0.97	6.37
<b>Total Assets</b>	<b>752.26</b>	<b>40,072.88</b>	<b>35,697.27</b>	<b>25,498.62</b>	<b>19,064.49</b>	<b>15,815.89</b>
<b>Key Indicators</b>						
Earnings Per Share (EPS)	0.82	38.65	26.11	26.49	26.91	(15.57)
Cash Earnings Per Share (CEPS)	1.55	82.49	74.87	45.55	28.93	24.58
Book Value	4.42	235.66	273.09	184.59	90.84	35.57
Debt : Equity Ratio	1.86	1.86	1.57	1.76	3.15	4.63
Operating Profit Margin (%)	20.09	20.09	22.45	15.85	11.96	11.84
Net Profit Margin (%)	8.71	8.71	6.94	8.26	10.00	(5.76)
Return on Net Worth (RONW %)	16.24	16.24	9.56	13.25	26.10	(18.15)

\* 1 USD = ₹ 53.27 (Exchange rate as on December 31,2011)









# Strides Arcolab Limited

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## Registered Office

201, Devavrata,  
Sector 17, Vashi,  
Navi Mumbai 400 705, India.  
Tel.: +91 22 27893199  
Fax No. +91 22 27892942

## Corporate Office

'Strides House', Bilekahalli  
Bannerghatta Road,  
Bangalore 560 076, India.  
Tel.: +91 80 67840738/000  
Fax No. +91 80 67840700/800  
Email: info@stridesarco.com  
Website: www.stridesarco.com

## R & D Centre

Strides Technology And Research,  
Bilekahalli, Bannerghatta Road,  
Bangalore 560 076, India.  
Tel.: +91 80 67840290  
Fax No. +91 80 66580200/300

## Statutory Auditors

Deloitte Haskins & Sells  
Deloitte Centre, Anchorage II,100/2,  
Richmond road,  
Bangalore 560 025, India.

## Internal Auditors

Grant Thornton International  
WINGS, First Floor,  
16/1, Cambridge Road,  
Halasuru, Bangalore – 560008, India.

## Advocates and Solicitors

DSK Legal  
1203, One Indiabulls Centre  
Tower 2, Floor 12 B  
841, Senapati Bapat Marg  
Elphinstone Road, Mumbai - 400 013, India.

## Registrars

Karvy Computershare Private Limited,  
Plot No.17 to 24, Vittalrao Nagar,  
Madhapur,  
Hyderabad - 500 081.  
Tel. No. +91 40 2342 0815 to 824  
Fax No. +91 40 2342 0814  
e-mail id: svraju@karvy.com

## Bankers and Financial Institutions

Axis Bank Limited  
Central Bank of India  
HDFC Bank Limited  
Indian Overseas Bank  
Punjab National Bank  
Ratnakar Bank Limited  
State Bank of Hyderabad  
State Bank of India  
Syndicate Bank  
Yes Bank Limited

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## Global Plants

### Oral Dosage Forms Facility - I

'KRS Gardens', Suragajakanahalli,  
Anekal Taluk, Bangalore 560 106, India.

### Oral Dosage Form Facility - II

124, Sipcot Industrial Complex,  
Hosur - 635 126, India.

### Oral Dosage Form Facility - III

Plot No. 9-12, Dewan & Sons Indl. Area,  
Veroor, Palghar, Dist. Thane 401 404  
Maharashtra, India.

### Strides Vital Nigeria Limited

Gate No. 02, LadipoOluwole  
Avenue,Opposite Cocoa warehouse, Off  
ObaAkran Road, Ikeja Industrial Area,  
IkejaLagos, Nigeria

### Beltapharm SpA

20095 Cusano MIL.  
(MI) - Via Stelvio, 66 Italy.

### Beta-lactams Facility

Bilekahalli, Bannerghatta Road,  
Bangalore 560 076, India.

### Cephalosporins Facility

Bilekahalli, Bannerghatta Road,Bangalore  
560 076, India.

### Sterile Products Division – I

Bilekahalli, Bannerghatta Road,Bangalore  
560 076, India.

### Sterile Products Division – II

Plot No. 284-A, Bommasandra Jigani Link  
road, Industrial Area, Jigani Village, Jigani  
Hobli, Anekal Taluk, Bangalore 562 106.

### Onco Therapies Limited

Plot No. 284-B, Bommasandra Jigani Link  
Road, Industrial Area, Jigani Village, Jigani  
Hobli, Anekal Taluk, Bangalore 562 106.

### Star Drugs and Research Labs Limited

Plot No. 14, Sipcot-II, Hosur - 635 109,  
T.N, India.

### Penems Facility

Estrada DoutorLorival Martins Beda,  
926 - 968 28110-000- Donana -  
Campos dos  
Goytacazes- Rio de Janeiro- Brazil.

### Penicillins Facility

Estrada DoutorLorival Martins Beda,  
926 - 968 28110-000- Donana -  
Campos dos  
Goytacazes- Rio de Janeiro- Brazil

### Strides Arcolab PolskaSp.Zo.o

ul.Daniszewska 10 03-230  
Warszawa NIP  
813-34-15-000, Poland.

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## Global offices

### Cameroon

BP 1834, Rue DUBOIS de Saligny,  
AKWA, Douala, Cameroon

### Tchad

BP 1167, N'Djamena, Tchad.

### Norway

Sorkedalsveien,  
10B 0369, Oslo, Norway.

### South Africa

4, Angus Crescent, Longmeadow East,  
Modderfontein, 1644,  
Republic of South Africa.

### United Kingdom

Unit 4, Metro Centre, Tolpits Lane,Watford,  
Hertfordshire, WD18 9SS, UK

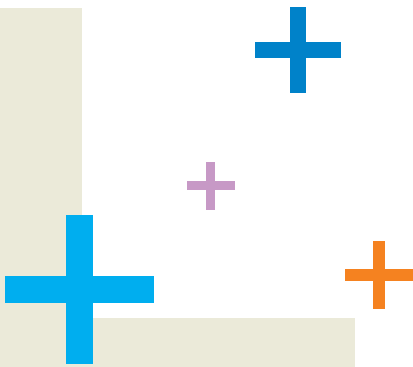
### USA

201, S. Main Street - Ste.3  
Lambertville, NJ 08530.



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