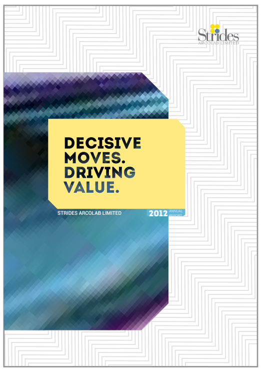
Strides
ARCOLAB LIMITED

DECISIVE MOVES. DRIVING VALUE.

STRIDES ARCOLAB LIMITED

2012 ANNUAL REPORT



The cover design depicts value creation by making decisive moves.
A composition of motion graphics and typography is used as medium.

FINDING YOUR WAY

ALL ABOUT STRIDES 01 – 20

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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.

EVERYDAY A NEW MOVEMENT STARTS AT STRIDES.

That inspires and unites our people across multiple cultures and nationalities of the world. To ensure that patients have access to affordable medicines and to create dependable value in a constantly evolving global pharmaceutical landscape.

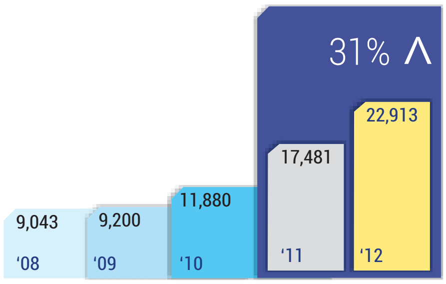
2012 has been a satisfying year, characterised by improved operating leverage across our business divisions, continued compliances across all manufacturing facilities globally and proactive regulatory filings.

Our experience and expertise have enabled us to successfully foresee emerging trends, execute strategies and deliver on stakeholder aspirations.

The priority now is to further simplify the operating model, focus more on innovation and create a diversified global business.

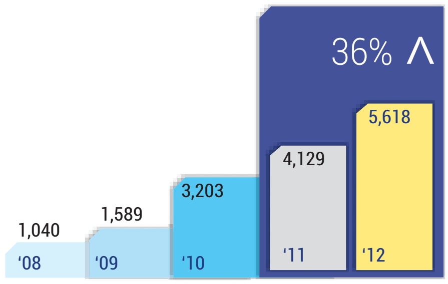
WHEN DECISIVE MOVES PAY OFF

Revenues* ₹ in Millions



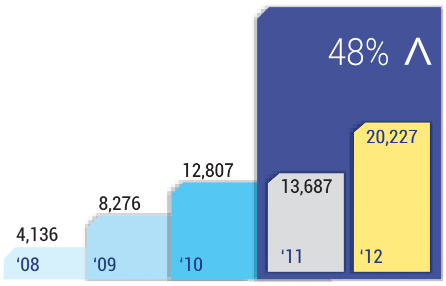
* Excluding Divested Ascent Operations

EBITDA* ₹ in Millions

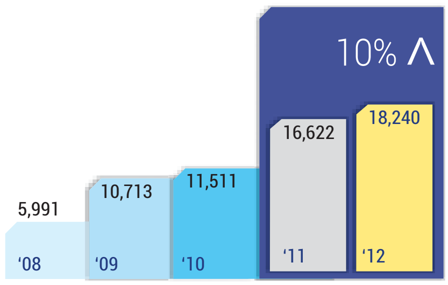


* (Excluding Divested Ascent Operations)

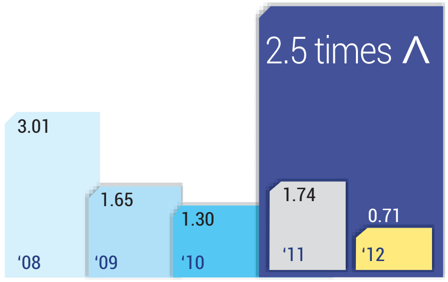
Networth ₹ in Millions



Gross block ₹ in Millions



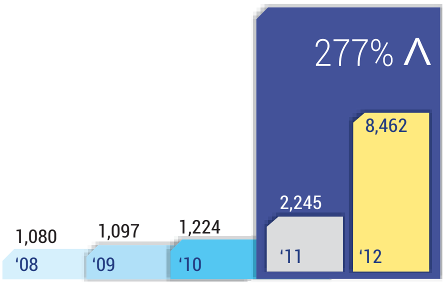
Debt-equity ratio*



* Net of Cash

Post-tax profit *

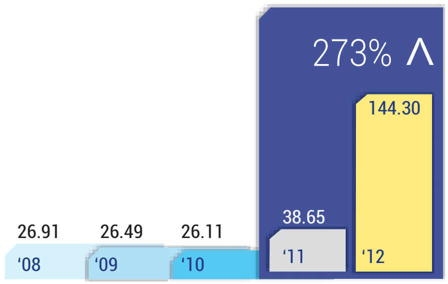
₹ in Millions



* 2012 number includes profit from divested Ascent operations

Earnings per share*

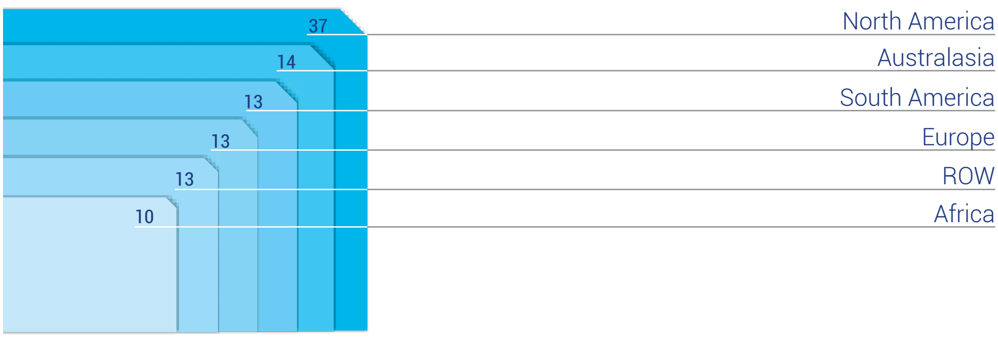
₹



* 2012 number includes profit from divested Ascent operations

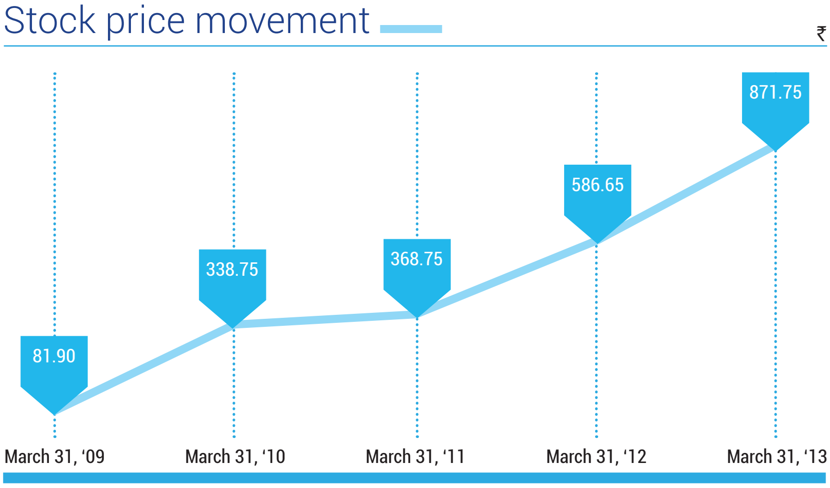
Global revenue share, 2012

%

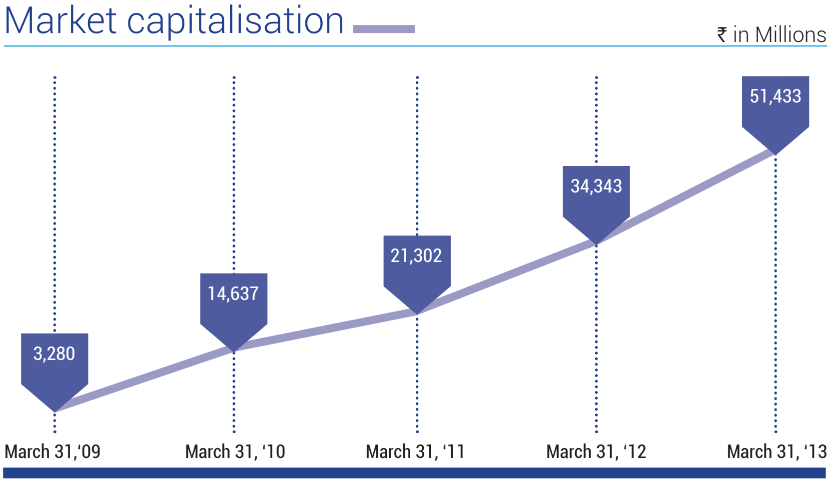


Pie not to scale | Graphs not to scale

Stock price movement



Market capitalisation



Regulatory filing status in the US

	Pharma	Agila (Specialties)	Total
Filings	47	209	256
Approvals	26	81	107
Tentative approvals /PEPFAR	19	3	22
Available for commercialisation	7	78	85
Commercialised	6	51	57

as at December 2012

Other regions

	Established markets (other than US)	Emerging markets	Total
Filings	423	1,791	2,214
Approvals	249	1,320	1,569

as at December 2012

Regulatory filing momentum in 2012

75

Product ANDA fillings in the US, with 25 approvals

68

Product filings in established markets with 48 approvals

181

Product filings in emerging markets with 135 approvals

THE WAY FORWARD BEGINS HERE

Our guiding principle

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.

22+
Years of steady progression

US$ 435 Mn
Global turnover

14
Manufacturing facilities across six countries

75+
Country presence — across developed and emerging markets

2700+
Human assets

350+
R&D team members

Our approach

Driven by knowledge, we are one of the fastest growing global pharmaceutical players, developing and manufacturing a wide range of IP-led pharmaceutical products.

Business divisions

- Pharmaceuticals
- Specialties (Agila)
- Biotech

PURSUING VALUE

Dear Friends,

Pursuing value in such unpredictable times may appear paradoxical at first sight. But this is exactly what we aim to do, despite evolving economic realities. When we started our journey, things were not smooth either. But we believed we could make a difference on the strength of our expertise and partnerships. And we were right. Today, we have more scale, knowledge, global presence and partners, but we have not veered from the objective with which we started. Our strategy has always been to identify difficult to operate niche domains and continue to excel in those spheres.

2012 began and ended on an optimistic note for us, considering the bleak economic landscape we were operating in. During the year, our revenues and EBIDTA increased considerably, compared to 2011, primarily

OUR REVENUES AND EBIDTA INCREASED CONSIDERABLY, COMPARED TO 2011, PRIMARILY DRIVEN BY CONSISTENT NEW PRODUCT LAUNCHES AND INCREASE IN OPERATIONAL SCALE.

driven by consistent new product launches and increase in operational scale. Besides, both Agila and Pharma divisions demonstrated significant operating leverage across all global manufacturing facilities and consistent regulatory filings. Besides, there were significant corporate initiatives round the year.

Moreover, we redeemed all outstanding Foreign Currency Convertible Bonds (FCCBs), facilitating substantial deleveraging of our balance sheet.

Regulatory filings were considerable in 2012 for both injectables and pharma division, including some very important products in our pharmaceuticals domain. We continue to develop a portfolio of relevant products across key markets in the pharmaceuticals division.

DIVESTMENTS

Ascent

We sold Ascent Pharmahealth, our generic pharmaceutical operations in Australia and Southeast Asia to Watson Pharmaceuticals for an enterprise value of AU$ 375 Million (~ ₹ 19,000 Million). This helped us enhance focus on high-growth Agila (Specialties) by infusing additional capital and also reduce our debts to improve capital structure.

Agila

We built the Agila division in the last seven years through consistent focus on operations, technical capabilities, regulatory filings and R&D expertise. At this juncture, we need to move up the next level of the value chain by aggressively expanding into global front-end markets. But such a move would have required significant capital inflow, experience and expertise, which we have in parts of the world, but not necessarily on a global scale.

We entered into a definitive agreement with Mylan Inc., one of the world's leading specialties and generic pharmaceutical company to sell off Agila Specialties division for a cash consideration of US$ 1,600 Million (~₹ 8,610 Crores) and potential additional consideration of US$ 250 Million (~₹ 1,345 Crores). We intend to use a significant part of the proceeds (pre-tax) to reward shareholders and retire debt. Besides, we also propose to distribute a portion among employees and the balance will go to fund our future growth endeavours.

AS THE DEBATE BETWEEN THE PRIMACY OF AFFORDABLE MEDICAL CARE AND CONSISTENT INNOVATION RAGES ACROSS THE WORLD, WE TRY TO ALIGN BOTH ENDS OF THE SPECTRUM BY FOCUSING ON A COST-EFFICIENT AND INNOVATION-FOCUSED OPERATING MODEL.

FUTURE GROWTH AVENUES

The future holds out significant opportunities for growth. This will primarily emanate from:

Pharma

- Core Pharma will continue to register significant growth through the launch of new products in the US market
- Drive growth in Africa through the launch of new products, expansion into untapped markets and possibly set up local manufacturing
- Expand the business of branded drugs in India with niche branded pharmaceutical products

Biotech

- Enhance focus on the biologic space; we have planned a state-of-the-art facility in Malaysia, backed by strong technical expertise
- Develop an internal pipeline of biosimilars, supported by an R&D facility in Bangalore, which is capable of handling high-end research

Our focus remains the same: consistent pursuit of value. We have the capabilities and the commitment to compete hard globally and win big. As the debate between the primacy of affordable medical care and consistent innovation rages across the world, we try to align both ends of the spectrum by focusing on a cost-efficient and innovation-focused operating model.

Arun

ADVANCING WITH ACUMEN

When we revisit the broad canvas of initiatives undertaken in 2012, this picture stands out in bold strokes.

Inspired by our corporate philosophy of '**IN AFRICA FOR AFRICA', WE ARE CONTRIBUTING TO IMPROVING THE QUALITY OF LIFE** by providing therapeutically effective and timely medication to people in the region. Moreover, **SUB-SAHARAN AFRICA HOLDS OUT ONE OF THE MOST ATTRACTIVE BUSINESS OPPORTUNITIES** for tomorrow. We intend to create additional manufacturing infrastructure in the region, which will also generate significant employment opportunities and help facilitate regional growth.

Sinhue Noronha – CEO, Africa

Now the fine print...

VALUE UNLEASHED

We sold our generic pharmaceutical operations (Ascent Pharmahealth) in Australia and Southeast Asia to Watson Pharmaceuticals for AU$ 375 Million (~ ₹ 19,000 Million)

VALUE UTILISED

- Infused additional capital to strengthen Agila's future endeavours
- Reduced debt and strengthened balance sheet strength

SHARPENED FOCUS ON AFRICAN ARM

Our African front-end division received investments worth US$ 12.50 Million from Proparco, a French Development Financing Institution, in the form of 20% equity participation.

UNFOLDING OPPORTUNITIES

- Value of African operations at over US$ 60 Million
- Creating additional manufacturing infrastructure across important African markets
- Align recognition and acceptance for the Company with the philosophy of 'In Africa for Africa'

FACILITATING LOW-COST GENERIC HIV MEDICINE

We collaborated with Gilead Sciences, Inc. to promote access to high-quality, low-cost generic versions of Gilead's HIV medicine emtricitabine (FTC) in developing countries – including fixed-dose combinations of emtricitabine co-formulated with other Gilead HIV medicines.

COMBATING A GLOBAL MENACE

- Gilead will provide a technology transfer for the manufacture of Emtricitabine, enabling process improvements to reduce overall manufacturing costs
- World Health Organisation (WHO) guidelines recommend Emtricitabine, along with Tenofovir Disoproxil Fumarate (TDF) & Efavirenz , as preferred components of first and second-line HIV therapy
- The US FDA approved the two drug combination FTC/ TDF as preventive treatment for people at high risk of contracting HIV. The agreement will enable Strides to produce high volumes of these therapies, and establish sustainable price parity to other alternative regimens
- The agreement also covers technology transfer for their new HIV molecules including QUAD a four drug cocktail for supplies to the low and middle income countries

We continue to deliver value through our strategic **IP-LED BUSINESS MODEL WHICH FINELY BALANCES RISK AND COMPLEXITY WITH VALUE-CREATION AND SUSTAINABILITY.** This coupled with operational excellence has enabled us to deliver superior operating and financial performance in 2012. We have stream-lined our operations and enhanced our focus on niche product development for the regulated markets of US, EU and Australia, with our first para IV approval in Pharmaceutical division expected during 2013. These valuable initiatives would **DRIVE THE SCALE AND QUALITY OF OUR PHARMACEUTICAL DIVISION TO ACHIEVE EVEN GREATER PERFORMANCE IN 2013** and the years to come.

Manish Gupta – CEO, Pharma

FORAY INTO CANADIAN STERILE SPACE

To introduce a variety of quality injectable generic drugs in Canada, Agila Specialties Pharma Corporation, Canada has entered into a sales and marketing joint venture with Jamp Pharma, a Canadian generic drug company. This association will operate as 'Agila-Jamp Canada Inc.' with Agila holding 70% stake.

RESULTS

- Launch around 40 products in the next two years
- Many of these products have already been approved by Health Canada
- Ease generic injectable drugs supply constraints in Canada

BRANDED GENERIC CANCER MEDICINES FOR EMERGING MARKETS

We joined hands with Eli Lilly and Company to expand the delivery of cancer medicines in the emerging markets. As a part of this arrangement, Lilly will in-license a portfolio of high-quality, branded generic injectable and oral cancer medicines from us.

PUSHING FRONTIERS

- Agila Specialties will manufacture the cancer medicines, and Lilly will register and market these medications in multiple geographies across the emerging markets
- Lilly has the right to add additional high-quality branded generic oncology products to its portfolio in the future, in addition to the initial 10 medicines included as part of the agreement

STRENGTHENED STERILE CAPACITY

Our Specialties division (Agila) acquired a US FDA approved Sterile Formulations facility situated at Hosur Tamil Nadu from Star Drugs and Research Labs Limited for ₹ 1,250 million — funded from cash in hand and internal accruals. The facility manufactures a wide range of injectable formats.

OUTCOME

- Provides immediate incremental capacity as the existing capacities are fully committed due to drug shortages of Sterile injectables worldwide
- Provides significant time-to-market advantage as setting up and commercialising a Greenfield project will take four to five years
- Expedited product commercialisation flow
- Commenced products dispatch to the US from this facility in the second half of 2012

A SNEAK PREVIEW OF OPPORTUNITIES AHEAD

BIOTECH

Biologics represent the fastest growing market segment in Pharmaceuticals, accounting for six out of top ten selling global drugs, with patents on first generation biologics expiring by 2020.

Pillars for future value

- State-of-the-art R&D facility in Bangalore and a State-of-the-art end to end multi-product biologics manufacturing facility in Johor, Malaysia
- This facility is expected to come on-stream by end-2014
- In addition to state-of-the-art infrastructure, we are also fostering strong technical capabilities and human resources
- Bangalore's R&D facility is capable of handling high-end research activities
- We have an internal pipeline of biosimilars and biobetters, utilising bacterial and mammalian expression systems
- We currently have seven biotherapeutic products in our pipeline and an additional six products that we will be jointly developing with our JV partner Pfenex
- Two of these products will be entering clinical trials in 2014

PHARMACEUTICAL (GENERICS)

Our legacy pharmaceutical division is led by IP-driven licensing agreements and partnerships, emerging as a preferred end-to-end solution provider to global big pharma companies.

Future prospects

- R&D edge due to capabilities and expertise in niche, complex technologies like micro particles, nanoparticles, matrix technology formulations
- Exhaustive pipeline across varied formats and domains focused on products with high entry barriers to drive growth in the next few years
- Product launches in newer markets expanding our geographic footprint

AFRICA BUSINESS

We are a leading player in sub-Saharan Africa, manufacturing and marketing volume-driven generics and margin-driven branded products comprising life saving antibiotics, lifestyle disease related curatives and nutrition/relief providers in innovative dosage forms.

Moving forth

- Growth driven by the launch of new products, expansion into new markets, and establishing local manufacturing across key markets

INDIA BRAND BUSINESS

We are emerging as a regional (South and West India) player in niche branded pharmaceutical products market in India. We are present in therapeutic areas of diabetes, cardiovascular diseases, neurology, pain management and women's health. Although present in only eight states, our brand ReNerve is the second largest brand, in its segment, in India.

Poised for growth

- Strides – Brands India, present across eight states in South and West India, plans aggressive growth in the represented therapy areas and markets
- Possesses a portfolio of recognised brands in fast growing therapeutic segments
- Would introduce high quality new products to serve patients of the represented therapy areas

We are making significant inroads into the biologics space with **UPCOMING STATE-OF-THE-ART MANUFACTURING INFRASTRUCTURE** backed by best-in-class technical foundation in Malaysia. We are also **BUILDING AN R&D FACILITY IN BANGALORE CAPABLE OF HANDLING HIGH-END RESEARCH ACTIVITIES**, facilitating a strong pipeline of products and building partnering capacities. This will facilitate time and cost advantage of developing products in India and Malaysia, and serve regions, which are currently underserved and underpenetrated.

Dr. Anand Iyer – CEO, Biotech

We are well positioned in India, especially in the southern region, with a niche portfolio of branded pharmaceutical products. Our **FLAGSHIP BRAND RENERVE IS ALREADY AMONG THE TOP 3 BRANDS IN ITS SEGMENT**. We are deepening our reach in existing markets and strengthening our presence in the represented therapy areas through differentiated new product launches.

Subroto Banerjee – President, Brands, India

DELVE DEEP. ANALYSE MARKET CONDITIONS. UNLEASH VALUE.

These guiding principles govern our corporate actions.

Since 2004, we began the initial spade work for Agila through **SUBSTANTIAL R&D INVESTMENTS, PROACTIVE CAPACITY BUILDING, CONSISTENT FILINGS AND STRONG PRODUCT PIPELINE.** In the last few years, Agila has emerged as one of the leading sterile players and partner to several big Pharma companies. The next level of growth would have warranted significant new market acquisitions and investments. Our strategic options included sale of the asset capturing value executed in its formative years, delivering strong returns to stakeholders. Hence the **MOVE TO DIVEST AGILA AND UNLOCK VALUE**.

Venkat S. Iyer – CEO, Agila

WE ENTERED INTO A DEFINITIVE AGREEMENT FOR THE SALE OF OUR SPECIALITIES DIVISION TO MYLAN INC FOR A CONSIDERATION OF US$ 1,600 MILLION (~₹ 8,610 CRORES) AND POTENTIAL ADDITIONAL CONSIDERATION OF US$ 250 MILLION (~₹ 1,345 CRORES).

Proceeds are expected to facilitate the following:

Debt restructuring

Over US$ 250 Million to be used for debt repayment, thus significantly improving debt equity

Shareholder returns

Distribution (pre-tax) of US$ 700-800 Million to shareholders

Employee returns

Fulfilling employee commitment through US$50 Million distribution

Fund for future

Balance amount will be kept in cash reserve for growing the Company's business

Note: Closure of this transaction is subject to Foreign Investment Promotion Board (FIPB) approval, customary anti-trust approval, Federal Trade Commission (FTC) approvals and other closing conditions. These are expected by September 2013, post which we will receive US$ 1.6 billion. An additional US$ 250 Million is expected to be received afterwards.

CFO'S REVIEW

It has now become almost a cliché talking about the global economic uncertainties. Suffice to say that global economies are still yearning for consistent high growth, which remains sadly elusive. While it arrives in fits and starts, there is no consistent pattern. Operating in such a scenario, we have performed significantly well. The numbers will paint a better picture of our performance than words.

2012 HAS BEEN A LANDMARK YEAR AS WE STRENGTHENED THE BALANCE SHEET THROUGH FOCUSED EFFORTS TO ACHIEVE AN OPTIMUM DEBT-EQUITY STRUCTURE.

Our consolidated revenues excluding the divested Ascent Australasian operations grew by 31% from ₹ 17,481 Million in 2011 to ₹ 22,913 Million in 2012. Our revenue growth reflects the group's success in expanding volumes, with increasing product launches and growing deliverables for partners. Corresponding EBITDA increased 36% from ₹ 4,129 Million in 2011 to ₹ 5,618 Million in 2012, owing to operational leverages; including profits from divestment, PAT surged by 277% from ₹ 2,245 Million in 2011 to ₹ 8,462 Million in 2012.

We recorded an EBITDA margin of 25% in 2012 (24% in 2011). Our profitability strengthened through an enhanced top line, a larger proportion of margin accretive products, economies of scale and cost optimisation.

2012 has been a landmark year as we strengthened the balance sheet through focused

OUR STRONG FINANCIAL STRUCTURE PROVIDES US ADEQUATE RESOURCES TO FACILITATE THE ON-GOING BUSINESS, ALONG WITH ENHANCED FLEXIBILITY TO INVEST IN APPROPRIATE GROWTH OPPORTUNITIES AND MANAGE THE BALANCE SHEET.

efforts to achieve an optimum debt-equity structure. During the year, we successfully monetised our Australasian business and redeemed outstanding FCCBs, enhancing leverage.

DIVISIONAL PERFORMANCE

Our revenues from Pharma division (40%of sales) — excluding divested Ascent Australasian Operations — escalated 29% from ₹ 7,157 Million in 2011 to ₹ 9,263 Million in 2012. This was on account of a strategic mix of IP-led business in the regulated markets and brands in Indian and African markets. Operational leverage led to a significantly enhanced operational EBITDA, while the division's EBITDA declined to ₹ 1,033 Million in 2012, on account of lower licensing income in 2012.

Our revenues from Specialties division (60% of sales) grew 32% from ₹ 10,324 Million in 2011 to ₹ 13,650 Million in 2012. EBITDA increased 76% from ₹ 2,608 Million in 2011 to ₹ 4,585 Million in 2012. EBITDA margins grew by 900 bps from 25% to 34% during the same period. Our growth was driven by a phenomenal operational performance backed by new launches and growing market share of our products.

In line with our strategy to move towards a late stage licensing model and consistent focus on operational performance, licensing income declined from ₹ 5,277 Million in 2011 to ₹ 3,190 Million in 2012.

FCCB REDEMPTION

We redeemed the outstanding US$ 80 Million Foreign Currency Convertible Bonds (FCCBs), thereby achieving substantial deleveraging of our balance sheet. Currently, we have no outstanding FCCBs and we enjoy a net debt equity ratio of 0.71 against 1.74 as on December 31, 2011. Our strong financial structure provides us adequate resources to facilitate the on-going business, along with enhanced flexibility to invest in appropriate growth opportunities and manage the balance sheet.

ENTERPRISE GOVERNANCE

Strides initiated several Information Technology (IT) enablement projects in 2012 in the areas of manufacturing, R&D, quality and shared services. These IT enabling activities have led to seamless flow of information across various functions, thereby strengthening the Management Reviews. The Company had implemented an in-house developed online monitoring tool for statutory compliance and Contract Management.

SHAREHOLDER VALUE CREATION

The value that a Company returns to its owners can be best measured by a combination of share price appreciation and dividend payout. Our share price surged from ₹ 401 in December 31, 2011 to ₹ 1,075 as on December 31, 2012. Our market capitalisation was over ₹ 50,000 Million with 59 Million outstanding shares. Our earnings per share increased 3.75x from ₹ 38.65 in 2011 to ₹ 144.30 in 2012. (2012 number includes profit from divested Ascent operations)

FOREX MANAGEMENT

The Company has forex transactions worth over US$ 800 Million, comprising export earnings, import funding and external debt and interest payments. We have prudently balanced receipts and payments through a combination of natural hedges, simple hedging techniques and fair value accounting, thereby protecting against adverse currency fluctuations.

OUTLOOK

Overall, the year ended with a strong operational performance and strengthened balance sheet providing the financial resources that will help accelerate future business growth and drive higher shareholder returns.

Dr. T. S. Rangan

INNOVATION TAKES CENTRE STAGE

Sharpening the edge of innovation is important. To perform and sustain in one of the world's most complex and highly regulated industries.

We are engaged in round-the-clock research and development initiatives, working on complex and niche formulations, creating a robust products pipeline and meet the growing requirements of our customers.

STRIDES R&D VALUE CHAIN

Product selection

Focus on niche products, characterised by complex formulations

Development / Stability

R&D capability to develop over an entire cycle

Filing / Regulatory review

- Global Regulatory expertise
- Strong IP assessment capabilities

Manufacturing

- Variety of dosage forms
- Niche therapeutic categories

Marketing & distribution

Leveraging marketing partner's strengths in sales and distribution for local market dominance

THE QUALITY ENGINE CHUGS ALONG

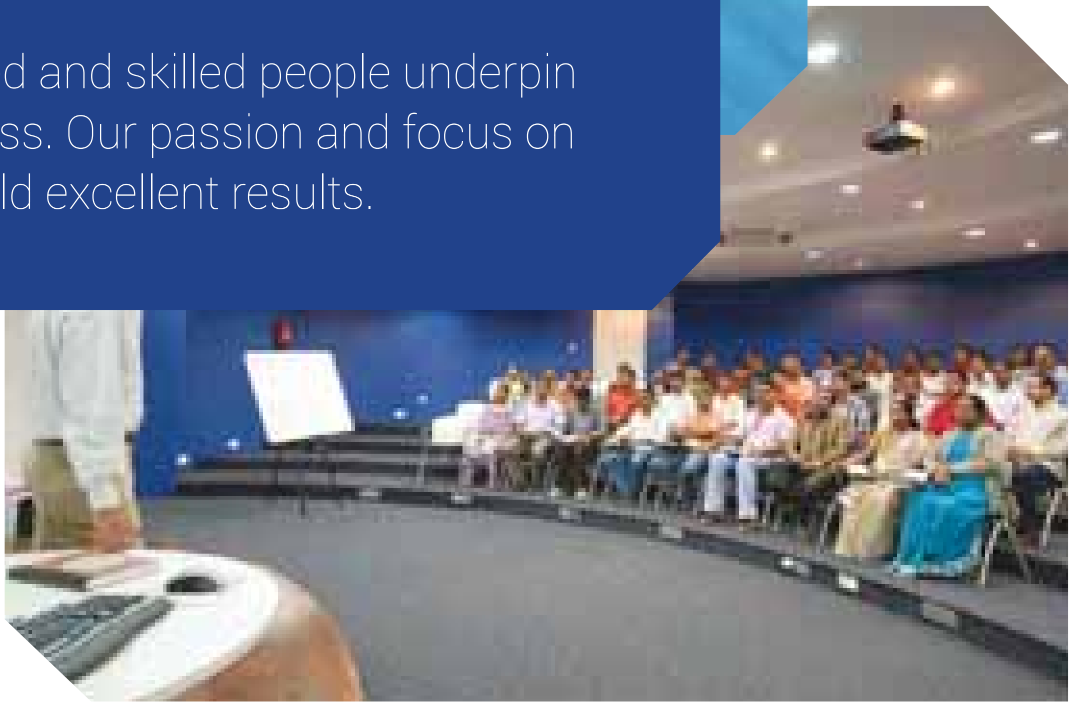
Consistent quality focus provides us a significant competitive advantage in a rapidly evolving market.

360^{0} FOCUS

- Continued focus on key transformation initiatives have helped us to sustain and improve the established level of compliance
- Interventions (primarily supported through an IT-driven platform) have enabled the implementation of advanced quality standards across manufacturing locations
- Rigorous review has facilitated continuous improvement

PEOPLE PRIORITIES

Committed and skilled people underpin our success. Our passion and focus on quality yield excellent results.



CORE INITIATIVES IN 2012

Customised balanced score card (BSC)

An initiative designed to define and support the performance of the organisation's top 200 members.

BSC focuses on the organisation's strategy execution by defining appropriate performance measures for various departments that impacts individual score cards. The process is efficiently managed through quarterly reviews, connecting other review platforms, such as the technical monthly review committees, Commercial & Business reviews, R&D and regulatory filing reviews.

Comprehensive assessment and Personal Development Plan (PDP)

An initiative to focus on leadership capability building.

The assessment and PDP initiatives aim to develop the organisation's leadership ambit.

This initiative helped us cover about 200 of the Company's managers, who go through a facilitated individual executive coaching by external experts.

Strides Academy

An initiative to train entry-level talents for the Strides way of working that upholds the Company's strengths and values.

At an early professional stage, it grooms the mindset to comply with the demanding standards of global pharma regulators. As a part of our social initiative, we recruit graduates, post graduates and ITI-qualified students from rural areas around Bangalore to enhance their employability.

COMMUNITY FOCUS

At Strides, we contribute to the development of education and healthcare facilities for less privileged sections of society.

STRIDES FOUNDATION

Strides Foundation was formed in the year 2010. This also created opportunities for the involvement of our employees who wanted to do something for the less privileged.

Talented students were granted scholarships under the 'KR Suresh Memorial Scholarship' to pursue their education. Some children of our operators were provided medical grants to undergo critical life-saving surgeries.

PARIVARTHAN

Strides, along with People Pro, has introduced the new and improved Gottigere and Hargadde Government Schools to impart education to underprivileged children. The Company aims to help the children dare to dream big. Over the last few years, the school has seen class attendance and academic performance levels improve. Besides, the children are daily applying the Leadership Adoption Programme in Schools (LEAPS) life skills programme's lessons to change their lives and are also encouraging their peers to do the same. Parents have also testified about the school's positive influence on their children.

HCG FOUNDATION

We partnered with HCG Foundation to help provide children and economically challenged patients suffering from cancer with proper treatment. In 2012, we funded around 67 below poverty level patients who could not afford cancer treatment. Of them, 32 were women and nine were pediatric patients. We helped them receive treatments for issues ranging from Chemo therapy to surgery. We also monitored these patients through their pre-and post-surgery recovery periods.

BOARD OF DIRECTORS

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. 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.

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.

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.

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.

S SRIDHAR

INDEPENDENT DIRECTOR

S Sridhar is a commercial and development banking professional who is known for his innovative business models. He is a member of the Board of Management of the Indian Institute of Foreign Trade.
In his decades-rich experience, he was a member of the Managing Committee of the Indian Banks' Association and Indian Institute of Foreign Trade's Board of Management. He has also served as the Chairman and Managing Director of Central Bank of India and, before that, of National Housing Bank.

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.

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.

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.

STRIDES' LEADERSHIP

GROUP LEADERSHIP COMMITTEE

ARUN KUMAR

FOUNDER AND GROUP CEO

VENKAT S. IYER

CEO, AGILA

DR. T S RANGAN

GROUP CFO

JOE THOMAS

CHIEF CORPORATE DEVELOPMENT OFFICER

OTHER MANAGEMENT TEAM MEMBERS

ADAM LEVITT

CEO, AMERICAS

DR. ANAND IYER

CEO, BIOTECH

D P SHRIVASTAVA

CEO, BRAZIL

MANISH GUPTA

CEO, PHARMA

SINHUE NORONHA

CEO, AFRICA

SRIDHAR S RAO

PRESIDENT, QUALITY ASSURANCE

SUBROTO BANERJEE

PRESIDENT – BRANDS, INDIA

STATUTORY REPORTS

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC OVERVIEW

Global economy

The global economy weathered unpredictable headwinds in 2012. The Euro zone had little to cheer in 2012 as governments continued to look for ways and means to keep financial markets afloat without promoting unsustainable debts, or continue with austerity measures without impacting the economy. Emerging economies were also impacted in a largely interdependent world.However, the world's largest economy, the United States, seems to be recovering.

In 2012 the economy grew 2.2% against 1.8% in 2011 (Source: International Monetary Fund).

Reliable forecasts of the US economy for 2013 put growth upwards of 2% and for 2014, above 3%. These estimates apparently look insignificant, but considering the size of the economy, around US$ 15 Trillion, even a 2% growth would add an output worth US$ 300 Billion. This will create a fresh wave of economic activity not only in the US, but around the world, thanks to globalisation. The global economy is expected to have grown by 3.2% in 2012. It is estimated to grow at the rate of 3.5% in 2013 (Source: International Monetary Fund).

Economic growth projections (%)

GDP Growth	2010	2011	2012 (E)	2013 (E)
World output	5.1	3.8	3.2	3.5
Advanced economies	3.0	1.6	1.3	1.4
Emerging economies	7.4	6.2	5.1	5.5

(Source: IMF)

RELIABLE FORECASTS OF THE US ECONOMY FOR 2013 PUT GROWTH UPWARDS OF 2% AND FOR 2014, ABOVE 3%. THESE ESTIMATES APPARENTLY LOOK INSIGNIFICANT, BUT CONSIDERING THE SIZE OF THE ECONOMY, AROUND US$ 15 TRILLION, EVEN A 2% GROWTH WOULD ADD AN OUTPUT WORTH US$ 300 BILLION. THIS WILL CREATE A FRESH WAVE OF ECONOMIC ACTIVITY NOT ONLY IN THE US, BUT AROUND THE WORLD, THANKS TO GLOBALISATION

Indian economy

India's GDP is estimated to have grown by 5% in FY 2012-13. The Reserve Bank of India infused ₹ 18,000 crore to its economy by reducing the cash reserve ratio (CRR) to 4% in its third monetary policy during 2012-13. Moreover, the Reserve Bank of India twice lowered the repo rate by 25 basis points in 2012-13 to help revive growth.Increasing FDI limits across major sectors have significantly improved India's capital inflows. The government is also taking various initiatives to keep the fiscal deficit within 5.2%. More financial reforms are expected to strengthen India's growth story.

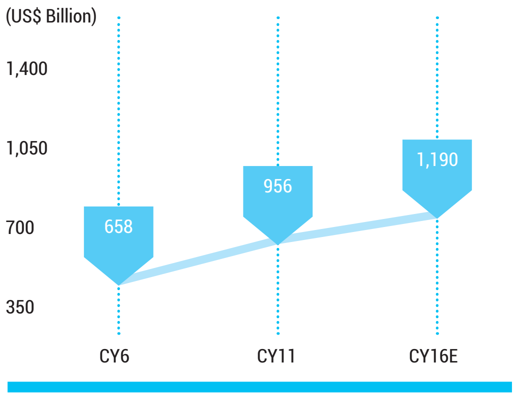
GLOBAL PHARMACEUTICAL INDUSTRY

Pharmaceutical industry overview

The global pharmaceutical market has witnessed a 6% CAGR from 2006 to 2012 to reach a US$ 956 Billion market size in 2012. According to IMS Health, the global pharmaceutical spend is estimated to touch US$ 1.2 Trillion by CY2016, growing at 4.5%annually. Growth will be primarilydriven by higher generic spending (accounting for 3/4th of the total increase)and increasing medical expenditure.

Steady growth expected in global medicine spending

4.5% CAGR; >US$ 200 Billion incremental opportunity



(Source: Indian Pharmaceuticals – IDFC, 2012)

The pharmerging countries will be the primary growth driver with market share likely to rise to 30% by CY2016 from 20% in CY2011. Simultaneously, the share of developed markets is likely to decline to 57% by CY2016 from 66% in CY2011, led by around US$ 100 Billion of patent expiries in the next five years (Source: Indian Pharmaceuticals – IDFC, 2012).

Gradually growth is gravitating from developed countries to emerging markets. This is owing to an enhanced focus on biopharmaceuticals, compared to small molecule drugs and higher preference for generics, compared to their branded counterparts.

Innovator market

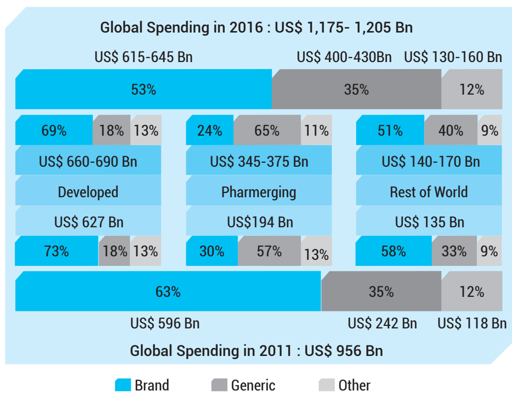
As the innovator market emerges from a wave of patent expiries in the US, there has been a sharp increase in the number of NDA (new drug application) approvals. The year 2012 saw around 34 new drug approvals, highest in the last eight years (Source: India Pharmaceuticals – HSBC, 2013).

Generic market

The global generic spending is projected to increase to US$ 400 to 430 Billion by 2016 from US$ 242 Billion in 2011, primarily driven by pharmerging markets. In 2012, over 490 ANDA (Abbreviated new drug approval) received approvals globally. (Source: US FDA)

Growing generics spending in the developed markets over the next five years will be fuelled by generic competition due to patent expiries, with some additional increases due to expanded generic use for off-patent molecules. In pharmerging markets generic companies will increase most of the spending.

Spending on generics



(Source: IMS)

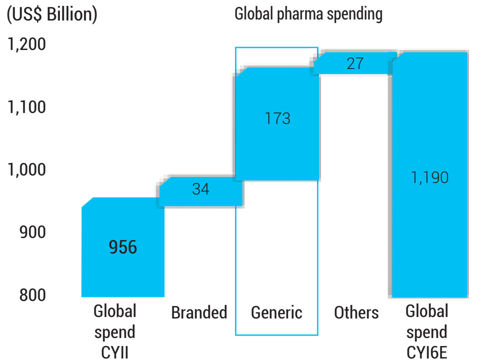
GENERIC DRUG USER FEE ACT (GDUFA) IMPLEMENTED IN 2012

ALLOWS FDA TO COLLECT USER FEES TO ESTABLISH SYSTEMS AND HIRE PERSONNEL TO ENHANCE EFFICIENCY IN TERMS OF REVIEW, INSPECTION AND RELATED AREAS

WITH AN ABBREVIATED NEW DRUG APPLICATION (ANDA) BACKLOG OF MORE THAN 2,500 DRUGS, THE IMPLEMENTATION OF GDUFA WILL ACCELERATE THE PROCESS

GOALS: A) REVIEW 90% OF ANDA BACKLOG BY 2017, B) POST 2017, REVIEW 90% OF NEW ANDAS WITHIN 10 MONTHS OF APPLICATION

Generics to drive growth

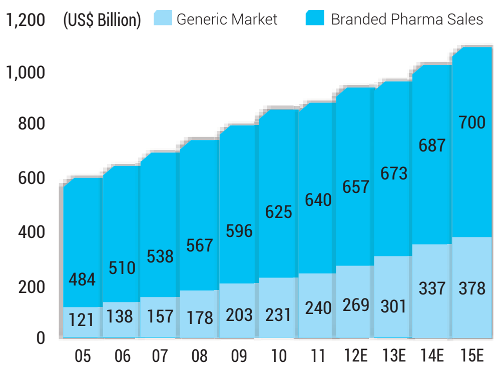


(Source: Indian Pharma - IDFC, 2012)

Growth trend in the global generics market

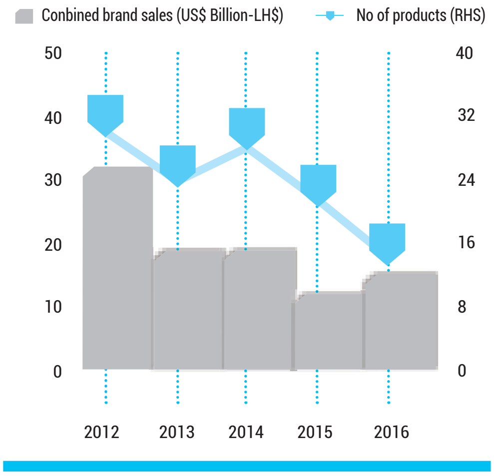
- Sector is expected to grow by 12-15% over 2009-15
- North America is likely to grow by 11% over 2009-15
- Europe is likely to grow by 9% over 2009-15
- Japan is projected to grow by 6% over 2009-15
- Rest of the world is projected to grow by 19% over 2009-15

Global pharmaceutical and global generic sales by 2016



(Source: IMS Health, Barclays Research, 2012)

US$ 100 Billion of patent expiries



(Source: IMS Health, Barclays Research, 2012)

Specialties (injectables)

Specialties drugs are expected to witness a robust growth in the medium term. Oncology is one of the largest areas of spending under specialties segment, of the total drug shortages. (Source: GABI)

Biosimilars market

Biosimilars are the generic versions of biological medicines that are developed using living cells, and are used for the same therapeutic indication, as the innovator product. Biosimilars are likely to witness the fastest growth in the next 4-5 years. The growth shall be propelled by a surge in patent expires on the one hand and the draft bill for Biosimilars expected from the US by 2014-15 on the other hand. EU is the most advanced markets in terms of Biosimilars. At present, EU accounts for above 75% of the global spending on Biosimilars.

USFDA guidelines for biosimilars

- Biological drug is highly similar to the reference drug, notwithstanding minor differences in clinically in-active components, as long as there are no clinically meaningful differences between the bio-logical drug and the reference drug in terms of safety, purity and potency
- If the drug is approved for one indication, it can be licensed for more indications for which the reference drug is licensed
- Paediatric assessment is not required for interchangeable products

GROWTH IN THE BIOSIMILARS MARKET

BIOLOGICS MARKET IS EXPECTED TO GROW AT A CAGR OF 8-10% FROM 2010 TO 2025, AGAINST 4-6% FOR TOTAL PHARMACEUTICAL MARKET

BIOLOGICS WORTH US$ 59 BILLION TO LOSE PATENT PROTECTION BY 2015

BIOLOGICS MARKET IS EXPECTED TO TOUCH US$ 227 BILLION BY 2015 AGAINST US$ 126 BILLION IN 2009

BIOSIMILARS MARKET EXPECTED TO TOUCH US$ 13 BILLION BY 2015

Source: Company research

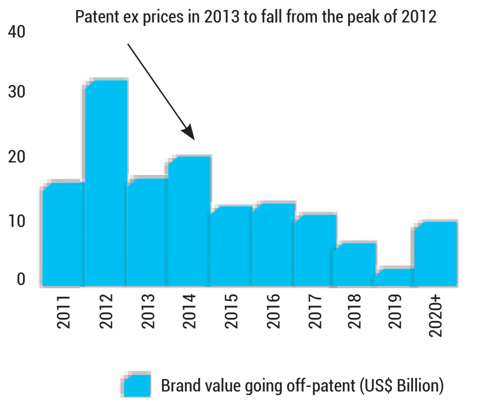
GLOBAL PHARMACEUTICAL MARKETS

Regulated market

USA

The US pharmaceutical market valued is US$ 322 Billion in 2011, is expected to grow at a CAGR of 1-4% over 2012-16, likely to reach a market value of 350-380 Billion by 2016 (Source: IMS).The year 2012 witnessed around US$ 35 Billion worth of drugs to go off patent (Source: India Pharmaceuticals- HSBC, 2012). The US generics market, worth US$ 100 Billion, is also estimated to register a CAGR of 8-9% in the medium term on account of patent expiries (Source: Fitch, 2013).

US drugs going off-patent



(Source: HSBC, India Pharmaceuticals)

Japan

Japan is the world's second largest pharmaceutical market. Japan's pharmaceutical market valued at US$ 111 Billion in 2011, is likely to witness CAGR of 1-4% over 2012-16, reaching a market size of US$ 105 – 135 Billion (Source: IMS). Growth rate is marginally hindered by price cuts expected in 2014 and 2016. Rising healthcare costs and ageing population have forced the government to initiate a shift towards generic drugs. The generics segment is the highest growing of all with anestimated CAGR of ~14% (2010-2015).

Europe

Europe is one of the largest global pharmaceutical market (around 17%) followed by the US and Japan. In Europe pharmaceutical market is likely to witness growth in the range of -1% to 2% by 2016. Sluggish growth is expected due to healthcare cost containment measures adopted in order to curtail the debt crisis. The EU5* nations are likely to touch a market size of US$ 125-175 Billion by 2016.

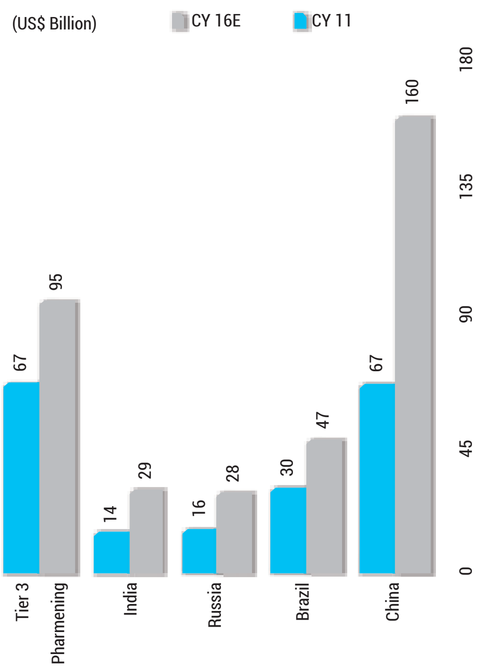
Country-wise pharmaceutical scenario

Country	Market size by 2016 (US$ Billion)	2012-2016 CAGR (%)
U.K.	18-28	0-3
Germany	39-49	0-3
France	32-42	(2)- 1
Spain	13-23	(4)-(1)
Italy	23-33	0-3

Pharmerging markets

The pharmerging markets are likely to double their pharmaceutical spending from US$ 151 Billion 2011 to around US$ 285-313 Billion by 2015 (Source: CLSA, 2013).Growth will be led by gradual economic growth and government efforts to expand healthcare access. IMS expects the pharmerging markets to grow by 13%-plus CAGR from 2011 to 2016, reaching US$ 357 Billion by 2016.

Key growth markets in pharmerging markets



(Source: IMS Health, 2012)

China

China's pharmaceutical market is expected to soar to 2.3 Trillion yuan (US$ 369.2 Billion) by 2020, up from 926.1 Billion yuan (US$ 148. 66 Billion), currently. The growth will be led by China's ageing population and economic development, driving social insurance and consumption capacities (Source: Life Sciences Health Industry Group, 2013).

Latin America

The outlook for the Latin American market is positive, given the sheer size and the burgeoning population. Generics and biologics are among the strongest areas. Even if standards vary, the tendency is for 'similar drugs' without proven bio-equivalence to be phased out.

According to the IMS Health, the Latin American market will double from 2011 to 2015.

The Latin America's pharmaceutical market is worth US$ 45 Billion in 2011.

Brazil's is the largest market in Latin America and ranks the 7th globally. The market is growing at 14-15%, and is expected to reach US$ 25 Billion by 2014 (Source: IMS, Fortune).

India

India's pharmaceutical industry is expected to reach US$ 29 Billion, growing at a CAGR of 15-16%. The country is expected to have registered a growth of US$ 15.7 Billion in 2012(Source: Espicom). The key growth enablers (disposable income, insurance penetration, growing prevalence of lifestyle diseases) will continue to drive growth.

Global approach

India is rapidly emerging as one of the most preferred outsourcing destinationsfor pharmaceuticals. A favourable regulatory environment has attracted significant foreign investment. The cumulative drugs and pharmaceutical industry attracted a foreign direct investment (FDI) of US$ 9,596 Million between April 2000 and May 2012.

Indigenous capabilities

- Low manufacturing cost
- Vast talent pool with relevant skills
- Diverse patient population
- Strong support from auxiliary industries, such as bio-informatics and clinical data management

(Source: Novonous, IBEF)

Pharmaceutical exports scenario

India's pharmaceutical export market is progressing rapidly, registering phenomenal growth. The country's major pharmaceutical export destinations include USA, UK, Germany, South Africa and Russia (Source: Pharma Times,2012). The exports increased from ₹ 386 Billion (US$ 7.09 Billion) in 2008 to ₹ 775 Billion (US$ 14.24 Billion) in 2012(Source: Economic Times, 2013).

GROWTH IN PHARMERGING COUNTRIES OVER 2011-16

CHINA IS ESTIMATED TO GROW BY 19%, REACHING US$ 167 BILLION IN 2016

BRAZIL IS LIKELY TO GROW BY 9.4%, REACHING A MARKET VALUE OF US$ 47 BILLION

RUSSIA IS EXPECTED TO REACH US$ 47 BILLION, GROWING BY 11.8%

INDIA IS EXPECTED TO GROW AT 15.6%, WITH MARKET WORTH BEING US$ 29 BILLION

TIER 3* COUNTRIES ARE ESTIMATED TO GROW AT 7.2%, TOUCHING US$ 95 BILLION

*VENEZUELA, POLAND, ARGENTINA, TURKEY, MEXICO, VIETNAM, SOUTH AFRICA, THAILAND, INDONESIA, ROMANIA, EGYPT, PAKISTAN AND THE UKRAINE

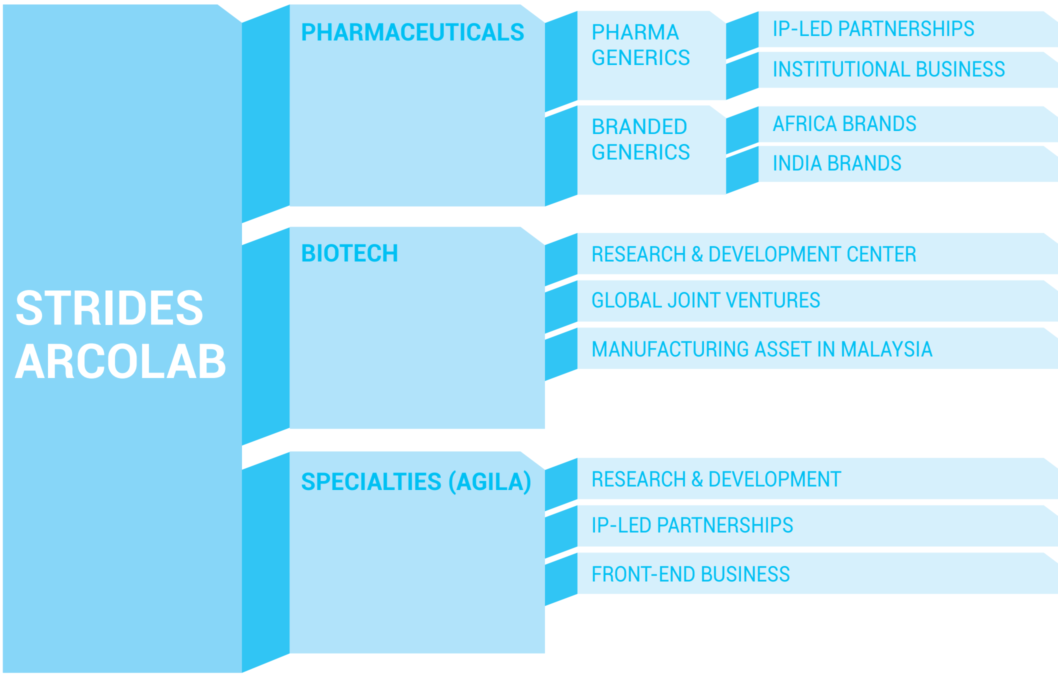
STRIDES ARCOLAB LIMITED

Strides Arcolab Limited is an innovation-driven global pharmaceutical company, headquartered in Bangalore, India. It develops and manufactures a wide range of IP-led niche pharmaceutical products with an emphasis on sterile injectables. It has collaborations with 5 of the top 10 global pharmaceutical players and has presence in over 75 countries.

Business divisions

- Pharmaceuticals
- Biotech
- Specialties (Agila)

Business structure

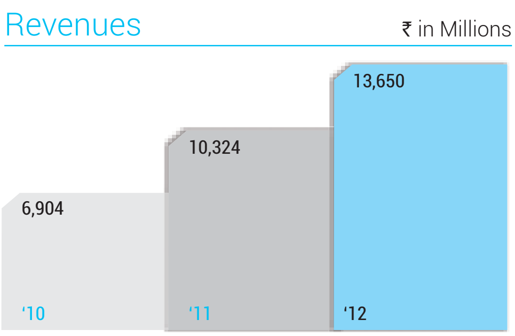


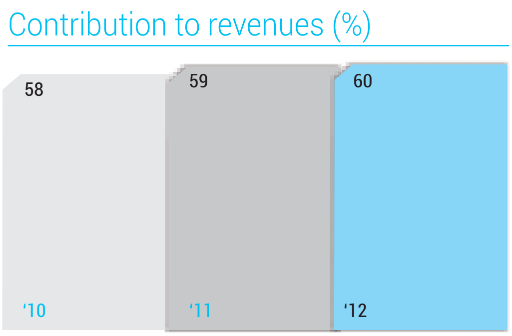
Divisional round-up

Specialties (Agila)

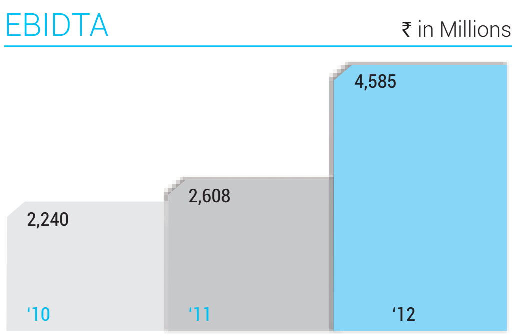
Agila (Specialties business) is focused on key domains, such as oncolytics, penems, pencillins, cephalosporins, ophthalmics, peptides and biosimilars.

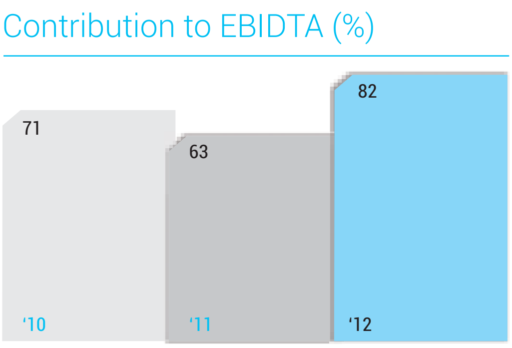
Divisional revenue





Divisional EBIDTA





Operates

9

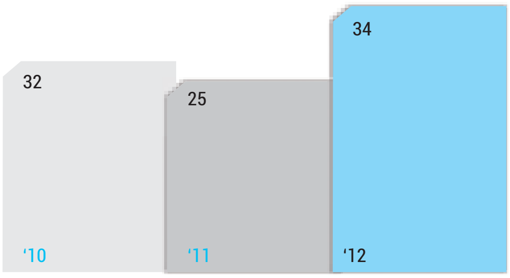
world-class global manufacturing facilities

Marketing network covers

70+

countries

Divisional EBIDTA margin (%)



Major highlights, 2012

- Received the US Food and Drug Administration(FDA) approval for the Sterile Penems facility in Brazil
- Received the USFDA approval for the Sterile facility in Poland
- Commercialised 25 new products
- Received 25 product approvals from the US FDA

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 lyophilised form
Suspension injections	Focus on pre-filled syringes and lyophilised formats
Oncology	
Minibags	
Ophthalmics and peptides (upcoming domains)	

Capability USPs

- One of the largest sterile capacity in India; among the world's largest lyophilisation (freeze drying) capacities
- Positioned to manufacture products across therapeutic areas and in varied dosage and packaging forms
- End-to-end services player with a well-diversified portfolio
- Domain-led partnerships with some of the world's leading pharmaceutical companies for both developed and emerging markets
- Manufacturing facilities of globally benchmark standards, meeting the requirements of regulatory authorities in stringent global markets
- Expanding capabilities in biopharmaceuticals

Pharmaceuticals (Pharma Generics)

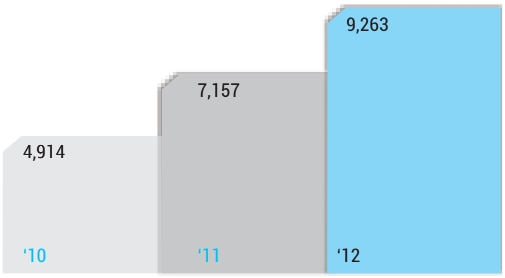
The pharmaceutical division is led by IP-driven licensing agreements and partnerships, emerging as a preferred end-to-end solution provider to the global big pharma companies.

60+

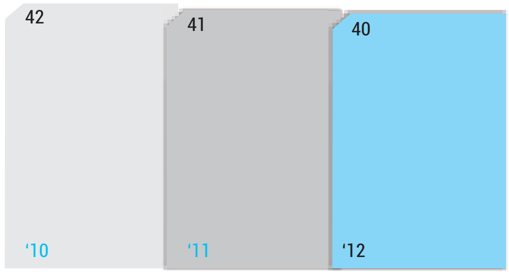
Record ANDA filings in 2012

Divisional revenue

Revenues
₹ in Millions

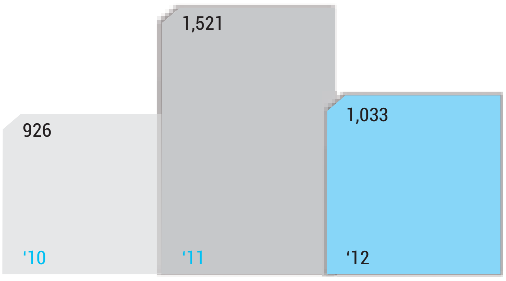


Contribution to revenue (%)

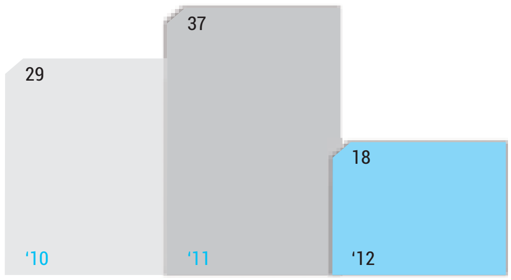


Divisional EBIDTA (excluding Ascent)

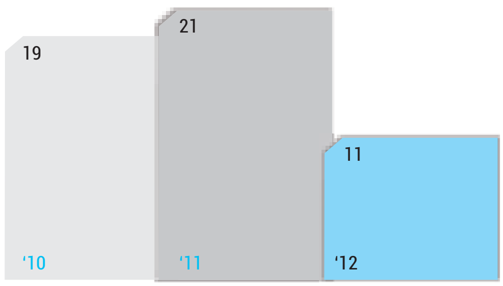
EBIDTA
₹ in Millions



Contribution to EBIDTA (%)



Divisional EBIDTA margin (%)



Portfolio comprises

300+

products including tablets, soft gel capsules, hard gel capsules, sachets, liquids and syrups, and creams

Pipeline of

20+

products to be commercialised in the next fiveyears

47 ANDA (24 PEPFAR) filings and 26 (14 PEPFAR) approved as on date

Major highlights, 2012

- 8 ANDA filings
- 4 ANDA approvals (2 PEPFAR)
- Signing with Gilead
- Launch of Vancomycin capsules

Format

- Softgel capsules
- Hardgel capsules
- Tablets
- Sachets
- Creams
- Liquids and Syrups

Regulatory approvals

- USFDA
- Medicines and Healthcare products Regulatory Agency (MHRA), UK
- Therapeutic Goods Administration (TGA), Australia
- World Health Organisation (WHO), USA
- National Health Surveillance Agency (ANVISA), Brazil
- Medicines Control Council (MCC), South Africa

Capability USPs

- Containment suites for highly potent drugs and immunosuppressants
- Exclusive manufacturing line for prescription softgels; four dedicated lines in orals drug facility in Bangalore, India
- Hydrophilic and hydrophobic technologies with clear and suspension filings and volatile ingredient encapsulation
- Separate production blocks for anti-TB drugs and coloured products
- 360° fully automatic camera-based equipment for each tablet/capsule inspection
- Dedicated line for sachet-packed steroidal creams and products for clinical trials
- Intellectual property-led manufacturing partnerships in USA, UK, Australia, New Zealand and South Africa
- The EU-approved semi solids facility in Milan, Italy

Global disease eradication progress

Strides supplies drugs in the Anti-Retroviral, Tuberculosis and Malaria segment through Global Fund, 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), Anti-Malarials and Anti-TB products and by the US FDA for ARVs. We supply ARV products to global procurement agencies, catering to disease-prone regions in Africa, Asia and Latin America, and have received 14 ANDA approvals under the PEPFAR programme. We have distributed to more than 65 countries worldwide.

- 19 ANDA approvals by US FDA under the PEPFAR programme
- 8 anti-retroviral drugs have been prequalified by the WHO
- We have acquired Voluntary Licenses from major Pharma companies to supply antiretroviral drugs that are covered under patent viz., Gilead, Tibotec, Janssen and Viiv Health Care(GSK & Pfizer entity).
- Technical and marketing alliance with Big pharma for supply of anti-TB products to the Global TB Drug Facility
- 9 TB products with 2 of them pre-qualified by the WHO in association with big pharma.
- 2 Strides' range of Anti-TB drugs are WHO pre-qualified, while 2 are approved under the WHO ERP (Emergency Response Plan)
- 5 different anti-malarial products. One product WHO pre-qualified, while one is ERP approved ; Two products under evaluation
- Partnership with the Ministry of Health, Government of India in control of Influenza A H1N1

Branded generics

	Africa	India
Description	Leading player to manufacture and market volume-driven generics and margins-driven branded products	Emerging as a niche player in branded pharmaceutical products
Manufacturing	One dedicated facility 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 the continent	Dominant presence in South India
Domains	• Branded generics, commodity generics and OTC products marketed through own sales team, in partnership with local distributors • French Africa business is front ended, comprising ethically promoted and OTC products	Covers therapeutic areas of diabetes, cardiovascular diseases,neurology and female healthcare
Sales	2012: ₹ 1,437 Million 2011: ₹ 1,285 Million	2012: ₹ 660 Million 2011: ₹ 640 Million
Ownership	Has 80% stake (20% invested by Proparco, a French Development Financing Institution for US$ 12.5 Million, valuing African operation at US$ 60 Million)	Has 100% stake

Biotech

Biotech is a wholly owned subsidiary of Strides. Strides increased stake in Inbiopro, a biotechnology-focused company – reinforcing our footprints in biologics. The division possesses definite advantage in the biologics industry. The industry is characterised by specialised expertise in recombinant DNA technology and globally benchmarked manufacturing processes with stringent and well-defined regulatory guidelines, resulting in long gestation periods for product development.

Capability USPs

- Pipeline of eight products, estimated to have global sales of US$ 28 Billion, with commercialisation expected to begin in 2014
- Products include five monoclonal antibodies used in cancer treatment, further strengthening the oncology products basket of Strides
- Facilitates access to high expression mammalian and microbial platform-based capabilities
- High-yielding cell lines in-licensed and improved upon
- Developing an internal pipeline of biosimilars, utilising the latest bacterial and mammalian expression systems

Proactive infrastructure building

Biotech Facility

The Company entered into an agreement with Malaysian Bio-Xcell to establish customised manufacturing facility for biopharmaceuticals in the Bio-XCell ecosystem in Johor, Malaysia. This facility is expected to be functional by the end of 2014.

This facility will have next-generation technology platforms, which revolutionise the way biomolecules are developed, manufactured and commercialised. It is built around a unique platform that features the innovative application of single-use component technology and helping transform bio-manufacturing economics.Thus, it reduces deployment of new manufacturing capacity from 3-5 years to a faster12-18 months.

Moreover, this will be an advanced, end-to-end multi-product facility to produce recombinant therapeutic proteins and monoclonal antibodies (mAbs) from drug substance to products in vials, pre-filled syringes and lyophilised products.

R&D centre

Build an R&D facility in Bangalore, capable of handling high-end research activities, catering to an internal pipeline as well as partnering activities.

GLOBAL JOINT VENTURE*

PFENEX INC. AND AGILA BIOTECH ENTERED INTO A JOINT VENTURE TO DEVELOP, MANUFACTURE AND COMMERCIALISE AN INITIAL PIPELINE OF SIX BIOSIMILAR PRODUCTS FOR THE GLOBAL MARKET.

* DEAL HAPPENED IN APRIL, 2013

Finance review

Consolidated

Performance in FY2012

(₹ in Million)

Particulars	FY2012	FY2011	Increase (%)
Revenue*	22,913	17,481	31.07
EBITDA*	5,618	4,129	36.06
PBT	9,495	2,727	248.18
PAT (after minority)	8,462	2,245	276.92
EPS (In ₹)	144.30	38.65	273.35

(*Excludes Ascent)

Key ratios

(₹ in Million)

Particulars	FY2012	FY2011
Debt / Equity	0.79	1.93
Debt/Equity (Net of Cash)	0.71	1.74
Working Capital (Loan) Turnover	3.89	3.76
EBITDA / Interest	3.45	2.72
Interest / Revenues (%)	7.0	7.38
Debtors Turnover	3.43	3.82

Standalone

Performance in FY2012

(₹ in Million)

Particulars	FY2012	FY2011	Increase (%)
Revenue	7,740	7,662	1%
EBITDA	1,577	1,655	-38%
PBT	599	1,262	-53%
PAT	560	1,179	-53%
EPS (In ₹)	9.55	20.30	-53%

Opportunities and threats

Continued drug shortage

Drug shortage peaked in 2011, reaching 267. There was an extreme scarcity of sterile drugs in the US, with 82% of the unavailable drugs being steriles(Source: Fortune).This year,till now more than 100 drugs have been placed on the shortages list.

The shortages have been caused by: manufacturing and quality-control problems that have put production lines out of service; difficulty in importing critical ingredients; consolidation in the generic-drug industry, reducing the number of companies to pick up the slack (Source: The New York Times, 2012)

Managing risks

Risk management at Strides Arcolab entails proactive analysis and pre-emptive action on potential risks. The Company's risk management policy has a comprehensive and integrated framework, comprising prudential norms, structured reporting and control.

Regulatory approval risk

Inability to consistently get all the necessary approvals for its manufacturing facilities may limit the Company from ensuring uninterrupted operations.

Mitigation measures

The Company's plant audits and inspections are being conducted and cleared by major global regulatory authorities (the USFDA, MHRA and MCA in the United Kingdom, TGA in Australia, ANVISA in Brazil and Health Canada among others). It is well positioned in the industry where regulatory challenges are high with best-in-class regulatory compliance standards. These inherent competencies have made it a preferred partner among the big pharmaceutical companies. The Company also has put in place a stringent review system to ensure conformance to all existing and evolving regulatory guidelines.

Innovation risk

Lack of consistent innovation in products and processes may hamper growth. Disapproval of a series of filed applications to various authorities may defer commercialisation.

Mitigation measures

We are one of the front runners in identifying niche molecules, with significant market size and major filings for approvals. Moreover, we have a proven track record in filing, approval and commercialisation. We have one of the highest steriles approvals with 256 filings and 107 approvals, as on date in the US; among these, 57 have been commercialised. We possess capability to execute complex projects andhave developed a robust pipeline of products under development.

Moreover, the Company focuses significantly on process development, analytical services, packaging development and microbiological testing.

Operating risk

Uninterrupted raw material supply and rising operational cost may dampen profitability.

Mitigation measures

The Company has entered into long-term contracts with approved vendors, indigenously and globally. Besides, it has created alternative pockets for raw material supply to ensure uninterrupted production. Moreover, it ensures round-the-clock review mechanism to enhance optimum utilisation of operational facilities.

Information technology (IT) risk

Inappropriate IT framework may hamper uninterrupted operations

Mitigation measures

The Company initiated several IT automation measures to continue to strengthen the Information Risk Management (IRM) process in 2012. The entire Strides network is secured through the implementation of solutions like firewall, Intrusion Prevention System (IPS), network segregation and end-point security solutions to ensure that there is no unauthorised access to the Company's network or data. However, Access to internet is controlled through Web Security models. Moreover, validation process has been strengthened to ensure validation activity is carried in parallel with the application development or deployment. All Business application and infrastructure are continuously validated as a part of the Good Manufacturing Process (GMP) guideline.

Human capital

The Company's HR engagement initiatives comprise training and motivating people to achieve greater efficiencies. Continuous team efforts have made organisational excellence possible. The Company's employee strength was 2,700, as on March 31, 2013.

Internal control systems and adequacy

Strides Arcolab has invested significantly in creating a 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 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 Members,

Your Company's directors are pleased to present the Twenty Second Annual Report together with audited financial statements for the financial year ended December 31, 2012.

1. CONSOLIDATED FINANCIALS

(Figures in Million)

	Year ended			
	2012		2011	
	₹	USD*	₹	USD*
1.1 Financial Results				
Income	23,656.70	441.37	25,817.14	484.65
Operating Profit (EBIDTA)	**5,936.65**	**110.76**	**5,223.50**	**98.06**
Net Profit (PAT) / (Loss)	8,462.37	157.88	2,244.75	42.14
Reserves and Surplus	19,674.39	367.07	13, 130.96	246.50
1.2 Profits				
Operating Profit (EBIDTA)	5,936.65	110.76	5,223.50	98.06
Less : Interest	1,934.41	36.09	1,948.30	36.57
Depreciation & Amortisation	1,094.83	20.43	1,043.01	19.58
Exceptional items incl. AS 30	6,587.49	122.90	494.67	9.29
Profit before tax	**9,494.90**	**177.15**	**2,726.86**	**51.19**
Less: Provision for Tax				
Current	843.01	15.73	709.79	13.32
Deferred	473.74	8.84	(158.49)	(2.98)
MAT credit entitlement	(295.30)	(5.51)	(164.50)	(3.09)
Profit / (Loss) after tax	8,473.45	158.09	2,340.06	43.93
Less : Share of Profit of Minority Interest	11.08	0.21	95.31	1.79
Profit after Minority Interest	**8,462.37**	**157.88**	**2,244.75**	**42.14**
Available for appropriation	**12,919.90**	**241.05**	**4,682.61**	**87.90**
1.3 Appropriations		87.90	2,924.28	65.41
Dividend on Equity Shares (proposed)	117.99	2.20	117.37	2.20
Dividend Tax	19.16	0.36	18.71	0.35
Transfer to General Reserve	43.00	0.80	89.00	1.67
Balance carried to Balance Sheet	**12,739.75**	**237.69**	**4,457.53**	**83.68**

Note * 1 USD= ₹ 53.60 (Exchange Rate as on December 31, 2012)

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

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

1. TURNOVER AND PROFITS

On a consolidated basis, the total income during the year stood at ₹ 23,656.70 Million against ₹ 25,817.14 Million in the previous year. The Company posted a net profit of ₹ 8,462.37 Million as against ₹ 2,244.75 Million in the previous year.

On a Standalone basis the total income during the year stood at ₹ 8,309.15 Million as against ₹ 7,692.19 Million in the previous year. The Standalone net profit is ₹ 559.86 Million as against a net profit of ₹ 1,179.25 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.

2. 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, 2012.

The dividend, subject to approval of shareholders at the Annual General Meeting will be paid to those shareholders whose name appears in the Register of Members of the Company as on the date of Book Closure.

The dividend would be tax-free in the hands of the shareholders.

3. SHARE CAPITAL

The Authorised share capital of the Company as at December 31, 2012 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, 2012 is ₹ 588,037,210 divided into 58,803,721 equity shares of ₹ 10/- each.

During the year there has been an increase in the equity Paid-Up Capital of the Company on account of allotment of 423,550 shares consequent to exercise of stock options.

4. BUSINESS OVERVIEW

2012 began and ended on an optimistic note for the Company. During the year, our revenues and EBIDTA increased considerably, compared to 2011, primarily driven by consistent new product launches and increase in operational scale.
Besides, both Agila and Pharma divisions demonstrated significant operating leverage across all global manufacturing facilities and consistent regulatory filings. Besides, there were significant corporate initiatives round the year.

Key Business Highlights for 2012

Pharma

Collaboration with Gilead Sciences

The Company entered into an in-licensing agreement to collaborate with Gilead Sciences, Inc. to promote access to high-quality, low-cost generic versions of Gilead's HIV medicine emtricitabine (FTC) in developing countries – including fixed-dose combinations of emtricitabine co-formulated with other Gilead HIV medicines.

Funding from French Development Financing Institution

During the year the French Development Financing Institution Proparco invested USD12.5 Million in the form of equity participation for a 20% stake in Strides' African front-end arm, valuing the African operations at about USD 60 Million. The proceeds will be used to create additional manufacturing infrastructure in key markets in Africa and to build a regional Company.

Biotech

Consolidation of stake in Inbiopro

During the year 2012, the Company consolidated its stake in Inbiopro Solutions Private Limited (Inbiopro) the Biotech arm of the Company from the initial holding of 70% to 96.79%.

As at the date of this report the Company further consolidated its stake to 100% and consequently Inbiopro is a wholly owned subsidiary of the Company.

Customised Biotech facility in Malaysia

In March 2013, the Company's wholly owned subsidiary Agila Biotech (Malaysia) SDN BHD, Malaysia, entered into an arrangement with Bio-XCell Sdn Bhd (Malaysian Government undertaking) for the establishment of a customised biotech facility located in the Bio-XCell ecosystem in Johor, Malaysia.

The Company plans to incorporate into this facility, the "next-generation" technology platforms which revolutionise the way biomolecules are developed, manufactured and commercialised.

Specialties (Agila)

Brazil Sterile Penems Facility – US FDA approval

In February 2012, the Brazilian Sterile Penems facility received US FDA approval. This state-of-the-art facility manufactures sterile dry powder injectables of Penems. The plant has already been approved by other international regulatory agencies like MHRA and ANVISA.

Polish Facility - US-FDA approval

During the year, the Company's polish sterile facility received US-FDA approval. This state-of-the-art facility located in Warsaw, Poland, manufactures vials, ampoules, pre-filled syringes and lyophilized injections. The approval offers significant flexibility to the manufacturing which is currently experiencing strong demand on a worldwide basis.

Acquisition of USFDA approved Sterile Manufacturing Facility

During the year, the Company through its wholly owned subsidiary, Agila Specialties Private Limited acquired a USFDA approved Sterile Formulations facility situated at Hosur, Tamil Nadu from Star Drugs and Research Labs Limited.

Joint Venture with Jamp Pharma Corporation

During the year, the Company through its wholly owned subsidiary Agila Specialties Pharma Corporation, Canada (part of injectable division of Strides), formed a joint venture with Jamp Pharma, a Canadian generic drug company, to introduce a variety of quality injectable generic drugs in Canada.

Collaboration with Eli Lilly

In December 2012, the Company along with its subsidiary Agila Specialties Private Limited collaborated with Eli Lilly to expand delivery of cancer medicines in the emerging markets. As a part of this arrangement, Lilly will in-license a portfolio of high-quality, branded generic injectable and oral cancer medicines from Agila Specialties, the specialties division of Strides.

5. DIVESTMENTS

Sale of "Agila specialties" division to Mylan Inc., USA

In February 2013, the Company entered into a definitive agreement with Mylan Inc., USA for the sale of its Specialties Division to Mylan Inc., USA.

This will be effected through the sale of shares of the Company held in its subsidiary, Agila Specialties Private Limited in India and the shares of Agila Specialties Global Pte Limited, Singapore held by the overseas subsidiary, Agila Specialties Asia Pte., Limited, Singapore.

Under the terms of the agreement, the Company and its subsidiary (Agila Specialties Asia Pte Limited, Singapore) will receive an aggregate sum of USD 1,600 Million in cash on closing and a potential additional consideration of up to USD 250 Million subject to the satisfaction of certain conditions by Strides.

Sale of Australia and South East Asian Business division to Watson Pharmaceuticals Inc., USA

In a transaction that was closed on January 24, 2012, 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, Australia and its subsidiaries.

6. RESEARCH & DEVELOPMENT

Detailed write-up on Research & Development activity forms part of the annexure to the Directors' report.

7. SUBSIDIARY COMPANIES

The Company has 46 subsidiaries (Overseas & India) as on December 31, 2012

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

Material Unlisted Subsidiary

During the year 2012, Agila Specialties Private Limited, a wholly owned subsidiary of the Company became a Material Unlisted Subsidiary and in term of Clause 49 (III) of the Listing Agreement, Mr. P.M Thampi, Independent Director on the Board of the Strides Arcolab, the holding Company of Agila Specialties, services as a director on the Board of Agila Specialties.

Subsidiaries added to the Group during the year

a) Agila (NZ) Pty Ltd, New Zealand.

b) Agila Australasia Pty Limited, Australia

c) Agila Biotech Private Limited, Bangalore

d) Agila Specialties Americas Ltd, Cyprus

e) Agila Specialties Global Pte. Ltd, Singapore

f) Agila Specialties UK Limited, UK

g) Strides Emerging Markets Private Limited, Bangalore

Subsidiaries which ceased to be part of the Group during the year

a) Ascent Pharmahealth Limited, Australia

b) Ascent Pharma Pty Limited, Australia

c) Ascent Pharmaceutical Limited, New Zealand

d) Ascent Pharmacy Service Pty Limited, Australia

e) Ascent Pharmahealth (Asia) Pte. Limited, Singapore

f) Ascent Pharmahealth Asia (Hong Kong) Limited, Hong Kong

g) Ascent Pharmahealth Asia (Malaysia) SDN.BHD, Malaysia

h) Drug Houses of Australia (Asia) Pte. Limited, Singapore

i) Pharmasave Australia Pty Limited, Australia

j) Scentia Pharmaceuticals Pty Ltd., Australia

Accounts of Subsidiaries:

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/ the Company's 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/ the Company's 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.

9. 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.

10. FIXED DEPOSITS

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

11. EMPLOYEE STOCK OPTION SCHEME

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

No options have been granted to employees under Strides Arcolab ESOP 2011 scheme yet.

No employee has been issued stock options during the year equal to or exceeding 1% of the issued capital of the Company at the time of grant.

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.

12. REDEMPTION OF FCCBS

During the year, the Company redeemed the outstanding USD 80 Million Foreign Currency Convertible Bonds (FCCBs) on June 27, 2012. The Company had originally raised USD 100 Million FCCBs in the year 2007 and had bought back USD 20 Million during the year 2009.

The total payout for redeeming the outstanding bonds was USD 116 Million including the redemption premium of 145.058%. Post this redemption, there are no outstanding FCCBs.

13. BOARD OF DIRECTORS

Mr. Deepak Vaidya and Mr. M.R Umarji are directors who retire by rotation and being eligible, offer themselves for reappointment. Your directors recommend their re-appointment to the Board.

Mr. Sridhar S joined the Board of the Company as an Independent Director on July 27, 2012. Mr. Sridhar would also serve as a member of the Audit Committee of the Board. In his earlier engagement, Mr. Sridhar served as Chairman and Managing Director of Central Bank and has around 38 years of rich experience in commercial and development banking.

Mr. Virtanes Saatci, Non-Executive Director, resigned from the Board of the Company with effect from 24.04.2012. Mr. Saatci was associated with the Company since February 1995 and has contributed immensely to its growth and success. Your Directors record their deep appreciation for the valuable contribution made by Mr. Saatci during his tenure.

Mr. V.S Iyer, Executive Director, resigned from the Board of the Company with effect from May 25, 2012. Mr. V.S Iyer continues to be engaged with the Company in his role as CEO – Agila. Your Directors record their appreciation for the services of Mr. V S Iyer as Executive Director of the Company.

14. 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.

15. 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, deviations from accounting standards has been carried out with reference to the scheme of arrangement sanctioned in earlier years by the Hon'ble High Court of Bombay for amalgamation of the Company's subsidiaries 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.

16. AUDITORS REPORT

Refer Paragraph 5(b) of the Auditor's Report with reference to Note 2(g) in the consolidated financial statements : The Company is of the view that the operations of these entities are not material and hence have not been subjected to audit.

17. 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.

18. STATUTORY AUDITORS

The Statutory Auditors viz., Deloitte Haskins & Sells, Chartered Accountants, Bangalore (ICAI registration number 008072S) retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. Your Directors recommend their reappointment.

19. 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 (NSDL) and Central Depository Services (India) Limited (CDSL). 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 on either of the Depositories as aforesaid.

20. 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

Deepak Vaidya - Chairman

Arun Kumar – Vice Chairman & Managing Director

Place : Bangalore, India
Date: April 25, 2013

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, 2012)

1. CONSERVATION OF ENERGY

a) Measures taken during the period for conservation of energy

- Optimising the environmental conditions in packaging area resulted in saving of 80,000 kwh.
- Commissioning of high recovery Double Pass Reverse Osmosis system resulted in reduction of 9,000 kl raw water consumption.
- Close monitoring and modification of condensate lines resulted in reduction 228 kl of Soft water usage in Boiler.
- Close monitoring and controlling of water distribution system resulted in reduction of 800 kl raw water consumption.
- 40% Reduction in lighting load achieved due to replacement of compact fluorescent lights in manufacturing areas
- Carbon foot print reduction achieved was 40 Tons due to existing and new plantations, gelatin net recycling and reduction in water consumption
- Steam/ Fuel ratio maintained at 14 kg / ltr for last 5 years.
- About 35,000 kl process water treated by the Waste Water Treatment Plant and reused for garden/ lawns in the plant premises
- About 1,000 kl rain water harvested and used to recharge the ground water table.

b) Plans for the future for conservation of energy

- Optimising chiller load in all manufacturing areas
- Utilisation of harvested rain water for cooling towers.
- Reduction of carbon print by adopting alternate techniques for Waste Water Treatment
- Spent solvent recovery and e-waste through recycler 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. 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.

In 2012, we have recorded the maximum filing in a calendar year so far i.e. 69 filings for the US of which 9 filings are Para-IV filings. This year we have built in expertise and developed many complex generics and platform technology products. We have developed and filed products in the newer domains like Ophthalmics and Minibags. We also successfully filed our first Drug-Device combination product in US this year.

Many new initiatives in various domains have been taken up which will be rolled out for execution and filings in the coming years.

Strides has secured 25 approvals in US and 48 approvals in other developed markets with 135 in emerging markets in the year 2012.

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.

Future Plan

Focus on the value added intellectual property in the areas of Platform technologies, patent challenge/ invalidations, Devices, increase the product line in new domains like Ophthalmics, mini bags, 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.

Expenditure on R&D

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Capital	106.11	146.99
Revenue	1,117.66	956.66
Total	**1,223.77**	**1,103.65**

For and on behalf of the Board of Directors

Deepak Vaidya - Chairman

Arun Kumar – Vice Chairman & Managing Director

Place : Bangalore, India
Date: April 25, 2013

FORM A

Form of disclosure of particulars with respect to Conservation of Energy

A. Power and Fuel Consumption	December 31, 2012	December 31, 2011
1. **Electricity**		
(a) Purchased		
Units	9,871,695	9,651,985
Total Amount (₹ in Million)	59.11	55.26
Rate / Unit (₹)	5.98	5.73
(b) Own generation		
Through diesel generator		
Units	806,872	1,759,767
Diesel consumed in litres	239,960	520,880
Unit per ltr., of diesel oil	3.36	3.38
Cost / Unit (₹)	12.11	11.23
2. **Furnace Oil**		
Quantity (k. ltrs)	564.40	544.72
Total amount (₹ in Million)	23.46	20.34
Average Rate	41.57	37.35
B. Consumption per unit of production		
a) **Softgel & Tablets Division**		
Electricity units per Million (BESCOM units / Prodn Mn.)	4,892 Kwh	3,140 Kwh
Furnace oil units per Million (Steam generated from Boiler / Prodn Mn.)	4,073 Kgs.	2,830 Kgs
Diesel units per Million (Units generated from DG / Prodn Mn.)	408 Kwh	573 Kwh

For and on behalf of the Board of Directors

Deepak Vaidya - Chairman

Arun Kumar – Vice Chairman & Managing Director

Place : Bangalore, India
Date: April 25, 2013

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**
    - Mespac-2 machine commissioned to increase the sachet packing capacity
    - OEE (Overall equipment effectiveness) concept implemented for 100 critical equipments as an improved concept of equipment maintenance for critical equipments.
    - Sachet Packing Primary Optical Character Reader commissioned to inspect on-line batch print details to ensure improved cGMP compliance.
    - Centralised data acquisition system commissioned to monitor and record storage area conditioning parameters.
    - System Application and Product (SAP) plant maintenance mobile application "GEM-PM" hand-held devices commissioned for the improved equipment preventive maintenance.
2. **Pollution Control Measures**
    - Waste Water Treatment Plant upgraded to handle enhanced treatment capacity
    - Implementation of fire hydrant system for improved plant safety.
3. **Foreign Exchange earnings and outgo**

₹ in Million

	December 31, 2012	December 31, 2011
Foreign exchange earned on FOB Basis	5,606.10	5,404.61
Foreign exchange used	1,825.93	1,514.06

For and on behalf of the Board of Directors

Deepak Vaidya - Chairman
Arun Kumar – Vice Chairman & Managing Director

Place : Bangalore, India
Date: April 25, 2013

ANNEXURE TO THE 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, 2012.

Sl. No.	Description	Strides Arcolab ESOP 2006	Strides Arcolab ESOP 2008	Strides Arcolab ESOP 2008 (Directors)	Strides Arcolab ESOP 2011
A	Options granted as at December 31, 2012	1,500,000	1,672,000	350,000	-
B	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 during the year 2012	94,500	215,650	125,000	-
D	Options exercised during the year 2012	93,500	205,050	125,000	-
E	Total number of shares arising as a result of exercise of options	93,500	205,050	125,000	-
F	Options lapsed / surrendered during 2012	13,000	22,900	-	-
G	Variation of terms of options	NONE	NONE	NONE	NONE
H	Money realised by exercise of options	30,962,525	50,324,933	7,375,000	-
I	Total number of options in force at the end of the year	366,000	403,300	50,000	-
J	Employee-wise details of options granted during the year				
	(i) Vice Presidents and above	-	100,000	50,000	-
	(ii) Other identified employees	-	-	-	-
	(iii) Any other employee who received grant in any one year of option amounts to 5% of more of options granted during the year.	NONE	NONE	NONE	NONE
	(iv) Identified employees who were granted options, 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'.	December 31, 2012 ₹ 9.44		December 31, 2011 ₹ 20.13	

Sl. No.	Description	Strides Arcolab ESOP 2006	Strides Arcolab ESOP 2008	Strides Arcolab ESOP 2008 (Directors)	Strides Arcolab ESOP 2011
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			
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.	₹ 333.15	₹ 245.43	₹ 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, 2012		December 31, 2011	
	Risk free interest rate	8.85% pa		8.85% pa	
	Expected life	3 years		3 years	
	Expected annual volatility of shares	52.17%		48%	
	Expected dividend/ yield	15%		15%	
	The price of the underlying share in market at the time of option grant	₹ 533.46 per share		₹ 399.71 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

Deepak Vaidya - Chairman

Arun Kumar – Vice Chairman & Managing Director

Place : Bangalore, India

Date: April 25, 2013

CORPORATE GOVERNANCE REPORT

For the year ended December 31, 2012 (Pursuant to Clause 49 of Listing Agreement with Stock Exchanges)

1. OUR APPROACH TO CORPORATE GOVERNANCE

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.

Further, the Company considers accountability and transparency as pillars of Corporate Governance. The Company has adopted objective disclosure practices. Management has shown responsiveness and quality of "Leading from the Front" which has further strengthened the governance fabric of the Company. The Company has ensured robust corporate health through effective control system to monitor and execute corporate actions and a strong management team to address complex matters.

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 other stake holders.

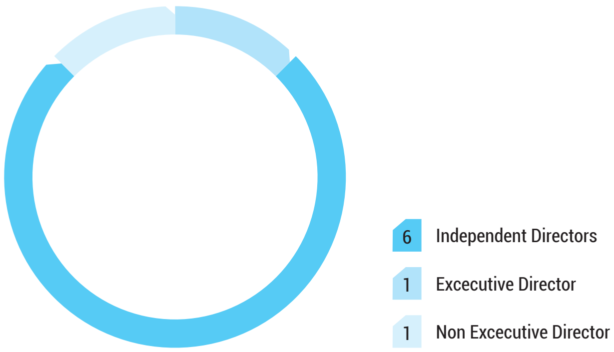
Composition of Board of Directors

The Board currently comprises of 8 Directors of which 1 is an Executive Director and 7 are Non-Executive Directors. Of the 7 Non-Executive Directors, 6 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. Detailed profiles of the members of the Board of Directors have been disclosed in this Annual Report.

Each Director informs the Company on an annual basis about the Board and Board Committee positions he occupies in other companies including Chairmanships and notifies changes during the term of their directorship in the Company.

Composition of Board of Directors



Name	Category of Directorship*	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	6	2	2
Arun Kumar (Executive Vice Chairman & Managing Director)	P & ED	June 28, 1990	1	1	-
K.R. Ravishankar	P& NED	March 11, 1994	4	1	-
Mukul Sarkar **	NED & ID	August 31, 2010	2	1	-
M.R. Umarji	NED & ID	October 27, 2005	3	2	-
A.K. Nair	NED & ID	October 27, 2005	7	4	-
P.M. Thampi	NED & ID	December 21, 2005	3	2	-
S Sridhar (appointed w.e.f. July 27, 2012)	NED & ID	July 27, 2012	4	-	-
Virtanes Saatci (resigned w.e.f. April 25, 2012)	NED	February 24, 1995	-	-	-
V S Iyer (resigned w.e.f May 25, 2012)	ED	January 19, 2010	-	-	-

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

** = Nominee Director of Export Import Bank of India

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.
- None of Directors are related to any other Director.

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 a special and urgent business needs the Board's approval is obtained by circulating the resolution, which is ratified by the Board in its next meeting.

Under the Companies Act, 1956, the Board of Directors must meet at least 4 times in a year with a maximum time gap of 4 months between 2 Board Meetings. During the year 2012, Strides' Board met 6times. These meetings were held on January 19, 2012, February 27, 2012, April 26, 2012, May 25, 2012, July 27, 2012 and October 19, 2012.Further, the Twenty-first Annual General Meeting (AGM) of the Company was held on May 25, 2012 in which all of the Directors on the Board attended and participated.

Attendance of Directors at Board Meeting and AGM

Name	No. of Board meetings attended during the year	AGM Attended
Deepak Vaidya	6	YES
Arun Kumar	6	YES
K.R. Ravishankar	5	YES
M.R. Umarji	6	YES
A.K. Nair	6	YES
P.M. Thampi	6	YES
Mukul Sarkar	4	YES
S Sridhar (appointed w.e.f. July 27, 2012)	2	-
Virtanes Saatci (resigned w.e.f. April 25, 2012)	-	-
V .S.Iyer (resigned w.e.f. May 25, 2012)	4	YES

The Company Secretary is responsible for collation, review and distribution of all papers submitted to the Board for consideration. The Company Secretary is also responsible for the preparation of the agenda, convening of the Board Meetings and ensures appropriate recording of minutes of the meetings.

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.

Board Induction and Training

Each newly appointed Director is taken through a formal induction program. The Company Secretary provides new Directors, with a briefing on their legal and regulatory responsibilities as Directors and the Chief Executive Officer provides a briefing on Company's current structure and performance of business.

The induction for Directors includes interactive sessions with Management, Business and

Functional Heads and visit to plant.

In addition, new Directors also receive a comprehensive Directors' Induction Manual which includes Company's historical background, business profile, organisation structure, codes and policies, internal controls and risk management systems and their roles and responsibilities as Directors of the Company.

3. COMMITTEES OF THE BOARD

The Board Committees focus on specific areas and make informed decisions within the authority delegated. Each such Committee is guided by its Charter, which defines the composition, scope and powers. The Committees also make specific recommendations to the Board on various matters when required. All observations, recommendations and decisions of the Committees are placed before the Board for information or for approval.

The Board has four Board-level committees, namely:-

- Audit Committee
- Remuneration Committee
- Shareholders' / Investors' Grievances Committee
- Management Committee

1) 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 thereon.
  - 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) Subsidiary Companies

The Audit Committee of the Company reviews the financial statements of the subsidiary companies.

The Audit Committee also reviews investment made by subsidiary companies, minutes of their Board meetings, and the statement of all significant transactions and arrangements entered into by the subsidiary companies.

Agila Specialties Private Limited, a wholly owned subsidiary of the Company became a Material Unlisted Subsidiary and in term of Clause 49 (III) of the Listing Agreement, Mr. P.M Thampi, Independent Director services as a director on the Board of Agila Specialties Private Limited.

iii) Composition and attendance details:

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

The Audit Committee met 4 times during the year 2012, i.e., on February 27, 2012, April 26, 2012, July 27, 2012 and October 19, 2012.

The meetings of the Audit Committee are also attended by 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 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
6	S Sridhar	Member (NED & ID)	1

2) 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 4 times during the year 2012.i.e., on February 27, 2012, April 26, 2012, July 27, 2012 and October 19, 2012.

Attendance of Members at Remuneration Committee Meetings:

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

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 are to motivate employees and recognise their contribution, reward merit and to attract and retain talent in the organisation.

iv) Details of remuneration to directors

The Executive Directors are appointed by shareholders' resolution for a period of five years. Components of remuneration to the Executive Director is fixed and in line with the Company's policies.

The remuneration for the Executive Directors, based on net profits of the Company, is recommended by the Remuneration Committee to the Board for consideration. The remuneration paid to the Executive Directors is within the limits approved by the shareholders.

The Non- Executive / Independent Directors receive sitting fees of ₹ 20,000/- for attending meetings of the Board and Audit Committee and do not receive any other form of remuneration.

Details of Remuneration paid/ payable to directors for the year ended December 31, 2012 is as follows:

Executive Directors

Name of the Director	Salary and Allowances (₹)	PF (₹)	Bonus	Total (₹)
Arun Kumar (Executive Vice Chairman & Managing Director)	28,030,915	1,468,800	12,000,000	41,499,715
V. S Iyer (Executive Director, Resigned w.e.f. May 25, 2012)	12,684,133	811,089	--	13,495,222

Non-Executive / Independent Directors

Name of the Director	Sitting fee (₹)	Commission/ Bonus	Total (₹)
Deepak Vaidya	200,000	-	200,000
K. R. Ravishankar	100,000	-	100,000
M.R. Umarji	200,000	-	200,000
A.K. Nair	200,000	-	200,000
P.M. Thampi	200,000	-	200,000
Mukul Sarkar	140,000	-	140,000
S Sridhar	60,000	-	60,000
Virtanes Saatci (resigned w.e.f. April 25, 2012)	-	-	-

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

Stock options are granted to Non-Executive Directors (except Nominee Director) and Independent Directors of the Company under Strides Arcolab ESOP 2008 (Directors) Scheme.

Details of the stock options granted, vested, exercised and outstanding as on date as follows:

Name of the Director	Total Options Granted	Date of Grant	Exercise Price per Option (₹)	Outstanding Options as at January 1, 2012	Options Exercised during the year	Balance Options as at December 31, 2012
Deepak Vaidya	50,000	March 17, 2009	59.00	25,000	25,000	--
M R Umarji	50,000	March 17, 2009	59.00	25,000	25,000	--
A K Nair	50,000	March 17, 2009	59.00	25,000	25,000	--
P M Thampi	50,000	March 17, 2009	59.00	25,000	25,000	--
Virtanes Saatci	50,000	March 17, 2009	59.00	25,000	25,000	--
S Sridhar	50,000	July 27, 2012	609.80	-	-	50,000

3) 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 empowered to perform the functions of the Board in relation to handling of shareholders' complaints and grievances. It primarily focuses on:

- Review of investor complaints and their redress.
- Review of queries received from investors.
- Review of work done by the share transfer agent.
- Review of corporate actions related to shareholder issues.

(ii) Composition

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

The Shareholders' / Investors' Grievance Committee met 4 times during the year ended December 31, 2012 on February 27, 2012, April 26, 2012, July 27, 2012 and October 19, 2012. The Company Secretary officiates as the secretary of the Committee.

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

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

(iii) Investor / Shareholder Complaints

During the year ended December 31, 2012, there were 85 complaints from shareholders, all of which were resolved.

(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 & SEBI Circular No. D&CC/FITTC/CIR-16/2002 dated December 31, 2002.

The Reconciliation of Share Capital Audit Report obtained from a Company Secretary in Whole time 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 Whole time 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) Management Committee

The role of Management Committee is to authorise Directors and officers of the Company to deal with day-to-day business operations such as banking, treasury, insurance, excise, customs, administration and dealing with other government/ non-government authorities.

The Management Committee consists of four Directors including two Independent Directors. The Chairman of the Committee is an Independent Director. The Company Secretary officiates as the secretary of the Committee.

4. 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, 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
December 31, 2011	May 25, 2012 11.30 am	The Regenza By Tunga, Plot no. 37, Sector 30–A, Vashi, Navi Mumbai – 400 703	Nil

During the year, no resolution was passed by the shareholders through Postal Ballot.

5. DISCLOSURES

i) There are no materially significant related party transactions with its 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 47 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. As per the scheme the maximum amount that can be written off against the BRR instead of being debited to the Statement of Profit & Loss is restricted to the balance in the BRR on or at any time after January 1, 2009 till December 31, 2012 and not beyond that.

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.

6. 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. Deepak Vaidya

- Mr. 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 is currently the Chairman of Arc Advisory Services Pvt. Ltd. He has immense experience in the corporate financial services Industry in India and abroad.
- He holds 103,200 equity shares representing 0.18% of the paid up share capital of the Company

Details of companies in which Mr. Vaidya is a director and member of Committees:

S.No.	Name of the Companies	Committee Membership
1	Apollo Gleneagles Hospital Ltd	Audit Committee (Chairman)
2	Apollo Health Street Limited	Audit Committee
3	Apollo Hospitals Enterprise Limited	Audit Committee (Chairman)
4	Arc Advisory Services Private Limited	--
5	Capricorn Securities India Private Limited	--
6	Chaityadeep Investments Private Limited	--
7	PPN Power Generating Company Limited	--
8	Suntec Business Solutions Private Limited	Audit Committee
9	UTI Capital Private Limited	--
10	Indraprastha Medical Corporation Limited	--

Mr. Vaidya is not related to any other Director of the Company

Mr. M R Umarji

- 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 UTI Advisory Services Limited.
- He holds 14,000 equity shares representing 0.024% of the paid up share capital of the Company.

Details of companies in which Mr. Umarji is a director and member of Committees:

S.No.	Name of the Companies	Committee Membership
1	Unit Trust of India Advisory Services Limited	--
2	ITZ Cash Card Limited	Audit Committee
3	JM Financial Products Limited	Audit Committee
4	Central Registry of Securitisation Asset Reconstruction and Security Interest of India	--

Mr. Umarji is not related to any other Director of the Company

7. DISCLOSURE OF SHAREHOLDING OF NON-EXECUTIVE DIRECTORS

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

Non-Executive Directors	No. of Shares held
Deepak Vaidya	103,200
K R Ravishankar	1,235,906
P M Thampi	51,000
M R Umarji	14,000
A K Nair	25,000
Mukul Sarkar	Nil
Virtanes Saatci (resigned w.e.f. April 25, 2012)	225,000

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

Name of the Entity	No. of Shares held
Pronomz Ventures LLP	12,665,000
Agnus Holdings Private Limited	120,816
Chayadeep Properties Private Limited	61,060
Triumph Venture Holdings LLP	30,000
Agnus Capital LLP	20,000

8. COMPANY'S POLICIES

I. Policy on Insider Trading

The Company has a policy prohibiting Insider Trading in conformity with applicable regulations of the SEBI in India. Necessary procedures have been laid down for Directors and designated employees for trading in the securities of the Company. The policy and procedures are periodically communicated to the employees covered under the policy. Trading window closure / blackouts /quiet periods, when the Directors and employees are not permitted to trade in the securities of the Company, are intimated to all Directors and employees, in advance, whenever required.

The objective of this Code is to protect the interest of shareholders at large, to prevent misuse of any price sensitive information and to prevent any insider trading activity by dealing in shares of the Company by its Directors and employees. The Code also prescribes sanction framework and any instance of breach of code is dealt with in accordance with the same. A copy of the Insider Trading Policy of the Company is made available to all the employees of the Company and the compliance of the same is ensured.

II. Policy on Prevention of Sexual Harassment

The core principle of Strides is to ensure gender equality and justice through all our interventions and practices. The Company has implemented a Prevention of Sexual Harassment Policy with the goals of promoting a workplace that is free of sexual harassment. A mechanism is in place for employees to report any issues, abuse, etc., to a committee formed for this purpose.

III. Observance of Secretarial Standards issued by the Institute of Company Secretaries of India

The Institute of Company Secretaries of India (ICSI) has issued secretarial standards on important aspects like board meetings, general meetings, payment of dividend, maintenance of registers and records, minutes of meetings, transmission of shares and debentures, passing of resolution by circulation, affixing of common seal, forfeiture of shares and board's report.

Although these standards are optional in nature, the Company however substantially adheres to the standards voluntarily.

9. MEANS OF COMMUNICATION

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

Quarterly and Annual results

Quarterly and annual results of the Company are published in widely circulated national newspapers such as The Business Standard and the Financial Express and the local vernacular daily, Lokmath.

The quarterly and half-yearly results of the Company were also submitted to the Stock Exchanges where the Company's shares are listed.

These are also disseminated through our PR Agency and made available on the Company's website: www.stridesarco.com.

News releases, presentations, etc.

The Company has established systems and procedures to disseminate relevant information to its stakeholders, including shareholders, analysts, suppliers, customers, employees and the society at large.

The Company also conducts earnings calls with analysts and investors and their transcripts are published on the website thereafter.

Corporate Filing and Dissemination System (CFDS)

In compliance with Clause 52 of the Listing Agreement, the Quarterly Results, Shareholding Pattern and all other corporate communication to the Stock Exchanges have also been filed under CFDS.

Website

The primary source of information regarding the operations of the Company is the corporate website: www.stridesarco.com.

It contains a separate dedicated section for 'Shareholders', 'Investors' and 'Media' where the latest and updated information about financials/ activities of the Company are available.

The website of the Company also displays official news releases and presentations made to the institutional investors and analysts from time to time.

Annual report

The Company's annual report containing the Directors' Report, Corporate Governance Report, Management's Discussion and Analysis (MD&A), Audited Annual Accounts, Consolidated Financial Statements, Auditors' Report and other important information is circulated to members and other stakeholders. Annual Reports are also emailed to the shareholders who have registered their email IDs with the Company.

The annual report is also available on the Company's corporate website in a user-friendly and downloadable form.

9. GENERAL SHAREHOLDERS INFORMATION

a) Annual General Meeting 2013

Day / Date	Monday, June 10, 2013
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 2013

Financial Reporting for Quarter / Half Year ended	During
June 30, 2013	July, 2013
September 30, 2013	October, 2013
December 31, 2013	February,2014

c) Date of Book closure

June 3, 2013 to June 10, 2013(inclusive of both days)

d) Dividend

The Board of Directors at their meeting held on February 28, 2013 recommended a dividend of ₹ 2/-per share on equity share of face value of ₹ 10/- each for the financial year ended December 31, 2012, 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

As per 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 and thereafter cannot be claimed by investors. To ensure maximum disbursement of unclaimed dividend, the Company sends reminders to the concerned investors, before transfer of dividend to IEPF.

Transfer to IEPF

An amount of ₹ 361,875 was transferred to Investor Education and Protection Fund (IEPF) during the year 2012.

The unpaid/ unclaimed dividends upto Final Dividend 2003 -04 has been transferred to IEPF. Due dates for transfer of unpaid/ unclaimed dividend to IEPF is as follows:

Year	Dividend Rate	Date of declaration	Due date
2005	20%	June 15, 2006	August 20, 2013
2006	20%	June 20, 2007	August 25, 2014
2007	NIL	NA	NA
2008	NIL	NA	NA
2009	15%	May 31, 2010	August 5, 2017
2010	15%	May 30, 2011	August 4, 2018
2011	20%	May 25, 2012	July 30, 2019

The Members of the Company, who have not yet encashed their divided warrant(s), may write to the Company/ Registrar and Share Transfer Agents 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

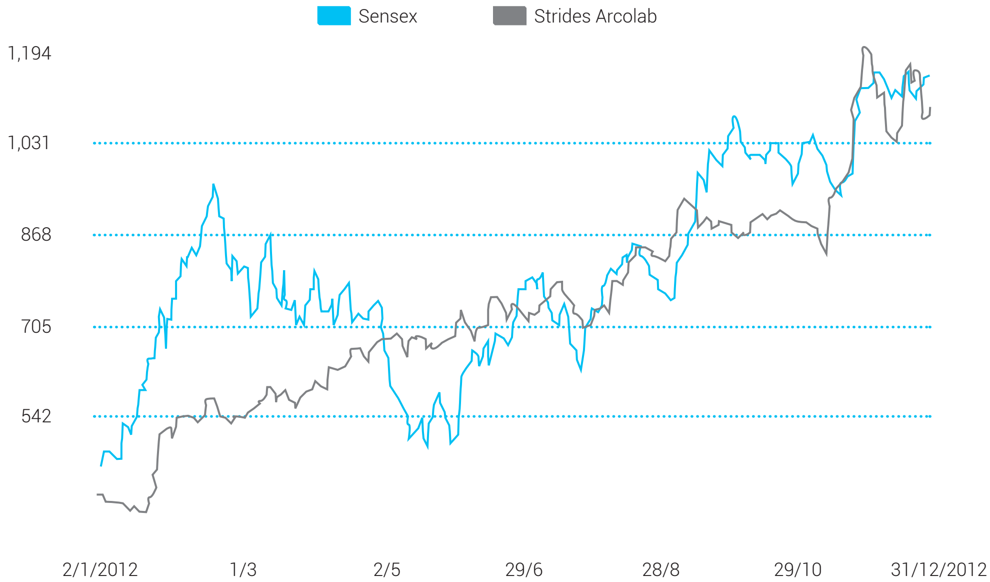
The Company has paid listing fees to all the above stock exchanges and there is no outstanding payment as on date.

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, 2012 is as under:

Month	NSE			BSE		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
January, 2012	531.80	371.50	7,765,838	532.00	372.30	3,008,750
February, 2012	611.90	502.25	4,687,297	612.00	490.10	1,843,367
March, 2012	609.95	538.00	3,419,926	607.50	538.15	1,276,876
April, 2012	684.90	504.95	3,231,462	684.90	588.00	948,571
May, 2012	723.80	632.55	3,347,662	717.30	636.00	1,333,202
June, 2012	776.00	673.20	3,775,901	776.90	674.00	1,650,680
July, 2012	793.75	672.20	3,255,401	794.00	675.25	982,243
August, 2012	868.30	712.10	4,066,115	868.00	710.10	1,278,418
September, 2012	957.50	814.00	4,134,591	958.10	813.10	1,279,516
October, 2012	933.70	852.00	3,000,168	933.40	851.10	803,545
November, 2012	1,219.00	811.00	7,750,603	1,211.05	815.00	2,240,391
December, 2012	1,224.00	1,016.30	12,960,100	1,224.90	1,017.00	4,499,229

g) Performance of Strides Arcolab Limited Share Price to Broad Based Index (BSE Sensex)



h) E-voting

As per the amendment to the Listing Agreement by SEBI, effective October 1, 2012, e-voting will be mandatory for all such resolutions for which postal ballots are prescribed as per the Companies Act or other relevant regulations.

E-Voting is voting through an electronic system where shareholders can vote on resolutions of companies requiring voting through and regulations without having the necessity of sending their votes through post. Ministry of Corporate Affairs has authorised NSDL and CDSL platform to facilitate shareholders to cast vote in electronic form.

This confers the benefit of substantial reduction in administration cost, accuracy in counting of votes, elimination of postal ballots getting lost in-transit, paperless mode of casting vote, sufficient time for shareholders to vote till the end of voting cycle.

The Company has established e-Voting platform with NSDL. Shareholders are requested to make use of the e-Voting platform for all matters transacted through Postal Ballot process.

i) Share Transfer System

The Company has appointed Karvy Computershare Private Limited, Hyderabad, as its Registrar and Share Transfer Agents 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.

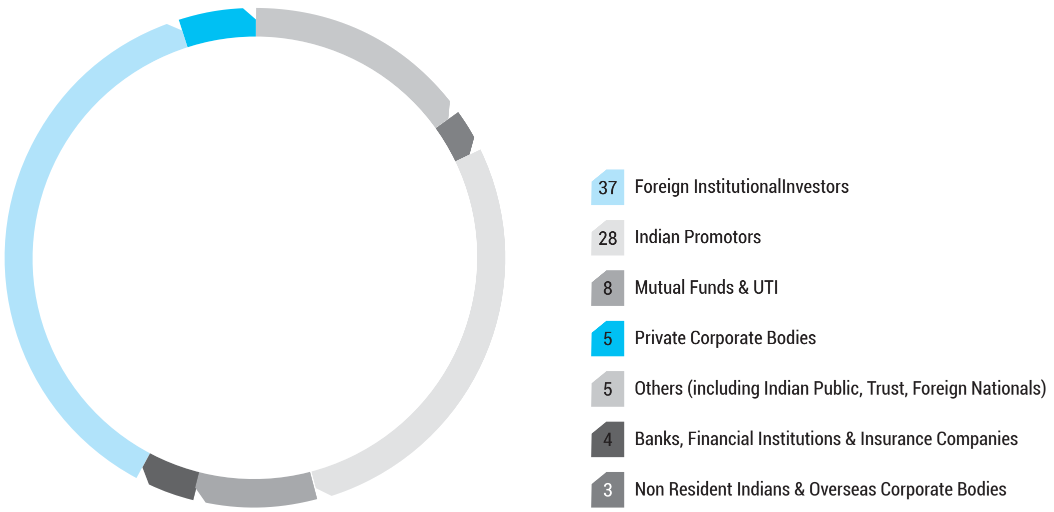
j) Distribution of Shareholding as on December 31, 2012

Slab of Shareholding	No. of Shareholders	% to Total Number of Shareholders	Amount (₹)	% to paid up capital
1 - 5,000	25,029	92.85	15,256,860	2.60
5,001 - 10,000	741	2.75	5,860,780	1.00
10,001 - 20,000	430	1.60	6,610,460	1.12
20,001 - 30,000	201	0.75	5,089,790	0.87
30,001 - 40,000	86	0.32	3,072,680	0.52
40,001- 50,000	60	0.22	2,769,110	0.47
50,001 - 100,000	141	0.52	10,662,480	1.81
100,001 & Above	268	0.99	538,715,050	91.61
Total	**26,956**	**100.00**	**588,037,210**	**100.00**

k) Shareholding Pattern as at December 31, 2012

Sl. No.	Category	No. of shares held	% to total shareholding
1.	Indian Promoters	16,174,202	27.51
2.	Mutual Funds & UTI	4,912,617	8.35
3.	Banks, Financial Institutions, Insurance Companies	2,131,428	3.62
4.	Foreign Institutional Investors	21,951,939	37.33
5.	Private Corporate Bodies	3,139,380	5.34
6.	Others (including Indian Public, Trust, Foreign Nationals)	8,721,032	14.83
7.	Non-Resident Indians/ Overseas Corporate Bodies	1,773,123	3.02
	TOTAL	**58,803,721**	**100.00**

Shareholding Pattern as at December 31, 2012 (%)



l) Dematerialisation of Shares & Liquidity

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

As on December 31, 2012, 99.57% of the paid-up share capital of the Company representing 58,548,629 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) Warrants or any Convertible instruments

Foreign Currency Convertible Bonds

(a) FCCB 100 Million - 0% Convertible Bonds Due 2012 - ISIN : XS0305351891

The Company had in 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 were listed at the Singapore Stock Exchange.

As permitted by the Reserve Bank of India, during the year 2011, the Company bought back at discount FCCBs aggregating to face value USD 20 Million out of outstanding USD 100 Million – 0% convertible bonds.

During the year 2012 the outstanding USD 80 Million FCCBs were redeemed at a premium of 145.058%.Total payout for redeeming the outstanding bonds was USD 116 Million. Post this redemption, there are no outstanding FCCBs. The Company utilised its cash balance to fund the redemption. 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 12

p) Investors Correspondence

Registered Office :	No. 201, 'Devavrata' Sector 17, Vashi, Navi Mumbai - 400 705. Tel. No. +91-22-27895247 Fax No. +91-22-27892924
Corporate Office :	'Strides House', Bilekahalli Bannerghatta Road, Bangalore – 560 076 Tel. No.: +91 80 6784 0000 Fax No. +91 80 6784 0800 e-mail id. : badree.komandur@stridesarco.com investors@stridesarco.com
Compliance Officer under Listing Agreement	Mr. Badree Komandur EVP-Finance& Company Secretary Tel. No.: +91 80 6784 0747 Fax No. +91 80 6784 0800 e-mail id. : badree.komandur@stridesarco.com; investors@stridesarco.com
Registrars & Share Transfer Agents	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 Email id: svraju@karvy.com
Contact Persons	Mr. S.V. Raju or Mr. Mohan Kumar A

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

10. 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.

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 2012.

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, 2012, 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, 2012, 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

V. Srikumar

Partner

Membership No.: 84494

Place: Bangalore, India

Date: April 25, 2013

FINANCIAL STATEMENTS

Consolidated

Standalone

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 31st December, 2012, the Consolidated Statement of Profit and Loss 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. We draw attention to Note 50 to the financial statements which explains that 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, 1956. Pursuant to the above:

   (a) the Foreign Currency Convertible Bonds (FCCBs) issued by the Company were segregated into two components comprising (a) the option component which represents the value of the conversion option given to the FCCB-holders to convert the FCCBs into equity shares of the Company and (b) the debt component which represents the debt to be redeemed in the event that the conversion option was not exercised by FCCB-holders, net of issuance costs. The debt component was recognised and measured at amortized cost and the fair value of the option component has been determined using a valuation model and a credit of ₹ 2.09 million has been recognised in the Statement of Profit & Loss for the year ended December 31, 2012, being the gain in the fair value of the embedded option included in the FCCBs, recognised on redemption of the FCCBs (Previous year, a credit of ₹ 188.85 million, being the change in the fair value of the option).

   (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 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 ₹ 193.49 million (Previous year ₹ 857 million) has been recognised in the Hedge Reserve account for the year ended 31st December, 2012.

4. We draw reference to Note 36 to the financial statements 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 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 was fair valued in 2009 and the resultant surplus over the previously carried book values, amounting to ₹ 5,856.20 million, has been recorded as 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'.

   b) During the year, certain expenses (net) amounting to ₹ 1,849.34 million (Previous year ₹ 609.82 million) has been charged to the Reserve for Business Restructure, instead of being charged to the Statement of Profit and Loss as required by Accounting Standard 5 'Net profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies'.

5. We did not audit the financial statements of certain subsidiaries and joint ventures, whose financial statements reflect total assets of ₹ 16,020.41 million as at 31st December, 2012, total revenues of ₹ 10,387.50 million and net cash

outflows amounting to ₹ 402.21 million for the year ended on that date as considered in the 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 of ₹ 14,939.56 million as at 31st December, 2012, total revenues of ₹ 9,253.97 million and net cash inflows amounting to ₹ 32.56 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 of ₹ 1,080.85 million as at 31st December, 2012 and total revenues of ₹ 1,133.53 million and net cash outflows amounting to ₹ 434.77 million for the year ended on that date, as considered in these consolidated financial statements have been compiled by the management of the Company and have not been subject to audit by independent auditors.

6. 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, other than for the matters referred to in paragraph 4 above.

7. Subject to our comments in paragraph 5(b) above, and read with our comments in paragraph 3 and paragraph 4 above and Note 36.3(c) to the consolidated financial statements, 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 31st December, 2012;

(ii) in the case of the Consolidated Statement of Profit and Loss, 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. Srikumar
Partner
(Membership No.84494)

Place : Bangalore
Date : February 28, 2013

CONSOLIDATED BALANCE SHEET as at December 31, 2012

₹ in Million

	Note No.	December 31, 2012	December 31, 2011
A EQUITY AND LIABILITIES			
1. Shareholders' funds			
(a) Share capital	3	588.04	583.80
(b) Reserves and surplus	4	19,674.39	13,130.96
		20,262.43	**13,714.76**
2. Minority Interest		718.54	464.57
3. Non-current liabilities			
(a) Long-term borrowings	5	7,311.48	10,543.13
(b) Deferred tax liabilities (net)	6	287.43	93.49
(c) Other long-term liabilities	7	850.14	247.49
(d) Long-term provisions	8	572.50	661.89
		9,021.55	**11,546.00**
4. Current liabilities			
(a) Short-term borrowings	9	5,998.95	6,846.54
(b) Trade payables	10	4,630.80	5,850.43
(c) Other current liabilities	11	6,516.55	13,697.95
(d) Short-term provisions	12	826.59	1,522.36
		17,972.89	**27,917.28**
Total		**47,975.41**	**53,642.61**
B ASSETS			
1. Non-current assets			
(a) Fixed Assets			
i) Tangible assets	13	9,923.45	9,553.60
ii) Intangible assets	13	3,340.60	2,496.83
iii) Capital work in progress		639.40	174.93
iv) Intangible assets under development		1,775.05	2,675.37
		15,678.50	**14,900.73**
(b) Goodwill on Consolidation		16,903.11	19,825.94
(c) Non-current investments	14	-	-
(d) Deferred tax assets (net)	6	15.63	220.31
(e) Long-term loans and advances	15	1,257.09	2,386.63
(f) Other non-current assets	16	11.72	56.30
		33,866.05	**37,389.91**
2. Current assets			
(a) Current investments	17	0.57	-
(b) Inventories	18	4,423.30	4,799.31
(c) Trade receivables	19	4,832.32	5,384.44
(d) Cash and cash equivalents	20	1,657.42	2,597.25
(e) Short-term loans and advances	21	1,335.34	1,783.45
(f) Other current assets	22	1,860.41	1,688.25
		14,109.36	**16,252.70**
Total		**47,975.41**	**53,642.61**

See the accompanying notes forming part of the Consolidated Financial Statements

In terms of our report attached
For DELOITTE HASKINS & SELLS
Chartered Accountants

V. Srikumar
Partner

Place : Bangalore
Date : February 28, 2013

For and on behalf of the Board of Directors

Deepak Vaidya
Chairman

Arun Kumar
Executive Vice Chairman & Managing Director

Dr. T.S. Rangan
Group CFO

Badree Komandur
Company Secretary

Place : Bangalore
Date : February 28, 2013

CONSOLIDATED STATEMENT OF PROFIT AND LOSS for the year ended December 31, 2012

₹ in Million

		Note No.	December 31, 2012	December 31, 2011
1	Revenue from operations	23	23,206.11	25,625.86
	Less: Excise duty		132.84	125.45
	Revenue from operations (net)		**23,073.27**	**25,500.41**
2	Other income	24	583.43	316.73
3	**Total revenue (1+2)**		**23,656.70**	**25,817.14**
4	**Expenses**			
	(a) Cost of materials consumed	25	7,495.36	6,940.84
	(b) Purchases of stock in trade	26	2,910.30	6,209.33
	(c) (Increase) / Decrease in inventories of finished goods, work-in-progress and stock-in-trade"	27	(425.62)	(512.54)
	(d) Employee benefits expenses	28	2,808.70	3,027.35
	(e) Other expenses	29	4,931.31	4,928.66
Total			**17,720.05**	**20,593.64**
5	**Earnings before exceptional items, interest, tax, depreciation and amortisation (3-4)**		**5,936.65**	**5,223.50**
6	Finance costs	30	1,934.41	1,948.30
7	Depreciation and amortisation expenses	13	1,094.83	1,043.01
8	**Profit before exceptional items and taxes (5-6-7)**		**2,907.41**	**2,232.19**
9	Exceptional items - net gain / (loss)	31	6,587.49	494.67
10	**Profit before tax (8+9)**		**9,494.90**	**2,726.86**
11	Tax expenses	32	1,021.45	386.80
12	**Profit for the year (10-11)**		**8,473.45**	**2,340.06**
13	Less: Share of Profit of Minority Interest (net)		11.08	95.31
14	**Profit after minority interest (12-13)**		**8,462.37**	**2,244.75**
15	**Earnings per share (of ₹10/- each)**			
	- Basic	44	144.30	38.65
	- Diluted	44	131.85	38.32

See the accompanying notes forming part of the Consolidated Financial Statements

In terms of our report attached
For DELOITTE HASKINS & SELLS
Chartered Accountants

V. Srikumar
Partner

Place : Bangalore
Date : February 28, 2013

For and on behalf of the Board of Directors

Deepak Vaidya
Chairman

Arun Kumar
Executive Vice Chairman & Managing Director

Dr. T.S. Rangan
Group CFO

Badree Komandur
Company Secretary

Place : Bangalore
Date : February 28, 2013

CONSOLIDATED CASH FLOW STATEMENT for the year ended December 31, 2012

		December 31, 2012	December 31, 2011
			₹ in Million
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before tax		9,494.90	2,726.86
Adjustments for:			
- Depreciation and amortisation		1,094.83	1,043.01
- Provision for doubtful trade and other receivables, loans and advances		23.21	242.88
- Unbilled revenue written-off		187.47	-
- Interest costs		1,832.27	1,793.01
- Net Unrealised exchange (gain) / loss		267.63	(1,652.74)
- Expense deferred		-	(34.66)
- Amortisation of deferred revenue expenditure		44.69	32.85
- Changes in fair value of embedded derivatives in FCCB's		(2.09)	(188.85)
- (Profit) / loss on sale of investments (Net)		(7,262.61)	19.64
- Net loss on option contracts		132.85	-
- Liability / provision no longer required written back		(163.30)	(68.93)
- Profit on sale of assets (Net)		(4.75)	(2.14)
- Interest received and dividend income		(309.50)	(45.62)
Operating profit before working capital changes		**5,335.60**	**3,865.31**
Changes in working capital			
(Increase)/Decrease in trade and other receivables		(2,233.88)	(2,797.39)
(Increase)/Decrease in inventories		(1,056.54)	(1,356.13)
Increase/(Decrease) in trade and other payables		50.65	5,773.93
(Increase)/Decrease in margin money		135.22	(331.73)
Net change in working capital		**(3,104.55)**	**1,288.68**
Cash generated from operations		**2,231.05**	**5,153.99**
Direct taxes paid and others (Refer note (i) below)		(887.47)	(583.01)
Net Cash flow from/(used in) Operating Activities	**A**	**1,343.58**	**4,570.98**
B. CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure on fixed assets, including capital advances		(3,376.66)	(2,391.74)
Proceeds from sale of fixed assets		46.19	222.25
Purchase of long-term investments		(187.56)	(4,364.10)
Advance towards purchase of investments / assets		-	(60.00)
Proceeds from sale of investments in Ascent Pharmahealth Limited (net)		11,241.26	-
Interest / dividends received		342.13	28.90
Net Cash flow from/(used in) Investing Activities	**B**	**8,065.36**	**(6,564.69)**
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of equity shares		88.66	72.45
Proceeds from investment by minority holders		701.01	-
Redemption of FCCBs		(6,063.60)	-
Net loss on option contract for FCCBs		(95.33)	-
Proceeds from long-term borrowings		2,052.10	6,443.31
Repayment of long-term borrowings		(3,855.04)	(2,985.44)
Repayment of short-term borrowings (Net)		(615.65)	(709.01)
Dividends paid (including tax on dividend)		(136.47)	(100.71)
Interest paid on borrowings (Refer note (ii) below)		(1,975.94)	(1,826.99)
Net cash generated from/(used in) Financing Activities	**C**	**(9,900.26)**	**893.61**

₹ in Million

	December 31, 2012	December 31, 2011
Net Increase /(Decrease) in cash and cash equivalents (A+B+C)	**(491.32)**	**(1,100.10)**
Cash and cash equivalents at the beginning of the year	2,122.71	3,251.70
Effect of exchange differences on restatement of foreign currency cash and cash equivalents	44.95	(33.41)
Cash and cash equivalents on account of acquisition / (disposal) of subsidiaries	(351.65)	4.52
Cash and cash equivalents at the end of the year	**1,324.69**	**2,122.71**
Reconciliation of cash and cash equivalents with the Balance Sheet:		
Cash and cash equivalents as per Balance Sheet (Refer note 20)	1,657.42	2,597.25
Less: Balances not considered as cash and cash equivalents as defined in AS 3 'Cash Flow Statements':		
- Margin money against working capital facilities with banks	(333.30)	(474.54)
Net cash and cash equivalents included in note 20	**1,324.12**	**2,122.71**
Add: Current investments considered as part of cash and cash equivalents as defined in AS 3 'Cash Flow Statements' (Refer note 17)	0.57	-
Net cash and cash equivalents at the end of the year*	**1,324.69**	**2,122.71**
*** Comprises:**		
Cash on hand	1.85	4.85
Balance with banks:		
- In current accounts	837.55	2,009.06
- In EEFC accounts	16.10	33.91
- In deposit accounts	464.16	71.43
- In earmarked accounts		
- Unpaid dividend accounts	2.35	2.41
- Group gratuity accounts	2.11	1.05
Current investments considered as part of cash and cash equivalents	0.57	-
Total	**1,324.69**	**2,122.71**

Notes:

(i) Direct tax paid and others in the Cash Flow Statement includes outflows on account of permitted utilisation from the BRR of ₹ 218.43 Million (Previous Year ₹ 81.67 Million) and direct taxes of ₹ 669.04 Million (Previous Year ₹ 501.34 Million).

(ii) Interest paid is inclusive of borrowing cost capitalised on fixed assets ₹ 38.87 Million (Previous year ₹ 13.60 Million).

See the accompanying notes forming part of the Consolidated Financial Statements

In terms of our report attached
For DELOITTE HASKINS & SELLS
Chartered Accountants

V. Srikumar
Partner

Place : Bangalore
Date : February 28, 2013

For and on behalf of the Board of Directors

Deepak Vaidya
Chairman

Arun Kumar
Executive Vice Chairman & Managing Director

Dr. T.S. Rangan
Group CFO

Badree Komandur
Company Secretary

Place : Bangalore
Date : February 28, 2013

Note No. 1

CORPORATE INFORMATION

Strides Arcolab Limited (the 'Company' or 'Strides') and its subsidiaries and joint ventures (together referred to as the 'Group') are into the development and manufacture of Pharmaceutical products. The Group is headquartered in Bangalore, India and operates across many countries spreading across developed and emerging markets. Strides is listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

Note No. 2

BASIS OF CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES

A Basis of consolidation:

The Consolidated Financial Statements ('CFS') relate to 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, 2012.

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 Group'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 Group's share in the entity.

(c) The excess of cost to the Group 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. Alternatively, 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 Group, it is recognised as 'Capital Reserve on Consolidation' and shown under the head 'Reserves & Surplus' in the CFS.

(d) Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the date they made investments in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments. Net profit / loss for the year of the subsidiaries attributable to minority interest is identified and adjusted against the profit after tax of the Group in order to arrive at the income attributable to the shareholders of the Company.

(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 and 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, 2012 held by	Status	% ownership held either directly or through subsidiaries as at December 31, 2012	% ownership held either directly or through subsidiaries as at December 31, 2011
1	African Pharmaceutical Development Company	Cameroon	Strides Pharma (Cyprus) Limited	Subsidiary	90%	90%
2	Agila (NZ) Pty Limited	New Zealand	Agila Australasia Pty Ltd	Subsidiary	100%	-

NOTES forming part of the consolidated financial statements

Sl. No.	Name of the entity	Country of Incorporation	Ownership at December 31, 2012 held by	Status	% ownership held either directly or through subsidiaries as at December 31, 2012	% ownership held either directly or through subsidiaries as at December 31, 2011
3	Agila Australasia Pty Limited	Australia	Agila Specialties Global Pte. Ltd	Subsidiary	100%	-
4	Agila Biotech (Malaysia) SDN BHD	Malaysia	Agila Biotech Private Limited	Subsidiary	100%	100%
5	Agila Biotech Private Limited	India	Strides Arcolab Limited, India	Subsidiary	100%	-
6	Agila Especialidades Farmaceuticas Ltda.	Brazil	Strides Farmaceutica Participacoes Ltda.	Subsidiary	99.99%	99.99%
7	Agila Jamp Canada Inc.	Canada	Agila Pharma Canada Corporation	Subsidiary*	70%	-
8	Agila Marketing e Distribuição de Productos Hospitalares Ltda. (formerly Ephos - 106 Productos Hospitalares Ltda.)	Brazil	Agila Specialties Americas Limited	Subsidiary	76%	76%
9	Agila Pharma Canada Corporation	Canada	Strides Inc.	Subsidiary	100%	100%
10	Agila Specialties Americas Limited	Cyprus	Agila Specialties Global Pte. Ltd	Subsidiary	100%	-
11	Agila Specialties Asia Pte. Ltd	Singapore	Strides Arcolab Limited, India	Subsidiary	100%	100%
12	Agila Specialties Global Pte. Ltd	Singapore	Agila Specialties Asia Pte. Ltd	Subsidiary	100%	-
13	Agila Specialties Limited	Cyprus	Strides Arcolab Limited, India	Subsidiary	100%	100%
14	Agila Specialties Polska Sp. Z.oo.	Poland	Strides Specialties (Holdings) Cyprus Limited	Subsidiary	100%	100%
15	Agila Specialties Private Limited	India	Strides Arcolab Limited, India	Subsidiary	100%	100%
16	Agila Specialties UK Limited	UK	Strides Specialties (Holdings) Cyprus Limited	Subsidiary	100%	-
17	Akorn Strides LLC	USA	Strides Inc.	Joint Venture	50%	50%
18	Arcolab Limited SA	Switzerland	Strides Arcolab Limited, India	Subsidiary	100%	100%
19	Ascent Pharma Pty Limited, upto January 24, 2012 (Refer note 35below)	Australia	Ascent Pharmahealth Limited	Subsidiary	-	94.03%
20	Ascent Pharmaceuticals Limited, upto January 24, 2012 (Refer note 35below)	New Zealand	Ascent Pharmahealth Limited	Subsidiary	-	94.03%
21	Ascent Pharmacy Services Pty Limited, upto January 24, 2012(Refer note 35below)	Australia	Ascent Pharmahealth Limited	Subsidiary	-	94.03%
22	Ascent Pharmahealth Asia (Hong Kong) Limited, upto January 24, 2012 (Refer note 35 below)	Hong Kong	Ascent Pharmahealth Asia Pte. Limited	Subsidiary	-	94.03%

NOTES forming part of the consolidated financial statements

Sl. No.	Name of the entity	Country of Incorporation	Ownership at December 31, 2012 held by	Status	% ownership held either directly or through subsidiaries as at December 31, 2012	% ownership held either directly or through subsidiaries as at December 31, 2011
23	Ascent Pharmahealth Asia (Malaysia) Limited, upto January 24, 2012 (Refer note 35below)	Malaysia	Ascent Pharmahealth Asia Pte. Limited	Subsidiary	-	94.03%
24	Ascent Pharmahealth Asia Pte. Limited, upto January 24, 2012 (Refer note 35 below)	Singapore	Ascent Pharmahealth Limited	Subsidiary	-	94.03%
25	Ascent Pharmahealth Limited (Refer note 35 below)	Australia	Strides Pharma Limited	Subsidiary	-	94.03%
26	Beltapharm S.p.A	Italy	Strides Pharma Limited	Subsidiary	96.57%	96.57%
27	Congo Pharma SPRL	Congo	Strides Pharma (Cyprus) Limited	Subsidiary	85%	85%
28	Co Pharma Ltd.	UK	Strides Pharma Limited	Subsidiary	100%	100%
29	Drug House of Australia (Asia) Pte. Limited, upto January 24, 2012 (Refer note 35below)	Singapore	Ascent Pharmahealth Asia Pte. Limited	Subsidiary	-	94.03%
30	Farma Plus AS	Norway	Strides Specialties (Holdings) Cyprus Limited	Subsidiary	100%	100%
31	Inbiopro Solutions Private Limited	India	Agila Specialties Private Limited	Subsidiary	96.71%	70%
32	Onco Laboratories Limited (OLL)	Cyprus	Strides Specialties (Holdings) Cyprus Limited	Subsidiary	100%	100%
33	Onco Therapies Limited (OTL)	India	Agila Specialties Private Limited	Subsidiary	100%	100%
34	Pharmasave Australia Pty Limited, upto January 24, 2012 (Refer note 35 below)	Australia	Ascent Pharmahealth Limited	Subsidiary	-	94.03%
35	Plus Farma e.h.f	Iceland	Strides Arcolab International Limited, UK	Subsidiary	100%	100%
36	Sagent Agila LLC	Wyoming, USA	Strides Inc.	Joint Venture	50%	50%
37	Scentia Pharmaceuticals Pty Ltd.	Australia	Strides Pharma Limited	Subsidiary	100%	100%
38	Sorepharma SA	Burkino Faso	79% held by Strides Pharma (Cyprus) Limited & 1% held by SAIL, UK	Subsidiary	80%	80%
39	SPC Co. Limited	Sudan	Strides Pharma (Cyprus) Limited	Subsidiary	51%	51%
40	Strides Africa Limited	British Virgin Islands	Agila Specialties Limited	Subsidiary	100%	100%
41	Strides Arcolab International Limited	UK	Strides Arcolab Limited, India	Subsidiary	100%	100%
42	Strides Australia Pty Limited	Australia	SAIL	Subsidiary	100%	100%
43	Strides CIS Limited	Cyprus	Strides Pharma Limited	Subsidiary	51%	51%

NOTES forming part of the consolidated financial statements

Sl. No.	Name of the entity	Country of Incorporation	Ownership at December 31, 2012 held by	Status	% ownership held either directly or through subsidiaries as at December 31, 2012	% ownership held either directly or through subsidiaries as at December 31, 2011
44	Strides Emerging Markets Private Limited	India	Strides Pharma (Cyprus) Limited, Cyprus	Subsidiary	100%	-
45	Strides Farmaceutica Participacoes Ltda	Brazil	Agila Specialties Americas Limited, Cyprus	Subsidiary	99.99%	99.99%
46	Strides Inc.	USA	Agila Specialties Americas Limited	Subsidiary	100%	100%
47	Strides Pharma Cameroon Limited	Cameroon	Strides Pharma (Cyprus) Limited	Subsidiary	85%	-
48	Strides Pharma (Cyprus) Limited (Refer note34 below)	Cyprus	Strides Pharma International Limited	Subsidiary	80%	100%
49	Strides Pharma International Limited	Cyprus	Strides Arcolab Limited, India	Subsidiary	100%	100%
50	Strides Pharma Limited	Cyprus	Strides Pharma International Limited, Cyprus	Subsidiary	100%	100%
51	Strides Pharma Namibia Pty Limited	Namibia	Strides Pharma (Cyprus) Limited	Subsidiary	70%	70%
52	Strides Pharmaceuticals (Holdings) Limited	Mauritius	Strides Pharma Limited	Subsidiary	100%	100%
53	Strides Pharmaceutical (Mauritius) Limited	Mauritius	Strides Pharmaceuticals (Holdings) Limited	Subsidiary	100%	100%
54	Strides S.A. Pharmaceuticals Pty Limited	Republic of South Africa	Strides Pharma Limited	Subsidiary	100%	74%
55	Strides Specialties (Holdings) Cyprus Limited	Cyprus	Agila Specialties Global Pte. Ltd	Subsidiary	100%	100%
56	Strides Specialties (Holdings) Limited	Mauritius	Agila Specialties Private Limited	Subsidiary	100%	100%
57	Strides Vital Nigeria Limited	Nigeria	Strides Pharma (Cyprus) Limited	Subsidiary	74%	74%

(b) In respect of entities in Sl.No. 6,8,15,26,28,30,31,32,33,35,42,45,46,54,57 (previous year 6,8,15,24,25,26,28,29 ,30,31,32,33,35,42,45,46,54,57) the Group'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. In respect of entity in Sl. No. 14 (previous year 14) the Group's share of equity is in excess of the cost of investment on the date of acquisition and the difference has been recognised as capital reserve.

*In respect of entity in Sl. No. 7 (Agila Jamp Canada Inc.), the Group has entered into a joint venture arrangement with Jamp Pharma Corporation., who holds 30% interest in the entity.

(c) The following entities have been renamed during the year:

- Linkace Investments Pty Limited, Australia was renamed as Strides Pharma Australia Pty Limited Australia and then again renamed as Scentia Pharmaceuticals Pty Limited Australia
- Strides Pharma Canada Corporation, Canada as Agila Pharma Canada Corporation, Canada
- Strides Arcolab Polska Sp. Z. oo., Poland as Agila Specialties Polska Sp. Z.oo,, Poland
- Sagent Strides LLC., USA as Sagent Agila LLC., USA
- Agila Specialties (Malaysia) SDN BHD., Malaysia as Agila Biotech (Malaysia) SDN BHD., Malaysia
- Agila Specialties Latina Limited, Cyprus as Agila Specialties Americas 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:**

- Agila Australasia Pty Limited, Australia, was transferred from Agila Specialties Asia Pte.Limited, Singapore to Agila Specialties Global Pte. Limited, Singapore.
- Agila Biotech (Malaysia) SDN BHD, Malaysia, was transferred from Strides Specialties (Holdings) Cyprus Limited to Agila Biotech Private Limited, India.
- Agila Marketing e Distribuição de Productos Hospitalares Ltda, Brazil ,was transferred from Strides Pharma Limited, Cyprus to Agila Specialties Limited, Cyprus and then to Agila Specialties Americas Limited, Cyprus.
- Agila Specialties Americas Limited, Cyprus, was transferred from Agila Specialties Asia Pte. Limited, Singapore to Agila Specialties Global Pte. Limited, Singapore.
- Agila Specialties Asia Pte. Limited, Singapore, was transferred from Agila Specialties Limited, Cyprus to Strides Arcolab Limited, India.
- Agila Specialties Polska Sp. Z.oo, Poland, was transferred from Agila Specialties Limited, Cyprus to Strides Specialties (Holdings) Cyprus Limited, Cyprus.
- Beltapharm Limited, Italy, was transferred from Strides Arcolab International Limited, UK to Strides Pharma Limited, Cyprus.
- Co-Pharma Limited, 7% holding of Strides Arcolab International Limited, UK in Co-Pharma has been transferred to Strides Pharma Limited, Cyprus.
- Farma Plus, Norway, was transferred from Agila Specialties Limited, Cyprus to Strides Specialties (Holdings) Cyprus Limited.
- Strides Africa Limited, BVI, was transferred from Strides Arcolab Limited, India to Agila Specialties Limited, Cyprus.
- Strides Emerging Markets Private Limited, India, was transferred from Strides Arcolab Limited, India to Strides Pharma (Cyprus) Limited, Cyprus.
- Strides Farmaceutica Participacoes Ltda., Brazil, was transferred from Agila Specialties Limited, Cyprus to Agila Specialties Americas Limited, Cyprus. The legal formalities for the transfer are yet to be completed as at December 31, 2012.
- Strides Inc., USA, was transferred from Strides Pharma Limited, Cyprus to Agila Specialties Americas Limited, Cyprus.
- Strides Pharma (Cyprus) Limited, Cyprus, was transferred from Strides Pharma Limited, Cyprus to Strides Pharma International Limited, Cyprus.
- Strides Pharma Limited, Cyprus, was transferred from Agila Specialties Limited, Cyprus to Strides Pharma International Limited, Cyprus.
- Strides Specialties (Holdings) Cyprus Limited, Cyprus, was transferred from Agila Specialties Limited, Cyprus to Agila Specialties Asia Pte. Limited, Singapore and then to Agila Specialties Global Pte. Limited, Singapore.

(e) **The following subsidiaries / joint ventures were incorporated during the year:**

- Agila Biotech Private Limited, India
- Agila Jamp Inc., Canada
- Agila Specialties Americas Limited, Cyprus

NOTES forming part of the consolidated financial statements

- Agila Specialties Global Pte. Limited, Singapore
- Agila Specialties UK Limited, UK
- Strides Emerging Markets Private Limited, India
- Strides Pharma Cameroon Limited, Cameroon

(f) During the year, the Group acquired the following subsidiaries and the CFS includes the balance disclosed in the below table relating to these subsidiaries. (Figures disclosed are as included in this CFS of the respective subsidiaries as at the balance sheet date).

- Agila Australasia Pty Limited., Australia
- Agila (NZ) Pty Limited. New Zealand

₹ in Million

Particulars	Agila Australasia Pty Ltd., Australia	Agila (NZ) Pty Limited. New Zealand
Date of acquisition	March 22, 2012	March 22, 2012
Liabilities as at December 31, 2012		
Loans	7.43	-
Current Liabilities & Provisions	0.03	-
Assets as at December 31, 2012		
Fixed Assets (including Capital Work-in-Progress)	-	-
Current Assets	0.70	0.01
Profit / (Loss) after Tax for year ended December 31, 2012	(6.58)	-

(g) The CFS include the Group's 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 (NZ) Pty Limited
- Agila Australasia Pty Limited
- Agila Biotech (Malaysia) SDN BHD
- Agila Biotech Private Limited
- Agila Jamp Canada Inc.
- Agila Pharma Canada Corporation
- Agila Specialties Global Pte. Limited
- Agila Specialties UK Limited
- Akorn Strides LLC
- Arcolab Limited SA
- Ascent Pharma Pty Limited
- Ascent Pharmaceuticals Limited
- Ascent Pharmacy Services Pty Limited
- Ascent Pharmahealth Asia (Hong Kong) Limited
- Ascent Pharmahealth Asia (Malaysia) Limited
- Ascent Pharmahealth Asia Pte. Limited

- Ascent Pharmahealth Limited
- Congo Pharma SPRL
- Drug House of Australia (Asia) Pte. Limited
- Farma Plus AS
- Inbiopro Solutions Private Limited
- Pharmasave Australia Pty Limited
- Plus Farma ehf.
- Scentia Pharmaceuticals Pty Limited
- Sorepharma SA
- SPC Co. Limited
- Strides Africa Limited
- Strides Australia Pty Limited
- Strides CIS Limited
- Strides Emerging Markets Private Limited
- Strides Pharma Cameroon Limited
- Strides Pharma International Limited
- Strides Pharma Namibia Pty Limited
- Strides Pharmaceuticals (Holdings) Limited
- Strides Pharmaceutical (Mauritius) Limited
- Strides S.A. Pharmaceuticals Pty Limited
- Strides Specialties (Holdings) Cyprus Limited
- Strides Specialties (Holdings) Limited

The Group's share in these subsidiaries/Joint venture (for 2012) are as follows

Particulars	₹ in Million
Assets	1,080.85
Liabilities	357.85
Income	1,133.53
Expenses	1,187.32

(h) 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 used in preparation of the financial statements of the Company, its subsidiaries and joint ventures (severally referred to as the 'Components' and together referred to as the 'Group'):

1.1 Basis for preparation of financial statements

The financial statements of the Group 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:

(i) the Scheme of Arrangement approved by the Honorable High Courts of Judicature (the 'Scheme') or,

NOTES forming part of the consolidated financial statements

(ii) Accounting Standard (AS) 30: 'Financials Instruments: Recognition and Measurement' read with AS 31 'Financial Instruments: Presentation' and AS 32 'Financials Instruments: Disclosure', issued by the Institute of Chartered Accountants of India, to the extent such standards do not conflict with other standards notified under Companies (Accounting Standards) Rules, 2006 (as amended).

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

1.2 Use of estimates

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

1.3 Inventories

Inventories comprise raw materials, packing materials, consumables, work in progress 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 progress	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
Stock in trade	weighted average basis

1.4 Cash flow statement

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

Cash and cash equivalents (for the purpose of cash flow statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

1.5 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 25 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
8	Early-to-market	5 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 is revised to reflect the changed useful life.

1.6 Revenue

(a) Revenue from sales is recognised on transfer of significant risks and rewards to the purchaser, which generally coincides with the delivery of the goods in terms of the arrangement with the purchaser. Sales include excise duty and are stated net of discounts, other taxes, and sales returns.

(b) ***Revenue from product development services:***

(i) In the respect of contracts where the Group undertakes to develop products for its customers (on an end-to end basis), revenues are recognised based on technical estimates of the stage of work completed under the contracts.

(ii) In respect of other contracts where the Group performs specifically identified services in the development of the products, revenues are recognised on the basis of the performance milestones provided in the contract.

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

(d) 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.

(e) Income from rendering advisory services is recognised based on contractual terms.

(f) Share of Profits and Royalty incomes under manufacturing and supply agreements with Customers are accrued based on confirmation received from customers.

1.7 Other income

Dividends are recognised whenever the right to receive dividends is established. Interest income is recognised on accrual basis.

1.8 Tangible 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. Machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the useful life of the principal item of the relevant assets. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Fixed assets acquired in full or part exchange for another asset are 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 assets acquired or asset given up, whichever is more clearly evident.

The Company fair valued certain 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.

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.

1.9 Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those

NOTES forming part of the consolidated financial statements

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 1.21 in this section.

1.10 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.

1.11 Foreign currency transactions and translations

Initial recognition

Transactions in foreign currencies 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.

Measurement of foreign currency monetary items at the balance sheet date

Foreign currency monetary items (other than derivative contracts)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 the liabilities are translated at the exchange rates prevailing on the balance sheet date. Revenue and expenses are translated at yearly average exchange rates prevailing during the year.

Treatment of exchange differences

Exchange differences arising on settlement/restatement of foreign currency monetary assets and liabilities of the entities and their integral foreign operations are recognised as income or expense in the Statement of Profit and Loss. 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 the Exchange reserve (on consolidation), until disposal / recovery of the net investment.

Exchange differences arising out of translation of Non-integral foreign operations are considered in the 'Exchange reserve (on consolidation)' until disposal of the operations.

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 paragraph 1.24 in this Section for accounting for forward exchange contracts relating to firm commitments and highly probable forecast transactions.

1.12 Exceptional items

The Group classifies the following as exceptional items in the Statement of Profit and Loss:

(a) Exchange gain / loss arising on account of restatement and settlement of (i) long term foreign currency loans, (ii) intra-group loans

(b) Changes in fair value of embedded derivatives in FCCBs and option contracts;

(c) Profit / loss on disposal of non-current investments and provision for / reversals of provision for diminution in non-current investments / goodwill.

1.13 Investments

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Costs of investments include acquisition charges such as brokerage, fees and duties.

1.14 Employee benefits

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

Defined contribution plans

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

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, with actuarial valuation being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, 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 are 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 is 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.

Long-term incentive plan (LTIP)

Under the LTIP, 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 subsidiaries operating outside India, liabilities in the respect to employees benefits are accrued based on laws applicable in those countries.

1.15 Employee share based payments

The Company has formulated Employee Stock Option Plans (ESOP) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Plans provide 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 ESOP) over the exercise price is amortised on a straight line basis over the vesting period in the Statement of Profit and Loss /Reserve for

NOTES forming part of the consolidated financial statements

Business Restructure.

Employee stock options granted under the above ESOP on after April 1, 2005 are accounted under the 'Intrinsic Value Method' stated in the Guidance Note on Employee Share Based Payments issued by the Institute of Chartered Accountants of India.

Options with a cash settlement feature 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 recognised in the Statement of Profit and Loss.

1.16 Borrowing costs

Borrowing costs includes interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset is added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

1.17 Segment reporting

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

The accounting policies adopted for segment reporting are in line with the accounting policies of the 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 Group as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities".

1.18 Leases

Where the Group 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 Group in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Group 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 Statement of Profit and Loss on a straight-line basis.

1.19 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.

1.20 Taxes on income

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

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the entity 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 entity.

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 substantively 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 entity 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 and not in the Statement of Profit and Loss.

1.21 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 Statement of Profit and Loss / 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 tangible fixed assets and intangible fixed assets.

1.22 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

NOTES forming part of the consolidated financial statements

impairment loss is recognised in the Statement of Profit and Loss.

1.23 Provisions and Contingencies

A provision is recognised when the Group 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 not recognised but are disclosed in the notes to the financial statement.

1.24 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 Statement of 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 Statement of Profit and Loss. 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 Statement of 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 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.

(c) Hedge accounting

Cash flow hedge

The Group uses foreign currency forward contracts to hedge their risks associated with foreign currency fluctuations relating to firm commitments and highly probable forecast transactions. The Group 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' issued by the Institute of Chartered Accountants of India. These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated 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, to the extent such hedges are considered effective and the ineffective portion is recognised immediately in the Statement of Profit and Loss. Amounts accumulated in the Hedge reserve account are reclassified to the Statement of Profit and Loss 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 exchange gain or loss recognised in Hedge reserve account is immediately transferred to the Statement of Profit and Loss.

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 Reserves and Surplus and the ineffective portion recognised in the Statement of Profit and Loss. The cumulative gain or loss previously recognised in equity is recognised in the Statement of Profit and Loss on the disposal / partial disposal of the foreign operations.

  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.

(d) Derivative contracts

The Group enters into derivative contracts in the nature of foreign currency swaps, currency options, forward contracts with an intention to hedge their existing assets and liabilities, firm commitments and highly probable transactions. Such 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 / gains are recognised in the Statement of Profit and Loss.

NOTES forming part of the consolidated financial statements

₹ in Million

Note No. 3 SHARE CAPITAL	December 31, 2012	December 31, 2011
Authorised		
89,750,000 (Previous year 89,750,000) Equity shares of ₹ 10/- each with voting rights	897.50	897.50
620,000 (Previous year 620,000) 6% Cumulative redeemable preference shares of ₹ 1,000/- each	620.00	620.00
Total	**1,517.50**	**1,517.50**
Issued, subscribed and paid-up		
58,803,721 (Previous Year 58,380,171) Equity shares of ₹ 10/- each with voting rights	588.04	583.80
Total	**588.04**	**583.80**

Note No. 3(a)

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

Particulars	December 31, 2012		December 31, 2011	
	No. of shares	₹ in Million	No. of shares	₹ in Million
Equity share of ₹ 10/- each				
Opening balance	58,380,171	583.80	57,744,671	577.44
Issued pursuant to Employee stock option plans (Refer note 39)	423,550	4.24	635,500	6.36
Closing balance	**58,803,721**	**588.04**	**58,380,171**	**583.80**

Note No. 3(b)

Detail of the rights, preferences and restrictions attaching to each class of shares Equity shares of ₹ 10/- each outstanding:

The Company has only one class of equity shares, having a par value of ₹10/-. The holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to approval by the shareholders at the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive any of the remaining assets of the Company, after distribution to all other parties concerned. The distribution will be in proportion to number of equity shares held by the shareholders.

Note No. 3(c)

Details of equity shares held by each shareholder holding more than 5% of shares:

Particulars	December 31, 2012		December 31, 2011	
	No. of shares	%	No. of shares	%
Pronomz Ventures LLP	12,665,000	21.54%	12,665,000	21.69%
Reliance Capital Trustee Company Limited	-	-	3,531,723	6.05%
HSBC Global Investments Funds A/C HSBC Investment FML	-	-	3,516,655	6.02%

NOTES forming part of the consolidated financial statements

Note No. 3(d)

Details of aggregate number of equity shares allotted as fully paid-up pursuant to contract without payment being received in cash for the period of five year immediately preceding the Balance Sheet date:

Particulars	No. of Shares	
	December 31, 2012	December 31, 2011
Equity shares of ₹ 10/- issued pursuant to a scheme of amalgamation in 2009	13,524	13,524

Note No. 3(e)

Details of equity shares of ₹ 10/- each reserved for issuance:

Particulars	No. of Shares	
	December 31, 2012	December 31, 2011
Towards Employee stock options under the various Strides stock option plans (Refer note 39)	2,702,350	3,125,900
Towards conversion of foreign currency convertible bonds available for conversion (Refer note 37)	-	7,054,444
Total	**2,702,350**	**10,180,344**

₹ in Million

	December 31, 2012	December 31, 2011
Note No. 4 RESERVES AND SURPLUS		
Capital redemption reserve	**551.61**	**551.61**
Capital reserve on consolidation	**74.29**	**66.41**
Capital reserve (on forfeiture of Monies received towards Share Warrants)	**225.60**	**225.60**
Securities premium account		
Opening Balance	6,063.85	6,661.12
Add: Premium on shares issued during the year	99.91	78.96
Less: Amortisation of premium on redemption of FCCB's and issue expenses (net) (Refer note 37 and 50.1)	400.97	676.23
Less: Transferred to Reserve for Business Restructure (Refer note 36)	65.16	-
Closing Balance	**5,697.63**	**6,063.85**
Share options outstanding account		
Opening balance	55.48	36.52
Add: Amounts recorded on grants / cancellations during the year	9.08	32.47
Less: Transferred to Securities premium account	15.48	13.51
	49.08	**55.48**
Less: Deferred stock compensation expense	14.12	27.88
Closing Balance	**34.96**	**27.60**
Reserve for business restructure		
Opening Balance	1,784.18	2,394.00
Add: transferred from Securities premium account during the year (Refer note 36)	65.16	-

NOTES forming part of the consolidated financial statements

₹ in Million

Note No. 4 RESERVES AND SURPLUS	December 31, 2012	December 31, 2011
Less: Utilisation during the year (net) (Refer note 36)	(1,849.34)	(609.82)
Closing Balance	**-**	**1,784.18**
Hedge reserve		
Opening Balance	(1,731.52)	(427.42)
Effect of foreign exchange rate variations on hedging instruments outstanding during the year	(605.43)	(1,304.10)
Transferred to Statement of Profit and Loss	852.44	-
Closing Balance (Refer note 50.2)	**(1,484.51)**	**(1,731.52)**
Exchange reserve (on consolidation)		
Opening Balance	1,194.64	(78.18)
Add: Transactions during the year	831.20	1,272.82
Less: Transferred to Statement of Profit and Loss on disposal of subsidiary	(724.84)	-
Closing Balance (Refer note 38)	**1,301.00**	**1,194.64**
General reserve		
Opening Balance	491.06	402.06
Add: Transfer from Statement of Profit and Loss	43.00	89.00
Closing Balance	**534.06**	**491.06**
Surplus in Statement of Profit and Loss		
Opening Balance	4,457.53	2,437.86
Add: Profit for the year	8,462.37	2,244.75
Less: Dividends proposed to be distributed to equity shareholders (₹ 2/- per share)	117.99	117.37
(Previous Year ₹ 2/- per share) (Refer note (i) below)		
Tax on dividends (Refer note (i) below)	19.16	18.71
Transferred to General reserve	43.00	89.00
Closing Balance	**12,739.75**	**4,457.53**
Total	**19,674.39**	**13,130.96**

Note:

(i) *Equity dividend accrued in 2012 includes ₹ 0.38 Million being dividends relating to the year ended 31 December, 2011 on the incremental number of shares that were issued between 31 December, 2011 and the date of the Annual General Meeting of the Company held on May 29, 2012. Tax on dividend accrued in 2012 includes tax on such dividend of ₹ 0.06 Million paid for 2011.*

₹ in Million

Note No. 5 LONG-TERM BORROWINGS	December 31, 2012	December 31, 2011
Secured		
- Term Loans from Banks	7,311.48	10,543.13
Total	**7,311.48**	**10,543.13**

NOTES forming part of the consolidated financial statements

₹ in Million

Note No. 6 DEFERRED TAX LIABILITIES (NET)	December 31, 2012	December 31, 2011
Items constituting deferred tax liability		
- On difference between book balance and tax balance of fixed assets	1,189.64	520.99
Items constituting deferred tax asset		
- Disallowance of expense	(132.74)	44.69
- Business losses and unabsorbed depreciation	(171.12)	(167.63)
Net difference	885.78	398.05
Tax effect on the above - deferred tax liability	**287.43**	**93.49**

₹ in Million

Note No. 6 DEFERRED TAX ASSET (NET)	December 31, 2012	December 31, 2011
Items constituting deferred tax liability		
- On difference between book balance and tax balance of fixed assets	(0.55)	(1,180.30)
Items constituting deferred tax asset		
- Disallowance of expense	61.85	183.27
- Business losses and unabsorbed depreciation	-	1,715.21
Net difference	61.30	718.18
Tax effect on the above - deferred tax asset	**15.63**	**220.31**

₹ in Million

Note No. 7 OTHER LONG-TERM LIABILITIES	December 31, 2012	December 31, 2011
Others		
- Payable on purchase of fixed assets	661.96	174.37
- Trade security deposits received	9.85	9.85
- Gratuity and other benefits (Refer note 40)	140.81	63.27
- Option cost (Refer note 34)	37.52	-
Total	**850.14**	**247.49**

₹ in Million

Note No. 8 LONG-TERM PROVISIONS	December 31, 2012	December 31, 2011
Provision for employee benefits		
- Compensated absences	83.50	84.24
- Long-term incentive plan	274.45	418.76
Provision - Others		
- Provision for taxes	214.55	158.89
Total	**572.50**	**661.89**

NOTES forming part of the consolidated financial statements

₹ in Million

Note No. 9 SHORT-TERM BORROWINGS	December 31, 2012	December 31, 2011
Secured loans from banks repayable on demand	5,960.84	6,605.63
Unsecured loans from other repayable on demand	38.11	240.91
Total	**5,998.95**	**6,846.54**

₹ in Million

Note No.10 TRADE PAYABLES	December 31, 2012	December 31, 2011
Trade Payables		
- Other than acceptances	4,630.80	5,850.43
Total	**4,630.80**	**5,850.43**

₹ in Million

Note No.11 OTHER CURRENT LIABILITIES	December 31, 2012	December 31, 2011
Current maturities of		
- Foreign Currency Convertible Bonds (Refer note 37)	-	5,854.24
- Fair value of option embedded in FCCBs	-	2.09
- Secured term loans from banks	2,634.18	3,181.34
Interest accrued but not due on borrowings	164.27	143.87
Unclaimed dividends	2.35	2.41
Other payables		
- Statutory remittances	206.86	271.19
- Payables on purchase of fixed assets	679.40	20.11
- Advances received from customers	2,722.91	4,147.63
- Trade deposits received	91.53	65.50
- Gratuity	15.05	9.57
Total	**6,516.55**	**13,697.95**

₹ in Million

Note No.12 SHORT TERM PROVISIONS	December 31, 2012	December 31, 2011
Provision for employee benefits		
- Compensated absences	92.30	110.52
- Payables to employees under incentive plan	90.71	125.54
Provision - Others		
- Provision for tax (net of advance tax)	500.30	602.89
- Estimated loss on forward exchange contracts	6.59	547.48
- Proposed equity dividend	117.61	116.95
- Tax on proposed dividends	19.08	18.98
Total	**826.59**	**1,522.36**

₹ in Million

Particulars	Gross block						Depreciation / amortisation						Net block	
	As at January 01, 2012	Consolidation adjustments	Additions during the year	Disposal: On sale of subsidiary (Refer note 35)	Disposal: Others	As at December 31, 2012	Upto December 31, 2011	Consolidation adjustments	For the year	Withdrawals: On sale of subsidiary	Others	Upto December 31, 2012	As at December 31, 2012	As at December 31, 2011
Note No. 13 Fixed assets														
Tangible assets:														
Land:														
- Freehold	813.68	3.83	28.79	-	-	846.30	-	-	-	-	-	-	846.30	813.68
- Leasehold	271.78	(3.51)	128.13	140.43	-	255.97	59.73	(2.51)	3.86	50.80	-	10.28	245.69	212.05
Buildings	3,139.89	25.81	345.88	3.10	5.03	3,503.45	544.49	6.97	129.85	0.61	2.33	678.37	2,825.08	2,595.40
Plant and equipments	7,837.05	(19.64)	742.63	275.19	32.93	8,251.92	2,255.41	(1.81)	496.64	185.34	7.97	2,556.93	5,694.99	5,581.64
Furniture and fixtures	505.38	(7.22)	27.27	244.35	13.12	267.96	285.78	(6.86)	20.36	202.69	10.55	86.04	181.92	219.60
Vehicles	83.79	(0.11)	25.86	8.81	16.15	84.58	49.21	0.75	15.03	1.89	12.04	51.06	33.52	34.58
Office equipments	158.38	9.08	37.43	0.80	6.13	197.96	61.73	2.83	47.05	0.16	9.44	102.01	95.95	96.65
Total	**12,809.95**	**8.24**	**1,335.99**	**672.68**	**73.36**	**13,408.14**	**3,256.35**	**(0.63)**	**712.79**	**441.49**	**42.33**	**3,484.69**	**9,923.45**	**9,553.60**
Previous year	***8,945.57***	***2,780.78***	***1,198.78***	***-***	***115.18***	***12,809.95***	***2,070.05***	***415.87***	***795.00***	***-***	***24.57***	***3,256.35***	***9,553.60***	
Intangible assets:														
Registration and brands	3,314.75	(33.37)	1,442.81	832.26	9.01	3,882.92	1,086.67	13.97	405.86	249.64	1.44	1,255.42	2,627.50	2,228.08
Software licenses	497.61	(5.71)	75.70	265.75	-	301.85	228.86	(3.42)	53.30	133.73	2.28	142.73	159.12	268.75
Early-to-Market	-	-	646.84	-	-	646.84	-	-	92.86	-	-	92.86	553.98	-
Total	**3,812.36**	**(39.08)**	**2,165.35**	**1,098.01**	**9.01**	**4,831.61**	**1,315.53**	**10.55**	**552.02**	**383.37**	**3.72**	**1,491.01**	**3,340.60**	**2,496.83**
Previous year	***2,565.13***	***302.87***	***1,094.61***	***-***	***150.25***	***3,812.36***	***914.36***	***107.06***	***315.28***	***-***	***21.17***	***1,315.53***	***2,496.83***	

Notes:

(i) *Current year additions to fixed assets includes ₹ 38.87 Million (Previous year ₹ 19.73 Million) relating to interest expense capitalised as per Accounting Standard 16 'Borrowing Costs'.*

(ii) *Agila Specialties Private Limited, a subsidiary of Strides Arcolab Limited, has entered into Business Transfer Agreement (BTA) dated January 29, 2012 with Star Drugs & Research Labs Limited and its Key Shareholders (together referred to as 'Star Drugs') for purchase of all the assets (tangible and intangible) as mentioned in the BTA and in accordance with the terms and conditions mentioned in the BTA, for a total purchase consideration of ₹ 1,250 Million. Of the total purchase consideration, a sum of ₹ 646.84 Million is identified as an intangible 'Early to market' and is classified under intangible assets. The intangible represents the value paid for getting an approved USFDA facility as part of the acquisition. As at December 31, 2012, the Company has paid a sum of ₹ 1,038.48 Million towards the assets acquired from Star Drugs and balance purchase consideration of ₹ 211.52 Million, is payable as per the terms and conditions mentioned in the BTA.*

NOTES forming part of the consolidated financial statements

(iii) Reconciliation to Statement of Profit and Loss

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Depreciation on tangible assets	712.79	795.00
Amortisation on intangible assets	552.02	315.28
Sub-total	**1,264.81**	**1,110.28**
Less: Amounts charged to BRR per Scheme	(169.98)	(170.04)
Add: Accelerated depreciation on software (under CWIP) (Refer note 46)	-	102.77
Amount charged in the Statement of Profit and Loss	**1,094.83**	**1,043.01**

(iv) Details of sums added on revaluation of assets during the preceding 5 years:

In the year ended December 31, 2009, pursuant to a Court approved Scheme of Arrangement, the Company fair valued certain land and plant and machinery (refer note 36). The excess of fair value over the carrying values (at December 31 ,2009) of the respective assets are as follows:

- Land ₹ 754.32 Million
- Plant and machinery ₹ 281.25 Million

There were no other sums added on account of revaluation during the preceding 5 years.

(v) Details of assets acquired under hire purchase agreements:

₹ in Million

	Gross block		Net block	
Particulars	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Vehicles	21.06	10.63	14.61	8.16
Total	**21.06**	**10.63**	**14.61**	**8.16**

(vi) Details of capital commitment

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) - Tangible assets	637.53	1,873.43
Total	**637.53**	**1,873.43**

NOTES forming part of the consolidated financial statements

₹ in Million

Note No.14 NON-CURRENT INVESTMENTS	December 31, 2012	December 31, 2011
Investments: Trade		
Investments in equity shares		
- 1,050 (As at December 31, 2011: 1,050) shares of AUD 1 each in Red Vault Investments Pty Limited, Australia	150.87	150.87
Less: Provision for diminution in value of investments	(150.87)	(150.87)
- 286,900 (As at December 31, 2011: 286,900) shares of EUR 1 each in Strides Italia S.r.L, Italy "	68.88	68.88
Less: Provision for diminution in value of investments	(68.88)	(68.88)
Total	**-**	**-**

₹ in Million

Note No.15 LONG-TERM LOANS AND ADVANCES	December 31, 2012	December 31, 2011
Unsecured, considered good		
- Capital advances	297.50	328.07
- Security deposits	198.92	203.13
- Loans and advances to employees	6.44	4.38
- Prepaid expenses	60.70	78.92
- MAT credit entitlement	487.30	192.00
- Advance income tax (net of provisions)	52.68	78.73
- Balances with government authorities:		
- VAT credit receivable	2.46	1.36
- Taxes paid under protest	144.65	26.29
- Receivable from KIADB	6.44	6.44
- Other loans and advances	-	1,467.31
Unsecured, considered doubtful		
- Other loans and advances	1,301.10	11.09
Less: Provision for doubtful loans and advances (Refer note 47(c))	1,301.10	11.09
Total	**1,257.09**	**2,386.63**

₹ in Million

Note No.16 OTHER NON-CURRENT ASSETS	December 31, 2012	December 31, 2011
Long-term trade receivables		
Unsecured, considered doubtful	164.01	201.66
Less: Provision for doubtful trade receivables	164.01	201.66
	-	-
Unamortised expenses		
- Unamortised deferred revenue expenditure (Refer note (i) below)	11.72	56.30
Total	**11.72**	**56.30**

Note:

(i) *In 2010, the Group had capitalised its new manufacturing facility (the Plant) set up for manufacturing products to USA market. However, pending United Stated Food and Drug Administration ('USFDA') approval, the Company had not started commercial production and all the expenses incurred to maintain the Plant were deferred as per the accounting policy followed by the Company. The Group received the USFDA approval for the Plant in April 2011 and the total expense deferred upto March 31, 2011 is being amortised as per the accounting policy followed by the Company.*

NOTES forming part of the consolidated financial statements

₹ in Million

Note No.17 CURRENT INVESTMENTS	December 31, 2012	December 31, 2011
Investment in mutual funds		
Reliance Liquid Fund - Treasury Plan-Daily Dividend option	0.57	-
Total	**0.57**	**-**
Aggregate net asset value of investment in mutual funds	0.57	-
Current investments in the nature of 'Cash and cash equivalents' considered as part of cash and cash equivalents in the Cash Flow Statement	0.57	-

₹ in Million

Note No.18 INVENTORIES	December 31, 2012	December 31, 2011
Raw materials	2,424.98	2,164.60
- Goods-in-transit	289.98	93.29
Work-in-progress	343.31	278.50
Finished goods (other than those acquired for trading)	944.39	1,769.85
- Goods-in-transit	146.28	322.06
Stock-in-trade (acquired for trading)	232.78	156.07
Stores and spares	41.58	14.94
Total	**4,423.30**	**4,799.31**

₹ in Million

Note No.19 TRADE RECEIVABLES	December 31, 2012	December 31, 2011
Unsecured considered good	4,832.32	5,384.44
Total	**4,832.32**	**5,384.44**

₹ in Million

Note No.20 CASH AND CASH EQUIVALENTS	December 31, 2012	December 31, 2011
Cash on hand	1.85	4.85
Balances with banks		
- In current accounts	837.55	2,009.06
- In EEFC accounts	16.10	33.91
- In deposit accounts	464.16	71.43
- In earmarked accounts:		
- Unpaid dividend accounts	2.35	2.41
- Group gratuity accounts	2.11	1.05
- Balances held as margin money	333.30	474.54
Total	**1,657.42**	**2,597.25**
Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 'Cash Flow Statements' is	1,324.12	2,122.71

NOTES forming part of the consolidated financial statements

₹ in Million

Note No.21 SHORT-TERM LOANS AND ADVANCES	December 31, 2012	December 31, 2011
Unsecured, considered good		
Security deposits	0.86	11.30
Loans and advances to employees	28.67	299.44
Loans and advances to suppliers	353.66	501.44
Prepaid expenses	255.10	385.92
Advance income tax (net of provisions)	60.58	105.71
Balances with government authorities:		
- CENVAT credit receivable	35.94	34.98
- VAT credit receivable	230.23	155.35
- Service Tax credit receivable	269.07	236.59
- Incentives receivables	101.23	52.72
Total	**1,335.34**	**1,783.45**

₹ in Million

Note No.22 OTHER CURRENT ASSETS	December 31, 2012	December 31, 2011
Unbilled revenue (Refer note (i))	1,803.41	1,596.91
Unamortised deferred revenue expenditure (Refer note 16 (i) above)	44.57	44.69
Interest accrued on deposit	7.05	39.68
Others:		
- Gratuity receivable	5.38	6.97
Total	**1,860.41**	**1,688.25**

Note:

(i) Unbilled revenue includes income recognised on development service contracts and contracts for production of dossiers, against which invoices are not due to be raised and are net of advances received against the respective contracts.

₹ in Million

Note No.23 REVENUE FROM OPERATIONS	December 31, 2012	December 31, 2011
Sale of products	18,441.45	20,436.66
Sale of services	3,746.51	4,811.17
Other operating revenue	1,018.15	378.03
Total	**23,206.11**	**25,625.86**

NOTES forming part of the consolidated financial statements

₹ in Million

Note No.24 OTHER INCOME	December 31, 2012	December 31, 2011
Dividend income	9.42	-
Profit on sale fixed assets	4.75	2.15
Interest income	300.08	45.62
Other non-operating income (Refer note (i) below)	269.18	268.96
Total	**583.43**	**316.73**

Notes:

(i) **Other non-operating income comprises:**

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Compensation for termination of contract	-	77.99
Marketing and distribution income	4.60	4.23
Provision no longer required written back	163.30	68.93
Rental income	23.09	29.52
Others	78.19	88.29
Total	**269.18**	**268.96**

₹ in Million

Note No.25 COST OF MATERIALS CONSUMED	December 31, 2012	December 31, 2011
Opening stock	2,272.83	1,464.79
Consolidation adjustment	(71.70)	321.29
Add: Purchases	8,050.77	7,427.59
Less: Closing stock	2,756.54	2,272.83
Total	**7,495.36**	**6,940.84**

₹ in Million

Note No.26 PURCHASES OF STOCK-IN-TRADE	December 31, 2012	December 31, 2011
Traded goods	2,910.30	6,209.33
Total	**2,910.30**	**6,209.33**

₹ in Million

Note No.27 (INCREASE) / DECREASE IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE	December 31, 2012	December 31, 2011
Opening stock		
- Work-in-progress	278.50	224.66
- Stock-in-trade	156.07	180.66
- Finished goods	2,091.91	1,249.86
	2,526.48	**1,655.18**
Consolidation adjustment		
- Work-in-progress	(15.91)	29.61
- Finished goods	(1,269.43)	329.15
	(1,285.34)	**358.76**
Closing stock		
- Work-in-progress	343.31	278.50
- Stock-in-trade	232.78	156.07
- Finished goods	1,090.67	2,091.91
	1,666.76	**2,526.48**
Total	**(425.62)**	**(512.54)**

₹ in Million

Note No.28 EMPLOYEE BENEFITS EXPENSES	December 31, 2012	December 31, 2011
Salaries and wages	2,432.63	2,773.31
Contribution to provident and other funds	235.22	139.45
Expense on employee stock option scheme (Refer note 39)	-	-
Staff welfare expenses	140.85	114.59
Total	**2,808.70**	**3,027.35**

NOTES forming part of the consolidated financial statements

₹ in Million

Note No.29 OTHER EXPENSES	December 31, 2012	December 31, 2011
Power, fuel & water	643.46	542.45
Consumables	783.59	485.58
Conversion & processing charges	95.13	72.91
Excise duty paid	10.40	6.19
Freight & forwarding	468.80	684.46
Rent	236.69	326.60
Rates & taxes	166.52	170.94
Communication charges	58.07	61.27
Repairs & maintenance		
- Buildings	18.55	19.18
- Machinery	175.43	206.86
- Others	63.09	111.45
Insurance	62.39	43.90
Travelling & conveyance	230.91	252.99
Advertisement & selling expenses	176.77	359.76
Commission on sales	99.69	116.48
Legal and professional fees	524.65	472.23
Amortisation of deferred revenue expenses	44.69	32.85
Other expenses	345.97	240.62
Cost of product rights transferred	-	252.69
Unbilled revenue written off	187.47	-
Provision for doubtful debts	23.21	242.88
Exchange fluctuation loss	515.83	226.37
Total	**4,931.31**	**4,928.66**

₹ in Million

Note No.30 FINANCE COSTS	December 31, 2012	December 31, 2011
Bank charges & commission	102.14	155.29
Interest on borrowings	1,832.27	1,793.01
Total	**1,934.41**	**1,948.30**

₹ in Million

Note No.31 EXCEPTIONAL ITEMS	December 31, 2012	December 31, 2011
Profit/(loss) on sale / disposal of investments (net) (Refer note 35)	7,262.61	(19.64)
Exchange (loss) / gain on long-term foreign currency loans, intra-group loans	(544.35)	325.46
Changes in fair value options embedded derivatives in FCCB's (Refer note 51.3.C)	2.09	188.85
Other option costs	(132.86)	-
Total	**6,587.49**	**494.67**

NOTES forming part of the consolidated financial statements

₹ in Million

Note No.32 TAX EXPENSES	December 31, 2012	December 31, 2011
Current tax	843.01	709.79
MAT credit entitlement	(295.30)	(164.50)
Deferred tax	473.74	(158.49)
Total	**1,021.45**	**386.80**

Note No. 33

COMMITMENTS

(a) 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(₹ 9.39 Million) in respect of such shares.

(b) In the year 2010, the Group had entered into Share Subscription Agreement, Share Holders' Agreement and Share Purchase Agreement (together referred to as the 'SPA') with Inbiopro Solutions Private Limited ('Inbiopro'), Promoters of Inbiopro and Other Shareholders in Inbiopro respectively (together referred to as the 'parties') for purchase of 70% interest in the equity of Inbiopro for a consideration of ₹ 649.05 Million. In part performance of its obligations under the SPA, as at December 31, 2011, the Group acquired 120,276 equity shares of ₹ 10/- each (₹ 3.20 per share called up and paid); 16,763 fully paid equity shares of ₹ 10/- each and 1 fully paid up equity share with differential voting rights, in Inbiopro.

During 2012, the Group entered into a revised arrangement with the parties under which it has contracted to acquire the balance interest (30%) in Inbiopro at revised terms and has acquired a further 52,447 shares at December 31, 2012 which represents 26.79% interest in Inbiopro. At December 31, 2012, the Group has a commitment to acquire the balance 3.21% interest (6,284 shares) in Inbiopro.

Note No. 34

During 2012, Société De Promotion Et De Participation Pour La Coopération Economique ('Proparco') vide Shareholders Agreement dated June 28, 2012 has invested USD 12.50 Million (₹ 684.38 Million) into Strides Pharma (Cyprus) Limited ('SPCL'), a subsidiary of the Group against which SPCL issued fresh equity shares resulting in Proparco holding 20% interest in SPCL.

Strides Pharma International Limited ('SPIL'), a subsidiary of the Group and the immediate holding Company of SPCL also entered into an Option Agreement dated June 28, 2012 with Proparco, which entitles Proparco to sell its 20% interest (in SPCL) to SPIL ,at any time between 5 years to 10 years from the date of investment, at a price that guarantees them a return of 11% or 16% depending on occurrence of certain specified performance milestones. The option cost amounting to USD 0.70 Million (INR ₹ 37.52 Million) has been accrued for under Exceptional items in the Statement of Profit and Loss.

Considering the above Option arrangement under which the Group has committed to buy back Proparco's shareholding at a guaranteed return as referred above and on grounds of conservatism, the Capital reserve that arises on consolidation consequent to the fresh investment by Proparco into SPCL has not been recognised and the entire amount received from Proparco towards the issue of shares has been credited to Minority Interest.

Note No. 35

SALE OF INVESTMENT IN ASCENT PHARMA HEALTH LIMITED ('APH')

(a) In 2010, 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 for shares and thereby delisting of its shares from ASX. In 2011, APH had completed the buyback and delisting of its shares from ASX. After such buy back, APH

NOTES forming part of the consolidated financial statements

had 2 shareholders, 94.03% held by Strides Pharma Limited and balance 5.97% held by I-Investments Pty Limited (an investment Company of Mr. Dennis Bastas, CEO of APH).

(b) Pursuant to an Option agreement entered between Strides Pharma Limited and I-Investments Pty Limited, Strides Pharma Limited granted an option to I-Investments Pty Limited to buy an additional 22.36% in APH at an agreed price. The option was excercisable as per the terms agreed under the Option agreement.

(c) The Group entered into Share Sale Agreement ('SSA') dated January 24, 2012 with Watson Pharmaceuticals Inc., USA ('Watson') under which it has sold its investments in APH to Watson for a total enterprise value of AUD 375 Million.

Contemporaneously, the Group also entered into a "Deed of Distribution and Contribution" Agreement with I-Investments Pty Ltd, under which the net proceeds from the sale of the investment in APH (after deducting transaction costs) were agreed to be shared between the Strides Group and I-Investments Pty Ltd in accordance with the terms mentioned therein and the terms of all arrangements (including the option agreement entered referred to in (b) above) entered with I-Investments Pty Limited prior to the Deed of Distribution and Contribution were superseded, in so far as it related to sharing of proceeds from divestment of APH.

Accordingly, the Group has accounted for its share of the profits from the sale of APH of ₹ 7,262.61 Million under Exceptional items in the Statement of Profit and Loss in 2012. The profit recognised is net of the amount payable to I-Investments Pty Ltd of ₹ 3,421.40 Million under the Deed of Distribution and Contribution.

(d) In connection with the sale of investments in APH, the Company has given a guarantee to the Watson in respect of certain matters to the extent of AUD 352.61 Million. As at December 31, 2012, the Group has evaluated the possible exposure on the guarantee and believes that it is more likely that there is no present obligation under the Guarantee.

Note No. 36

SCHEME OF ARRANGEMENT UNDER SECTION 391 – 394 OF THE COMPANIES ACT, 1956

36.1 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 (Transferor companies) of the Company 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.

36.2 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, shall be debited to the BRR. The maximum amount that can be written off against the BRR instead of being debited to the Statement of Profit and Loss 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. Any unutilised balance in the BRR is required to be transferred to Securities premium account by December 31, 2012.
- 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.

36.3 The accounting treatment effected for the Scheme is 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 shareholders, amounting to ₹ 146.77 Million was credited to BRR during the year ended December 31, 2009.

NOTES forming part of the consolidated financial statements

(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.

(₹ in Million)

Particulars of assets and liabilities fair valued		Amount credited to BRR
(i)	Investment in Agila Specialties Private Limited(ASPL) (a Wholly Owned Subsidiary ['WOS'] of the Company)	5,856.20
(ii)	Land	754.32
(iii)	Machineries	281.25
	Net amount credited to BRR	**6,891.77**

Consequent to the above referred fair valuation of investments in ASPL, the Goodwill as at December 31, 2011 and 2012 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 policies, these assets would continue to have been carried at cost and Goodwill in these consolidated financial statements would have been lower by ₹ 5,856.20 Million.

(c) **In accordance with the Scheme:**

(i) During the current year, an amount of ₹ 65.16 Million has been transferred from Securities premium account to the BRR.

(ii) The following expenses have been adjusted against the BRR during the year ended:

(₹ in Million)

Particulars	December 31, 2012	December 31, 2011
Impairment losses (Refer note 47(b))	-	1,724.45
Inventories written off	35.47	35.55
Amortisation of brands / depreciation	169.98	170.04
Impairment of fixed assets	-	26.59
Employee benefits expenses (including cost under ESOP)	20.87	31.62
Interest on fixed loans	396.96	241.53
Interest on purchase consideration	-	7.88
Others expenses (net)	278.20	306.66
Provision for long term advances (Refer note 47(c))	1,284.35	-
Reversal of impairment provisions (Refer note 47(a) and 47(b))	(336.49)	(1,934.50)
Total expense (net) debited to BRR	**1,849.34**	**609.82**

Had the Scheme not prescribed the above accounting treatment, these expenses would have been included in the Statement of Profit & Loss for the respective years.

(iii) 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:

NOTES forming part of the consolidated financial statements

In the Statement of Profit and Loss

₹ in Million

Particulars	(Increase) / Decrease For the year ended December 31, 2012	December 31, 2011
Cost of materials consumed	(35.47)	(35.55)
Employee benefits expenses	(20.87)	(31.62)
Other expenses	(278.20)	(306.66)
Finance costs	(396.96)	(249.41)
Depreciation and amortisation	(169.98)	(170.04)
Impairment of fixed assets	-	(26.59)
Provision for long-term advances (net)	(1,284.35)	-
Reversal of impairment provisions	336.49	210.05
Impact on net profit after tax	**1,849.34**	**609.82**

Amount in ₹

Particulars	For the year ended December 31, 2012	December 31, 2011
After considering the above adjustments the Earnings/(Loss) per share would have been:		
- Basic	112.76	28.15
- Diluted	102.36	27.91

In the Balance sheet

₹ in Million

Particulars	Increase / (decrease) As at December 31, 2012	December 31, 2011
BRR	-	(1,784.18)
Statement of Profit and Loss	(7,103.70)	(5,254.36)
Goodwill on consolidation	(5,856.20)	(5,856.20)
Revaluation reserve	870.92	925.90
Capital Reserve (as per AS 14 "Accounting for Amalgamations")	146.77	146.77

Note No. 37

FOREIGN CURRENCY CONVERTIBLE BONDS

The Group had issued zero coupon Foreign Currency Convertible Bonds (FCCB's) (listed in the Singapore Exchange Securities Trading Limited, Singapore) to the extent of USD 100 Million (FCCB 100 Million) during the year ended December 31, 2007 which were redeemable on June 27, 2012. During the term the FCCBs were outstanding, they were convertible at ₹ 461.55 per share with a fixed rate of exchange of ₹ 40.70 per USD on conversion. In 2009, as permitted by RBI, FCCB's with a face value aggregating to USD 20 Million were bought back. On the due date for redemption, FCCBs with a face value of USD 80 Million were outstanding which were redeemed along with an effective premium of USD 36.05 Million (net) in terms of the contract. The premium paid out to the FCCB holders has been subjected to withholding taxes (₹ 236.84 Million) under the provisions of the Income Tax Act.

NOTES forming part of the consolidated financial statements

Note No. 38

As at December 31, 2012, certain intra-group loans amounting to BRL 276.59 Million (as at December 31, 2011 BRL 169.26 Million)(given by Agila Specialties Limited to Strides Farmaceutica Participacoes Ltda, Brazil and Agila Especialidades Farmaceuticas Ltda, Brazil), 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 ₹ 508 Million for the year ended December 31, 2012(₹ 685.19Million for the year ended December 31, 2011) is accumulated in Exchange Reserve (on Consolidation) in the Balance Sheet. The cumulative amount of such losses accumulated in the Exchange Reserve (on Consolidation) as at December 31, 2012 amounts to ₹ 1,193.19 Million (at December 31, 2011 ₹ 685.19Million).

Note No. 39

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 Plan 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.

As per the Plan, 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 Plan. Options should be exercised within 30 days of vesting. No options are granted under this plan in 2012.

In respect of the ESOP 2006 and all the other Employee Stock Option Plans detailed in this note, (i) 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, (ii) all unvested options will vest immediately in the case of merger, dissolution or change in management of the Company.

(b) The ESOP 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.

During the current year, the Remuneration Committee in its meetings held on January 20, 2012 has granted 100,000 options under the ESOP 2008 to 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 must be exercised with in a period of 30 days from the date of vesting.

(c) The ESOP titled "Strides Arcolab ESOP 2008 (Directors)" (ESOP 2008 Directors Plan) 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 July 27, 2012 has granted 50,000 options under the ESOP 2008 Directors Plan to some Directors of the Company. The shares covered by such options were 50,000 equity shares.

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

(d) The ESOP 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 plan in the current year.

NOTES forming part of the consolidated financial statements

(e) In terms of the Scheme of arrangement, employee compensation costs under the above referred various Employee Stock Option Plans may be recorded to BRR. Consequently, during the year, an amount of ₹ 20.87 Million (net) (Previous year ₹ 19.59 Million) as noted below has been debited to BRR.

₹ in Million

Particulars	ESOP 2006	ESOP 2008	ESOP 2008 (D)	Total
Expenses during the year	9.74	11.63	1.48	22.86
Reversal due to lapse	(0.76)	(1.23)	-	(1.99)
Total	**8.98**	**10.40**	**1.48**	**20.87**

Employee stock options details as on the balance sheet date are as follows:

Particulars	During the year 2012		During the year 2011	
	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	472,500	331.15	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	-	-	-	-
Granted during the year:				
- ESOP 2006	-	-	500,000	311.40
- ESOP 2008	100,000	323.50	189,500	330.25
- ESOP 2008 (Director)	50,000	609.80	-	-
- ESOP 2011	-	-	-	-
Exercised during the year:				
- ESOP 2006	93,500	331.15	150,000	105.75
- ESOP 2008	205,050	245.43	410,500	127.07
- ESOP 2008 (Director)	125,000	59.00	75,000	59.00
- ESOP 2011	-	-	-	-
Lapsed during the year:				
- ESOP 2006	13,000	331.15	27,500	311.40
- ESOP 2008	22,900	307.11	131,750	179.95
- ESOP 2008 (Director)	-	-	-	-
- ESOP 2011	-	-	-	-
Options outstanding at the end of the year:				
- ESOP 2006	366,000	331.15	472,500	311.40
- ESOP 2008	403,300	314.61	531,250	285.07
- ESOP 2008 (Director)	50,000	59.00	125,000	59.00
- ESOP 2011	-	-	-	-
Options available for Grant:				
- ESOP 2006	40,500	-	27,500	-
- ESOP 2008	152,550	-	229,650	-
- ESOP 2008 (Director)	190,000	-	240,000	-
- ESOP 2011	1,500,000	-	1,500,000	-

NOTES forming part of the consolidated financial statements

(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:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Net Profit (as reported)	8,462.37	2,244.75
Add: stock based employee compensation (intrinsic value)	Refer Note Below	
Less: stock based compensation expenses determined under fair value method for the grants issued (See note below)		
Net Profit (proforma)	8,462.37	2,244.75
	₹	₹
Basic earnings per share (as reported)	144.30	38.65
Basic earnings/ (loss) per share (proforma)	Refer Note below	
Diluted earnings per share (as reported)	131.85	38.32
Diluted earnings/ (loss) per share (proforma)	Refer Note below	

Note: *As per the Scheme approved by the Honorable High Courts of Judicature, expense under employee stock option plans have been 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 values of the options have been determined under the Black-Scholes model. The assumptions used in this model for calculating fair value are as below:

Assumptions	December 31, 2012	December 31, 2011
Risk Free Interest Rate	8.85%	8.85%
Expected Life	3 years	3 years
Expected Annual Volatility of Shares	52%	48%
Expected Dividend Yield	0.14%	0.37%

Note No. 40

Employee benefits pertaining to overseas subsidiaries have been accrued based on their respective local labour laws.

The Company and its Indian subsidiaries offers gratuity under its employee benefit scheme to its employees. The following table sets out the funded status of the defined benefit and the amount recognised in the financial statements.

₹ in Million

Sl. No.	Particulars	December 31, 2012	December 31, 2011
I	**Components of employer expense**		
1	Current service cost	22.42	14.94
2	Interest cost	6.21	7.71
3	Expected return on plan assets	(2.88)	(3.37)
4	Curtailment cost/ (credit)	-	-
5	Settlement cost/ (credit)	-	-
6	Past service Cost	-	-
7	Actuarial losses/ (gains)	50.91	(0.70)
8	Total expense recognised in the Statement of Profit & Loss	76.66	18.58
II	**Actual contribution and benefits payments for year**		
1	Actual benefit payments	11.14	-
2	Actual contributions	4.45	-

NOTES forming part of the consolidated financial statements

₹ in Million

Sl. No.	Particulars	December 31, 2012	December 31, 2011
III	**Net asset/ (liability) recognised in balance sheet**		
1	Present value of defined benefit obligation (DBO)	183.76	112.61
2	Fair value of plan assets	38.15	39.77
3	Funded status [surplus/ (deficit)]	(145.61)	(72.84)
4	Unrecognised past service costs	-	-
5	Net asset/ (liability) to be recognised in balance sheet	(145.61)	(72.84)
	Non-current portion	(130.56)	(63.27)
	Current portion	(15.05)	(9.57)
IV	**Change in defined benefit obligations during the year**		
1	Present value of DBO at beginning of period	112.61	96.41
2	Current service cost	22.42	14.94
3	Interest cost	6.21	7.71
4	Curtailment cost/ (credit)	-	-
5	Settlement cost/ (credit)	-	-
6	Plan amendments	-	-
7	Actuarial (gains)/ losses	53.66	(6.45)
8	Benefits paid	(11.14)	-
9	Present Value of DBO at the end of period	183.76	112.61
V	**Change in Fair Value of Assets during the year**		
1	Plan assets at beginning of period	39.76	42.61
2	Acquisition adjustment	(0.52)	-
3	Expected return on plan assets	2.88	3.37
4	Actual Company contributions	4.43	-
5	Actuarial (gains)/ losses	2.74	(5.76)
6	Benefits paid	(11.14)	-
7	Plan assets at the end of the year	38.15	39.77
8	Actual return on plan assets	5.62	2.53
VI	**Assumptions**		
1	Discount Rate	8.00%	8.00%
2	Expected Return on plan assets	8.00%	8.00%
3	Salary escalation	10.00%	7.00%
4	Attrition	10.00%	10.00%
5	Mortality tables	Indian Assured Lives Mortality(1994-96) (Modified Ultimate)	Indian Assured Lives Mortality(1994-96) (Modified Ultimate)
	Estimate of amount of contribution in the immediate next year	4.15	5.00

Actuarial valuation experience adjustment:

Particulars	2012	2011	2010	2009	2008
Present value of DBO	183.76	112.61	96.41	91.41	75.79
Fair value of plan assets	38.15	23.96	26.55	46.12	30.74
Funded status surplus / (deficit)	**(145.61)**	**(88.65)**	**(69.86)**	**(45.29)**	**(45.05)**
Liability transferred on account of de-merger	-	15.81	15.62	(18.80)	-
Funded status net surplus / (deficit)	**(145.61)**	**(72.84)**	**(54.24)**	**(64.09)**	**(45.05)**
Experience gain / (loss) adjustment on plan liabilities	39.76	(6.46)	(14.19)	-	-
Experience (gain) / loss adjustment on plan assets	(2.74)	(5.76)	13.89	-	-

NOTES forming part of the consolidated financial statements

Actuarial assumptions for long-term compensated absences:

Sl. No.	Particulars	December 31, 2012	December 31, 2011
1	Discount Rate	8.10%	8.50%
2	Expected Return on plan assets	NA	NA
3	Salary escalation	10.00%	7.00%
4	Attrition	10.00%	10.00%

Note:

(a) *The discount rate is based on the prevailing market yields of Government of India securities as at the balance sheet date for the estimated term of the obligations.*

(b) *The estimate of future salary increases considered, takes into account the inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.*

(c) *In the absence of information relating to category wise breakup of plan assets, the same has not been disclosed.*

(d) *The above disclosure on gratuity and compensated absences is to the extent of information available with the Group and as per the actuarial valuation reports for gratuity and compensated absences.*

Note No. 41

CONSOLIDATED SEGMENT INFORMATION

During the year ended December 31, 2012, the Group operated in only one business segment viz 'Pharmaceuticals'. Consequently no separate primary segment disclosure has been made.

Information about secondary segment: Geographic segment:

	Revenue from external customers for the year ended			
	December 31, 2012		December 31, 2011	
Geographic location				
	₹ in Million	%	₹ in Million	%
Africa	2,350.25	10%	1,835.42	7%
Australasia	3,300.60	14%	9,002.34	35%
North America & Europe	11,557.51	50%	5,859.99	23%
South & Central America	2,935.47	13%	2,675.19	10%
India	1,324.40	6%	894.10	4%
Rest of the World	1,605.04	7%	5,233.37	21%
Total	**23,073.27**	**100%**	**25,500.41**	**100%**

Segment assets based on their location as follows:

₹ in Million

	As at December 31, 2012		As at December 31, 2011	
Geographic Location	Carrying amount of Segment assets	Additions to Fixed assets	Carrying amount of Segment assets	Additions to Fixed assets
Africa	1,509.53	50.47	1,287.34	2.99
Australasia	831.60	-	5,373.29	205.61
North America & Europe	8,647.38	511.74	7,680.35	543.30
South & Central America	10,020.13	-	6,778.87	2,233.21
India	26,205.93	2,541.92	31,899.72	917.08
Total	**47,214.57**	**3,104.13**	**53,019.57**	**3,902.19**

NOTES forming part of the consolidated financial statements

Note No. 42

RELATED PARTY TRANSACTIONS: NAME OF THE RELATED PARTIES

Joint Ventures (JV)	Akorn Strides LLC, USA
	Sagent Agila LLC, USA (formerly Sagent Strides LLC)
	Agila Jamp Canada Inc., Canada (w.e.f. March 20, 2012)
Key Management Personnel	Arun Kumar (Vice Chairman & Managing Director)
Enterprises owned or significantly influenced by key management personnel and relative of key management personnel	Atma Projects, India
	Agnus Holdings Private Limited, India
	Agnus Global Holdings Pte Limited, Singapore
	Agnus IPCO Limited, BVI
	Mandala Valley Vineyards Private Limited, India
	Nous Infosytems Private Limited, India
	Patsys Consulting Private Limited, India
	Santo Properties Private Limited, India
	SeQuent Scientific Limited
	SeQuent Research Limited , India
	SeQuent Penems Private Limited, India
	SeQuent Global Holdings Limited, Mauritius
	SeQuent Antibiotics (P) Limited, India
	SeQuent Oncolytics (P) Limited, India
	Skanray Healthcare Private Limited, India (Formerly known as Triumph Fincap Ventures Private Limited)
	Karuna Ventures Private Limited, India
	Paradime Infrastructure Development Company
	Deesha Properties, India
	Agnus Capital LLP, India
	Atma Enterprises LLP, India
	Chayadeep Ventures LLP, India
	Qualichem Remedies LLP, India
	Triumph Venture Holdings LLP, India
	Chayadeep Properties Private Limited, India
	Higher Pharmatech Private Limited, India
	Keerthapathi Ravishankar – HUF
	Pronomz Ventures LLP, India
	Deepa Arun Kumar
	Hemalatha Pillai
	Jyothi Iyer
	Padma Kumar Pillai
	Rajeshwari Amma
	Usha Rani
	K Saraswathi

Related Party Balances as at December 31, 2012:

(₹ in Million)

Sl No.	Nature of balances	Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
		As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011
Advances Receivable/(Payable)							
1	Mr. Arunkumar			(20.89)	(10.39)		
2	Mr. V.S. Iyer			-	(39.84)		
3	Atma Projects					40.00	40.00
4	Chayadeep Properties Private Limited					90.00	-
Balance of trade payables (net of advance paid)							
1	Chayadeep Properties Private Limited					(8.65)	(0.61)
2	Sequent Scientific Limited					(8.41)	(0.01)
3	Sequent Research Limited					(2.38)	(2.52)
Balance of trade receivables (net of advance received)							
1	Akorn Strides LLC	(3.80)	(3.10)				
2	Sagent Strides LLC	59.34	(19.37)				
3	Sequent Scientific Limited					5.54	(1.68)
4	Agila Jamp Canada Inc	2.45	-				

NOTES forming part of the consolidated financial statements

Related party transactions for the year ended :

(₹ 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 December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011
Sales of materials/services							
1	Akorn Strides LLC	-	10.22				
2	Sagent Strides LLC	480.54	158.55				
3	Agila Jamp Canada Inc	4.34	-				
4	Sequent Scientific Limited					0.08	0.15
Purchase of materials/services							
1	Sequent Research Limited					31.23	27.05
2	Sequent Scientific Limited					9.31	5.67
Sale of Machinery/Assets							
1	Sequent Scientific Limited					0.09	0.33
Managerial Remuneration							
1	Mr. Arun Kumar			45.00	49.00		
2	Mr. V.S.Iyer			13.52	83.75		
Reimbursement of Expenses Incurred on behalf of							
1	Sequent Scientific Limited					-	0.03
Rent Paid							
1	Atma Projects					32.23	31.94
2	Chayadeep Properties Private Limited					75.93	85.23
Loans / advances given / Repaid by Company							
1	Akorn Strides LLC	-	10.38				
2	Sagent Strides LLC	4.87	-				
Loans / advances taken by company / repaid to company							
1	Sagent Strides LLC	0.50	-				
2	Akorn Strides LLC	-	1.95				
Receipt of Share application monies against ESOP allotment							
1	Mr. V.S.Iyer			-	5.29		

NOTES forming part of the consolidated financial statements

Note No. 43

DETAILS OF LEASING ARRANGEMENTS

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 Statement of Profit and Loss is ₹236.69 Million (Previous year ₹326.60 Million).

The Group has entered into 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 15%. Details of the lease commitment at the year end are as follows:

₹ in Million

Particulars	For the year ended	
	December 31, 2012	December 31, 2011
Not Later than one year	110.88	232.08
Later than one year up to five years	503.16	760.23
Later than five years	375.39	727.23

Note No. 44

EARNINGS PER SHARE

Particulars	For the Year ended	
	December 31, 2012	December 31, 2011
Basic:		
Net profit for the year attributable to the equity shareholders (₹ in Million)	8,462.37	2,244.75
Weighted Average number of equity shares	58,646,080	58,077,558
Par value per share	₹ 10/-	₹ 10/-
Earnings per share – Basic	**₹ 144.30**	**₹ 38.65**
Diluted:		
Net profit for the year (₹ in Million)	8,462.37	2,244.75
Exchange fluctuation, interest expenses on Foreign Currency Convertible Bonds (FCCBs) and option cost / (gain)- (Net) (₹ in Million)	(193.71)	-
Net profit attributable to equity shareholders (₹ In Million)	**8,268.66**	**2,244.75**
Weighted Average number of Shares for Basic EPS	58,646,080	58,077,558
Add: Effect of outstanding Warrants, employee stock options & FCCBs as applicable	4,066,924	498,161
Weighted Average Number of equity shares for diluted EPS	**62,713,004**	**58,575,719**
Par value per share	**₹ 10/-**	**₹ 10/-**
Earnings per share – Diluted	**₹ 131.85**	**₹ 38.32**

Note: *For the purpose of computing diluted earnings per share, the existence of FCCB's until the date of redemption has been considered in accordance with AS 20 ('Earnings per Share'). The FCCB's outstanding at December 31, 2011 are antidilutive and hence ignored for the purpose of computing diluted earnings per share for 2011.*

NOTES forming part of the consolidated financial statements

Note No. 45

DETAILS OF RESEARCH AND DEVELOPMENT EXPENDITURE INCURRED

₹ in Million

Particulars	For the year ended	
	December 31, 2012	December 31, 2011
Materials	224.60	449.64
Salaries	252.40	193.30
Bio study expenses	31.74	50.90
Professional fees	47.01	64.60
Consumables	198.70	69.67
Travelling expenses	7.51	3.75
Rent	27.38	22.29
Depreciation	44.93	26.76
Others	283.39	75.75
Total	**1,117.66**	**956.66**

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.

Note No. 46

In 2010, Ascent Pharma Health Limited (an erstwhile subsidiary of the Group) had entered into contracts with a software vendor for purchase of relevant software and installation of an ERP and CRM systems. In 2011, such contract with the vendor was cancelled and software purchased from the vendor aggregating to AUD 2.11 Million (₹ 102.77 Million) which was earlier accounted as capital work-in-progress had been expensed under depreciation and amortisation in the Statement of Profit and Loss in the year ended December 31, 2011. Refer Note 13(iii).

Note No. 47

IMPAIRMENT OF INVESTMENTS / GOODWILL AND OTHER ASSETS

(a) 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. In the year 2011, consequent to the developments referred to in Note 35 above, the impairment provision had been reversed with the resultant credit arising out of such reversal also being recognised in the BRR.

(b) As at December 31, 2011, the Group carried out an impairment assessment of the assets relating to its Brazilian operations and based on such assessment, the Group had accrued for impairment losses of ₹ 1,724.45 Million (USD 35.00 Million), (including ₹ 1,586.49 Million (USD 32.2 Million) towards impairment of Goodwill on consolidation),and such losses had been recorded in the BRR as per the Scheme. At December 31, 2012, the Group has again carried out a detailed assessment of the goodwill on consolidation and the balance carried in capital work in progress relating to the Brazilian operations and based on such assessment, has reversed impairment provisions to the extent of ₹ 336.49 Million (Net). The reversal of the impairment provisions is credited to BRR.

(c) The Group had entered into a Joint Venture agreement with Instituto Biochimico Industria Farmaceutica Ltda, Brazil ('Biochimico'). Under the JV arrangement, Biochimico had agreed to dedicate its manufacturing facility and manufacture products only for the requirements of Strides Group and had also agreed to assign certain intangibles in the nature of Intellectual Properties (IP's) in favour of Strides Group (together referred to as 'arrangements with

Biochimico'). Against such arrangements with Biochimico, the Group had paid advance to Biochimico and the net outstanding as at December 31, 2012 was BRL 45.35 Million (₹ 1,284.35 Million). In 2012, due to certain adverse developments in Biochimico, the Group has cancelled the JV agreement with Biochimico and has entered into a 'Debt Acknowledgement Agreement' with Biochimico for recovery of an amount of BRL28.17 Million, which would be paid by Biochimico over a period ranging upto year 2032. The Group has without affecting its rights under the above agreement has conservatively provided for the Group's entire exposure to Biochimico. Accordingly as amount of BRL 45.35 Million (₹ 1,284.35 Million) has been charged to the BRR.

Note No. 48

CONTINGENT LIABILITIES

(a) As at December 31, 2012, the Group has disputed tax liabilities arising from assessment proceedings relating to earlier years from the income tax authorities amounting to ₹ 741.31 Million (Previous year ₹ 741.27). The timing of outflow on account of disputed taxes is dependent on completion of assessments.

The Company has preferred an appeal with the CESTAT against the order of the Commissioner of Central Excise 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. The timing of outflow on account of disputed taxes is dependent on completion of assessments.

(b) Bills discounting facilities availed in subsidiaries- ₹ 748.64 Million (Previous year ₹ 533.04 Million)

Note No. 49

TRANSFER PRICING

The detailed Transfer Pricing regulations ('regulations') for computing the income from transactions between 'associated enterprises' on an 'arm's length' basis is applicable to the Group. 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 Group has undertaken necessary steps to comply with the regulations. The Management is of the opinion that the 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.

Note No. 50

EARLY ADOPTION OF AS-30: FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT, ISSUED BY INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

The Company has chosen to early adopt AS-30: 'Financial Instruments: Recognition and Measurement', (as announced by the Institute of Chartered Accountants of India (ICAI)) during the year ended December 31, 2008, with effect from January 1, 2008. However, pursuant to a notification issued by the ICAI on February 11, 2011, the Company has adopted AS-30 only to the extent they do not conflict with the other mandatory accounting standards notified under Section 211(3C) of the Companies Act, 1956.

The impact of adoption of AS-30 as above is as follows:

50.1 Foreign Currency Convertible Bonds (the 'FCCBs' or the 'Bonds'):

The FCCBs were 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 if the conversion option was not exercised by FCCB-holder, net of issuance costs.

The debt component was recognised and measured at amortised cost while the fair value of the option component was determined using a valuation model using the following assumptions.

NOTES forming part of the consolidated financial statements

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 Statement of Profit and Loss.

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

During the year ended December 31, 2011:

(a) Amortisation of interest of ₹ 147.48 Million (net) and redemption premium (net) on FCCBs amounting to ₹ 676.23 Million had been recorded in the Statement of Profit and Loss 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 had been recorded in the Statement of Profit & Loss under exceptional items.

During the year ended December 31, 2012:

(a) Amortisation of interest (net) ₹ 84.98 Million and redemption premium (net) on FCCBs amounting to ₹ 164.13 Million have been recorded in the Statement of Profit and Loss and in the Securities premium account respectively.

(b) Change in the fair values of option component in the FCCBs, being a gain of ₹ 2.09 Million has been recorded in the Statement of Profit & Loss under exceptional items.

50.2 Hedge accounting:

Net investment in foreign operations:

(a) The Group has designated certain portions of its net investments in the consolidated operations of Agila Specialties Limited, whose functional currency is US dollars, as hedged items, and certain 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, 2012 is USD 50 Million (USD 50 Million at December 31, 2011).

Accordingly, exchange fluctuation losses arising on restatement of the hedging instruments to the extent relating to the portion of the hedge considered effective amounting to ₹ 193.49 Million, has been recorded in a Hedge Reserve account as per the requirement of AS 30 during 2012 (₹857 Million in 2011). The accumulated exchange fluctuation losses recorded in the Hedging reserve in respect of the net investment hedge is ₹ 1,477.91 Million as at December 31, 2012 (₹ 1,284.42 at December 31, 2011).

(b) 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 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 hedge being effective has been recognised in a Hedge reserve in the Balance sheet. Accordingly exchange fluctuations losses amounting to ₹ 6.59 Million as at December 31, 2012 (Previous Year ₹ 447.10 Million) have been recognised in the Hedge Reserve account. These exchange differences are considered in Statement of Profit and Loss as and when the forecasted transactions occur.

50.3 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 “Provisions, Contingent Liabilities and Contingent Assets” or the fair values on the measurement date. At December 31, 2012 and December 31, 2011, the fair values of such financial assets and financial liabilities amount to ₹ Nil.

50.4 Gains/ losses on fair valuation of all the open derivative positions as on December 31, 2012 not designated as hedging instruments have been recognised in the Statement of Profit and Loss.

50.5 The Company has availed bill discounting facilities from Banks which do not meet the de-recognition criteria for transfer of contractual rights to receive cash flows from the respective trade receivable since they are with recourse to the Company. Accordingly, as at December 31, 2012, trade receivables include ₹ 515.99 Million (Previous year ₹ 1,130.70 Million) relating to such discounted receivables and the corresponding financial liability to the Banks is included as part of short-term secured loans.

Note No. 51

DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS TO THE EXTENT NOT DISCLOSED ELSEWHERE IN NOTE TO CONSOLIDATED FINANCIAL STATEMENTS.

51.1 Breakup of Allowance for Credit Losses is as under:

₹ In Million

Particulars	December 31, 2012	December 31, 2011
Provision for doubtful trade and other receivables at the beginning of the year	212.75	94.27
Additional Provision during the year	1,344.92	155.48
Consolidation adjustment	(27.13)	7.48
Provision reversed during the year	(65.43)	(44.48)
Provision for doubtful trade and other receivables at the end of the year	**1,465.11**	**212.75**

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

The following derivative positions are open as at December 31, 2012. 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 Statement of Profit and Loss except to the extent they qualified as Cash flow hedges in the context of the rigor of such classification under Accounting Standard 30.

NOTES forming part of the consolidated financial statements

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:

Particulars	Currency	Amount	Buy/Sell	Cross Currency
December 31, 2012	USD	9,000,000	Sell	Rupees
December 31, 2011	USD	92,000,000	Sell	Rupees
December 31, 2011	EUR	550,000	Buy	AUD

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

(Figures in Million)

December 31, 2012			December 31, 2011		
Receivable / (Payable) in INR	Receivable / (Payable) in Foreign Currency		Receivable (Payable) in INR	Receivable / (Payable) in Foreign Currency	
(8,076.35)	USD	(147.51)	(5,789.32)	USD	(108.68)
1,078.04	EUR	14.84	246.07	EUR	3.61
142.06	AUD	2.49	(169.39)	AUD	(3.17)
27.45	CAD	0.50	1.00	CAD	0.02
(3,516.41)	GBP	(39.74)	(316.25)	GBP	(3.90)
5,480.03	BRL	205.32	4,806.97	BRL	169.27
(6.21)	JPY	(9.76)	0.56	JPY	0.81
(4.73)	CHF	(0.08)	1.96	CHF	0.04

III. **There were no outstanding option contracts as at December 31, 2012.**

IV. **Loss on outstanding Forward Exchange Derivative contracts (Net) included in the Statement of Profit and Loss for year ended December 31, 2012 amounts to ₹ Nil (Previous Year: ₹ 100.38 Million).**

51.3 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, 2012	December 31, 2011
Trade receivables	4,832.32	5,384.44
Unbilled revenue	1,803.41	1,596.91
Advance recoverable in cash	892.69	2,519.65
Cash and cash equivalents	1,657.42	2,597.25

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 amounts of Financial Liabilities are as under:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Secured borrowings		
Long-term (including current maturities)	9,945.66	13,724.47
Short-term	5,960.84	6,605.63
Unsecured borrowings		
Long-term (including current maturities)		
Foreign currency convertible bonds (debt component)	-	5,854.24
Short-term loans	38.11	240.91
Other long-term liabilities		
Payable on purchase of fixed assets	661.96	174.37
Gratuity and other benefits	140.81	63.27
Other liabilities	9.85	9.85
Current liabilities		
Trade payables	4,630.80	5,850.43
Interest accrued but not due	164.27	143.87
Unclaimed dividends	2.35	2.41
Payable on purchase of fixed assets	679.40	20.11
Gratuity	15.05	9.57
Other Liabilities	298.39	336.69
Provision For		
Compensated absences	175.80	194.76
Payable to employees under long-term incentive plan	365.16	544.30
Equity Dividend (including dividend distribution tax thereon)	136.69	135.93

(c) **Financial Liabilities Held for Trading are as follows:**

i. 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 ₹ Nil as at December 31, 2012 and ₹ 2.09 Million as at December 31, 2011. The difference in carrying value between the two dates, amounting to ₹ 2.09 Million is considered as a gain in the Statement of Profit and Loss 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 50.1 above on FCCBs for detailed disclosure on the valuation method.

ii. Provisions carried towards mark to market losses on forward exchange contracts - ₹ 6.59 Million as at December 31, 2012 and ₹ 547.48 Million as at December 31, 2011.

iii. Liabilities under option contracts – ₹ 37.52 Million as at December 31, 2012 and ₹ Nil as at December 31, 2011.

NOTES forming part of the consolidated financial statements

51.4 Financial assets pledged:

The following financial assets have been pledged:

Financial Asset		Carrying value December 31, 2012	Carrying value December 31, 2011	Liability / Contingent Liability for which pledged as collateral	Terms and conditions relating to pledge
I.	Investment in Subsidiary	11,374.79	10,382.81	Loan from Banks	The Shares have been pledged against specific Borrowing, the charge will be extinguished on repayment of the Loan.
II.	Margin Money with Banks				
	A. Margin Money for Letter of Credit	308.39	467.21	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	24.91	7.33	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.
III.	Trade Receivables	515.99	1,130.70	Bills discounted	The Bills discounted with Banks are secured by the Receivable

51.5 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 counterparties to financial transactions, and the availability of funds to meet business needs. The Balance Sheet as at December 31, 2012 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:

Financial assets / (liabilities)

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Fixed		
Financial Assets	9,185.84	12,098.25
Financial liabilities	(7,341.17)	(13,896.32)
	1,844.67	**(1,798.07)**
Floating		
Financial Assets	-	-
Financial liabilities	(15,928.08)	(20,564.06)
	(15,928.08)	**(20,564.06)**

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 managed using short term and long term cash flow forecasts.

The following is an analysis of contractual cash flows payable under financial liabilities and derivatives as at December 31, 2012. (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	beyond 5
Banks & other Borrowings	8,587.57	1,935.89	2,029.85	1,585.54	1,347.60	403.53
	(9,783.52)	(3,006.31)	(1,662.47)	(2,666.65)	(1,404.87)	(1,799.32)
Interest payable on borrowings	164.27					
	(143.87)					
Hire Purchase Liabilities	7.45	6.55	1.57	0.52	0.44	
	(3.45)	(2.14)	(1.37)	-	-	
Other Borrowings	38.11					
	(6,095.15)					
Trade and other payables not in net debt	5,945.69	1,033.71	16.31	15.05	15.05	127.97
	(6,591.19)	(412.49)	(284.02)	(9.57)	(9.57)	(34.86)
Fair Value of Options	-					
	(2.09)					
Fair value of Forward exchange contracts	6.59					
	(547.48)					
Total	**14,749.68**	**2,976.15**	**2,047.73**	**1,601.11**	**1,363.09**	**531.50**
Total	**(23,166.75)**	**(3,420.94)**	**(1,947.86)**	**(2,676.22)**	**(1,414.44)**	**(1,834.18)**

For the purposes of the above table, foreign currency liabilities have been computed applying spot rates on the Balance Sheet date.

NOTES forming part of the consolidated financial statements

Foreign exchange risk

The Group 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 (within and outside the Group) in currencies other than the functional currency of the respective entities.

51.6 Sensitivity analysis as at December 31, 2012:

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 and others. The impact of a 1% change in interest rates on the profit of an annual period will be ₹ 159.28Million (Previous year ₹ 205.64 Million) assuming the loans as of December 31, 2012 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 (until redemption is 2012) External Commercial Borrowings (ECBs), loans in foreign currencies 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	
	2012	2011
A 5% appreciation in the USD	(403.82)	(289.47)
A 5% depreciation in the USD	403.82	289.47
A 5% appreciation in the EUR	53.90	12.30
A 5% depreciation in the EUR	(53.90)	(12.30)
A 5% appreciation in the AUD	7.10	(8.47)
A 5% depreciation in the AUD	(7.10)	8.47
A 5% appreciation in the GBP	(175.82)	(15.81)
A 5% depreciation in the GBP	175.82	15.81
A 5% appreciation in the BRL	274.00	240.35
A 5% depreciation in the BRL	(274.00)	(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, 2012.

Note No. 52

The Revised Schedule VI to the Companies Act, 1956 has become applicable to the standalone financial statements of the Company for the year ended December 31,2012 and has significantly impacted the disclosure and presentation made in those financial statements. These consolidated financial statements have been prepared in the same format as adopted in the standalone financial statements (to the extent possible) in accordance with the provisions of Accounting Standard 21 "Consolidated Financial Statements". Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

NOTES forming part of the consolidated financial statements

Note No. 53

POST BALANCE SHEET EVENT

The Company and its subsidiary, Agila Specialties Asia Pte. Ltd. (Agila Asia), have entered into definitive agreements for the sale of entities into Specialty Products (a part of the pharmaceutical business that the Group is into) by way of sale of share to Mylan Inc. USA, on February 27, 2013. Pursuant to these agreements, the purchaser will acquire:

- the entire share capital of Agila Specialties Private Limited, from the Company, and
- the entire share capital of Agila Specialties Global Pte. Limited, from Agila Asia.

In terms of the agreements, the consideration is subject to certain retentions, post completion adjustments and deposit of escrow amounts as set out in the agreements. The completion of the sale is subject to various regulatory and corporate approvals as may be required and fulfillment of other terms and conditions agreed between the parties and set out in the agreements. Upon satisfaction of the terms and conditions and receipt of all regulatory and corporate approvals, the Company and its subsidiary will tender the shares to the buyer.

For and on behalf of the Board of Directors

Deepak Vaidya Chairman	Arun Kumar Executive Vice Chairman & Managing Director
Dr. T.S. Rangan Group CFO	Badree Komandur Company Secretary

Place : Bangalore
Date : February 28, 2013

KEY INFORMATION PERTAINING TO SUBSIDIARY COMPANIES' FINANCIAL STATEMENTS

as at December 31, 2012

₹ in Million

Sl No	Name of the Subsidiary	Country of Incorporation	Reporting Currency	Exchange Rate as on December 31, 2012	(a) Capital (Includes Monies pending allotment)	(b) Reserves	(c) Total Assets	(d) Total Liabilities (excl a & b)	(e) Investment-other than in subsidiaries	(f) Turnover	(g) Profit before taxation	(h) Provision for taxation	(i) Profit after taxation	(j) Proposed dividend
1	Agila Specialties Private Limited	India	INR	1.00	203.17	4,126.55	15,279.62	10,949.90	0.19	8,946.07	1,487.87	659.66	828.21	0.12
2	Inbiopro Solutions Private Limited	India	INR	1.00	1.19	130.25	170.90	39.47	-	0.11	(15.79)	(0.17)	(15.62)	-
3	Strides Specialties (Holdings) Limited	Mauritius	USD	54.75	0.00	(2.40)	0.54	2.95	-	-	(1.47)	-	(1.47)	-
4	Onco Therapies Limited (OTL)	India	INR	1.00	24.06	1,460.98	5,052.42	3,567.38	-	1,629.60	266.99	83.00	183.99	-
5	Strides Pharma International Limited	Cyprus	USD	54.75	23.98	(53.71)	3,962.26	3,991.98	-	0.09	(50.42)	-	(50.42)	-
6	Beltapharm S.p.A	Italy	EUR	72.64	105.76	(39.32)	514.91	448.47	-	504.47	0.20	4.33	(4.13)	-
7	Strides Pharma Limited	Cyprus	USD	54.75	1,053.20	6,171.16	8,319.14	1,094.79	-	3,898.19	11,636.52	83.07	11,553.46	6,434.52
8	Ascent Pharmahealth Limited	Australia	AUD	56.94	-	0.00	0.00	(0.00)	-	468.49	(1,769.27)	(36.36)	(1,732.91)	-
9	Ascent Pharmahealth Asia Pte Limited	Singapore	SGD	44.68	-	-	-	-	-	-	(433.84)	-	(433.84)	-
10	Ascent Pharmahealth Asia (B) SDN BHD	Brunei	BND	44.66	-	-	-	-	-	-	0.88	-	0.88	-
11	Ascent Pharmahealth Asia (Hong Kong) Limited	Hong Kong	HKD	7.05	-	-	-	-	-	-	1.92	-	1.92	-
12	Ascent Pharmahealth Asia (Malaysia) SDN BHD	Malaysia	MYR	17.58	-	-	-	-	-	-	(0.24)	-	(0.24)	-
13	Drug Houses of Ausralia (Asia) Pte Limited	Singapore	SGD	44.68	-	-	-	-	-	-	(53.58)	-	(53.58)	-
14	Strides CIS Limited	Cyprus	USD	54.75	0.16	(0.18)	14.95	14.97	-	0.01	(0.67)	-	(0.67)	-
15	Agila Marketing e Distribuição de Productos Hospitalares Ltda.	Brazil	BRL	26.69	313.73	(754.76)	1,969.09	2,410.13	-	2,868.36	290.99	-	290.99	-
16	Co Pharma Ltd.	UK	GBP	88.49	1.27	(153.34)	337.32	489.39	-	423.24	(87.26)	-	(87.26)	-
17	Scentia Pharmaceuticals Pty Ltd.	Australia	AUD	56.94	0.01	(17.72)	30.93	48.65	-	219.74	(17.27)	-	(17.27)	-
18	Strides S.A. Pharmaceuticals Pty Ltd.	Republic of South Africa	ZAR	6.44	0.01	6.38	16.17	9.79	-	0.05	(1.93)	-	(1.93)	-
19	Strides Pharmaceuticals (Holdings) Limited	Mauritius	USD	54.75	0.00	(1.75)	0.47	2.22	-	-	(0.92)	-	(0.92)	-
20	Strides Pharmaceutical (Mauritius) Limited	Mauritius	USD	54.75	0.00	(2.44)	0.13	2.57	-	-	(1.59)	-	(1.59)	-
21	Strides Inc.	USA	USD	54.75	662.08	(360.09)	605.14	303.15	-	569.10	(15.26)	145.10	(160.37)	-
22	Akorn Strides LLC	USA	USD	54.75	-	24.28	24.28	-	-	-	-	-	-	-
23	Sagent Agila LLC	USA	USD	54.75	159.20	149.89	522.31	213.22	-	775.79	267.33	-	267.33	200.99
24	Agila Pharma Canada Corporation	Canada	CAD	55.03	0.55	(33.63)	38.08	71.17	-	-	-	-	-	-
25	Agila Jamp Canada Inc	Canada	CAD	55.03	8.38	2.22	27.30	16.70	-	9.60	3.02	0.86	2.16	-
26	Strides Pharma (Cyprus) Limited	Cyprus	USD	54.75	0.16	1,291.65	1,524.98	233.17	-	843.95	137.69	9.42	128.27	-

₹ in Million

Sl No	Name of the Subsidiary	Country of Incorporation	Reporting Currency	Exchange Rate as on December 31, 2012	(a) Capital (Includes Monies pending allotment)	(b) Reserves	(c) Total Assets	(d) Total Liabilities (excl a & b)	(e) Investment- other than in subsidiaries	(f) Turnover	(g) Profit before taxation	(h) Provision for taxation	(i) Profit after taxation	(j) Proposed dividend
27	African Pharmaceutical Development Company	Cameroon	XAF	0.11	5.51	25.90	108.97	77.56	-	299.12	34.18	11.96	22.21	-
28	Strides Vital Nigeria Limited	Nigeria	NGN	0.35	3.49	(183.95)	579.82	760.28	-	581.31	(86.62)	-	(86.62)	-
29	Sorepharma SA	Burkino Faso	XAF	0.11	1.43	0.01	26.31	24.87	-	6.74	0.01	-	0.01	-
30	SPC Co. Limited	Sudan	USD	54.75	28.23	(0.01)	28.22	-	-	-	(0.01)	-	(0.01)	-
31	Strides Emerging Markets Private Limited	India	INR	1.00	83.21	0.50	83.95	0.25	-	-	0.74	0.25	0.50	-
32	Agila Biotech Private Limited	India	INR	1.00	0.10	(0.60)	76.89	77.39	-	-	(0.60)	-	(0.60)	-
33	Arcolab Limited SA	Switzerland	CHF	60.01	60.01	(34.27)	40.80	15.07	-	-	(13.80)	-	(13.80)	-
34	Strides Africa Limited	British Virgin Islands	USD	54.75	247.63	(237.15)	52.16	41.68	-	-	(36.06)	-	(36.06)	-
35	Strides Arcolab International Limited (SAIL)	UK	GBP	88.49	1,217.85	152.20	1,812.36	442.30	-	1,474.36	39.05	-	39.05	-
36	Plus Farma ehf	Iceland	EUR	72.64	43.98	(110.04)	398.50	464.56	-	-	(14.45)	-	(14.45)	-
37	Strides Australia Pty Limited	Australia	AUD	56.94	0.01	(73.14)	0.09	73.23	-	-	-	-	-	-
38	Agila Specialties Limited	Cyprus	USD	54.75	1,106.94	14,573.62	23,960.79	8,280.23	-	10,032.66	8,031.71	-	8,031.71	-
39	Agila Specialties Asia Pte. Ltd	Singapore	SGD	44.68	0.00	42.54	9,131.34	9,088.79	-	548.89	49.95	8.49	41.46	-
40	Agila Specialties Global Pte. Ltd	Singapore	SGD	44.68	0.00	(0.54)	8,965.63	8,966.16	-	-	(0.53)	-	(0.53)	-
41	Agila Specialties Americas Limited	Cyprus	USD	54.75	0.14	(0.41)	7,394.25	7,394.52	-	72.30	(0.41)	-	(0.41)	-
42	Agila Australasia Pty Ltd	Australia	AUD	56.94	0.01	(6.75)	0.71	7.46	-	-	(6.58)	-	(6.58)	-
43	Agila (NZ) Pty Limited	New Zealand	NZD	44.96	0.00	-	0.00	-	-	-	-	-	-	-
44	Farma Plus AS	Norway	EUR	72.64	5.87	157.92	393.03	229.24	-	491.14	76.43	21.74	54.69	-
45	Strides Specialties (Holdings) Cyprus Limited	Cyprus	USD	54.75	0.83	8,985.61	11,147.02	2,160.59	-	24.17	22.51	-	22.51	-
46	Onco Laboratories Limited (OLL)	Cyprus	USD	54.75	0.31	4,397.04	6,697.15	2,299.81	-	1,105.24	922.99	62.31	860.68	-
47	Agila Biotech (Malaysia) SDN BHD	Malaysia	MYR	17.58	0.00	(0.18)	0.07	0.24	-	-	(0.17)	-	(0.17)	-
48	Agila Specialties UK Limited	UK	GBP	88.49	0.00	-	0.00	-	-	-	-	-	-	-
49	Strides Farmaceutica Participacoes Ltda.	Brazil	BRL	26.69	52.26	(1,411.19)	7,146.69	8,505.62	-	-	(732.19)	-	(732.19)	-
50	Agila Especialidades Farmaceuticas Ltda.	Brazil	BRL	26.69	2,003.30	(922.33)	7,093.34	6,012.37	-	1,026.28	(840.15)	-	(840.15)	-
51	Agila Specialties Polska Sp. Z.o.o.	Poland	PLN	17.71	366.50	(399.75)	1,495.40	1,528.66	-	478.67	(66.91)	5.33	(72.24)	-
52	Congo Pharma SPRL	Congo	CDF	0.06	-	-	-	-	-	-	-	-	-	-
53	Strides Pharma Cameroon Limited	Cameroon	XAF	0.11	-	-	-	-	-	-	-	-	-	-
54	Strides Pharma Namibia Pty Limited	Namibia	NAD	6.45	-	-	-	-	-	-	-	-	-	-
55	Ascent Pharma Pty Limited	Australia	AUD	56.94	-	-	-	-	-	-	-	-	-	-

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 31st December, 2012, the Statement of Profit and Loss 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. We draw attention to Note 51 to the financial statements which explains that 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, 1956. Pursuant to the above *inter alia*, the Foreign Currency Convertible Bonds (FCCBs) issued by the Company were segregated into two components comprising (a) the option component which represents the value of the conversion option given to the FCCB-holders to convert the FCCBs into equity shares of the Company and (b) the debt component which represents the debt to be redeemed in the event that the conversion option was not exercised by FCCB-holders, net of issuance costs. The debt component was recognised and measured at amortized cost and the fair value of the option component has been determined using a valuation model and a credit of ₹ 2.09 million has been recognised in the Statement of Profit & Loss for the year ended December 31, 2012, being the gain in the fair value of the embedded option included in the FCCBs, recognised on redemption of the FCCBs (Previous year, a credit of ₹ 188.85 million, being the change in the fair value of the option).
4. We draw reference to Note 40 to the financial statements 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 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 was fair valued in 2009 and the resultant surplus over the previously carried book values, amounting to ₹ 5,856.20 million, was credited to Reserve for Business Restructure instead of such investments being recorded at historical costs as required by Accounting Standard 13 'Accounting for Investments'.
   (b) During the year, certain expenses (net) amounting to ₹ 451.81 million (Previous year ₹ 480.79 million) has been charged to the Reserve for Business Restructure, instead of being charged to the Statement of Profit and Loss as required by Accounting Standard 5 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies'.
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 paragraph 3 and 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 Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (iv) in our opinion, the Balance Sheet, the Statement of Profit and Loss 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, other than for the matters referred to in paragraph 4 above;
   (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with Note 40.3(c) to the financial statements and our comments in paragraph 4 above, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;
      (b) in the case of the Statement of Profit and Loss, 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.
7. As explained in Note 53, the Company has not received a written representation from one of the directors of the

Company as at 31st December 2012 confirming that he is not disqualified from being appointed as a director of the Company in terms of Section 274(1)(g) of the Companies Act, 1956. In the absence of such a written representation, we are unable to comment on whether he is disqualified from being appointed as director of the Company in terms of Section 274(1)(g) of the Companies Act, 1956.

On the basis of the written representations received from the other directors as on 31st December 2012 taken on record by the Board of Directors, none of these directors are disqualified as on 31st December 2012 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.008072S)

V. SRIKUMAR
Partner
(Membership No.84494)

Place : Bangalore,
Date : February 28, 2013

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 5 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 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.

ANNEXURE TO THE AUDITORS' REPORT

(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 Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Income-Tax, Sales Tax, Service Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st December, 2012 for a period of more than six months from the date they became payable.

(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 31st December, 2012 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	31.50	AY 2007-08	Income Tax Appellate Tribunal
The Income - tax Act, 1961	Income Tax	570.40	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 Customs and Excise Laws	Excise duty	3.86	Aug-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. The Company has not issued any debentures.

(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) According to the information and explanations given to us, 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 material fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No.008072S)

V. SRIKUMAR
Partner
(Membership No.84494)

Place : Bangalore,
Date : February 28, 2013

BALANCE SHEET as at December 31, 2012

₹ in Million

	Note No.	December 31, 2012	December 31, 2011
A. EQUITY AND LIABILITIES			
1. Shareholders' funds			
(a) Share capital	3	588.04	583.80
(b) Reserves and surplus	4	13,126.10	13,008.36
		13,714.14	**13,592.16**
2. Non-current liabilities			
(a) Long-term borrowings	5	2,846.61	3,639.35
(b) Other long-term liabilities	6	79.94	45.86
(c) Long-term provisions	7	504.29	588.64
		3,430.84	**4,273.85**
3. Current liabilities			
(a) Short-term borrowings	8	2,935.81	4,142.28
(b) Trade payables	9	1,429.37	2,096.12
(c) Other current liabilities	10	1,104.26	7,684.17
(d) Short-term provisions	11	373.39	833.84
		5,842.83	**14,756.41**
Total		**22,987.81**	**32,622.42**
B. ASSETS			
1. Non-current assets			
(a) Fixed Assets			
i) Tangible assets	12	2,285.87	2,354.36
ii) Intangible assets	12	776.74	884.66
iii) Capital work in progress		81.20	54.71
iv) Intangible assets under development		214.47	15.42
		3,358.28	**3,309.15**
(b) Non-current investments	13	12,953.23	7,868.18
(c) Deferred tax assets (net)	14	-	-
(d) Long-term loans and advances	15	922.58	5,835.17
(e) Other non-current assets	16	-	-
		17,234.09	**17,012.50**
2. Current assets			
(a) Current investments	17	0.38	-
(b) Inventories	18	1,043.54	1,303.19
(c) Trade receivables	19	1,930.96	2,642.83
(d) Cash and cash equivalents	20	293.30	814.61
(e) Short-term loans and advances	21	2,343.17	10,520.27
(f) Other current assets	22	142.37	329.02
		5,753.72	**15,609.92**
Total		**22,987.81**	**32,622.42**

See accompanying notes forming part of the Financial Statements

In terms of our report attached
For DELOITTE HASKINS & SELLS
Chartered Accountants

V. Srikumar
Partner

Place : Bangalore
Date : February 28, 2013

For and on behalf of the Board of Directors

Deepak Vaidya
Chairman

Arun Kumar
Executive Vice Chairman & Managing Director

Dr. T.S. Rangan
Group CFO

Badree Komandur
Company Secretary

Place : Bangalore
Date : February 28, 2013

STATEMENT OF PROFIT AND LOSS for the year ended December 31, 2012

₹ in Million

		Note No.	December 31, 2012	December 31, 2011
1	Revenue from operations	23	7,141.75	7,544.27
	Less: Excise duty		21.68	48.07
	Revenue from operations (net)		**7,120.07**	**7,496.20**
2	Other income	24	1,189.08	195.99
3	**Total revenue (1+2)**		**8,309.15**	**7,692.19**
4	**Expenses**			
	(a) Cost of materials consumed	25	2,815.42	3,178.38
	(b) Purchases of stock in trade	26	1,003.07	1,072.11
	(c) (Increase) / Decrease in inventories of finished goods, work-in-progress and stock-in-trade	27	66.76	66.18
	(d) Employee benefits expenses	28	709.19	629.76
	(e) Other expenses	29	1,568.57	1,061.02
Total			**6,163.01**	**6,007.45**
5	**Earning before exceptional items, interest, tax, depreciation and amortisation (EBITDA) (3-4)**		**2,146.14**	**1,684.74**
6	Finance costs	30	712.20	805.90
7	Depreciation and amortisation expenses	12	190.99	176.15
8	**Profit before exceptional items and taxes (5-6-7)**		**1,242.95**	**702.69**
9	Exceptional items - gain / (loss)	31	(644.09)	559.06
10	**Profit before tax (8+9)**		**598.86**	**1,261.75**
11	Tax expenses	32	39.00	82.50
12	**Profit for the year (10-11)**		**559.86**	**1,179.25**
13	**Earnings per share (of ₹10/- each)**	49		
	- Basic		9.55	20.30
	- Diluted		5.84	20.13

See accompanying notes forming part of the Financial Statements

In terms of our report attached
For DELOITTE HASKINS & SELLS
Chartered Accountants

V. Srikumar
Partner

Place : Bangalore
Date : February 28, 2013

For and on behalf of the Board of Directors

Deepak Vaidya
Chairman

Arun Kumar
Executive Vice Chairman & Managing Director

Dr. T.S. Rangan
Group CFO

Badree Komandur
Company Secretary

Place : Bangalore
Date : February 28, 2013

CASH FLOW STATEMENT for the year ended December 31, 2012

₹ in Million

		December 31, 2012	December 31, 2011
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before tax		598.86	1,261.75
Adjustments for:			
- Depreciation and amortisation		190.99	176.15
- Liability/ provision no longer required written back		(71.99)	(30.92)
- Bad trade and other receivables, loans and advances written off		20.56	35.79
- Loss on sale of assets/ Assets written off (net)		1.38	4.29
- Unbilled revenue written off		187.47	-
- Interest costs		540.69	655.26
- Interest received from banks / recovered from group companies		(569.28)	(30.02)
- Net Unrealised exchange (gain) / loss		(180.43)	(304.13)
- Net loss on option contract for FCCBs		95.33	-
- Profit on sale of investment		(0.35)	-
- Dividend income		(7.00)	-
- Changes in fair value of embedded derivatives in FCCBs		(2.09)	(188.85)
Operating profit before working capital changes		**804.14**	**1,579.32**
Changes in working capital:			
(Increase)/decrease in trade and other receivables		186.88	(1,226.39)
(Increase)/decrease in inventories		259.66	(45.66)
Increase/(decrease) in trade and other payables		(805.88)	920.84
(Increase)/decrease in margin money and unpaid dividend accounts		19.53	12.64
Net change in working capital		**(339.81)**	**(338.57)**
Net Cash generated from operations		**464.33**	**1,240.75**
Direct taxes paid and others (Refer note (i) below)		(343.11)	(223.86)
Net Cash flow from/(used in) Operating Activities	**A**	**121.22**	**1,016.89**
B. CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure on fixed assets including capital advance		(430.36)	(232.94)
Proceeds from sale of fixed assets		6.35	5.24
Long-term investments in subsidiaries / joint ventures		(26.94)	(102.04)
Proceed from sale of long term investments		0.48	153.69
Redemption of investments in preference shares (Refer note (ii) below)		-	183.87
Advance/Loan to subsidiaries		(5,039.92)	(8,711.63)
Advance/Loan from subsidiaries		4,455.83	10,934.10
Share application money paid to subsidiaries		(511.14)	(4,210.82)
Share application money refunded from subsidiaries		9,929.92	1,922.91
Interest and dividends received		595.81	19.35
Net Cash flow from/(used in) investing activities	**B**	**8,980.03**	**(38.27)**
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of equity shares		88.66	72.45
Redemption of FCCBs (including withholding taxes) (Refer note 39)		(6,063.60)	-
Loss on option contract for FCCBs (net)		(95.33)	-
Repayment of short-term borrowings		(1,268.94)	(791.62)
Proceeds from long-term borrowings		7.20	3,305.14
Repayment of long-term borrowings		(1,496.78)	(2,796.08)
Dividends paid (including tax on dividends)		(136.47)	(100.71)
Interest paid on borrowings (Refer note (iii) below)		(656.63)	(617.43)
Net Cash generated from/(used in) Financing Activities	**C**	**(9,621.89)**	**(928.25)**

₹ in Million

		December 31, 2012	December 31, 2011
Net Increase/(Decrease) in cash and cash equivalents during the year	**(A+B+C)**	**(520.64)**	**50.37**
Effect of exchange differences on restatement of foreign currency cash and cash equivalents		19.24	(33.41)
Cash and cash equivalents at the beginning of the year		690.69	673.73
Cash and cash equivalents at the end of the year		**189.29**	**690.69**
Reconciliation of cash and cash equivalents with the Balance Sheet:			
Cash and cash equivalents as per Balance Sheet (Refer note 20)		293.30	814.61
Less: Balances not considered as cash and cash equivalents as defined in AS 3 'Cash Flow Statements':			
- Margin money against working capital facilities with banks		(104.39)	(123.92)
Net cash and cash equivalents included in note 20		**188.91**	**690.69**
Add: Current investments considered as part of cash and cash equivalents as defined in AS 3 'Cash Flow Statements' (Refer note 17)		0.38	-
Net cash and cash equivalents at the end of the year*		**189.29**	**690.69**
* **Comprises:**			
Cash on hand		0.86	0.81
Balance with banks:			
- In current accounts		74.46	598.51
- In EEFC accounts		16.10	33.91
- In deposit accounts		88.32	54.00
- Funds-in-transit		4.71	-
- In earmarked accounts			
- Unpaid dividend accounts		2.35	2.41
- Group gratuity accounts		2.11	1.05
Current investments considered as part of cash and cash equivalents		0.38	-
Total		**189.29**	**690.69**

Notes:

(i) Direct tax paid and others includes outflow on account of permitted utilisations from the BRR of ₹ 118.83 Million (Previous year ₹ 34.45 Million) and direct taxes of ₹ 224.28 Million (Previous year ₹ 189.41 Million)

(ii) During the year ended 31 December, 2011, non-current investments in preference shares of Strides Inc., USA (a subsidiary of the Company) were redeemed and the Company had realised ₹ 183.87 Million, towards cost of such non-current investments.

(iii) Interest paid is inclusive of interest capitalised ₹ Nil (Previous year ₹ 6.13 Million).

See accompanying notes forming part of the Financial Statements

In terms of our report attached
For DELOITTE HASKINS & SELLS
Chartered Accountants

V. Srikumar
Partner

Place : Bangalore
Date : February 28, 2013

For and on behalf of the Board of Directors

Deepak Vaidya
Chairman

Arun Kumar
Executive Vice Chairman & Managing Director

Dr. T.S. Rangan
Group CFO

Badree Komandur
Company Secretary

Place : Bangalore
Date : February 28, 2013

NOTES forming part of the financial statements

Note No. 1

CORPORATE INFORMATION

Strides Arcolab Limited (the 'Company' or 'Strides') is a pharmaceutical Company headquartered in Bangalore, India and is listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

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

Note No. 2

SIGNIFICANT ACCOUNTING POLICIES

2.1 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 (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:

(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' issued by the Institute of Chartered Accountants of India, to the extent such standards do not conflict with other standards notified under Companies (Accounting Standards) Rules, 2006(as amended).

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

2.2 Use of estimates :

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported incomes 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.

2.3 Inventories :

Inventories comprise raw materials, packing materials, consumables, work in progress 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 progress	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
Stock in trade	weighted average basis

2.4 Cash flow statement :

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

NOTES forming part of the financial statements

Cash and cash equivalents (for the purpose of cash flow statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

2.5 Depreciation/ Amortisation :

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

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 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 useful life.

2.6 Revenue :

(a) Revenue from sales is recognised on transfer of significant risks and rewards to the purchaser, which generally coincides with the delivery of the goods in terms of the arrangement with the purchaser. Sales include excise duty and are stated net of discounts, other taxes, and sales returns.

(b) ***Revenue from product development services:***

(i) In the respect of contracts where the Company undertakes to develop products for its customers (on an end-to end basis), revenues are recognised based on technical estimates of the stage of work completed under the contracts.

(ii) In respect of other contracts where the Company performs specifically identified services in the development of the products, revenues are recognised on the basis of the performance milestones provided in the contract.

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

(d) 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.

(e) Income from rendering advisory services is recognised based on contractual terms.

(f) Share of Profits and Royalty incomes under manufacturing and supply agreements with Customers are accrued based on confirmation received from customers.

2.7 Other income :

Dividends are recognised whenever the right to receive dividends is established. Interest income is recognised on accrual basis.

The Company provides corporate guarantees to subsidiaries and charges a commission for providing such guarantees. Such incomes are accrued in terms of the agreements with the parties.

2.8 Tangible 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. Machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the useful life of the principal item of the relevant assets. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Fixed assets acquired in full or part exchange for another asset are 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 assets acquired or asset given up, 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.

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.

2.9 Intangible assets :

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset. In-house product development costs are capitalised in accordance with paragraph 2.20 below.

2.10 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.

2.11 Foreign currency transactions and translations :

Initial recognition

Transactions in foreign currencies 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.

Measurement of foreign currency monetary items at the balance sheet date

Foreign currency monetary items (other than derivative contracts) 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 the liabilities are translated at the exchange rates prevailing on the balance sheet date. Revenue and expenses are translated at yearly average exchange rates prevailing during the year.

Treatment of exchange differences

Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Company and their integral foreign operations are recognised as income or expense in the Statement of Profit and Loss. 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 the Exchange reserve (on consolidation), until disposal / recovery of the net investment.

NOTES forming part of the financial statements

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 paragraph2.23 in this Section for accounting for forward exchange contracts relating to firm commitments and highly probable forecast transactions.

2.12 Exceptional items :

The Company consistently classifies the following as exceptional items in the Statement of Profit and Loss:

(a) Exchange gain / loss arising on account of restatement and settlement of (i) long term foreign currency loans, (ii) foreign currency loans given to (or received from) subsidiaries of the Company, (iii) Foreign Currency Convertibles Bonds (FCCBs);

(b) Changes in fair value of embedded derivatives in FCCBs and option contracts;

(c) Profit / loss on sale of non-current investments and provision for diminution in non-current investments.

2.13 Investments :

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Costs of investments include acquisition charges such as brokerage, fees and duties.

2.14 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 and Life Insurance Corporation of India. 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, with actuarial valuation being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, 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 are 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 is 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.

NOTES forming part of the financial statements

Long Term Incentive Plan ('Plan'):

Under the Plan, 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.

2.15 Employee share based payments :

The Company has formulated Employee Stock Option Plans (ESOP) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Plans provide 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 ESOP) over the exercise price is amortised on a straight line basis over the vesting period in the Statement of Profit and Loss /Reserve for Business Restructure.

Employee stock options granted under the above ESOP on after April 1, 2005 are accounted under the 'Intrinsic Value Method' stated in the Guidance Note on Employee Share Based Payments issued by the Institute of Chartered Accountants of India.

Options with a cash settlement feature 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 recognised in the Statement of Profit and Loss.

2.16 Borrowing costs :

Borrowing costs includes interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Borrowing costs, related to acquisition for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset is added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

2.17 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 Statement of Profit and Loss on a straight-line basis.

2.18 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 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.

NOTES forming part of the financial statements

2.19 Taxes on income :

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

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

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively 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 Statement of Profit and Loss.

2.20 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 Statement of Profit and Loss / 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 tangible fixed assets and intangible fixed assets.

2.21 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 Statement of Profit and Loss.

2.22 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 not recognised but are disclosed in the notes to the financial statement.

2.23 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 Statement of 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, trade receivables, loans and advances and derivative financial instruments with a positive fair value.

NOTES forming part of the financial statements

Financial liabilities of the Company mainly comprise secured and unsecured loans, trade payables, 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 changes are recognised in the Statement of Profit and Loss. 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 Statement of 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.

(c) Hedge accounting

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to firm commitments and 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’ issued by the Institute of Chartered Accountants of India. These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated 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, to the extent such hedges are considered effective and the ineffective portion is recognised immediately in the Statement of Profit and Loss. Amounts accumulated in the Hedge reserve account are reclassified to the Statement of Profit and Loss 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 exchange 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 exchange gain or loss recognised in Hedge reserve account is immediately transferred to the Statement of Profit and Loss.

(d) Derivative contracts

The Company 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. Such 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 / gains are recognised in the Statement of Profit and Loss.

NOTES forming part of the financial statements

₹ in Million

Note No. 3 SHARE CAPITAL	December 31, 2012	December 31, 2011
Authorised		
89,750,000 (Previous year 89,750,000) Equity shares of ₹ 10/- each with voting rights	897.50	897.50
620,000 (Previous year 620,000) 6% Cumulative redeemable preference shares of ₹ 1,000/- each	620.00	620.00
Total	**1,517.50**	**1,517.50**
Issued, subscribed and fully paid-up		
Equity shares of ₹ 10/- each with voting rights	588.04	583.80
Total	**588.04**	**583.80**

Note No. 3(a)

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

Particulars	December 31, 2012		December 31, 2011	
	No. of shares	₹ in Million	No. of shares	₹ in Million
Equity share of ₹ 10/- each				
Opening balance	58,380,171	583.80	57,744,671	577.45
Issued pursuant to Employee stock options plan (Refer note 43)	423,550	4.24	635,500	6.36
Closing balance	**58,803,721**	**588.04**	**58,380,171**	**583.81**

Note No. 3(b)

Detail of the rights, preferences and restrictions attaching to each class of shares outstanding Equity shares of ₹ 10/- each:

The Company has only one class of equity shares, having a par value of ₹10/-. The holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to approval by the shareholders at the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive any of the remaining assets of the Company, after distribution to all other parties concerned. The distribution will be in proportion to number of equity shares held by the shareholders.

Note No. 3(c)

Details of equity shares held by each shareholder holding more than 5% of shares:

Particulars	December 31, 2012		December 31, 2011	
	No. of shares	%	No. of shares	%
Pronomz Ventures LLP	12,665,000	21.54%	12,665,000	21.69%
Reliance Capital Trustee Company Limited	-	-	3,531,723	6.05%
HSBC Global Investments Funds A/C HSBC Investment FML	-	-	3,516,655	6.02%

NOTES forming part of the financial statements

Note No. 3(d)

Details of aggregate number of equity shares allotted as fully paid-up pursuant to contract without payment being received in cash for the period of five year immediately preceding the balance sheet date:

Particulars	No. of shares	
	December 31, 2012	December 31, 2011
Equity shares of ₹ 10/- issued pursuant to a scheme of amalgamation in 2009	13,524	13,524

Note No. 3(e)

Details of equity shares of ₹ 10/- each reserved for issuance:

Particulars	No. of shares	
	December 31, 2012	December 31, 2011
Towards Employee stock options under the various Strides stock options plans (Refer note 44)	2,702,350	3,125,900
Towards conversion of foreign currency convertible bonds available for conversion (Refer note 39)	-	7,054,444
Total	**2,702,350**	**10,180,344**

₹ in Million

	December 31, 2012	December 31, 2011
Note No. 4 RESERVES AND SURPLUS		
Capital reserve (arising on forfeiture of monies received towards share warrants)	**225.60**	**225.60**
Capital redemption reserve	**551.61**	**551.61**
Securities premium account		
Opening balance	6,063.85	6,661.12
Add: Premium on shares issued during the year	99.91	78.96
Less: Amortisation of Premium on redemption of FCCB's and issue expenses (net) (Refer note 39 and 51.1)	400.97	676.23
Less: Transferred to Reserve for Business Restructure (Refer note 40(c))	(65.16)	-
Closing balance	**5,697.63**	**6,063.85**
Share options outstanding account		
Opening balance	55.48	36.52
Add: Amounts recorded on grants / cancellations during the year	9.08	32.47
Less: Transferred to Securities premium account	15.47	13.51
	49.09	**55.48**
Less: Deferred stock compensation expenses	14.12	27.88
Closing balance	**34.97**	**27.60**

NOTES forming part of the financial statements

₹ in Million

	December 31, 2012	December 31, 2011
Reserve for Business Restructure (BRR) (Refer note 40)		
Opening balance	4,233.03	4,713.82
Add: transferred from Securities premium account during the year (Refer note 40(c))	65.16	-
Less: Utilisation during the year	451.81	480.79
Closing balance	**3,846.38**	**4,233.03**
Of the above, the balance reserved for adjustments (relating to subsidiaries) in Consolidated Financial Statements	3,846.38	2,448.85
Hedge reserve (Refer note 51.5)		
Opening balance	(447.10)	-
Add / (Less): Effect of foreign exchange rate variations on hedging instruments outstanding during the year	(411.94)	(447.10)
Add / (Less): Transferred to Statement of Profit and Loss	852.45	-
Closing balance	**(6.59)**	**(447.10)**
General reserve		
Opening balance	369.80	280.80
Add: Transferred surplus from Statement of Profit and Loss	43.00	89.00
Closing balance	**412.80**	**369.80**
Surplus in Statement of Profit and Loss		
Opening balance	1,983.97	1,029.80
Add: Profit for the year	559.86	1,179.25
Less: Dividends proposed to be distributed to equity shareholders (₹2/- per share)		
(Previous Year ₹ 2/- per share)	117.99	117.37
Tax on dividends (Refer note (i) below)	19.14	18.71
Transferred to General reserve	43.00	89.00
Closing balance	**2,363.70**	**1,983.97**
Total	**13,126.10**	**13,008.36**

Note:

(i) *Equity dividend accrued in 2012 includes ₹ 0.38 Million being dividends relating to the year ended 31 December, 2011 on the incremental number of shares that were issued between 31 December, 2011 and the date of the Annual General Meeting of the Company held on May 29, 2012. Tax on dividends accrued in 2012 includes tax on such dividends of ₹ 0.06 Million paid for 2011.*

₹ in Million

	December 31, 2012	December 31, 2011
Note No. 5 LONG-TERM BORROWINGS		
Secured		
Term loan from banks (Refer note (i) below)	244.16	975.85
Unsecured		
Term loan from bank (Refer note (ii) below)	2,602.45	2,663.50
Total	**2,846.61**	**3,639.35**

NOTES forming part of the financial statements

Notes:

(i) Details of terms in respect of the secured long-term borrowings:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Indian Overseas Bank - Term loan (The amount includes the current maturity of ₹ 120 Million (Previous Year ₹ 120 Million) included in Note 10)	360.00	480.00
Nature of security First pari passu charge on fixed assets (present and future) of the Company excluding the property situated at CBD, Belapur, Navi Mumbai - 400 614. Second pari passu charge on the current assets of the Company.		
Repayment terms 20 equal quarterly installments of ₹ 30 Million (payable at the end of the quarter) commencing after 12 months from the date of first disbursement. The outstanding term as at December 31, 2012 is 12 installments.		
Other terms Personal guarantee of Mr. Arun Kumar & Mr. K. R. Ravishankar, Managing Director & Director of the Company respectively.		
Syndicate Bank - Term loan (The amount includes the current maturity of ₹ 281.25 Million (Previous Year ₹ 375 Million) included in Note 10)	281.25	656.25
Nature of security First pari passu charge on fixed assets (present and future) of the Company excluding the property situated at CBD, Belapur, Navi Mumbai - 400 614. Second pari passu charge on the current assets of the Company.		
Repayment terms 35 months in 8 quarterly installments after commencing after 11 months from the date of first disbursement. The outstanding term as at December 31, 2012 is 3 installments.		
Other terms Personal guarantee of Mr. Arun Kumar & Mr. K. R. Ravishankar, Managing Director & Director of the Company respectively.		
The Ratnakar Bank Limited - Term Loan (The amount includes the current maturity of ₹ Nil (Previous Year ₹ 666.60 Million) included in Note 10)	-	1,000.00
Nature of security Subservient charge on the current and fixed assets of the Company.		
Repayment terms Bullet payment after 15 months from first disbursement.		

NOTES forming part of the financial statements

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Other terms		
Personal guarantee of Mr. Arun Kumar , Managing Director of the Company		
HDFC Bank Limited, Axis Bank and ICICI Bank- Vehicle loan	7.72	2.30
(The amount includes the current maturity of ₹ 3.56 Million (Previous Year ₹ 1.10 Million) included in Note 10)		
Nature of security		
Secured by hypothecation of assets acquired thereunder.		
Repayment terms		
Monthly installments varies between 16 to 28 months		
Total	**648.97**	**2,138.55**

(ii) Details of terms in respect of the un-secured long-term loan from banks:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Axis bank - External Commercial Borrowings (ECB)	2,758.00	2,663.50
(The amount includes the current maturity of ₹ 155.55 Million (Previous Year Nil) included in Note 10)		
(a) The security offered for this term loan are other than the assets of the Company and are as detailed below:		
Exclusive charge on cashflow, tangible and intangible assets of Onco Laboratories Limited (OLL, a step subsidiary of the Company) Pledge over shares of OLL held by Strides Specialties (Holdings) Cyprus Limited (a step subsidiary of the Company)		
Second pari-passu charge on current assets of Onco Therapies Limited (OTL, a step subsidiary of the Company) and on fixed assets of Agila Specialties Private Limited (ASPL, a wholly owned subsidiary of the Company)		
(b) Corporate guarantee of ASPL and personal guarantee of Mr. Arun Kumar, Managing Director of the Company		
Repayment terms		
20 unequal quarterly installments commencing after 24 months from initial utilisation date. The outstanding term as at December 31, 2012 is 20 installments.		
Total	**2,758.00**	**2,663.50**
Total of (i) and (ii)	**3,406.97**	**4,802.05**

NOTES forming part of the financial statements

(iii) Reconciliation

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Long-term borrowings	2,846.61	3,639.35
Current maturities of long term borrowings	560.36	1,162.70
Total	**3,406.97**	**4,802.05**

(iv) Interest on above mentioned long-term loans from banks range from 2% to 4% above the respective banks' base lending rates.

(v) Aggregate of long-term borrowings guaranteed by some of the directors of the Company :

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Term loans from banks (secured and unsecured)	3,399.25	4,799.75
(The amount includes the current maturity of ₹ 560.36 Million (Previous Year ₹ 1,162.70 Million) included in Note 10 below)		
Total	**3,399.25**	**4,799.75**

₹ in Million

Note No. 6 OTHER LONG-TERM LIABILITIES	December 31, 2012	December 31, 2011
Others		
- Towards gratuity (Refer note 45)	70.09	36.01
- Trade security deposits	9.85	9.85
Total	**79.94**	**45.86**

₹ in Million

Note No. 7 LONG-TERM PROVISIONS	December 31, 2012	December 31, 2011
Provision for employee benefits		
- Compensated absence	34.45	30.12
- Long-term Incentive plan	274.45	418.76
Provision - Other		
- Provision for tax (net of advance tax ₹ 718.42 Million (Previous year ₹ 615.34 Million))	195.39	139.76
Total	**504.29**	**588.64**

NOTES forming part of the financial statements

₹ in Million

Note No. 8 SHORT-TERM BORROWINGS	December 31, 2012	December 31, 2011
Secured loans repayable on demand from banks (Refer note (i) below)		
- Working capital loans	2,709.35	2,680.77
- Short-term loans	-	1,250.00
- Cash credit facilities	226.46	111.51
Unsecured loans repayable on demand from others (rate of interest was 13.25% per annum)	-	100.00
Total	**2,935.81**	**4,142.28**

Note:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
(i) Details of secured loans repayable on demand:		
Working capital loans from banks consists of:		
- Packing credit facilities	1,703.27	1,133.77
- Foreign bills discounting facilities	1,006.08	1,547.00
Short-term loans	-	1,250.00
Cash credit facilities	226.46	111.51
Security: The above loans from banks, 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. Bills discounted with various banks are secured against the underlying receivables.		
Rate of interest: Interest on above mentioned short-term borrowings from banks range from 2% to 4% above the respective banks' base lending rates.		
Total	**2,935.81**	**4,042.28**

₹ in Million

Particulars	December 31, 2012	December 31, 2011
(ii) Aggregate of short-term borrowings guaranteed by some of the directors of the Company	2,935.82	4,042.28
Total	**2,935.82**	**4,042.28**

NOTES forming part of the financial statements

₹ in Million

Note No. 9 TRADE PAYABLES	December 31, 2012	December 31, 2011
Trade payables:		
- Other than acceptances (Refer note (i) below)	1,429.37	2,096.12
Total	**1,429.37**	**2,096.12**

Note:

(i) Disclosure required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

₹ in Million

Particulars	December 31, 2012	December 31, 2011
(i) Principal amount remaining unpaid to any suppliers as at the end of the accounting year	11.67	17.00
(ii) Interest due thereon remaining unpaid to any suppliers as at the end of the accounting year	0.03	0.03
(iii) The amount of interest paid along with the amounts of the payment made to the suppliers beyond the appointed day	-	-
(iv) The amount of interest due and payable for the year	0.03	0.03
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	0.03	0.03
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

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

₹ in Million

Note No.10 OTHER CURRENT LIABILITIES	December 31, 2012	December 31, 2011
Current maturities of long-term debts (Refer note 5 above)	560.36	1,162.70
Foreign Currency Convertible Bonds (FCCB's) (Refer note 39 and 51.1)	-	5,854.24
Fair value of embedded derivatives in FCCB's (Refer note 39 and 51.1)	-	2.09
Interest accrued but not due on borrowings	74.15	86.42
Unclaimed dividends (Refer note (i) below)	2.35	2.41
Other payables:		
- Statutory remittances	33.57	63.18
- Payables on purchase of fixed assets	12.12	8.07
- Interest accrued on trade payables (Refer note 9(i))	0.03	0.03
- Trade deposits received	91.53	65.50
- Advance received from customers	221.40	192.51
- Gratuity (Refer note 45)	7.61	5.81
- Advance received from subsidiaries	101.14	241.21
Total	**1,104.26**	**7,684.17**

NOTES forming part of the financial statements

Note:

(i) *As on December 31, 2012, 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.*

₹ in Million

	December 31, 2012	December 31, 2011
Note No.11 SHORT-TERM PROVISIONS		
Provision for employee benefits		
- Compensated absences	40.74	36.57
- Payable to employees (Refer note 7(i) above)	90.71	125.54
Provision - Others		
- Provision for income tax (net of advance tax of ₹ 72.84 Million (Previous year ₹ 70.00 Million))	98.66	88.70
- Estimated loss on forward exchange contracts	6.59	447.10
- Proposed equity dividends	117.61	116.95
- Tax on proposed dividends	19.08	18.98
Total	**373.39**	**833.84**

Amounts remitted in foreign currency during the year on account of dividends :

Particulars	December 31, 2012	December 31, 2011
Amount of dividends remitted in foreign currency (₹ In Millions)	1.89	2.41
Total number of non-resident shareholders (to whom the dividends were remitted in foreign currency)	7	7
Total number of shares held by them on which dividend was due	940,000	1,610,000
Year to which the dividend relates	2011	2010

₹ in Million

Note No.12 Fixed assets	Gross block				Accumulated depreciation / amortisations				Net block	
	As at January 01, 2012	Additions	Disposals	As at December 31, 2012	As at December 31, 2011	Depreciation / amortisation expense for the year	Eliminated on disposal of assets	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets										
Land:										
- Freehold	770.43	-	-	770.43	-	-	-	-	770.43	770.43
- Leasehold	48.13	-	-	48.13	-	-	-	-	48.13	48.13
Buildings	589.57	18.30	3.97	603.90	166.26	27.00	1.46	191.80	412.10	423.31
Plant and equipments:										
- Owned	1,953.79	118.08	6.83	2,065.04	963.93	168.52	5.19	1,127.26	937.78	989.86
- Given under operating lease	44.96	-	-	44.96	14.33	3.34	-	17.67	27.29	30.63
Furniture and fixtures	91.62	0.72	11.55	80.79	38.03	5.29	10.08	33.24	47.55	53.59
Vehicles	23.10	11.70	6.61	28.19	16.92	4.24	6.04	15.12	13.07	6.18
Office equipments	80.83	7.24	5.64	82.43	48.60	8.98	4.67	52.91	29.52	32.23
Total	**3,602.43**	**156.04**	**34.60**	**3,723.87**	**1,248.07**	**217.37**	**27.44**	**1,438.00**	**2,285.87**	**2,354.36**
Previous year	***3,154.22***	***464.21***	***16.00***	***3,602.43***	***1,019.79***	***234.72***	***6.44***	***1,248.07***	***2,354.36***	***2,134.43***
Intangible assets:										
Registrations and brands	1,190.71	-	-	1,190.71	382.87	116.54	-	499.41	691.30	807.84
Software licenses	147.82	35.68	-	183.50	71.00	27.06	-	98.06	85.44	76.82
Total	**1,338.53**	**35.68**	**-**	**1,374.21**	**453.87**	**143.60**	**-**	**597.47**	**776.74**	**884.66**
Previous year	***1,296.93***	***41.60***	***-***	***1,338.53***	***315.84***	***138.06***	***0.03***	***453.87***	***884.66***	***981.09***

Notes:

(i) Depreciation and amortisation on tangible and intangible asset, respectively considered in the Statement of Profit and Loss is net of ₹ 169.98 Million (Previous Year ₹ 170.04 Million), relating to depreciation and amortisation of certain tangible and intangible assets fair valued under the Scheme, which as per the Scheme, are debited to the Reserve for Business Restructure (BRR).

(ii) Current year additions to fixed assets includes ₹ Nil (Previous year ₹ 6.13 Million) relating to interest expense capitalised as per Accounting Standard 16 `Borrowing Costs'.

(iii) In 2008, the Company had entered into a lease cum sale agreement with Karnataka Industrial Area Development Board for purchase of land under a lease cum sale agreement where the lease period extended to 2018. On completion of the mentioned lease period, the leasehold land will be transferred in the name of the Company.

(iv) Details of sums added on revaluation of assets during the preceding 5 years:

In 2009, pursuant to a court approved Scheme of Arrangement, the Company fair valued land and plant and machinery (refernote 40). The excess of fair value over the carrying values of the respective assets on December 31, 2009 were as follows: -

Land ₹ 754.32 Million

Plant and machinery ₹ 281.25 Million.

There were no other sums added on account of revaluation during the preceding 5 years.

NOTES forming part of the financial statements

(v) Details of assets acquired under hire purchase agreements:

₹ in Million

Particulars	Gross block		Net block	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Vehicles	11.47	5.45	9.82	3.80
Total	**11.47**	**5.45**	**9.82**	**3.80**

(vi) Details of capital commitment

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) - Tangible assets	81.82	88.63
Total	**81.82**	**88.63**

₹ in Million

	December 31, 2012	December 31, 2011
Note No.13 NON-CURRENT INVESTMENTS		
Investments: Trade		
Investments in equity shares of subsidiaries:		
- 17,197,902 (As at 31 December, 2011: 15,100,000) shares of ₹ 10 each fully paid up in Agila Specialties Private Limited, India (Refer note 55)	9,282.20	6,982.20
- 1,000 (As at 31 December, 2011: 1,000) shares of SFR 1000 each fully paid up in Arcolab SA, Switzerland (net of provision for other than temporary diminution of ₹ 45 Million (Previous Year ₹ 45 Million)	-	-
- Nil (As at 31 December, 2011: 4,522,911) shares of USD 1 each fully paid up in Strides Africa Limited, British Virgin Islands (Refer note (i) below)	-	198.68
- 10,178,301 (As at 31 December, 2011: 1,000,000) shares of GBP 1 each fully paid up in Strides Arcolab International Limited, UK	784.46	78.38
- 11,150 (As at 31 December, 2011: 3,500) shares of EUR 1 each fully paid up in Agila Specialties Limited, Cyprus	2,659.71	408.87
- 1,000 (As at 31 December, 2011: 1,000) shares of USD 1 each fully paid up in Strides Specialty (Cyprus) Limited, Cyprus (formerly Strides Pharma International Limited)	0.05	0.05
- 9,990 (As at 31 December, 2011: Nil) shares of ₹ 10 each fully paid up in Agila Biotech Private Limited, India	0.13	-
- 100 (As at 31 December, 2011: Nil) shares of SGD 1 each fully paid up in Agila Specialties Asia Pte. Limited, Singapore	26.68	-
- Nil (as at 31 December, 2011 Nil) shares of ₹ 10 each fully paid up in Strides Emerging Markets Private Limited (Refer note (ii) below)	-	-
Investments in preference shares of subsidiaries:		
- 200,000 (As at 31 December, 2011: 200,000) preference shares of ₹ 100 each fully paid up in Agila Specialties Private Limited (Refer note 55)	200.00	200.00
Total	**12,953.23**	**7,868.18**
Aggregate amount of unquoted investments	12,953.23	7,868.18

Notes:

(i) *During 2012, the Company has sold its investment in Strides Africa Limited, British Virgin Islands to Agila Specialties Limited, Cyprus, a subsidiary of the Company, at cost of acquisition of USD 4.52 Million. Unrealised exchange gain arising on such sale of investment, ₹ 47.09 Million is classified under Exceptional Items (Note 31) in the Statement of Profit and Loss.*

(ii) *During 2012, the Company incorporated Strides Emerging Markets Private Limited (SEMPL) and transferred shares in SEMPL to Strides Pharma (Cyprus) Limited, Cyprus for total consideration of ₹ 0.47 Million. Profit on sale of such investments aggregating to ₹ 0.35 Million is classified under Exceptional Items (Note 31) in the Statement of Profit and Loss.*

NOTES forming part of the financial statements

₹ in Million

Note No.14 DEFERRED TAX ASSET / (LIABILITY)	December 31, 2012	December 31, 2011
Items constituting deferred tax liability		
- On difference between book balance and tax balance of fixed assets	(303.23)	(274.90)
Items constituting deferred tax asset		
- Disallowance under the Income Tax Act, 1961	179.94	143.84
- Business losses and unabsorbed depreciation	123.29	131.06
Net difference	-	-
Tax effect on the above - deferred tax asset / (liability)	-	-

Note:

Recognition of deferred tax assets with respect to unabsorbed depreciation and tax losses has been done in cases where there is corresponding timing difference creating deferred tax liabilities and the amount of such assets recognised is restricted to the extent of such liabilities.

₹ in Million

Note No.15 LONG-TERM LOANS AND ADVANCES	December 31, 2012	December 31, 2011
Unsecured, considered good, unless otherwise stated		
- Capital advances	26.93	9.78
- Security deposits	52.61	51.70
- Loans and advances to related parties (Refer note 47)	348.39	5,504.42
- Loans and advances to employees	3.14	4.38
Loans and advances to suppliers:		
- Considered good	-	10.94
Considered doubtful	16.75	11.09
- Less: Provision for doubtful advance to suppliers	(16.75)	(11.09)
	-	**10.94**
- Prepaid expenses	47.56	95.86
- MAT credit entitlement	291.50	124.00
Balance with government authorities:		
- CENVAT / VAT/ Sales tax	1.36	1.36
- Taxes paid under protest	144.65	26.29
Others:		
- Receivable from KIADB	6.44	6.44
Total	**922.58**	**5,835.17**

Long-term loans and advances include amounts due from :

₹ in Million

	December 31, 2012	December 31, 2011
Directors	-	4.38
Firms in which any director is a partner		
- Atma Projects	40.00	40.00
Total	**40.00**	**44.38**

NOTES forming part of the financial statements

₹ in Million

Note No.16 OTHER NON-CURRENT ASSETS	December 31, 2012	December 31, 2011
Long-term trade receivables		
- Considered doubtful	19.71	30.94
Less: Provision for doubtful trade receivables	(19.71)	(30.94)
Total	**-**	**-**

₹ in Million

Note No.17 CURRENT INVESTMENTS	December 31, 2012	December 31, 2011
Investment in mutual funds		
Reliance Liquid Fund - Treasury Plan - Daily dividend option (Units 249.271 (Previous Year Nil))	0.38	-
Total	**0.38**	**-**
Aggregate amount of un-quoted investments	0.38	-
Aggregate net asset value of investment in mutual funds	0.38	-
Current investments in the nature of `Cash and cash equivalents' considered as part of cash and cash equivalents in the Cash Flow Statement	0.38	-

₹ in Million

Note No.18 INVENTORIES	December 31, 2012	December 31, 2011
Raw materials	707.59	956.12
- Goods-in-transit	58.21	2.74
Work-in-progress (Refer note (i) below)	69.48	153.22
Finished goods (other than those acquired for trading)	102.97	81.34
Stock-in-trade (acquired for trading)	99.61	104.26
Stores and spares	5.68	5.51
Total	**1,043.54**	**1,303.19**

Note:

(i) Details of work-in-progress

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Capsules	5.56	25.54
Tablets	59.24	125.41
Others	4.68	2.27
Total	**69.48**	**153.22**

NOTES forming part of the financial statements

₹ in Million

Note No.19 TRADE RECEIVABLES	December 31, 2012	December 31, 2011
Unsecured, considered good		
- Outstanding for a period exceeding six months from the date they were due for payment (Refer note (i) below)	222.16	578.19
- Others (Refer note (i) below)	1,708.80	2,064.64
Total	**1,930.96**	**2,642.83**

Note:

(i) Trade receivables include debts due from:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Private companies in which and director of the Company is director or member.		
- Agila Specialties Private Limited	63.52	288.60
Total	**63.52**	**288.60**

₹ in Million

Note No.20 CASH AND CASH EQUIVALENTS	December 31, 2012	December 31, 2011
Cash on hand	0.86	0.81
Balance with banks:		
- In current account	74.46	598.51
- In EEFC account	16.10	33.91
- In deposit account (Refer note (i) below)	88.32	54.00
- Funds-in-transit	4.71	-
In earmarked account:		
- Unpaid dividend accounts	2.35	2.41
- Group gratuity accounts	2.11	1.05
- Balance held as margin money against working capital facilities with banks	104.39	123.92
Total	**293.30**	**814.61**
Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3`Cash Flow Statements' is	188.91	690.69

Note:

(i) *Balance with banks include deposits amounting to ₹ 63.32 Million (Previous Year ₹ 54.00 Million) and margin money amounting to ₹ 79.75 Million (Previous Year ₹ 122.55 Million) which have an original maturity of more than 12 months.*

NOTES forming part of the financial statements

₹ in Million

Note No.21 SHORT-TERM LOANS AND ADVANCES	December 31, 2012	December 31, 2011
Unsecured, considered good		
Loans and advances to related parties (Refer note 47)	1,965.84	10,227.84
Loans and advances to employees	10.76	11.85
Loans and advances to suppliers	78.52	34.61
Prepaid expenses	68.38	57.98
Balances with government authorities:		
- CENVAT credit receivable	27.21	31.28
- VAT credit receivable	53.55	49.65
- Service tax credit receivable	74.53	55.05
- Incentives receivables	64.38	52.01
Total	**2,343.17**	**10,520.27**

(i) Disclosure as per Clause 32 of the Listing Agreements with the Stock Exchanges

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Loans and advances in the nature of loans given to subsidiaries:		
- Strides Arcolab International Limited, UK	242.14	227.12
(Maximum outstanding ₹ 242.12 Million (Previous Years ₹ 227.12 Million)		
- Agila Specialties Polska Sp. Z.oo, Poland	21.95	19.66
(Maximum outstanding ₹ 21.95 Million (Previous Years ₹ 19.66 Million)		
Total	**264.09**	**246.78**

(ii) Short-term loans and advances include amounts due from:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Directors	-	1.20
Total	**-**	**1.20**

₹ in Million

Note No.22 OTHER CURRENT ASSETS	December 31, 2012	December 31, 2011
Unbilled revenue (net) (Refer note (i) below)	141.49	305.62
Interest accrued on deposits	0.14	19.67
Others:		
- Dividends receivable	0.12	-
- Gratuity claim receivables	0.62	3.73
Total	**142.37**	**329.02**

Note:

(i) *Unbilled revenue includes income recognised on development service contracts and contracts for production of dossiers, against which invoices are not due to be raised, and are net of advances received against the respective contracts.*

NOTES forming part of the financial statements

₹ in Million

Note No.23 REVENUE FROM OPERATIONS	December 31, 2012	December 31, 2011
Sale of products (Refer note (i) below)	5,961.02	6,370.65
Sale of services (Refer note (ii) below)	193.55	772.55
Other operating revenues (Refer note (iii) below)	987.18	401.07
Total	**7,141.75**	**7,544.27**

Note:

(i) Sale of product comprises:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Manufactured goods		
- Tablets	3,261.53	3,643.35
- Capsules	967.56	1,156.60
- Others	359.17	101.36
Total manufactured goods sold	**4,588.26**	**4,901.31**
Traded goods:		
- Tablets	861.60	719.51
- Injectables	153.13	596.46
- Capsules and others	358.03	153.37
Total traded goods sold	**1,372.76**	**1,469.34**
Total sale of products (including excise duty)	**5,961.02**	**6,370.65**

(ii) Sale of services comprises:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Development income	30.17	447.59
Facilitation fee	132.12	280.47
Job-work income	31.26	44.49
Total service income	**193.55**	**772.55**

iii) Other operating revenue comprises:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Export incentives	171.57	68.43
Royalty income	507.15	-
Advisory fees	308.46	332.64
Total other operating revenue	**987.18**	**401.07**

NOTES forming part of the financial statements

₹ in Million

Note No.24 OTHER INCOME	December 31, 2012	December 31, 2011
Interest income (Refer note (i) below)	569.28	30.02
Dividend income		
- from current investment (others)	6.88	-
- from non-current investment in Agila Specialties Private Limited, wholly owned subsidiary	0.12	-
Other non-operating income (Refer note (ii) below)	612.80	165.97
Total	**1,189.08**	**195.99**

Note:

(i) Interest income comprises:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Interest From Banks on Deposits	247.48	18.38
Interest on loans and advances	321.80	11.64
Total	**569.28**	**30.02**

(ii) Other non-operating income comprises:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Rental income from operating leases	8.85	7.70
Profit on sale of fixed assets (net)	-	-
Liabilities / provisions no longer required written back	71.99	30.92
Guarantee commission	530.86	121.44
Others	1.10	5.91
Total	**612.80**	**165.97**

₹ in Million

Note No.25 COST OF MATERIALS CONSUMED	December 31, 2012	December 31, 2011
Opening stock	964.38	888.07
Add: Purchases	2,622.51	3,254.69
Closing stock	771.47	964.38
Cost of materials consumed	**2,815.42**	**3,178.38**

Cost of materials consumed comprises:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Active pharmaceutical ingredients and other raw materials	2,523.09	2,896.06
Primary packing materials	163.35	152.33
Secondary packing materials	128.98	129.99
Total	**2,815.42**	**3,178.38**

NOTES forming part of the financial statements

₹ in Million

Note No.26 PURCHASE OF TRADED GOODS	December 31, 2012	December 31, 2011
Traded goods	1,003.07	1,072.11
Total	**1,003.07**	**1,072.11**
Traded goods comprises		
- Tablets	780.48	574.92
- Injectables	78.91	432.35
- Capsules and others	143.68	64.84
Total	**1,003.07**	**1,072.11**

₹ in Million

Note No.27 (INCREASE) / DECREASE IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE	December 31, 2012	December 31, 2011
Inventories at the end of the year		
- Finished goods	102.97	81.34
- Work-in-progress	69.48	153.22
- Stock-in-trade	99.61	104.26
	272.06	**338.82**
Inventories at the beginning of the year		
- Finished goods	81.34	117.65
- Work-in-progress	153.22	160.99
- Stock-in-trade	104.26	126.36
	338.82	**405.00**
Net (increase) / decrease	**66.76**	**66.18**

₹ in Million

Note No.28 EMPLOYEE BENEFITS EXPENSES	December 31, 2012	December 31, 2011
Salaries and wages	589.09	551.39
Contributions to provident and other funds (Refer note 45)	73.87	36.03
Expenses on Employee Stock Option Plans (Refer note 44)	-	-
Staff welfare expenses	46.23	42.34
Total	**709.19**	**629.76**

NOTES forming part of the financial statements

₹ in Million

Note No.29 OTHER EXPENSES	December 31, 2012	December 31, 2011
Subcontracting	30.66	38.16
Power and fuel	94.04	98.54
Water	1.33	1.58
Rent including lease rentals	26.25	37.14
Repairs and maintenance:		
- Buildings	4.72	6.18
- Machinery	30.72	26.55
- Others	19.75	18.48
Insurance	12.39	13.49
Rates and taxes	29.92	15.97
Communication	12.05	12.39
Travelling and conveyance	84.29	105.08
Printing and stationery	6.98	7.38
Freight and forwarding	187.50	243.34
Sales commission	48.31	80.14
Business promotion	67.66	80.98
Donations and contributions	0.12	0.98
Legal and professional	101.70	60.19
Payments to auditors (Refer Note (i) below)	10.70	7.90
Bad debits written off / Provision for doubtful trade and other receivables	20.56	35.79
Loss on fixed assets sold	1.38	4.29
Consumables	84.23	68.55
Biostudy expenses	16.59	26.69
Net loss on foreign currency transactions	437.30	30.29
Unbilled revenue written off	187.47	-
Miscellaneous expenses	51.95	40.94
Total	**1,568.57**	**1,061.02**

Note:

(i) *Payments to the auditors comprises (net of service tax input credit):*

₹ in Million

Particulars	December 31, 2012	December 31, 2011
As auditors - statutory audit	6.50	5.50
For taxation matters	0.80	0.70
For other services	3.20	1.00
Reimbursement of expenses	0.20	0.70
Total	**10.70**	**7.90**

NOTES forming part of the financial statements

₹ in Million

Note No.30 FINANCE COSTS	December 31, 2012	December 31, 2011
Interest expense on:		
Borrowings	540.69	655.26
Bank charges and commission	171.51	150.64
Total	**712.20**	**805.90**

₹ in Million

Note No.31 EXCEPTIONAL ITEMS	December 31, 2012	December 31, 2011
Exchange gain / (loss) net (Refer note (i) below)	(646.53)	370.21
Changes in fair value of embedded derivatives in FCCBs - gain (Refer note 51.1)	2.09	188.85
Net gain on sale of long-term investments (Refer note 13(ii))	0.35	-
Total	**(644.09)**	**559.06**

Note:

(i) Exchange gain / (loss) net comprises:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Exchange gain / (loss) on restatement of FCCBs	181.27	(648.64)
Exchange gain / (loss) on restatement of long-term foreign currency loans	(180.73)	(581.69)
Exchange gain / (loss) on share application money to the extent considered as monetary items (Refer note 42)	(698.07)	1,564.00
Exchange gain / (loss) on restatement of loans to subsidiaries	3.91	36.54
Exchange gain / (loss) on sale of investment in subsidiary (Refer 13(i))	47.09	-
Total	**(646.53)**	**370.21**

₹ in Million

Note No.32 TAX EXPENSES	December 31, 2012	December 31, 2011
Current tax expenses	206.50	192.50
Less: MAT credit availed	(167.50)	(110.00)
Net tax expenses	**39.00**	**82.50**

NOTES forming part of the financial statements

₹ in Million

Note No.33 DETAILS OF CONSUMPTION OF IMPORTED AND INDIGENOUS MATERIALS	December 31, 2012	December 31, 2011
Imported	1,613.13	1,122.88
- Percentage to the total consumption	57%	35%
Indigenous	1,202.29	2,055.50
- Percentage to the total consumption	43%	65%
Total	**2,815.42**	**3,178.38**

₹ in Million

Note No.34 VALUE OF IMPORTS CALCULATED ON CIF BASIS	December 31, 2012	December 31, 2011
Raw materials	1,379.15	1,241.02
Capital goods	69.29	37.12
Other goods	66.07	11.56
Total	**1,514.51**	**1,289.70**

₹ in Million

Note No.35 EXPENDITURE IN FOREIGN CURRENCY	December 31, 2012	December 31, 2011
Travel expenses	1.09	4.50
Sales commission	1.93	13.10
Interest and bank charges (Refer note (i))	209.79	170.15
Legal and professional fees (Refer note (ii))	57.80	11.75
Membership and subscription	12.50	1.34
Product Registration and Renewal Charges	16.48	-
Business promotion	0.05	5.35
Others	11.78	18.17
Total	**311.42**	**224.36**

(i) Includes amount debited to Reserve for Business Restructure (BRR) of ₹ 188.65 Million (Previous year ₹ 148.91 Million).

(ii) Includes amount debited to Reserve for Business Restructure (BRR) of ₹ 42.31 Million (Previous year Nil).

NOTES forming part of the financial statements

₹ in Million

Note No.36 DETAILS OF RESEARCH AND DEVELOPMENT EXPENDITURE INCURRED (CHARGED TO STATEMENT OF PROFIT AND LOSS)	December 31, 2012	December 31, 2011
Salaries and wages	30.84	29.78
Materials	-	54.00
Legal and professional fees	4.63	6.37
Bio Study expense	16.59	26.68
Consumables	47.01	46.11
Travelling and conveyance	0.93	0.15
Others	7.04	7.80
Total	**107.04**	**170.89**

₹ in Million

Note No.37 EXPENDITURE DEBITED TO STATEMENT OF PROFIT AND LOSS IS NET OF THE FOLLOWING EXPENSE CROSS CHARGED BY THE COMPANY TO ITS SUBSIDIARIES	December 31, 2012	December 31, 2011
Employee benefit expenses	150.36	96.68
Other expenses	146.37	131.41
Total	**296.73**	**228.09**

₹ in Million

Note No.38 EARNINGS IN FOREIGN CURRENCY	December 31, 2012	December 31, 2011
FOB value of export of goods / contracts	5,098.96	5,404.61
Development income	30.17	447.59
Royalty income	507.15	-
Guarantee Commission	516.34	121.44
Advisory services fees	308.46	-
Interest income	11.61	342.87
Other income	9.20	9.82
Total	**6,481.89**	**6,326.33**

NOTES forming part of the financial statements

Note No. 39

FOREIGN CURRENCY CONVERTIBLE BONDS

The Company had issued zero coupon Foreign Currency Convertible Bonds (FCCB's) (listed in the Singapore Exchange Securities Trading Limited, Singapore) to the extent of USD 100 Million (FCCB 100 Million) during the year ended December 31, 2007 which were redeemable on June 27, 2012. During the term the FCCBs were outstanding, they were convertible at ₹ 461.55 per share with a fixed rate of exchange of ₹ 40.70 per USD on conversion. In 2009, as permitted by RBI, the Company had bought back FCCB's with a face value aggregating to USD 20 Million. On the due date for redemption, FCCBs with a face value of USD 80 million were outstanding which were redeemed along with an effective premium of USD 36.05 million (net) in terms of the contract. The premium paid out to the FCCB holders has been subjected to withholding taxes (₹ 236.84 Million) under the provisions of the Income tax Act.

Note No. 40

SCHEME OF ARRANGEMENT UNDER SECTION 391 – 394 OF THE COMPANIES ACT, 1956

40.1 The shareholders of the Company, in their meeting held on April 13, 2009 approved the Scheme of Restructuring that envisaged interalia 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 (Transferor companies) of the Company 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.

40.2 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, shall be debited to the BRR. The maximum amount that can be written off against the BRR instead of being debited to the Statement of Profit and Loss 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. Any unutilised balance in the BRR is required to be transferred to Securities premium account by December 31, 2012.
- 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.

40.3 The accounting treatment effected for the Scheme is 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 shareholders, amounting to ₹ 146.77 Million was credited to BRR during the year ended December 31, 2009.

(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.

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
	Net amount credited to BRR	**6,891.77**

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:

(i) During the current year, an amount of ₹ 65.16 Million has been transferred from Securities premium account to the BRR during 2012.

(ii) The following expenses have been adjusted against the BRR during the year ended:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Inventories written off	-	35.55
Amortisation of brands / depreciation	169.98	170.04
Impairment of fixed assets	-	26.59
Employee benefits expenses (including cost under ESOP)	20.87	31.62
Finance costs	188.65	148.90
Other expenses (net)	72.31	68.09
Total expenses (net) debited to BRR	**451.81**	**480.79**

Had the Scheme not prescribed the above accounting treatment, these expenses would have been included in the Statement of Profit & Loss for the respective years.

(iii) 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 Statement of Profit and Loss

₹ in Million

Particulars	For the year ended	
	December 31, 2012	December 31, 2011
	(Increase) / Decrease	
Cost of materials consumed	-	(35.55)
Employee benefits expenses	(20.87)	(31.62)
Other expenses	(72.31)	(68.09)
Finance costs	(188.65)	(148.90)
Depreciation and amortisation	(169.98)	(196.63)
Impact on net profit after tax	**(451.81)**	**(480.79)**

Particulars	For the year ended Amount in ₹	
After considering the above adjustments the Earnings/(Loss) per share would have been:	December 31, 2012	December 31, 2011
- Basic	1.84	12.03
- Diluted	(1.37)	11.92

NOTES forming part of the financial statements

In the Balance sheet

₹ in Million

Particulars	As at December 31, 2012	As at December 31, 2011
	(Increase) / Decrease	
BRR	(3,846.38)	(4,233.03)
Statement of Profit and Loss	(3,257.32)	(2,805.51)
Investments in equity shares in Agila Specialties Private Limited (a Wholly Owned Subsidiary)	(5,856.20)	(5,856.20)
Revaluation reserve	870.93	925.90
Capital Reserve	146.77	146.77

Note No. 41

In 2011, the Company transferred its non-current investment in Onco Therapies Limited (`OTL'), a wholly owned subsidiary of the Company, to Agila Specialties Private Limited (`ASPL'), another wholly owned subsidiary of the Company for a total consideration of ₹ 2,344.12 Million which was receivable as at December 31, 2011. In 2012, ₹ 2,300 Million out of the consideration has been settled through allotment of equity shares in ASPL.

Note No. 42

As of December 31, 2011, the Company had remitted an amount of USD 162.83 Million in Agila Specialties Limited, Cyprus ('Agila Cyprus', formerly known as Starsmore Limited) and USD 114.42 Million in Strides Arcolab International Limited (SAIL), both wholly owned subsidiaries of the Company. These remittances were towards subscription of shares of these entities and as at December 31, 2011, shares were pending allotment. Out of the above, monies aggregating to USD 99.00 Million (₹ 5,273.70 Million) remitted to Agila Cyprus and USD 93.00 Million (₹ 4,954.11 Million) remitted to SAIL have been considered as monetary items as the Company expected these to be refunded. Accordingly, these were restated in accordance with the requirements of Accounting Standard 11 `The Effect of Changes in Foreign Exchange Rates' as at December 31, 2011 and an unrealised exchange gain of ₹ 1,564 Million was included under exceptional items in the Statement of Profit and Loss. In 2012, the Company has received these monies and exchange fluctuations arising thereon have also been included under exceptional items in the Statement of Profit and Loss.

Note No. 43

CONTINGENT LIABILITIES

43.1 The Company has given corporate guarantees upto ₹ 26,298.57 Million (Previous year ₹ 4,572.94 Million) to financial institutions and other parties, on behalf of its subsidiaries. At December 31, 2012, the subsidiaries had availed facilities from such financial institutions/ were obligated to the parties referred above for an aggregate amount of ₹ 4,068.85 Million (Previous year ₹ 3,672.54 Million). The Company has additionally provided its fixed assets (under a paripassu second charge) as security in respect of some of these facilities.

43.2 The Company has disputed tax liabilities arising from assessment proceedings relating to earlier years from the income tax authorities amounting to ₹ 741.31 Million (Previous year ₹ 741.27). The outflow on account of disputed taxes is dependent on completion of assessments.

43.3 The Company has preferred an appeal with the CESTAT against the order of the Commissioner of Central Excise 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. The outflow on account of disputed taxes is dependent on completion of assessments.

Note No. 44

EMPLOYEE STOCK OPTION PLAN

(a) In the extraordinary general meeting held on January 25, 2007, the shareholders approved the issue of 1,000,000 options under the Plan 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.

As per the Plan, 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 Plan. Options should be exercised within 30 days of vesting. No options are granted under this plan in 2012.

In respect of the ESOP 2006 and all the other Employee Stock Option Plans detailed in this note, (i) 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, (ii) all unvested options will vest immediately in the case of merger, dissolution or change in management of the Company.

(b) The ESOP 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.

During the current year, the Remuneration Committee in its meetings held on January 20, 2012 has granted 100,000 options under the ESOP 2008 to 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 must be exercised with in a period of 30 days from the date of vesting.

(c) The ESOP titled "Strides Arcolab ESOP 2008 (Directors)" (ESOP 2008 Directors Plan) 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 July 27, 2012 has granted 50,000 options under the ESOP 2008 Directors Plan to some Directors of the Company. The shares covered by such options were 50,000 equity shares.

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

(d) The ESOP 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 plan in the current year.

(e) In terms of the Scheme of arrangement, employee compensation costs under the above referred various Employee Stock Option Plans may be recorded to BRR. Consequently, during the year, an amount of ₹ 20.87 Million (net) (Previous year ₹ 19.59 Million) as noted below has been debited to BRR.

₹ in Million

Particulars	ESOP 2006	ESOP 2008	ESOP 2008 (D)	Total
Expenses during the year	9.74	11.63	1.48	22.86
Reversal due to lapse	(0.76)	(1.23)	-	(1.99)
Total	**8.98**	**10.40**	**1.48**	**20.87**

NOTES forming part of the financial statements

Employee stock options details as on the balance sheet date are as follows :

Particulars	During the year 2012		During the year 2011	
	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	472,500	331.15	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	-	-	-	-
Granted during the year				
- ESOP 2006	-	-	500,000	311.40
- ESOP 2008	100,000	323.50	189,500	330.25
- ESOP 2008 (Director)	50,000	609.80	-	-
- ESOP 2011	-	-	-	-
Exercised during the year				
- ESOP 2006	93,500	331.15	150,000	105.75
- ESOP 2008	205,050	245.43	410,500	127.07
- ESOP 2008 (Director)	125,000	59.00	75,000	59.00
- ESOP 2011	-	-	-	-
Lapsed during the year				
- ESOP 2006	13,000	331.15	27,500	311.40
- ESOP 2008	22,900	307.11	131,750	179.95
- ESOP 2008 (Director)	-	-	-	-
- ESOP 2011	-	-	-	-
Options outstanding at the end of the year				
- ESOP 2006	366,000	331.15	472,500	311.40
- ESOP 2008	403,300	314.61	531,250	285.07
- ESOP 2008 (Director)	50,000	59.00	125,000	59.00
- ESOP 2011	-	-	-	-
Options available for Grant				
- ESOP 2006	40,500	-	27,500	-
- ESOP 2008	152,550	-	229,650	-
- ESOP 2008 (Director)	190,000	-	240,000	-
- ESOP 2011	1,500,000	-	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:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
STRIDES ARCOLAB ESOP:		
Net Profit (as reported)	559.86	1,179.25
Add: stock based employee compensation (intrinsic value)	Refer Note Below	
Less: stock based compensation expenses determined under fair value method for the grants issued (See note below)		
Net Profit (proforma)	559.86	1,179.25
		₹
Basic earnings per share (as reported)	9.55	20.30
Basic earnings/ (loss) per share (proforma)	Refer Note below	
Diluted earnings per share (as reported)	5.84	20.13
Diluted earnings/ (loss) per share (proforma)	Refer Note below	

Note: As per the Scheme approved by the Honorable High Courts of Judicature, expense under employee stock option plans have been 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 values of the options have been determined under the Black-Scholes model. The assumptions used in this model for calculating fair value are as below:

Assumptions	December 31, 2012	December 31, 2011
Risk Free Interest Rate	8.85%	8.85%
Expected Life	3 years	3 years
Expected Annual Volatility of Shares	52%	48%
Expected Dividend Yield	0.14%	0.37%

Note No. 45

EMPLOYEE BENEFITS PLANS

Defined contribution plan

The Company makes contributions to provident fund (a defined contribution plans) for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll cost to fund the benefits. The Company recognised ₹ 35.56 Million (Previous year ₹ 33.68 Million) for provident fund contributions. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

Defined benefit plan

The Company offers gratuity under its employee benefit scheme to its employees. The following table sets out the funded status of the defined benefit scheme and the amount recognised in the financial statements:

NOTES forming part of the financial statements

₹ in Million

Sl. No.	Particulars	December 31, 2012	December 31, 2011
I	**Components of employer expense**		
1	Current service cost	9.88	7.97
2	Interest cost	5.61	4.41
3	Expected return on plan assets	(2.82)	(3.31)
4	Curtailment cost/ (credit)	-	-
5	Settlement cost/ (credit)	-	-
6	Past service Cost	-	-
7	Actuarial losses/ (gains)	22.11	2.19
8	Total expense recognised in the Statement of Profit & Loss	34.78	11.26
II	**Actual contribution and benefits payments for year**		
1	Actual benefit payments	7.36	-
2	Actual contributions	-	-
III	**Net asset/ (liability) recognised in balance sheet**		
1	Present value of defined benefit obligation (DBO)	96.87	63.89
2	Fair value of plan assets	19.17	22.07
3	Funded status [surplus/ (deficit)]	(77.70)	(41.82)
4	Unrecognised past service costs	-	-
5	Net asset/ (liability) to be recognised in balance sheet	(77.70)	(41.82)
	Non-current portion	(70.09)	(36.01)
	Current portion	(7.61)	(5.81)
IV	**Change in defined benefit obligations during the year**		
1	Present value of DBO at beginning of period	63.89	55.10
2	Current service cost	9.88	7.97
3	Interest cost	5.61	4.41
4	Curtailment cost/ (credit)	-	-
5	Settlement cost/ (credit)	-	-
6	Plan amendments	-	-
7	Actuarial (gains)/ losses	24.84	(3.58)
8	Benefits paid	(7.36)	-
9	Present Value of DBO at the end of period	96.87	63.89
V	**Change in Fair Value of Assets during the year**		
1	Plan assets at beginning of period	22.07	25.13
2	Acquisition adjustment	(1.09)	(0.60)
3	Expected return on plan assets	2.82	3.31
4	Actual Company contributions	-	-
5	Actuarial (gains)/ losses	2.73	(5.77)
6	Benefits paid	(7.36)	-
7	Plan assets at the end of the year	19.17	22.07
8	Actual return on plan assets	5.55	2.46
VI	**Assumptions**		
1	Discount Rate	8.00%	8.00%
2	Expected Return on plan assets	8.00%	8.00%
3	Salary escalation	10.00%	7.00%
4	Attrition	10.00%	10.00%
5	Mortality tables	Indian Assured Lives Mortality(1994-96) (Modified Ultimate)	Indian Assured Lives Mortality(1994-96) (Modified Ultimate)
	Estimate of amount of contribution in the immediate next year	4.15	5.00

NOTES forming part of the financial statements

Actuarial valuation experience adjustment:

₹ in Million

Particulars	2012	2011	2010	2009	2008
Present value of DBO	96.87	63.89	55.10	85.57	64.39
Fair value of plan assets	19.17	22.07	25.13	27.33	24.60
Funded status surplus / (deficit)	(77.70)	(41.82)	(29.97)	(58.24)	(39.79)
Liability transferred on account of merger	-	-	-	(18.80)	-
Funded status net surplus / (deficit)	(77.70)	(41.82)	(29.97)	(39.44)	(39.79)
Experience gain / (loss) adjustment on plan liabilities	10.95	(3.58)	(35.11)	-	-
Experience gain / (loss) adjustment on plan assets	(2.73)	5.77	14.75	-	-

Actuarial assumptions for long-term compensated absences:

Sl. No.	Particulars	December 31, 2012	December 31, 2011
1	Discount Rate	8.10%	8.50%
2	Expected Return on plan assets	NA	NA
3	Salary escalation	10.00%	7.00%
4	Attrition	10.00%	10.00%

Note:

(a) *The discount rate is based on the prevailing market yields of Government of India securities as at the balance sheet date for the estimated term of the obligations.*

(b) *The estimate of future salary increases considered, takes into account the inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.*

(c) *In the absence of information relating to category wise breakup of plan assets, the same has not been disclosed.*

(d) *The above disclosure on gratuity and compensated absences is to the extent of information available with the Company and as per the actuarial valuation reports for gratuity and compensated absences.*

Note No. 46

Since the Company prepares consolidated financial statements, segment information has not been provided in these financial statements.

NOTES forming part of the financial statements

Note No. 47

RELATED PARTY TRANSACTIONS : NAME OF THE RELATED PARTIES

Wholly owned subsidiaries	**Direct Holding**
	Arcolab Limited SA, Switzerland
	Agila Biotech Private Limited, India (w.e.f. May 16, 2012)
	Agila Specialties Asia Pte. Ltd., Singapore (w.e.f. August 4, 2012)
	Agila Specialties Private Limited, India
	Agila Specialties Limited (formerly Starsmore Limited), Cyprus
	Strides Africa Limited, British Virgin Islands (upto December 25, 2012)
	Strides Arcolab International Limited, U.K (SAIL)
	Strides Emerging Markets Private Limited, India (w.e.f. June 1, 2012 upto November 7, 2012)
	Strides Pharma International Limited, Cyprus (formerly Strides Specialty (Cyprus) Limited)
	Strides Technology & Research Private Limited, India (Under the process of striking off)
	Indirect Holding
	Agila Australasia Pty Limited, Australia (w.e.f. March 22, 2012)
	Agila Biotech (Malaysia) SDN BHD, Malaysia (Formerly Agila Specialties (Malaysia) SDN BHD)
	Agila (NZ) Pty Limited, New Zealand (w.e.f. February 8, 2012)
	Agila Pharma Canada Corporation, Canada (formerly Pharma Strides Canada Corporation)
	Agila Specialties Americas Limited, Cyprus (w.e.f. September 28, 2012) (Formerly Agila Specialties Latina Limited)
	Agila Specialties Asia Pte. Ltd., Singapore (upto August 3, 2012)
	Agila Specialties Global Pte. Ltd., Singapore (w.e.f. September 28, 2012)
	Agila Specialties UK Limited, UK (w.e.f. December 14, 2012)
	Agila Specialties Polska Sp. Z.o.o, Poland (Formerly Strides Arcolab Polska Sp.Z.o.o.)
	Co Pharma Ltd, UK
	Farma Plus AS , Norway
	Onco Laboratories Limited, Cyprus
	Onco Therapies Limited, India
	Plus Farma ehf., Iceland
	Scentia Pharmaceuticals Pty Ltd., Australia (formerly Linkace Investments Pty Ltd),
	Strides Africa Limited, British Virgin Islands (w.e.f. December 26, 2012)
	Strides Australia Pty Limited, Australia
	Strides Emerging Markets Private Limited, India (w.e.f. November 8, 2012)
	Strides Inc., USA
	Strides Pharma (Cyprus) Limited, Cyprus (upto June 28, 2012)
	Strides Pharma Limited, Cyprus (formerly Linkace Limited)

NOTES forming part of the financial statements

	Strides Pharmaceuticals (Holdings) Limited, Mauritius
	Strides Pharmaceuticals (Mauritius) Limited, Mauritius
	Strides S.A. Pharmaceuticals Pty. Limited, South Africa (w.e.f. December 31, 2012)
	Strides Specialties (Holdings) Cyprus Limited, Cyprus
	Strides Specialties (Holdings) Limited, Mauritius
Other Subsidiaries	**Direct Holding: 'NIL'**
	Indirect Holding:
	African Pharmaceuticals Development Company, Cameroon
	Agila Especialidades Farmaceuticas Ltda, Brazil
	Agila Marketing e distribicao de Productos Hospitalaries Ltda. (formerly Ephos – 106 Produtos Hospitalaries Ltda Me), Brazil
	Beltapharm S.p.A., Italy
	Congo Pharma SPRL, Congo
	Inbiopro Solutions Private Limited, India
	Sorepharm SA, Burkinofaso
	SPC Co. Ltd, Sudan
	Strides CIS Limited, Cyprus
	Strides Farmaceutica Participacoes Ltd, Brazil
	Agila Jamp Canada Inc., Canada (w.e.f. March 20, 2012)
	Strides Pharma Cameroon Limited, Cameroon (w.e.f September 26, 2012)
	Strides Pharma (Cyprus) Limited, Cyprus (w.e.f. June 28, 2012)
	Strides Pharma Namibia (Pty) Ltd, Namibia
	Strides S.A. Pharmaceuticals Pty. Limited, South Africa (upto December 30, 2012)
	Strides Vital Nigeria Limited, Nigeria
	Ascent Pharmahealth Limited, Australia (upto January 24, 2012)
	Ascent Pharmahealth Asia Pte., Limited, Singapore (upto January 24, 2012)
	Ascent Pharma Pty Limited (formerly Genepharm Pty Limited), Australia (upto January 24, 2012)
	Ascent Pharmacy Services Pty Limited, Australia (upto January 24, 2012)
	Ascent Pharmaceuticals Limited (formerly Genepharm (New Zealand) Limited), New Zealand (upto January 24, 2012)
	Ascent Pharmahealth Asia (Hong Kong) Limited (formerly Strides Arcolab Hong Kong Limited) , Hong Kong (upto January 24, 2012)
	Ascent Pharmahealth Asia (Malaysia) SDN BHD (formerly Strides Arcolab Malaysia SDN. BHD) , Malaysia (upto January 24, 2012)
	Drug Houses of Australia (Asia) Pte. Limited, Singapore (upto January 24, 2012)
	Pharmasave Australia Pty Limited, Australia (upto January 24, 2012)

NOTES forming part of the financial statements

Joint Ventures (JV)	Akorn Strides LLC, USA
	Sagent Agila LLC, USA (formerly Sagent Strides LLC)
Key Management Personnel	Arun Kumar (Vice Chairman & Managing Director)
	V.S. Iyer (Director upto May 25, 2012)
Enterprises owned or significantly influenced by key management personnel and relative of key management personnel	Atma Projects, India
	Agnus Holdings Private Limited, India
	Agnus Global Holdings Pte Limited, Singapore
	Agnus IPCO Limited, BVI
	Mandala Valley Vineyards Private Limited, India
	Nous Infosytems Private Limited, India
	Patsys Consulting Private Limited, India
	Santo Properties Private Limited, India
	SeQuent Scientific Limited, India
	SeQuent Research Limited, India
	SeQuent Penems Private Limited, India
	SeQuent Global Holdings Limited, Mauritius
	SeQuent Antibiotics (P) Limited, India
	SeQuent Oncolytics (P) Limited, India
	Skanray Healthcare Private Limited, India (Formerly known as Triumph Fincap Ventures Private Limited)
	Karuna Ventures Private Limited, India
	Paradime Infrastructure Development Company
	Deesha Properties, India
	Agnus Capital LLP, India
	Atma Enterprises LLP, India
	Chayadeep Ventures LLP, India
	Qualichem Remedies LLP, India
	Triumph Venture Holdings LLP, India
	Chayadeep Properties Private Limited, India
	Higher Pharmatech Private Limited, India
	Keerthapathi Ravishankar – HUF
	Pronomz Ventures LLP, India
	Deepa Arun Kumar
	Hemalatha Pillai
	Jyothi Iyer
	Padma Kumar Pillai
	Rajeshwari Amma
	Usha Rani
	K Saraswathi

RELATED PARTY BALANCES AS AT 31ST DECEMBER 2012

₹ 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	
		As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011
	Advances Receivable/(Payable) as at										
1	Ascent Pharmahealth Asia Pte Limited			-	0.44						
2	Beltapharm S.p.A			0.24	0.24						
3	Co Pharma Limited	(0.10)	-								
4	Linkace Limited	195.56	(168.94)								
5	Onco Therapies Limited	44.96	139.58								
6	Agila Specialties Limited	626.08	8,766.97								
7	Strides Africa Limited	3.27	3.06								
8	Strides Arcolab International Limited	513.50	5,952.44								
9	Agila Specilaties Polska Sp. Z.o.o,	75.68	66.40								
10	Strides Inc	(74.92)	(63.06)								
11	Strides SA Pharmaceuticals Pty Limited			(1.89)	0.05						
12	Agila Specialties Private Limited	411.17	543.79								
13	Strides Vital Nigeria Limited			0.03	0.01						
14	Mr. Arunkumar							(20.89)	(10.39)		
15	Mr. V.S. Iyer							-	(39.84)		
16	Strides Pharma Cyprus Limited	(6.92)	(9.20)								
17	Agila Especialidades Farmaceuticas Ltda			14.86	12.45						
18	Onco Laboratories Limited	(17.36)	0.02								
19	Agila Biotech Private Limited	51.25	-								

₹ 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	
		As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011
20	Atma Projects									40.00	40.00
21	Strides Emerging Markets	0.38	-								
22	Strides Farmaceutica Participacoes Ltd.			43.97	-						
23	Strides Specialties (Cy) Ltd	69.18	-								
	Balance of trade payables (net of advance paid) as at										
1	Chayadeep Properties Private Limited									-	(0.61)
2	Sequent Scientific Limited									(0.01)	(0.01)
3	Onco Therapies Limited	-	(50.57)								
4	Agila Specialties Private Limited	-	(364.94)								
5	Sequent Research Limited									(2.36)	(2.52)
6	Co-Pharma Limited	(1.62)	(1.27)								
7	Strides Pharma Cyprus Limited			(0.09)	-						
8	Drug Houses of Australia (Asia) Pte Ltd			-	(0.14)						
9	Belta Pharma Spa			(0.63)	(0.59)						
	Loans receivable as at										
1	Strides Arcolab International Limited	242.14	227.12								
2	Agila Specilaties Polska Sp. Z.o.o,	21.95	19.66								
	Balance of trade receivables (net of advance received) as at										
1	Ascent Pharmahealth Asia Pte Limited			-	21.20						

₹ 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	
		As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011
2	Ascent Pharma Pty Limited			-	47.11						
3	Agila Specialties Private Limited	63.52	288.07								
4	Co-Pharma Limited	72.99	283.95								
5	Drug Houses of Australia (Asia) Pte Limited			-	4.42						
6	Onco Therapies Limited	0.26	1.02								
7	Sagent Strides LLC					-	0.02				
8	Sequent Scientific Limited									-	(1.68)
9	Agila Specilaties Polska Sp. Z.o.o,	-	2.54								
10	Strides Inc	181.19	12.46								
11	Strides Vital Nigeria Limited			33.32	28.37						
12	Strides Pharma Cyprus Limited	157.32	256.63								
13	Agila Specialties Limited	(21.12)	(21.12)								
14	Onco Laboratories Limited	-	0.02								
15	Farma Plus AS	4.53	-								

RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 2012

₹ in Million

S L . No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011
	Sales of materials/services								
1	Agila Specialties Private Limited	202.47	283.40						
2	Ascent Pharmahealth Asia Pte Limited			-	314.32				
3	Ascent Pharma Pty Ltd			7.73	190.15				
4	Co-Pharma Limited	192.58	485.00						
5	Drug Houses of Australia (Asia) Pte Limited			1.62	13.87				
6	Onco Therapies Limited	0.35	0.03						
7	Sequent Scientific Limited							0.08	0.15
8	Agila Specilaties Polska Sp. Z.o.o,	-	4.68						
9	Strides Inc.	297.54	12.77						
10	Strides Pharma Cyprus Limited	477.56	423.43						
11	Strides Vital Nigeria Limited			8.18	28.37				
12	Farma Plus AS	15.70	-						
	Interest received								
1	Strides Arcolab International Limited	10.26	9.00						
2	Agila Specilaties Polska Sp. Z.o.o,	1.34	1.23						
3	Agila Specialties Private Limited	293.04							
4	Onco Therapies Limited	14.33	-						
	Recovery of interest								
1	Agila Specialties Private Limited	-	39.35						
	Guarantee Commission received								
1	Agila Specialties Limited	69.14	121.44						
2	Agila Specialties Private Limited	14.52	-						

₹ in Million

S L . No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011
3	Strides Farmaceutica Participacoes Ltda, Brazil			54.34	-				
4	Strides Pharma Limited	373.09	-						
5	Strides Pharma International Limited	19.77	-						
	Management advisory fees income from								
1	Agila Specialties Limited	308.46	306.58						
2	Strides Arcolab International Limited	-	26.40						
	Rental income from operating leases								
1	Agila Specilaties Polska Sp. Z.o.o,	8.85	7.70						
	Other Income								
1	Ascent Pharmahealth Ltd			-	2.11				
	Purchase of materials/services								
1	Agila Specialties Private Limited	156.57	546.84						
2	Co Pharma Limited	-	1.22						
3	Onco Therapies Limited	29.42	41.50						
4	Sequent Research Limited							26.97	24.26
5	Sequent Scientific Limited							0.07	2.39
6	Drug Houses of Australia (Asia) Pte Limited			-	0.14				
	Sale of Machinery/Assets								
1	Onco Therapies Limited	0.03	0.01						
2	Sequent Scientific Limited							0.09	0.33
3	Agila Specialties Private Limited	0.80	0.36						
	Purchase of Machinery/Assets								
1	Agila Specialties Private Limited	0.78	-						

₹ in Million

S L . No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011
	Interest Paid								
1	Onco Therapies Limited	-	7.18						
	Managerial Remuneration								
1	Arun Kumar					45.00	49.00		
2	V.S.Iyer					13.52	83.75		
	Reimbursement of Expenses Incurred by								
1	Beltapharm S.p.A			-	0.59				
2	Co Pharma Limited	9.78	1.11						
3	Strides Africa Limited	-	0.07						
4	Strides Inc.	25.47	4.21						
5	Strides Pharma Cyprus Limited	0.05	2.00						
6	Agila Specialties Limited	-	0.07						
7	Farma Plus AS	-	11.69						
8	Strides Farmaceutica Participacoes Ltd.			10.57	-				
9	Onco Therapies Limited	0.13	-						
10	Agila Specilaties Polska Sp. Z.o.o,	0.99	-						
11	Strides SA Pharmaceuticals Pty Limited			5.49	-				
12	Agila Specialties Private Limited	19.37	-						
	Reimbursement of Expenses Incurred on behalf of								
1	Agila Specialties Private Limited	306.41	199.78						
2	Agila Especialidades Farmaceuticas Ltda, Brazil			2.08	8.15				
3	Onco Therapies Limited	19.56	14.15						
4	Sequent Scientific Limited							-	0.03
5	Agila Specilaties Polska Sp. Z.o.o,	0.12	3.26						
6	Strides Vital Nigeria Limited			0.02	0.01				
7	Agila Specialties Limited	0.13	-						
8	Strides Pharma Cyprus Limited	2.81	1.61						

₹ in Million

S L . No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011
9	Strides Pharma Limited	-	1.06						
10	Onco Laboratories Limited	-	0.03						
11	Strides Emerging Markets	0.38	-						
12	Strides Pharma International Limited	-	-						
13	Agila Biotech Private Limited	36.25	-						
14	Strides Inc	1.88	-						
15	Strides Pharma International Limited	26.34							
	Rent Paid								
1	Atma Projects							32.23	31.94
2	Chayadeep Properties Private Limited							4.63	4.85
	Loans / advances given / Repaid by Company								
1	Agila Specialties Private Limited	4,446.81	5,798.70						
2	Onco Therapies Limited	578.11	2,423.01						
3	Agila Specialties Limited	-	457.02						
4	Strides Arcolab International Limited	-	31.04						
5	Strides SA Pharmaceuticals (PTY) Ltd			-	1.86				
6	Agila Biotech Pvt Ltd	15.00	-						
	Loans / advances taken by company / repaid to company								
1	Strides Pharma Limited	-	157.41						
2	Onco Therapies Limited	630.22	1,854.22						
3	Agila Specialties Ltd	975.24	522.19						
4	Strides Arcolab International Limited	-	16.77						
5	Strides Inc.	12.72	95.53						
6	Agila Specialties Private Limited	2,819.93	8,287.98						
7	Onco Laboratories Limited	17.71	-						
	Investments during the period								
1	Onco Therapies Limited	-	101.99						

₹ in Million

S L . No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011
2	Agila Specialties Private Limited	2,300.00	-						
3	Strides Arcolab International Limited	706.08	-						
4	Agila Specialties Limited	2,250.84	-						
5	Agila Biotech Private Limited	0.13	-						
6	Agila Specialties Asia Pte. Limited, Singapore	26.68	-						
7	Strides Emerging Markets Private Limited	0.13	-						
8	Strides Pharma International Limited	-	0.05						
	Advance paid towards investment								
1	Strides Pharma International Limited	23.07	-						
	Investments sold to								
1	Agila Specialties Private Limited	-	2,344.12						
2	Agila Specialties Limited	245.77							
3	Strides Pharma Cyprus Limited	0.10							
	Share application money paid								
1	Strides Arcolab International Limited	288.24	2,988.69						
2	Agila Specialties Limited	222.90	1,728.11						
	Refund of Share application money								
1	Strides Arcolab International Limited	4,653.90	449.75						
2	Agila Specialties Limited	5,276.03	1,163.42						
	Receipt of Share application monies against ESOP allotment								
1	V.S.Iyer					-	5.29		
	Guarantees given on behalf of								
1	Strides Pharma Limited	20,289.28	799.05						
2	Agila Specialties Limited	3,585.40	3,462.55						
3	Agila Speclaties Polska Sp. Z.o.o,	751.29	710.39						
4	Agila Specialties Private Limited	2,500.00	400.00						
5	Strides Farmaceutica Participacoes Ltda			2,758.00	2,663.50				
6	Strides Pharma International Limited	1,958.18	-						

Note No. 48

DETAILS OF LEASING ARRANGEMENTS

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 Statement of Profit and Loss is ₹ 26.25 Million (Previous year ₹ 37.14 Million).

The Company 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 10%. Details of the lease commitment at the year end are as follows:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Up to one year	41.42	39.01
From one year to five years	181.08	174.84
Above five years	34.91	82.57
Total	**257.41**	**296.42**

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 Polska Sp.Z.o.o

Details relating these assets are as follows:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Gross carrying amount of assets leased	44.96	44.96
Accumulated depreciation	17.67	14.33
Future minimum lease income under the initial term		
Not later than one year	8.97	8.79
Later than one year but not later than 5 years	10.46	19.04
Later than 5 years	-	-

Note No. 49

EARNINGS PER SHARE

₹ in Million

Particulars	For the year ended December 31, 2012	For the year ended December 31, 2011
Basic		
Net profit for the year attributable to the equity shareholders (₹ in Million)	559.86	1,179.25
Weighted average number of equity shares	**58,646,080**	**58,077,558**
Par value per share	₹ 10/-	₹ 10/-
Earnings per share – Basic	**₹ 9.55**	**₹ 20.30**
Diluted		
Net profit for the year	559.86	1,179.25
Exchange fluctuation, interest expenses and option costs / (gains) on Foreign Currency Convertible Bonds (FCCBs) (Net)	(193.71)	-
Net profit attributable to equity shareholders	**366.16**	**1,179.25**

NOTES forming part of the financial statements

₹ in Million

Particulars	For the year ended December 31, 2012	December 31, 2011
Weighted average number of Shares for Basic EPS	58,646,080	58,077,558
Add: Effect of outstanding Warrants, employee stock options & FCCBs as applicable	4,066,924	498,161
Weighted average number of equity shares for diluted EPS	**62,713,004**	**58,575,719**
Par value per share	₹ 10/-	₹ 10/-
Earnings per share – Diluted	**₹ 5.84**	**₹ 20.13**

Note: *for the purpose of computing diluted earnings per share, the existence of FCCB's until the date of redemption has been considered in accordance with AS 20 ('Earnings per Share'). The FCCB's are anti dilutive for 2011 and hence ignored for computing diluted EPS in 2011.*

Note No. 50

TRANSFER PRICING

The detailed Transfer Pricing regulations ('regulations') for computing the income from transactions between 'associated enterprises' on an 'arm's length' basis is applicable to the Company. 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 regulations. The Management is of the opinion that the 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.

Note No. 51

EARLY ADOPTION OF AS-30: FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT, ISSUED BY INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

The Company has chosen to early adopt AS 30: 'Financial Instruments: Recognition and Measurement', (as announced by the Institute of Chartered Accountants of India (ICAI)) during the year ended December 31, 2008, with effect from January 1, 2008. However, pursuant to a notification issued by the ICAI on February 11, 2011, the Company has adopted AS30 only to the extent they do not conflict with the other mandatory accounting standards notified under Section 211(3C) of the Companies Act, 1956.

The impact of adoption of AS30 as above is as follows:

51.1 Foreign Currency Convertible Bonds (the 'FCCBs' or the 'Bonds'):

The FCCBs were 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 if the conversion option was not exercised by FCCB-holder, net of issuance costs.

The debt component was recognised and measured at amortised cost while the fair value of the option component was determined using a valuation model using the following 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:

NOTES forming part of the financial statements

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 Statement of Profit and Loss.

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

During the year ended December 31, 2011:

(a) Amortisation of interest of ₹ 147.48 Million (net) and redemption premium (net) on FCCBs amounting to ₹ 676.23 Million had been recorded in the Statement of Profit and Loss 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 had been recorded in the Statement of Profit & Loss under exceptional items.

During the year ended December 31, 2012:

(a) Amortisation of interest (net) ₹ 84.98 Million and redemption premium (net) on FCCBs amounting to ₹ 164.13 Million have been recorded in the Statement of Profit and Loss and in the Securities premium account respectively.

(b) Change in the fair values of option component in the FCCBs, being a gain of ₹ 2.09 Million has been recorded in the Statement of Profit & Loss under exceptional items.

51.2 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. At December 31, 2012 and December 31, 2011, the fair values of such financial assets and financial liabilities amount to ₹ Nil.

51.3 Gains/ losses on fair valuation of all the open derivative positions as on December 31, 2012 not designated as hedging instruments have been recognised in the Statement of Profit and Loss.

NOTES forming part of the financial statements

51.4 The Company has availed bill discounting facilities from Banks which do not meet the de-recognition criteria for transfer of contractual rights to receive cash flows from the respective trade receivables since they are with recourse to the Company. Accordingly, as at December 31, 2012, trade receivables balances include ₹ 515.99 Million (Previous year ₹ 1,130.70 Million) and the corresponding financial liability to the Banks is included as part of short-term secured loans.

51.5 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 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 hedge being effective has been recognised in a Hedge reserve account in the Balance sheet. Accordingly exchange fluctuations losses amounting to ₹ 6.59 Million as at December 31, 2012 (At December 31, 2011 ₹ 447.10 Million) have been recognised in the Hedge Reserve account. These exchange differences are considered in Statement of Profit and Loss as and when the forecasted transactions occur.

Note No. 52

DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS TO THE EXTENT NOT DISCLOSED ELSEWHERE IN THE FINANCIAL STATEMENTS

52.1 Breakup of Allowance for Credit Losses is as under :

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Provision for doubtful trade and other receivables at the beginning of the year	42.03	69.04
Additional provision during the year	26.22	4.39
Provision reversed/ written off during the year	(31.79)	(31.40)
Provision for doubtful trade and other receivables at the beginning of the end year	**36.46**	**42.03**

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

The following derivative positions are open as at December 31, 2012. 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 Statement of Profit and Loss 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 which qualified as Cash flow hedging instruments.

Particulars	Amount	Amount	Buy/Sell	Cross Currency
December 31, 2012	USD	9,000,000	Sell	Rupees
December 31, 2011	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 year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

At December 31, 2012			At December 31, 2011		
Receivable/ (Payable) ₹ in Million	Receivable/ (Payable) In Foreign currency		Receivable/ (Payable) ₹ in Million	Receivable/ (Payable) In Foreign currency	
(3,413.16)	USD	(61.88)	882.05	USD	16.56
51.64	EUR	0.72	21.41	EUR	0.31
203.39	AUD	3.62	183.90	AUD	3.44
85.28	GBP	0.97	182.50	GBP	2.25
(4.16)	ZAR	(0.64)	0.24	ZAR	0.04
0.18	SGD	0.00	0.13	SGD	0.003
(10.32)	BRL	(0.38)	-	BRL	-
4.32	CHF	0.07	-	CHF	-
(5.02)	JPY	7.78	-	JPY	-
0.00	KRW	0.10	-	KRW	-
(0.76)	SEK	(0.09)	-	SEK	-
0.02	XOF	0.15	-	XOF	-
0.00	ZMK	0.16	-	ZMK	-

III. There were no outstanding option contracts as at December 31, 2012.

52.3 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, 2012	December 31, 2011
Trade receivables	1,930.96	2,642.83
Unbilled revenues	141.49	305.62
Advance recoverable in cash	294.86	512.80
Loans and advances to subsidiaries	2,314.23	15,732.26
Cash and Bank Balances	293.30	814.61

NOTES forming part of the financial statements

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:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Secured borrowings		
Long-term (including current maturities)	648.97	2,138.55
Short-term	2,935.81	4,042.28
Unsecured borrowings		
Long-term (including current maturities)	2,758.00	2,663.50
Foreign currency convertible bonds (debt component)	-	5,854.24
Short term loans	-	100.00
Other long-term liabilities		
Gratuity	70.09	36.01
Other liabilities	9.85	9.85
Current liabilities		
Trade payables	1,429.38	2,096.12
Interest accrued but not due	74.15	86.42
Unclaimed dividends	2.35	2.41
Payable on purchase of fixed assets	12.12	8.07
Gratuity	7.61	5.81
Other liabilities	125.13	128.71
Provision for		
Compensated absences	75.19	66.69
Payable to employees under long-term incentive plan	365.16	544.30
Equity dividends (including dividend distribution tax thereon)	136.69	135.93

(c) Financial Liabilities Held for Trading are as follows:

i. 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 ₹ Nil as at December 31, 2012 (since the FCCB's were redeemed during 2012) and ₹2.09 Million as at December 31, 2011. The difference in carrying value between the two dates, amounting to ₹ 2.09 Million is considered as a gain in the Statement of Profit and Loss 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 51.1 above on FCCBs for detailed disclosure on the valuation method.

ii. Provisions carried towards mark to market losses on forward exchange contracts ₹ 6.59 Million as at December 31, 2012 and ₹ 447.10 Million as at December 31, 2011.

(d) **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 Ventures).
- Financial liabilities:
  - Carried at fair value through profit and loss designated as such at initial recognition.

52.4 Financial assets pledged :

The following financial assets have been pledged:

₹ in Million

Financial Asset	Carrying value December 31, 2012	Carrying value December 31, 2011	Liability/ Contingent Liability for which pledged as collateral	Terms and conditions relating to pledge
I. Margin Money with Banks				
A. Margin Money for Letter of Credit	84.91	116.59	Letter of Credit	The Margin Money is in the form of 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	19.48	7.33	Bank Guarantee	The Margin Money is in the form of 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. Trade receivables	515.99	1,130.70	Bills discounted	The Bills discounted with Banks are secured by the Receivable

52.5 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 counterparties to financial transactions, and the availability of funds to meet business needs. The Balance Sheet as at December 31, 2012 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 forming part of the financial statements

Financial Assets/ Liabilities:

₹ in Million

Particulars	December 31, 2012	December 31, 2011
Fixed		
Financial Assets	2,660.61	4,275.86
Financial Liabilities	(2,322.03)	(9,526.05)
	338.58	**(5,250.19)**
Floating		
Financial Assets	2,314.23	15,732.26
Financial Liabilities	(6,335.06)	(8,842.03)
	(4,020.83)	**6,890.23**

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 contractual cash flows payable under financial liabilities and derivatives as at December 31, 2012. (Figures in brackets relates to Previous Year)

₹ in Million

	Due within (years)					
Financial Liabilities	1	1 and 2	2 and 3	3 and 4	4 and 5	5 & above
Bank & other borrowings	3,492.61 (5,103.88)	482.13 (834.44)	740.55 (319.87)	689.50 (519.53)	741.63 (665.88)	188.65 (1,398.44)
Interest payable on borrowings	74.15 (86.42)					
Hire Purchase liabilities	3.56 (1.10)	3.24 (0.80)	0.92 (0.40)			
Other Borrowings	- (5,954.24)					
Trade and other payables not in net debt	1,844.73 (2,539.16)	316.51 (180.24)	7.61 (280.26)	7.61 (5.81)	7.61 (5.81)	49.50 (22.62)
Fair Value of Options embedded in FCCBs	- (2.09)					
Fair value of forward exchange derivative contracts	6.59 (447.10)					
Total	5,421.64 (14,133.99)	801.88 (1,015.48)	749.08 (600.53)	697.11 (525.34)	749.24 (671.69)	238.15 (1,421.06)

For the purposes of the above table, foreign currency liabilities have been computed applying spot rates on the Balance Sheet date.

NOTES forming part of the financial statements

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 Company.

52.6 Sensitivity analysis as at December 31, 2012 :

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 ₹ 83.14 Million (Previous year ₹ 99.55 Million) assuming the loans as of December 31, 2012 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 untill redemption in 2012, External Commercial Borrowings (ECBs), investments in subsidiaries, and loans to subsidiaries and joint ventures. The Company considers US Dollar to be principal currency which requires 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	
	December 31, 2012	December 31, 2011
A 5% appreciation in the US dollar	170.66	44.41
A 5% depreciation in the US dollar	(170.66)	(44.41)
A 5% appreciation in the Euro	2.58	1.07
A 5% depreciation in the Euro	(2.58)	(1.07)
A 5% appreciation in the Australian Dollar	10.17	9.19
A 5% depreciation in the Australian Dollar	(10.17)	(9.19)
A 5% appreciation in the GBP	4.26	9.13
A 5% depreciation in the GBP	(4.26)	(9.13)

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, 2012.

53. The Company has not received a written representation from Mr. K. R. Ravishankar, one of the directors of the Company as at December 31, 2012, confirming that he is not disqualified from being appointed as a director of the Company in terms of Section 274(1)(g) of the Companies Act, 1956.

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

NOTES forming part of the financial statements

55. Post Balance Sheet Event :

The Company and its subsidiary, Agila Specialties Asia Pte. Ltd. (Agila Asia), have entered into definitive agreements with Mylan Inc. on February 27, 2013 for the sale of shares in the following subsidiaries of the Company:

- Agila Specialties Private Limited, and
- Agila Specialties Global Pte. Limited, a step subsidiary.

In terms of the agreements, the consideration is subject to certain retentions, post completion adjustments and deposit of escrow amounts as set out in the agreements. The completion of the sale is subject to various regulatory and corporate approvals as may be required and fulfillment of other terms and conditions agreed between the parties and set out in the agreements. Upon satisfaction of the terms and conditions and receipt of all regulatory and corporate approvals, the Company and its subsidiary will tender the shares to the buyer.

For and on behalf of the Board of Directors

Deepak Vaidya Chairman	Arun Kumar Executive Vice Chairman & Managing Director
Dr. T.S. Rangan Group CFO	Badree Komandur Company Secretary

Place : Bangalore
Date : February 28, 2013

EQUITY HISTORY OF THE COMPANY

Date/Year	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
	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
	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
	Preferential Issue	1,702,000	12,006,566	10
	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 & Pharmas 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
05-Jul-07	Preferential Issue on conversion of warrants	50,000	35,004,289	10

Date/Year	Particulars	Number of Shares Issued	Cumulative Number of Shares Issued	Face Value per share (₹)
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
2009	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
	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- Apr-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 to Qualified Institutional Investors	10,742,533	57,663,671	10
4-Oct-10 to 16-Nov-10	Allotment under ESOP	81,000	57,744,671	10
2011	Allotment under ESOP	635,500	58,380,171	10
2012	Allotment under ESOP	423,550	58,803,721	10

A HISTORICAL PERSPECTIVE

₹ in Million

Financials	2012 USD mn	2012	2011	2010	2009	2008
INCOME, PROFIT & DIVIDEND						
Total Income	**435.77**	**23,356.62**	**25,771.52**	**17,655.44**	**13,283.41**	**10,799.14**
EBIDTA	105.16	5,636.57	5,177.88	3,963.21	2,105.04	1,292.10
Depreciation & Amortisation	20.43	1,094.83	1,043.01	638.98	491.90	400.63
Exceptional Items Gain / (Loss)	122.90	6,587.49	494.67	5.99	575.30	(1,409.03)
Profit After Tax (PAT)	157.88	8,462.37	2,244.75	1,224.47	1,096.83	1,079.63
Equity Dividend	2.20	117.99	117.37	91.59	60.32	-
Dividend Rate %	20%	20%	20%	15%	15%	-
LIABILITIES & ASSETS						
Liabilities						
Equity Share Capital	10.74	588.04	583.80	577.45	402.15	400.50
Preference Share Capital	-			-	491.61	491.61
Monies Pending Allotment	-			-	141.50	-
Reserves & surplus	358.71	19,639.43	13,103.37	12,229.51	7,240.92	3,244.10
Total Net Worth	**369.45**	**20,227.47**	**13,687.17**	**12,806.96**	**8,276.18**	**4,136.21**
ESOP	0.64	34.96	27.59	20.86	34.53	17.89
Long Term Loans	181.66	9,945.66	13,724.47	9,335.93	4,668.88	2,822.74
Short Term Loans	109.57	5,998.95	6,846.54	6,189.58	3,558.34	3,012.11
FCCBs	-		5,856.33	4,572.84	6,341.50	7,185.27
Total Borrowings	**291.23**	**15,944.61**	**26,427.34**	**20,098.35**	**14,568.72**	**13,020.12**
Minority Interest	13.12	718.54	464.57	2,724.74	2,585.04	1,802.84
Deferred Tax Liability	5.25	287.43	93.49	46.36	34.15	87.43
Total Liabilities	**679.69**	**37,213.01**	**40,700.16**	**35,697.27**	**25,498.62**	**19,064.49**
Gross Block	334.41	18,308.97	16,622.31	11,510.70	10,713.26	5,991.11
Net Block incl CWIP	286.37	15,678.51	14,900.73	10,440.84	9,318.76	6,385.41
Goodwill	308.73	16,903.11	19,825.94	14,756.39	10,093.69	5,905.35
Investments	0.01	0.57		17.59	3,413.61	3,464.01
Deferred tax Asset	0.29	15.63	220.31	15.77	11.13	43.36
Other Assets (Net)	83.27	4,558.90	5,652.19	10,367.50	2,661.43	3,265.39
Miscellaneous Expenditure	1.03	56.29	100.99	99.18	-	0.97
Total Assets	**679.69**	**37,213.01**	**40,700.16**	**35,697.27**	**25,498.62**	**19,064.49**
KEY INDICATORS						
Earnings Per Share (EPS)	2.69	144.30	38.65	26.11	26.49	26.91
Book Value	6.30	344.91	235.67	273.09	184.59	90.84
Debt : Equity Ratio (Net of Cash)	0.71	0.71	1.74	1.30	1.65	3.01
Operating Profit Margin (%)	24.13	24.13	20.09	22.45	15.85	11.96
Net Profit Margin (%)	36.23	36.23	8.71	6.94	8.26	10.00
Return on Net Worth (RONW %)	41.84	41.84	16.40	9.56	13.25	26.10

Note:

1) *Figures for the years 2010 and prior period have not been restated as per the Revised Schedule VI*

2) *1 US$ = Rs.54.75 (Exchange rate as on December 31,2012)*

STRIDES ARCOLAB LIMITED

REGISTERED OFFICE
201, Devavrata,
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Navi Mumbai 400 705, India.
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Fax No. +91 22 27892942

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Email: info@stridesarco.com
Website: www.stridesarco.com

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Fax No. +91 80 66580200/300

STATUTORY AUDITORS
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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
Ratnakar Bank Limited
Syndicate Bank
Yes Bank Limited
Citi Bank
Exim Bank

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-B, Bommasandra Jigani Link
road, Industrial Area, Jigani Village, Jigani
Hobli, Anekal Taluk, Bangalore 562 106.

Onco Therapies Limited
Plot No. 284-B-PART,
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.

GLOBAL OFFICES

Cameroon
BP 1834, Rue DUBOIS de Saligny,
AKWA, Douala, Cameroon

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.

Singapore
8 Cross Street, No. 17-00
Singapore 048424

Strides
ARCOLAB LIMITED

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concept, content and design at aicl (info@aicl.in)

STRIDES ARCOLAB LIMITED

Registered Office : 201, 'Devavrata' Sector-17, Vashi, Navi Mumbai – 400705.
Corporate Office : 'Strides House', Bilekahalli, Bannerghatta Road, Bangalore – 560076.

NOTICE is hereby given that the Twenty-Second Annual General Meeting of Strides Arcolab Limited will be held on Monday, June 10, 2013 at 11.30 a.m. at The Regenza By Tunga, Plot No. 37, Sector 30 A, Vashi, Navi Mumbai – 400 703 to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Profit and Loss account for the year ended December 31, 2012, the Balance Sheet as at that date and the Reports of the Auditors and Directors thereon.
2. To declare dividend on equity shares.
3. To elect a Director in place of Mr. Deepak Vaidya, who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in place of Mr. M R Umarji, who retires by rotation and being eligible, offers himself for re-election.
5. To appoint Deloitte Haskins & Sells, Chartered Accountants, Bangalore as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors/ Audit Committee to fix their remuneration.

SPECIAL BUSINESS

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

   RESOLVED THAT pursuant to Section 314 (1B) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government and such other approvals as may be necessary, consent of the Company be and is hereby accorded to Mr. Mohana Kumar Pillai, who is a relative of Mr. Arun Kumar, Managing Director of the Company, to hold an office or place of profit under the Company as CEO - Pharma or with such designation as the Board of Directors of the Company may, from time to time decide, for a period of 5 (five) years with effect from May 02, 2013 on the following terms and conditions:

   a) Annual salary of upto ₹ 1.50 Crores (cost to company (CTC)) including all allowances, perquisites and benefits.
   b) Bonus/ Performance evaluation payment of upto 50% of CTC every year as may be recommended/ approved by the Remuneration Committee/ Board of Directors.
   c) Shall be eligible for annual increment in CTC every year not exceeding 30% of the immediately previous drawn CTC as may be recommended/ approved by the Remuneration Committee / Board of Directors.
   d) Shall be eligible for Long Term Incentive, as per the policy of the Company, not exceeding ₹ 5 Crores over a period of 4 years.
   e) Encashment of un-availed leave as per the rules of the Company.
   f) Employee Stock Options as per the ESOP Scheme of the Company as recommended / approved by the Remuneration Committee / Board of Directors from time to time.

   RESOLVED FURTHER THAT the Board of Directors of the Company is authorised to promote him to higher cadres and/or to sanction him increments within the said cadre or higher cadre as and when the Board of Directors deem fit, subject, however, to the rules and regulations of the Company, inforce, from time to time, including with the approval of the Central Government, as may be required, pursuant to the provisions of Section 314(1B) and other applicable provisions of the Companies Act, 1956 and related ammendments.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take, perform and execute such further steps, acts, deeds and matters, as may be necessary, proper or expedient to give effect to this resolution.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and is here by authorised to agree to such modification and/ or variation as may be suggested by the Central Government while granting its approval.

By Order of the Board
For Strides Arcolab Limited
Sd/-
Badree Komandur
EVP – Finance & Company Secretary

Place: Bangalore
Dated: April 25, 2013

a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. Proxies, in order to be effective, must be received at the Registered Office / Corporate Office of the Company not less than FORTY EIGHT HOURS before the AGM.

b) Members / Proxies should bring the enclosed Attendance Slip duly filled in for attending the Meeting.

c) The Register of Members and share transfer books of the Company will remain closed from June 3, 2013 to June 10, 2013 (both days inclusive).

d) Members holding shares in physical mode are requested to notify any change in their address to the Registrars of the Company.

e) Members are requested to apply for consolidation of folios, in case their holdings are maintained in multiple folios.

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

ITEM NO. 6

Appointment of Mr. Mohana Kumar Pillai as CEO - Pharma

- The Board of Directors at its meeting held on April 25, 2013 approved the appointment of Mr. Mohana Kumar Pillai as CEO – Pharma of the Company with effect from May 2, 2013
- Mr. Mohana Kumar Pillai is a Graduate of Science from the University of Kerala and holds a Post Graduate Diploma in Business Administration from the University of Calicut. He has over 15 years of experience in the Pharma industry in India and abroad. In his last assignment he was CEO and Managing Director of South East Asian Region, Watson Pharmaceuticals, Singapore.
- Mr. Mohana Kumar Pillai is a relative of Mr. Arun Kumar, Managing Director of the Company and in terms of Section 314 of the Companies Act, 1956, appointment of a relative of a Director with a remuneration not less than ₹ 250,000/- per month requires prior approval of Shareholders and Central Government.
- Currently, Mr. Mohan Kumar does not draw any salary/ remuneration in the Company. Any payment of remuneration would be subject to approval of shareholders and the Central Government.

The Board of Directors recommend the passing of the resolution at Item No.6

None of the directors of your company except Mr. Arun Kumar, who is a relative of Mr. Mohana Kumar Pillai, is concerned or interested in this Resolution.

STRIDES ARCOLAB LIMITED

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Corporate Office : 'Strides House', Bilekahalli, Bannerghatta Road, Bangalore – 560076.

ATTENDANCE SLIP

Please complete this Attendance Slip and hand over at the entrance of the Meeting Hall.

Folio / DP & Client ID No:	
No. of shares held:	

Name of the attending member/Proxy

(In BLOCK Letters)

I hereby record my presence at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company, held at The Regenza By Tunga, Plot No. 37, Sector 30 A, Vashi, Navi Mumbai – 400 703 on Monday, June 10, 2013 at 11.30 a.m.

Signature of the member/proxy

CUT HERE

STRIDES ARCOLAB LIMITED

Registered Office : 201, 'Devavrata' Sector-17, Vashi, Navi Mumbai – 400705.

Corporate Office : 'Strides House', Bilekahalli, Bannerghatta Road, Bangalore – 560076.

PROXY FORM

Folio / DP & Client ID No. :	
No. of shares held:	

I/ We ....of .... being a member/ members of the above named company, hereby appoint .... of .... or failing him .... of .... as my /our proxy to attend and vote for me / us and on my /our behalf at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company, to be held at Regenza By Tunga, Plot No. 37, Sector 30 A, Vashi, Navi Mumbai – 400 703 on Monday, June 10, 2013 at 11.30 am. and at any adjournment thereof.

Affix Re.1
Revenue
Stamp

Signed this .... day of 2013

Signed by the said ....

Note: The proxy to be effective should be deposited at the Registered Office / Corporate Office of the Company not less than 48 hours before the commencement of the Meeting.

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