



MOREPEN

The Joy Of Growing Together

Annual Report 2009-10



*Caring beyond
boundaries...*



*Celebrating
25 years of
Touching Lives*

Some things will always remain unfettered. Like sunshine and air, like suffering and joy, like sharing and caring. Some things will never recognize the confines of space and time. Like human endeavour and enterprise, like the desire to touch life. At Morepen, we are taking our expertise and experience in Wellness to new countries and new people with an increasing focus on global exports. And in doing so, our spirit of caring is crossing boundaries.



Board of Directors

Sushil Suri
Chairman & Managing Director

Dr. Arun Kumar Sinha
Director

Manoj Joshi
Director

Bhupender Raj Wadhwa
Director

Sukhcharan Singh
Director

Auditors

M/s M. Kamal Mahajan and Co.
S.C.O. 61, Madhya Marg,
Sector 26, Chandigarh

Registered Office

Morepen Village, Nalagarh Road,
Near Baddi, Distt. Solan,
Himachal Pradesh - 173205

Corporate Office

409, 4th Floor, Antriksh Bhawan,
22, Kasturba Gandhi Marg,
New Delhi - 110 001

Registrar & Share Transfer Agents

MAS Services Ltd.
T-34, 2nd Floor, Okhla Industrial Area
Phase - II, New Delhi - 110 020



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"At Morepen, we look at our business as one that spreads happiness, pure and simple. People across the world, I have realized, have similar sufferings and needs, the same pains and worries. Why can't we take our expertise and knowledge of wellness beyond the constraints of geography? Why don't we reach out and touch lives everywhere.?"

This philosophy is what will propel Morepen ahead in the future. I see the Group going beyond frontiers. I see happiness coming to life."

Late Shri K.B. Suri
Founder, Morepen Group



Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting this 25th Annual Report and Audited Accounts for the year ended 31st March 2010.

FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

Particulars	2009-10	2008-09
Sales and Other Income	19616	16525
Operating Surplus	1360	292
Interest	357	201
Cash Surplus	1003	91
Non Cash Items		
Depreciation & Amortisation	4563	4551
Loss before Extra ordinary Items	(3560)	(4460)
Extra ordinary items (Net)	3386	804
Loss Before Tax	(174)	(3656)
Fringe Benefit Tax	-	28
Loss after Taxation	(174)	(3684)

MANAGEMENT OVERVIEW

The company has recorded sales revenue and other income of Rs. 19616 Lacs against Rs. 16525 Lacs in the previous year. It represents a growth of 18.70% over preceding year. The company is steadily moving on high growth trajectory and shall continue its journey of profitable growth. The Company continues to focus on cost optimization and efficient working capital management. The continuous growth momentum carried forward during the current year has helped the company in significantly improving its operational performance. The growth in company's operations has helped the company to generate operational surplus of Rs. 1360 Lacs in the current year against Rs. 292 Lacs in the previous year i.e. a growth over 365%. After servicing an interest burden of Rs. 357 Lacs, the company has been able to earn cash surplus of Rs. 1003 Lacs against Rs. 91 Lacs earned in the last financial year. Cash generated from operations, after payment to Fixed Depositors has been ploughed back into operations so as to make the company more self reliant in the absence of any institutional support for working capital facilities.

The management's aggressive strategy of focusing on improving business and operational performance has borne fruits. The operations of the company are steadily improving and company is looking forward to healthy revenue and profit numbers in the coming years. To fund the expansion plans, the company shall continue its endeavor for tying up finances, both for working capital as well as for capacity addition and optimization.

During the year, the scheme of arrangement and compromise with the fixed deposit holders filed by the company under section 391 of Companies Act, 1956, was approved by the Hon'ble High Court of Himachal Pradesh at Shimla. Pursuant to the approved scheme, the company has allotted 9,24,90,413 Equity Shares of Rs. 2/- each, at a price of Rs. 11.32 per share, determined under SEBI (DIP) Guidelines, to the fixed deposit holders equivalent to 75% of the principal amount due. The balance 25% of the principal amounting to Rs. 3385.77 Lacs, as per the approved scheme, has been waived off and is shown under the head extraordinary items in the profit and loss account for the current year. As per the approved scheme, the interest on fixed deposits has been waived off.

With the resolution of the issues relating to fixed deposit holders, the management can now focus its energies for all round improvement in business performance and also for exploring new business avenues. The management is confident that with fixed depositors becoming partners now, they shall be able to share and enjoy the fruits of profitable growth of company in the coming years.

DIVIDEND

For the year under review the Directors do not recommend any dividend due to absence of any distributable surplus.

OPERATIONS

The Company has recorded commendable performance with larger volume and higher sales and operating revenues despite tight liquidity position of the company. The consistent increase in sales revenue year after year speaks a lot about the focused approach being adopted for all round growth of business. Current year income of Rs.19616 Lacs is up by Rs. 3091 Lacs over the last year income of Rs. 16525 Lacs. The improvement in top line coupled with increased efficiencies in operations has enabled the company to generate an operating surplus of Rs. 1360 Lacs against Rs. 292 Lacs, recorded in last year.

API business, with over 60% revenue share has recorded steep growth of 28% in its annual sales revenues. It's main product, Loratadine has shown a revenue growth of 14%. Revenue growth of other two products namely Montelukast and Sultamicillin has also shown a healthy upside during the current year. Stronger US Dollar continues to help the company to derive better price realisation in terms of Indian Rupees.

Formulation business, with 10% business share has recorded handsome growth of 21%. During the current year, the company focused on deriving more sales revenue from existing product portfolios.

Medipath business, on account of lower revenues in its diagnostics segment has recorded a fall of 5% in its current year revenues.

Pharmaceutical Contract Manufacturing (PCM) has shown a growth of 10% in its annual revenues for the current year.

Extraordinary items of Rs. 3385.77 Lacs represent liability waived off in respect of fixed deposit holders pursuant to approved scheme of compromise and arrangement with fixed deposit holders.

The company continues to service its outstanding debt, as per CDR (Corporate Debt Restructuring) scheme and also as per terms of individual settlement with banks and financial institutions.

REPORT ON BUSINESS PERFORMANCE

A. ACTIVE PHARMACEUTICAL INGREDIENT (API)

Loratadine

During the year, the company sold 'Loratadine' API to the tune of Rs. 5900 Lacs against Rs. 5192 Lacs sold in the last year. 'Loratadine' exports to the US markets remained firm during the year. The response of domestic markets for 'Loratadine' API's has been very encouraging during the year. New route adopted for manufacture of 'Loratadine' API have been successful and company is able to attract good orders. Intermediate's quality was also improved considerably by process improvement in order to meet customer's expectations and to have better price realisation. This includes almost impurity free intermediates of Loratadine to Japan.

The company is consistently maintaining its supply lines to the likes of supplying Loratadine API to some of the big names in pharma industry like Novartis/Sandoz, Perrigo, Chemo and Apotex and others.

The company has done PCT filing of one patent application on the improved process for Loratadine.

Montelukast Sodium

Montelukast sodium, an anti-asthmatic drug, is continuing its remarkable performance in the current year.

In the current year, 'Montelukast' intermediates and API sales at Rs. 2437 Lacs, have shown a growth of 44% over the previous year of Rs. 1695 Lacs. Intermediates Sales has gone up to Rs. 1753 Lacs against Rs. 1501 Lacs of previous year, whereas 'Montelukast' API sales have improved to Rs. 684 Lacs against Rs. 194 Lacs of previous year. The company intends to further expand the capacities for Montelukast Sodium and its various intermediates.

During the year, a new economical process has also been developed for side chain of Montelukast sodium followed by its scale up. Its commercialization is planned for the coming year.

PCT filing of one patent application has been done during the year for non-infringing process of Montelukast Sodium.

Atorvastatin Calcium

During the year, cost effective process for normal grade crystalline Atorvastatin calcium and its intermediates was developed and the product was commercialized to capture domestic market. The company experienced good market traction for the process, during the year.



We have got patent for our process of preparation of 'Atorvastatin' calcium amorphous in United States and Canada. It has already granted in India.

PCT of another process patent application, on new amine salts of Atorvastatin, has also been filed and has been published.

Sultamicillin

The current year's revenue of Sultamicillin Tosylate and Sultamicillin Base at Rs. 1756 Lacs shown a growth of 88% over last year sales revenue of Rs. 935 Lacs.

Fexofenadine

Fexofenadine is an antihistamine drug used in the treatment of hay fever and similar allergy symptoms. Morepen has developed a novel process for the preparation / purification of 'Fexofenadine' API as well as intermediate which have yielded highly pure 'Fexofenadine' API & its key intermediates.

As a step forward to capture new markets especially Japan and to expand the product portfolio, the quality of intermediates was improved considerably by process improvement, to meet customer's expectations. Besides this, process of Fexofenadine API was modified / improved to capture the domestic market and shall be commercialized soon.

Linezolid

Linezolid (INN) is a synthetic antibiotic used for the treatment of serious infections caused by Gram-positive bacteria that are resistant to several other antibiotics. A non-infringing process for 'Linezolid' (API) was developed to produce highly pure form of 'Linezolid' API. The product has been commercialized successfully during the year and has been sold to various markets.

Carvedilol

Carvedilol is a non-selective beta blocker/alpha-1 blocker indicated in the treatment of mild to moderate congestive heart failure (CHF). A process for the key intermediate has been developed and have been produced on commercial scale. During the year good quantities of 'Carvedilol' intermediates were sold.

Lamotrigine

Process for Lamotrigine Schiffs base intermediate was scaled up and material was supplied to the customers. We expect bigger quantities for supply in the coming years. Small quantity of Lamotrigine (API) was also produced for free market.

New products

During the year, process for Telmisartan (API) was developed in the laboratory and samples were sent for market development. Besides this development work for other new complex molecules (API) like Aliskiren Hemifumarate, Eletriptan, Rosuvastatin calcium, Quetiapine & Risperidone was done and samples of target intermediates were produced for market development. Non-infringing process for Fexofenadine intermediates was also developed. Further development work is going on for synthesis of these APIs as well as for further process improvement.

B. MEDIPATH

Current year annual revenue at Rs. 2368 Lacs has recorded an erosion of 5% over the last year revenue of Rs. 2487 Lacs. The fall in current year sales revenue was caused by 20% revenue drop in 'Diagnostics' products. Lower sales of Aids & Hepatitis products because of regulatory issues and 'Homecue' blood banking products, because of franchise discontinuance are two primary reasons for lower sales revenue of these products. Tight cash flow situation affecting timely material availability also hampered the growth of business. 'Point of Care' (Home- Health) segment, with annual revenue of Rs.1605 Lacs, has shown a growth of 5% during the year on the support of higher sales of Thermometers, BP monitors, weighing scales and other equipments. High Dollar value against Indian Rupee and old discontinued products inventory write off has adversely affected the profitability of Diagnostics business.

A no. of new products like 'Pulse Oxymeter', 'Fetal Doppler', 'Commercial Nebuliser' and many new variants of existing product ranges like 'Blood Pressure Monitor', 'Glucometer', 'Weighing Scales' and others are also introduced during the year, which have filled in the gap on account of discontinued /disturbed products. Better payment terms with vendors and availability of credit facilities will help the company in timely receipt of materials.

C. BRANDED PRESCRIPTION DRUGS

The domestic formulation business is showing consistent growth year after year. The growth has been recorded in most of the therapeutic categories. In some of the therapeutic categories like Anti-allergic and Antibiotics the growth is as high as 59% & 37% respectively. The largest therapeutic contributor i.e. 'Gastrointestinal' has maintained the sales revenue at the last year's level. Most of the sales territories have recorded a growth in revenue as compared to last year. Out of top five formulations' products, four has recorded growth ranging from 18% - 41% whereas one of the product has recorded a fall in its annual sales. We continue to focus on high margin formulations. However the company will also expand its horizons in institutional business, to increase its sales revenues.

D. PHARMACEUTICAL CONTRACT MANUFACTURING (PCM)

The company is continuing with its existing activities in the field of third party manufacturing for formulations and API intermediates. As the company consistently provides Good Manufacturing Practices (GMP) compliant manufacturing facilities and highly trained workforce, therefore it is confident of delivering quality products on consistent basis. The third party formulation manufacturing business has recorded an increase of 29% over the last year.

SUBSIDIARIES

Performance of subsidiaries-

The Company has reviewed the affairs of all its subsidiaries for the year under review and the performance of each of its subsidiaries is given here-in-below:

Dr. Morepen Limited

During the current year sales revenue of the company at Rs. 2018.12 Lacs is up by 1% against last year's revenue of Rs. 2000.35 Lacs. The company is seeking to promote new products and expand customer base. It has spent extensively on marketing and sales promotion, which has resulted in, the company reporting a cash deficit of Rs. 192.62 Lacs for the current year against surplus of Rs. 129.65 Lacs generated in the previous year.

During the year a number of new products were test marketed across various categories. Special emphasis is being put on marketing activities, with a view to develop and promote the new products in the market. During the year, in order to support company's marketing campaign it has appointed famous Bollywood actress Ms. Sonali Bendre as its Brand Ambassador for a period of 3 years. The company expects to reap good benefits of marketing campaign with Ms. Sonali Bendre in the coming years.

Continuing the trend of introduction of new products, the company has introduced Fever X (Fever Tablet), Head X (Head Ache tablet), Option 72 (Emergency Contraceptive pill), Fibre X (Flavored Laxative) and Pain X (Pain Relief ointment). These products represent categories which are having large market share. It has resulted in large product basket catering to diverse consumer needs round the year and thereby even out the seasonal fluctuations in OTC business.

New product additions shall make more products available in the customer's hand which will build up the revenue stream as also the improved profit margins, resulting into better returns on the capital employed.

The company will continue to expand marketing and media activity, keeping in view the potential of its OTC business. It will be more organized and focused in planning and organising the media so that company can derive full advantage of its media spent and financial performance of the company improves year over year.

Total Care Limited

Your directors hereby report that business of the company has recorded income of Rs. 158.91 Lacs against Rs. 221.95 Lacs in the last year, recording a drop of 28% from last year's revenue. In a step towards generating cash surplus, the company has been able to bring down the cash losses to Rs. 19.01 Lacs against Rs. 41.84 Lacs in the previous year. Efforts are on to make the operations viable and management is hopeful of turnaround of the business.

Morepen Inc.

This company is our marketing and distribution interface in USA for various OTC & other products. Revenue of Rs. 87.60 Lacs was earned as commission during the current year.

Morepen Max Inc.

This company is lying dormant in the absence of any business opportunity and Board of Directors considers it proper to dispose off the investment in the company at an appropriate time.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed report on Management Discussion and Analysis of Corporate Governance pursuant to Clause 49 of the Listing Agreement is provided in and forms part of the Annual Report as per Annexure 'A'.

SHARE CAPITAL

Pursuant to the scheme of arrangement and compromise with the fixed deposit holders filed by the company under section 391 of Companies Act, 1956, approved by the Hon'ble High Court of Himachal Pradesh at Shimla, the company has allotted 9,24,90,413 Equity Shares of Rs. 2/- each, at a price of Rs. 11.32 per share, determined under SEBI (DIP) Guidelines, to the fixed deposit holders. Post issue of Equity Shares to fixed deposit holders the number of Equity Shares of the company has increased from 35,73,35,790 to 44,98,26,203.

FIXED DEPOSITS

During the year, the scheme of arrangement and compromise with the fixed deposit holders filed by the company under section 391 of Companies Act, 1956, was approved by the Hon'ble High Court of Himachal Pradesh at Shimla. Pursuant to the approved scheme, the company has allotted 9,24,90,413 Equity Shares of Rs. 2/- each, at a price of Rs. 11.32 per share, determined under SEBI (DIP) Guidelines, to the fixed deposit holders equivalent to 75% of the principal amount due. The balance 25% of the principal amounting to Rs. 3385.77 Lacs, as per the approved scheme, has been waived off and is shown as extraordinary items in the profit and loss account for the current year. As per the approved scheme, the interest on fixed deposits has been waived off.

LEGAL MATTERS

The settlement with the banks and financial institutions and sundry creditors done in the previous financial year and the fixed depositors liabilities settled during the year, as per court approved scheme will put an end to most of the legal cases against the company.

The cases filed against the company by Ministry of Corporate Affairs, on the basis of investigation carried u/s 235 of the Companies Act, 1956 are being defended by the company and its directors.

ENVIRONMENT

Environment has always been under continuous focus of your company. Through constant up-gradation in the efficiency of Effluent Treatment Plant by investment and training program, we have consistently maintained the track record of best upkeep and maintenance.

HUMAN RESOURCES

Your Company continues to attract good and talented people. Quality of work force is steadily improving. People have long term association with the company which helps them in improving operational efficiencies in their work areas. The company is able to employ and retain better sales and marketing staff for domestic markets.

The Company is committed to encourage and promote talent at all levels in an environment of openness and transparency as we believe that a participative work environment driven by a sense of teaming and collective ownership of the organization's objectives alone will ensure the growth and success of the company in its objectives. The relationship with workers, staff and officers continues to be extremely cordial.

As on 31st March 2010, 1221 employees were working for the company across all locations.

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended, is annexed, as Annexure 'B' of this report.

DISCLOSURE OF PARTICULARS

The information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and out go, as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors), Rules 1988 is annexed and forms part of this report as Annexure-'C'.

DIRECTORS' RESPONSIBILITY STATEMENT

Your directors certify:

1. That the applicable accounting standards have been followed along with proper explanation relating material departures in the preparation of annual accounts.

2. That they have selected such accounting polices and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.
3. That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for prevention and detecting fraud and other irregularities.
4. That the annual accounts have been prepared on a going concern basis.

DIRECTORS

In accordance with the provisions of Companies Act, 1956 and the Company's Articles of Association, Mr. Sukhcharan Singh Director of the company retires by rotation and being eligible offer himself for reappointment. Your Directors recommend his reappointment as Director on the Board in the ensuing Annual General Meeting.

AUDITORS

M/s. M. Kamal Mahajan And Co., Chartered Accountants, retire as Auditors of the Company at conclusion of the ensuing Annual General Meeting and have confirmed their eligibility under Section 224(1B) of the Companies Act, 1956 and willingness to continue as Auditors of the Company, if re-appointed.

EXPLANATION TO AUDITORS' REPORT

The Auditors have vide Para (i) (a) of the annexure to the audit report commented on the quantitative details and situation of items like pipe, meter instruments and other similar items. Your Company is a pharmaceutical company, where, in the manufacturing plants controlled reactions take place in the reactors and the items of Plant and Machinery like pipes runs criss-cross through out the various sections of the plant, like pilot plants, utility sections and various control valves and meters and instrumentations are mounted on such pipes, samplings, reactors and items of Plant & Machinery. Therefore, by the very nature of the industry, these particular items cannot be attributed to a particular place to the exclusion of other place. Further in your Directors view, this is not a qualification but is a clarification only.

Further the auditors have vide Para (xi) of the annexure to the audit report commented on certain defaults made in repayment of dues to debenture holders. The Company reiterates its commitment to settle these outstanding lenders and has taken steps to settle them as per the CDR terms.

LISTING

The Company has paid the annual listing fee for the year 2009-2010 to The Bombay Stock Exchange Limited, Mumbai (BSE) and The National Stock Exchange Limited, Mumbai (NSE) .The Equity shares continue to be listed on BSE and NSE.

CORPORATE GOVERNANCE

A detailed report on Corporate Governance pursuant to Clause 49 of the Listing Agreement is given in a separate section and forms part of the Annual Report.

The statement pursuant to section 212 of the Companies Act, 1956 is annexed as Annexure - 'D' and forms part of this Report.

ACKNOWLEDGEMENTS

Your Directors also appreciate the valuable co-operation and continued support extended by the Employees, Customers, Suppliers, Collaborators, Company's GMP consultants, Auditors, Bankers, Financial Institutions, Medical Professionals, Drug Control Authorities, Government Agencies, Business Associates, and our large Shareholder Family.

For and on behalf of the Board

Sushil Suri
Chairman & Managing Director

New Delhi
13th May, 2010



Annexure 'A'

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

GLOBAL PHARMACEUTICAL SCENARIO

The size of the global pharmaceuticals market, \$727 billion in 2009, is expected to grow at compound annual growth rate of 5-8% over the next five years. It may grow nearly \$300 billion over the next five years to reach reaching \$1.1 trillion in 2014. The growth during these coming years reflects the impact of leading products losing patent protection in developed markets however strong overall growth in the world's emerging countries.

The growth over the next five years is expected to be strong even as the industry faces the peak years of patent expiries for innovative drugs and subsequent entry of lower-cost generic alternatives. Over the next five years, products with sales of more than \$142 billion are expected to face generic competition in major developed markets.

The demand for pharmaceuticals will remain robust, despite the ongoing economic downturn being felt in many parts of the world. Global pharmaceutical sales is expected to grow at 4 - 6 percent in the year 2010, as against around 5.7% growth rate in 2009 and 4.8 percent in 2008. In publicly funded healthcare plans in developed markets, pressure by payers to curb drug spending will further intensify. However it shall be more than offset by the ongoing and rapid expansion of demand in the emerging pharmaceutical markets of Brazil, Russia, India, China, Turkey, Mexico and South Korea.

Geographic balance of the pharmaceutical market continues to shift toward emerging pharma markets. These emerging markets are expected to grow at a 14 - 17 percent till 2014, where as major developed markets will grow 3 - 6 percent. As a result, the aggregate growth till 2014 from these markets will be similar to the growth experienced in developed markets in the range of \$120 - \$140 billion. In the past five years emerging pharma markets have shown an aggregate growth of \$69 billion against aggregate growth of \$126 billion by the developed markets.

The expansion of therapy areas shall be driven by innovation cycle and areas of un-covered need. As the pharmaceutical industry's research and development programs adjust to the broad availability of low-cost generic options in many chronic therapy areas, higher growth will occur in those therapy areas where there is significant unmet clinical need, high-cost burden of disease, and innovative science that can bring new treatment options to patients

The pharmaceutical industry, especially the generics market, is increasingly becoming highly competitive. This, coupled with the drying up of pipelines of innovator companies is leading to consolidation in the generics and innovator industry. It has a resulted into a new hybrid business model between innovator and generic companies.

MOREPEN'S STRATEGY

The delivery of high quality drugs, formulations and diagnostic products at low and competitive prices has helped the company in recording the profitable growth in business during the year.

All the business streams have shown great potential, with API taking lead and maintaining its leadership position in the company. The company's API business continues to file new DMFs (Drug Master Files) to make the product portfolio broad based and grab any opportunity up coming on its way. New API products introduced in the recent past have shown good results.

The company is cementing its knowledge, in technical and regulatory matters, for availing of business opportunities both for supply of API's and the intermediates to multinational as well local generic companies.

OPPORTUNITIES AHEAD

GLOBAL MARKETS

ACTIVE PHARMA INGRIENDS (API)

Outlook for the global generics industry continued to be positive. It is expected to witness significant growth on account of opportunities arising from the USD 80 billions drugs going off patent in the next two years, increasing healthcare burden in developed economies and increasing healthcare costs in developing economies, where generic pharmaceuticals generally have an edge over the innovator companies, due to lower price structure and better reach.

In recent times, pharmaceuticals industry has shown a great interest in India, due to its sustained economic growth, health care reforms and patent- related legislation. India being one of the largest producers of pharmaceuticals across the world is already a US\$ 10.8 billion pharmaceutical market. The Indian Pharmaceutical Sector will remain stable in 2010, with

demand benefiting from rising global acceptance of generic pharmaceuticals. It is expected to grow by 10% in 2010 and market size will double by 2015.

Regulatory steps taken by developed countries towards curtailing growing health care budgets are expected to boost the demand for the generics. Further acceptance of generics with outsourcing of manufacturing by global pharmaceutical companies to low cost locations will benefit the export oriented Indian pharmaceutical companies. Steady demand growth will continue to give advantage to the domestic pharmaceutical companies of India.

PATENTS FILING

The company remains committed in building its IPR (Intellectual Proprietary Rights) portfolios to stay competitive in the market place. During this year the company has filed 2 new patents which have taken the tally of patents filed by the company to 49. The company has been granted patents of 'Amorphous Atorvastatin' in US and Canada.

DOMESTIC MARKETS

FORMULATIONS

Rx MARKETING

The company continues to expand its formulations business by adding new formulations and new therapeutic categories. It has also expanded its sales and marketing teams to service larger territories.

PRODUCT CONTRACT MANUFACTURING (PCM)

The Company has done more business during the year in the field of third party manufacturing and marketing of pharmaceutical products under its own brand name. As the business model involves no additional outlay of working capital facilities, therefore the company is able to optimally utilise its production facilities and also earn good revenues. The company is successful in leveraging its brand name for outsourced products and servicing wide range of therapeutic areas.

OUTLOOK ON THREATS, RISKS AND CONCERNS

The performance contribution of pharmaceutical drugs is almost the lowest in the past five years. On account tighter norms for drug approval for new products and rigidity in quality controls, the current drugs are still the main contributor to the performance of large pharmaceutical companies. However over reliance of large pharmaceutical companies on blockbuster drugs have brought great troubles and setbacks.

Large scale efforts on the cost-cutting front have already been started and should these efforts shall continue throughout the year. Pricing pressures because of greater-than-expected increase in competition could moderate the anticipated profitability improvements. This would remain a key risk factor for future margins.

FIXED ASSETS

Fixed Assets of the Company are generally well maintained and are in good condition.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company places special emphasis on the internal control system by way of internal audit of the Company and also by way of strengthening of various operative systems & processes. Discrepancies and weaknesses, found at various levels are adequately and timely addressed towards efficient management of company's valuable resources.

CAUTIONARY STATEMENT

Statements/Declarations contained in the Management Discussions and Analysis Report pertaining to Strategies, future plans and projections have been made in good faith.

Market data and production information contained in this report have been based on the information gathered from various published and unpublished reports and their authenticity can not be completely ensured/assured. The Management of the Company reserves the right to re-visit any of the predictive statements to decide the best course of action for the maximization of Shareholders' value/wealth besides meeting social and human obligations.

Annexure 'B'

STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2010:

EMPLOYED THROUGHOUT THE YEAR AT THE ANNUAL REMUNERATION OF Rs. 24,00,000/- OR MORE

NAME	DESIGNATION	AGE IN YEARS	GROSS REMUNERATION (RS. IN LACS)	QUALIFICATION	EXPERIENCE IN YEARS	DATE OF APPOINTMENT	LAST EMPLOYMENT HELD & NAME OF COMPANY
Mr. SUSHIL SURI	CHAIRMAN CUM MANAGING DIRECTOR	46	25.62	B.Sc., FCA	24	01-02-1992	OWN BUSINESS
DR. P. S. PRITAM	DIRECTOR (CORPORATE AFFAIRS)	68	47.31	M.A, L.L.B., PH.D, FII	48	23-04-2004	HEAD-SALES & MKTG-ALLIANZ BAJAJ

PARTICULARS OF EMPLOYEES EMPLOYED FOR PART OF THE YEAR ON A MONTHLY REMUNERATION OF RS.2,00,000/- OR MORE

NAME	DESIGNATION	AGE IN YEARS	GROSS REMUNERATION (RS. IN LACS)	QUALIFICATION	EXPERIENCE IN YEARS	DATE OF APPOINTMENT	LAST EMPLOYMENT HELD & NAME OF COMPANY
-	-	-	-	-	-	-	-

NOTES :-

1. REMUNERATION INCLUDES SALARY, HOUSE RENT, RENT PAID FOR ACCOMMODATION , BONUS, OTHER ALLOWANCE, COMPANY'S CONTRIBUTION TO PROVIDENT FUND & FAMILY PENSION SCHEME AND LEAVE ENCASHMENT

BY ORDER OF THE BOARD
FOR MOREPEN LABORATORIES LIMITED AND Reduced

(SUSHIL SURI)
CHAIRMAN & MANAGING DIRECTOR



Annexure 'C'

Information pursuant to 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

FORM A

Form for disclosure of particulars with respect to conservation of energy.

A) ELECTRICITY AND FUEL CONSUMPTION:

S. no.	Particulars	Year ended 31.03.2010	Year ended 31.03.2009
1.	Electricity		
a.	Purchase Units(KWH) (Units in Lacs) Total amount(Rs. in Lacs) Rate/Unit(Rs.)	71.85 266.82 3.71	67.55 268.14 3.97
b.	Own Generation		
I)	Through Diesel Generator Unit(KWH) (Units in Lacs) Unit per Litre of Diesel Oil Cost/Unit(Rs.)	6.13 3.02 11.07	6.02 3.02 11.38
II)	Through Steam Turbine/Generator	N.A.	N.A.
2.	Coal (Specify quality where used)	N.A.	N.A.
3.	Furnace Oil Quantity (k.litres) (Qty. in Lacs) Total Amount (Rs.) Average Rate(Rs. Per Litre)	10.52 249.78 23.73	10.22 256.37 25.08
4.	Other/Internal Generation	N.A	N.A

B) CONSUMPTION

Particulars	Unit	Standards	Year ended 31.03.2010	Year ended 31.03.2009
Electricity	KWH	No Specific standards	49.34	138.61
Furnace Oil	Ltr./Kg	No Specific standards	6.66	19.26
Coal		N.A	N.A	N.A
Others		N.A	N.A	N.A

Note: Consumption depends upon product mix.



FORM B

Information pursuant to 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.

1. Research & Development

(a) Key areas in which R & D is carried out by the Company

- Innovation and up gradation of existing technologies/products to meet customer requirements
- Development of new dosage forms in different therapeutic categories for domestic market - for in-house marketing as well as for contract manufacturing
- Development of safe and environment friendly production process
- Development of cost effective, eco-friendly & non infringing processes of various API's & intermediates
- Product development in formulation for export as per the registration requirements and making the dossier for the same
- Improvement / reworking on the existing formulations to make the products cost effective and improve quality
- Development of novel processes & increases the intellectual property of the organization

(b) Benefits derived as a result of R & D activities

- Yield improvement and reduction in the input quantities of raw material resulting in cost reduction and economisation
- Process/Quality improvements and product up-gradation as per customer requirements
- Enhanced global presence / visibility
- Process simplification and standardization of parameters resulting in uniform quality and better efficiencies
- Formulation product registration in foreign markets
- Newly developed research work was utilized in the production of commercialized products

(c) Future plan of action

- Plan for the product registration of formulation products with special reference to Europe, China and other countries
- Bioequivalence study of certain formulation products for registration for export market
- Identifying the new potential drugs and their development and registration for domestic market
- Continuous investment of resources in augmenting R & D capabilities and productivity
- To improve the quality of the intermediates of various API's for sale in various countries
- Greater focus on innovative, commercially viable process know-how for both APIs and dosage forms

(d) Expenditure on R&D

	Year Ended 31.03.2010	Year Ended 31.03.2009
Capital	-	-
Revenue	<u>170.30</u>	<u>137.79</u>
Total	<u>170.30</u>	<u>137.79</u>
Total R&D expenditure as % of total turnover	0.87%	0.83%

2. Technology Absorption, Adaptation and Innovation

a) Efforts in brief made towards technology absorption and innovation

The Company is continuously adopting innovative processes in the manufacture of all of its API's and intermediates as well as in formulations as explained in 1 (a) above.

b) Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.

Internationally competitive prices and high quality products, improved productivity/process efficiencies, foreign exchange earning/savings and other benefits as explained in 1(b) above.

c) Information in case of imported technology (Imports during last five Years)

Not Applicable.

3. Conservation of Energy

The Company continues to take necessary steps towards conservation of energy.

4. Foreign exchange earnings and outgo

The information on earnings and outgo of foreign exchange is given in notes on Accounts part IV, under point no. 6, 7 & 8.

The following steps were taken for strengthening of export markets -

- 4 process patents were filed during the year to boost API exports.
- 2 patents (in USA and Canada) of amorphous Atorvastatin Calcium were granted to the company.

Annexure 'D'

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

PARTICULARS:

(1) Name of the subsidiary Companies	: Morepen Max Inc.	: Morepen Inc.	: Dr. Morepen Limited.	: Total Care Limited.
(2) The Financial year of the subsidiary Company ended on	: 31st March, 2010	: 31st March, 2010.	: 31st March, 2010	: 31st March, 2010
(3) Extent of interest	: 51 Equity shares of US\$ 1000 each	: 9400 Fully paid Shares of US\$ 1 each	: 40679500 Equity shares of Rs. 10/- each	: Dr. Morepen Limited, a 100% Subsidiary of the Morepen Laboratories Ltd., holds 95% shares in Total Care Ltd.
(4) Extent of Shareholding	: 51%	: 100%	: 100%	: 95%
(5) Net aggregate amount of profit/losses of the subsidiary so far as it concerns the members of Morepen Laboratories Limited and is not dealt within the Company's Accounts.				
a) Profit/Losses for the Financial Year ended as 31st March 2010 of the subsidiary	: Accounts of Morepen Max Inc. are annexed.	: Accounts of Morepen Inc. are annexed.	: Accounts of Dr. Morepen Limited are annexed.	: Accounts of Total Care Limited are annexed.
b) Profit/Losses for the previous financial years of the subsidiary since it became subsidiary	: Accounts of Morepen Max Inc. are annexed	: Accounts of Morepen Inc. are annexed.	: Accounts of Dr. Morepen Limited. are annexed.	: Accounts of Total Care Limited are annexed



Report on Corporate Governance

CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The mechanism of Corporate Governance is aimed at ensuring the greater transparency and better and timely reporting of the affairs of the Company to its stakeholders. The element of Corporate Governance contributes in generating the value for its Stakeholders at large. The Company conducts its business affairs with strict compliance of the principles of Corporate Governance and in the process strives to adopt various legal and regulatory measures with the ultimate objective of the creation and maximization of stakeholders' wealth.

1. BOARD OF DIRECTORS

COMPOSITION AND CATEGORY OF DIRECTORS AS ON MARCH 31, 2010

Category	No. of Directors	%
A Executive Director		
Mr. Sushil Suri - (Promoter)	1	20
Dr. A. K. Sinha	1	20
B Non Executive Director		
Promoter	Nil	Nil
Mr. Manoj Joshi, Mr. Sukhcharan Singh, Mr. B. R. Wadhwa (Independent)	3	60
Total	5	100

The Chairman of the Board is an Executive Chairman.

DIRECTORS' PROFILE

Sl No.	Name of Director	Qualification	Nature of Expertise	No. of Companies in which they hold directorships
1.	MR. SUSHIL SURI	B.Sc, FCA	FINANCE	1
2.	MR. MANOJ JOSHI	M.COM IN BUSINESS ADMINISTRATION.	BOARD LEVEL MANAGEMENT, POLICY MANAGEMENT AND PUBLIC ADVOCACY.	1
3.	MR. SUKHCHARAN SINGH	B.A., RETIRED INSPECTOR GENERAL OF POLICE	ADMINISTRATION	2
4.	MR. B. R. WADHWA	FCA, B.COM	TAXATION AND FINANCE	1
5.	DR. A. K. SINHA	M.SC., PHD	TECHNICAL	1

ATTENDENCE OF EACH DIRECTOR AT MEETING OF THE BOARD OF DIRECTORS AND LAST ANNUAL GENERAL MEETING

Six Board Meetings were held during the period under review i.e. on April 22, 2009, May 26, 2009, July 27, 2009, August 12, 2009, October 27, 2009 and January 21, 2010 as against the minimum requirement of four.



Name	Date of Appointment	Designation	No of Board meetings held during the year	No of Board meetings attended	Last AGM attendance	Number of directorship in other companies	No. of Committee memberships	No. of Chairmanship in Board/committees
Mr. Sushil Suri	01.02.1992	Chairman & Managing Director	6	6	Yes	Nil	3	2
Mr. Manoj Joshi	27.06.1992	Director	6	6	Yes	Nil	5	3
Mr. Sukhcharan Singh	15.06.2005	Director	6	6	No	1	6	Nil
Mr. B. R. Wadhwa	15.06.2005	Director	6	5	No	Nil	2	Nil
Dr. A. K. Sinha	15.06.2005	Director	6	6	No	Nil	1	Nil

Note: The Directorships held by directors as mentioned above do not include alternate directorships and directorships of foreign companies, Section 25 Companies and Private Limited Companies. As per the information provided to the Company, the Committee memberships and chairmanships as mentioned above relates to Morepen Laboratories Limited only as no such position was acquired by the directors of the company in any other company.

In accordance with clause 49 of the listing agreement, memberships/chairmanships of only the audit committee and shareholders/ Investor Grievance Committee of all Public Limited Companies have been considered.

Shareholding of Directors as on March 31, 2010

Sl. No.	Name of Director	Shareholding
1.	Mr. Sushil Suri	55,01,510
2.	Mr. Manoj Joshi	Nil
3.	Mr. Sukhcharan Singh	Nil
4.	Mr. B. R. Wadhwa	Nil
5.	Dr. A.K. Sinha	100

2. AUDIT COMMITTEE

The Company has an Audit Committee, which meets the requirements of both Listing Agreement and the Companies Act, 1956.

Terms of reference

The committee performs important functions e.g. to review the internal audit systems, review of financial results, monitoring the adherence of accounting standards and other policies of the company.

Compositions of Audit Committee

All the members of Committee are independent directors. Five meetings were held during the period under review i.e. on April 22, 2009, May 26, 2009, July 27, 2009, October 27, 2009 and January 21, 2010. The attendance of various directors was as follows:

Sl. No.	Name of Director	Designation	No of meetings held	Attendance
1.	Mr. Manoj Joshi	Chairman	5	5
2.	Mr. Sukhcharan Singh	Member	5	5
3.	Mr. B. R. Wadhwa	Member	5	4

3. REMUNERATION COMMITTEE

One meeting of Remuneration Committee was held on 22nd April, 2009. It comprises of Mr. Manoj Joshi, Chairman and Mr. B. R. Wadhwa and Mr. Sukhcharan Singh as the Members. The Committee has been constituted to handle inter alia the remuneration of Executive Directors and administration and superintendence of matters relating to Employee Stock Option Scheme. Further, no remuneration is paid to the Non-Executive Directors except sitting fees.

REMUNERATION OF DIRECTORS

Details of remuneration disbursed to following Directors, during the period under review are as under:

(Amount in Rupees)

Name of Director	Salary	Perks	Commission	Total
Mr. Sushil Suri	1284360	1278137	NIL	2562497
Dr. A. K. Sinha	1322802	599250	NIL	1922052

4. SHAREHOLDERS/INVESTOR GRIEVANCE COMMITTEE

The Board of Directors has constituted Investors Grievance Committee which is headed by a Non-Executive Director. It comprises of Mr. Manoj Joshi, Chairman, Mr. Sushil Suri and Mr. Sukhcharan Singh as the Members. The Committee specifically looks into the redressal of shareholders and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc, and ensures that share transfers are processed well within the stipulated period. Company's Registrar and Transfer agent 'MAS Services Limited' redresses the Investor Complaints with respect to shares, dividend etc. Mr. Rahul - Company Secretary has been designated as Compliance officer of the Company.

Details as to the shareholders complaints received and handled during the year ended 31st March, 2010 is given as under:

Nature of complaint	No. of complaints received	No. of complaints replied	No. of pending complaints
With regard to non-receipt of dividend	NIL	NIL	NIL
With regard to shares transfer, transmission/transposition etc.	14	14	NIL
With regard to delay in dematerialization/Remat	51	51	NIL
SEBI/ROC	01	01	NIL
Non Receipt of Annual Report & Others	04	04	NIL
TOTAL	70	70	NIL

5. GENERAL BODY MEETINGS

The Annual General Meetings (AGMs) of the company were held in accordance with the requirement of Listing agreement with Stock Exchanges and Companies Act, 1956 etc.,

A.) Location and Time where last three AGMs held :

Date of AGM	Location	Time
18.09.2009	Morepen Village, Nalagarh Road, Near Baddi, Distt. Solan, Himachal Pradesh	10:30 a.m
04.07.2008	Morepen Village, Nalagarh Road, Near Baddi, Distt. Solan, Himachal Pradesh	10:00 a.m
10.09.2007	Morepen Village, Nalagarh Road, Near Baddi, Distt. Solan, Himachal Pradesh	9:00 a.m



Detail of Extra Ordinary General Meetings (EGMs):

Apart from the Annual General Meeting held on September 18, 2009 no Extra Ordinary General Meeting has been held.

B.) Special Resolutions

Various Special Resolutions proposed in the above said meetings were duly passed by show of hands with the requisite majority.

B.1) Postal Ballot

There was no business for which voting by Postal Ballot was required.

6. DISCLOSURES

Disclosures on Materially significantly related party transactions i.e transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.

None of the transactions with any of the related parties was in conflict with the interest of the Company. Attention of member is drawn to the disclosures of transactions with the related parties as set out in Clause 15 of Part III of Schedule 18 (Notes to Accounts) to the Financial Statements of the Company for the year ended March 31, 2010 forming part of this Annual Report.

The related party transactions are entered into based on considerations of various business exigencies such as synergy in operations, sectoral specialization etc.

The company has made requisite disclosure with respect to related party transaction in the significant accounting policies and note on accounts to the financial statements.

Details of non-compliance by the Company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any Statutory Authority, on any matter related to capital markets, during the last three years.

Your company is adhering to rules and regulation framed by stock Exchanges, SEBI and other Govt. Authorities on matters relating to capital markets.

Whistle Blower policy and affirmation that no personnel have been denied access to the audit committee.

The Company looks forward to adopt a Whistle Blower Policy in the near future.

Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause.

The Company to the best of its knowledge has provided for all the details required under the Details of Compliances mandatorily required under the Listing Agreement.

Disclosure of Accounting treatment, if different, from that prescribed in Accounting Standards with explanations.

The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principals, Accounting Standards issued by the Institute of Chartered Accountants of India and the Provisions of the Companies Act, 1956, as adopted and followed consistently by the company.

The company has made requisite disclosure with respect to contingent liabilities in the significant accounting polices and note on accounts, where necessary.

7. Subsidiary Monitoring Frame work

All the subsidiary companies of the company are Board managed with their Boards having the rights and obligations to manage such companies in the best interest of their stakeholders. The company monitors the performance of such companies by reviewing the financial statements, minutes etc.

Brief of Company's Subsidiary companies as on March 31, 2010

Sl. No.	Name of the Subsidiary	Country in which operating
1	Dr. Morepen Limited	India
2	Total Care Limited	India
3	Morepen Inc	USA
4	Morepen Max Inc.	USA

Morepen Max Inc, subsidiary of Morepen laboratories limited was non operational for the period ended March 31, 2010.

8. MEANS OF COMMUNICATON

- Quarterly results as per format prescribed by the Stock Exchanges are submitted to all the stock exchanges where company is listed and are published in various newspapers like Business Standard/The Pioneer/Financial Express and Divya Himachal/Jansatta with a view that results are communicated to maximum number of stakeholders. The Financial results are also published in various newspapers. An official release is made to the Newspapers/Press and Stock Exchanges for financial results and also on the happening of any material event.
- The company has its own Website viz., www.morepen.com where information relating to financial results, launch of new products and official releases to news agencies are made available.
- Management Discussion and Analysis report forms part of this Annual Report.

9. GENERAL SHAREHOLDERS INFORMATION

- | | |
|---|--|
| a) Date & Time of Annual General Meeting | 17th September 2010 at 10.30 AM |
| b) Venue | Morepen Village, Nalagarh Road, Near Baddi, Distt. Solan, Himachal Pradesh |
| c) Financial Year | April 01, 2009 – March 31, 2010 |
| d) Date of Book Closure | 14th September 2010 to 17th September 2010 (Both days inclusive) |
| e) Listing on Stock Exchanges in India at | National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai - 400051

Bombay Stock Exchange Limited Floor 25, PJ Towers, Dalal Street, Mumbai - 400001 |
| f) Listing Fees | Listing fees is being paid to The National Stock Exchange of India Ltd., Mumbai and The Stock Exchange-Mumbai, for the year 2010-2011 |
| g) Registered Office | Morepen Village, Nalagarh Road, Near Baddi, Distt. Solan, Himachal Pradesh-173205 |
| h) Corporate Office | 409, Antriksh Bhawan, 22, K.G. Marg, New Delhi-110 001 |
| i) Registrar and Transfer Agents | MAS Services Ltd., T-34, 2nd Floor, Okhla Industrial Area, Phase-II, New Delhi-110 020 |



j) Share Transfer System

Share transfer system is computerized. In compliance with the Listing Guidelines of stock exchanges, every six months, the Share Transfer system is audited by a practising Company Secretary and a certificate to that effect is issued by him and submitted to the stock exchanges, where shares of your company are presently listed.

k) Stock code :

BOMBAY STOCK EXCHANGE		NATIONAL STOCK EXCHANGE
RIC Code	Morl.bo	Morl.ns
Stock Exchange	500288	Morepenlab

l) Market Price Data :

Month	BSE			NSE		
	High	Low	Volume	High	Low	Volume
April 2009	6.93	4.58	2726894	6.55	4.55	4571901
May 2009	9.30	5.26	4593664	9.35	5.00	6440486
June 2009	12.43	7.71	4931646	12.40	7.70	8187592
July 2009	8.79	8.83	2203480	8.85	6.85	2967307
August 2009	8.75	7.60	2706681	8.70	7.60	4269632
September 2009	9.10	7.80	3816640	9.05	7.90	5412746
October 2009	8.66	7.21	2205959	8.90	7.20	4182702
November 2009	10.32	7.01	8074856	10.25	7.00	12307479
December 2009	10.10	8.60	5839307	10.10	7.70	8917053
January 2010	10.74	8.60	9058890	10.75	8.60	11249007
February 2010	9.45	7.65	2186379	9.50	7.70	4233068
March 2010	8.40	7.36	3980232	8.25	7.40	5501130

(Source: Official website of BSE & NSE)

m) Distribution of shareholding as on March 31, 2010

No. of equity shares held	No. of shareholders	% of shareholders	Nos. of shares	% of shareholdings
Upto 5000	146823	93.054	108430081	24.105
5001-10000	7471	4.735	25079763	5.575
10001-20000	2117	1.342	15355915	3.414
20001-30000	505	0.320	6356668	1.413
30001-40000	264	0.167	4781455	1.063
40001-50000	142	0.090	3257479	0.724
50001-100000	211	0.134	7493988	1.666
100001 and above	249	0.158	279070854	62.040
Total	157782	100.00	449826203	100.00

n) Performance in comparison to BSE Sensex and NSE S&P CNX Nifty

Month	NIFTY		MOREPEN (NSE)		SENSEX	
	OPEN	CLOSE	OPEN	CLOSE	OPEN	CLOSE
April 2009	3023.85	3473.95	4.55	5.80	9745.77	11403.25
May 2009	3478.70	4448.95	5.85	9.35	11635.24	14625.25
June 2009	4450.40	4291.10	9.85	8.50	11746.51	14493.84
July 2009	4292.30	4636.45	8.35	8.10	14506.43	15670.31
August 2009	4633.80	4662.10	8.10	8.70	15694.78	15666.64
September 2009	4662.20	5083.95	8.90	8.55	15691.27	17126.84
October 2009	5087.20	4711.70	8.55	7.35	17186.20	15896.28
November 2009	4712.25	5032.70	7.50	8.70	15838.63	16926.22
December 2009	5939.70	5210.05	8.75	9.45	16947.46	17464.81
January 2010	5200.90	4882.20	9.70	8.95	17473.45	16357.96
February 2010	4882.05	4922.30	9.00	7.85	16339.32	16429.55
March 2010	4935.60	5249.10	8.00	7.55	16438.45	17527.77

CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2010

Category	No. of shares held	Shareholding (%)
Promoters Holdings	155371588	34.540
Financial Institutions/ Banks	6621940	1.472
Insurance Companies	22484570	4.999
Foreign Institutional Investors	1782691	0.396
Bodies Corporate	23306864	5.181
Individuals	175168173	38.941
NRI/OCBs	3685623	0.819
Others (Foreign Company, Trust and Clearing Member)	61404754	13.652
Total	449826203	100.00

10. DEMATERIALIZATION OF SHARES AND LIQUIDITY

The Equity Shares of the Company are in compulsory demat segment and are available for trading in the depository systems of both the National Securities Depository Limited and the Central Depository Services (India) Limited. The ISIN Number of company on both the NSDL and CDSL is INE083A01026. As on March 31, 2010 14, 67, 34,738 Equity Shares of Rs. 2/- each (32.62%) are in electronic form.



11. DEPOSITORY SERVICES

Shareholders may write to the Company or to the respective Depositories for any guidance on depository services:

National Securities Depository Ltd.
Trade World, 4th Floor
Kamla Mills Compound
Senapati Bapat Marg, Lower Parel,
Mumbai 400 013
Telephone : 022 24972964-70
Fax : 022 24972993
: 022-24976351

Central Depository Services (India) Ltd.
Phiroze Jeejeebhoy Towers
28th Floor, Dalal Street
Mumbai 400 023

Telephone : 022 2272 3333-3224
Fax : 022 2272 3199

12. OUTSTANDING GDRS/ADRS/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY

OUTSTANDING WARRANTS/ANY OTHER CONVERTIBLE INSTRUMENTS

Type of security	Date of conversion	Likely impact on equity
97,35,201 0.01% Optionally Convertible Preference Shares The above shares have been allotted as per the following detail i. 70,40,276 allotted on May 4, 2007; ii. 17,62,000 allotted on May 31, 2007; and iii. 9,32,925 allotted on February 9, 2008	Optionally Convertible into Equity Shares at the end of 7 years from the respective date of its allotment.	The exact impact on the equity would be determinable at the time of conversion of OCPS into equity shares.

13. PLANT LOCATIONS:

- At Baddi** : Morepen Village, Nalagarh Road, Near Baddi, Distt. Solan, Himachal Pradesh.
At Parwanoo : Sector-2, Parwanoo, District Solan, and Himachal Pradesh.
At Masulkhana : Village Masulkhana, District Solan, and Himachal Pradesh

14. ADDRESS FOR INVESTOR CORRESPONDENCE:

Morepen Laboratories Limited
409, Antriksh Bhawan,
22, K.G. Marg,
New Delhi-110 001
Tel No. 23324443/23712025
Fax No. 23722422

MAS Services Ltd.
T-34, 2nd Floor, Okhla Ind. Area, Phase II
New Delhi-110 020
Tel No. 26104142 2638 7281/82/83
Fax No. 26181081 2638 7281
(REGISTRAR AND TRANSFER AGENTS)

15. Code of Business Conduct and ethics for Directors and Senior Management Personnel

Pursuant to the clause 49 of the Listing Agreement executed with the Stock Exchanges the company has adopted Morepen's Code of Conduct for Directors and senior management personnel which is also posted on the website of the Company www.morepen.com

16. CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

Pursuant to the SEBI (Prevention of Insider Trading) Regulations, 2002 the Board of Directors of the Company has adopted a Code of Conduct for the Prevention of Insider Trading.

CEO/CFO CERTIFICATION

We, Sushil Suri, Chairman & Managing Director and Ajay Sharma, Chief Financial Officer, of Morepen Laboratories Limited, to the best of our knowledge and belief certify that:-

- a. We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief :
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit committee
 - i. significant changes in internal control over financial reporting during the year;
 - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

New Delhi
13.05.2010

SUSHIL SURI
Chairman & Managing Director

AJAY SHARMA
Chief Financial Officer

CERTIFICATE REGARDING COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To the Shareholders of Morepen Laboratories Limited.

We have examined the Compliance of conditions of Corporate Governance by Morepen Laboratories Limited, for the financial year ended on March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange in India.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the financial year ended March 31, 2010, no investor grievance is pending against the Company for a period exceeding one month as per the records maintained by the Company which are presented to the Shareholders/ Investor Grievance Committee.

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

For B Mathur & Co.
Company Secretaries

Brijeshwar Dayal Mathur
Company Secretary
C.P. No. 5334

Place : New Delhi
Date : May 13, 2010



Auditors' Report

To

The Members of Morepen Laboratories Limited

We have audited the attached balance sheet of Morepen Laboratories Limited, as at 31st March, 2010 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, ("the act"), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books ;
- c. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account.
- d. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the act;
- e. On the basis of written representations received from the directors, as on 31st March,2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March,2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the act;

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with other notes thereon, give the information required by the act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

- a) in the case of the balance sheet, of the state of affairs of the company as at 31st March, 2010;
- b) in the case of the profit and loss account, of the loss for the year ended on that date; and
- c) in the case of the cash flow statement, of the cash flow for the year ended on that date.

For M Kamal Mahajan And Co.
Chartered Accountants

(M K Mahajan)

(Partner)

Membership No.F-17418

Firm Regn.No.006855N

Place : New Delhi

Date : 13th May, 2010

Annexure to Audit Report

Referred to in our report of even date

- (i)
 - a) The company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets except for items like pipe, meter instruments and other similar items.
 - b) As explained to us, most of the fixed assets have been physically verified by the management during the year and we have been informed that no material discrepancy was noticed on such verification. In our opinion, the frequency of physical verification is reasonable having regard to the size of the company and nature of its business.
 - c) During the year, the company has not disposed off substantial part of the fixed assets.
- (ii)
 - a) As explained to us, the inventory has been physically verified at reasonable intervals by the management.
 - b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. During the year, the company has taken interest free unsecured loan of Rs. 1024.09 Lacs from a party covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business, for the purchases of inventory and fixed assets and for the sale of goods and service. In our opinion, no continuing failure to correct major weakness in internal control system has been noticed.
- (v)
 - a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
 - b) In our opinion and according to the information and explanations given to us, the transactions entered in the registers maintained under Section 301 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) With approval of scheme of Arrangement and Compromise u/s 391 of the Companies Act, 1956 for the fixed deposit holders by Hon'ble High Court of Himachal Pradesh at Shimla and issue of equity shares thereafter to the fixed deposit holders, in our opinion there is no default u/s 58A of the Companies Act, 1956.
- (vii) In our opinion and according to the information and explanations given to us, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the company pursuant to rules made by the Central Government under section 209(1)(d) of the Companies Act, 1956 for maintenance of Cost records and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete;
- (ix) According to the records of the company, the company, in general, is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales-tax, Wealth-tax, Service tax, Custom duty, Excise-duty, Cess and other statutory dues applicable to it and as on 31.3.2010, there are no statutory dues outstanding for a period exceeding six months. There is no amounts payable in respect of Income-tax, Sales-tax, Wealth tax, Service-tax Customs duty, cess were outstanding as at 31st March, 2010 due to any dispute.
- (x) The accumulated losses of the company at the end of the financial year are not more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) Based on our audit procedures and on the information and explanations given by the management, the **company is negotiating settlement as per the approved CDR scheme with two debenture holders with whom the company is in default in repayment amounting to Rs. 565.00 lacs.**



- (xii) Based on our examination of documents and records, we are of the opinion that the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a chit fund/nidhi/mutual benefit fund/societies.
- (xiv) The company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) In our opinion, and according to the information and explanations given to us and on the basis of our verification of books of accounts of the company and based on our examination of the records, we are of the opinion that the company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) According to the information and explanations given to us and on the basis of our verification of books of accounts of the company, we are of the opinion that the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on the basis of our verification of books of accounts of the company, we are of the opinion that funds raised from short term basis were not used for long term investment.
- (xviii) During the year, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) Necessary charge has been created in respect of debentures issued by the company.
- (xx) During the year covered by our audit report, the company has not raised any money by way of public issue hence provisions of this clause are not applicable to it.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the year.

For M Kamal Mahajan And Co.
Chartered Accountants

(M K Mahajan)
(Partner)
Membership No. 17418
Firm Regn.No.006855N

Place : New Delhi
Date : 13th May, 2010

MOREPEN LABORATORIES LIMITED *and Reduced*

Balance Sheet

As at 31st March, 2010

(Rs. in Lacs)

	Schedules	As at 31.03.2010	As at 31.03.2009
<u>SOURCES OF FUNDS</u>			
SHAREHOLDERS' FUNDS			
Share Capital	1	20961.07	19381.66
Reserves and Surplus	2	24275.49	15742.40
		<u>45236.56</u>	<u>35124.06</u>
LOAN FUNDS			
Secured Loans	3	12845.17	13687.59
Unsecured Loans	4	1128.78	14357.80
		<u>13973.95</u>	<u>28045.39</u>
Total		<u>59210.51</u>	<u>63169.45</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	89366.22	88936.98
Less : Depreciation		43527.35	39007.09
Net Block		45838.87	49929.89
INVESTMENTS	6	12190.92	12190.92
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	3046.57	2136.28
Sundry Debtors	8	2056.79	1852.46
Cash and Bank Balances	9	82.39	429.91
Loans and Advances	10	1261.42	1429.49
		<u>6447.17</u>	<u>5848.14</u>
Less : CURRENT LIABILITIES & PROVISIONS	11		
Current Liabilities		8315.13	8051.85
Provisions		306.34	283.04
		<u>8621.47</u>	<u>8334.89</u>
NET CURRENT ASSETS		<u>(2174.30)</u>	<u>(2486.75)</u>
MISCELLANEOUS EXPENDITURE		142.38	139.38
(To the extent not written off /adjusted)			
PROFIT & LOSS ACCOUNT (DEBIT BALANCE)		3212.64	3396.01
Total		<u>59210.51</u>	<u>63169.45</u>
SIGNIFICANT ACCOUNTING POLICIES	17		
NOTES ON ACCOUNTS	18		

Per our separate report of even date

For & on behalf of the Board

For M.Kamal Mahajan And Co.
Chartered Accountants

(Sushil Suri)
Chairman & Managing Director

(Manoj Joshi)
Director

(M.K. Mahajan)
Partner
Membership No. 17418

(Ajay Sharma)
GM- Finance & Accounts

(Rahul)
Company Secretary

Place : New Delhi
Date : 13th May, 2010



MOREPEN LABORATORIES LIMITED *and Reduced*

Profit and Loss Account

For the year ended 31st March, 2010

		(Rs. in Lacs)	
	Schedules	Year ended 31.03.2010	Year ended 31.03.2009
INCOME			
Sales and other income	12	19616.16	16525.00
Accretion / (Decretion) to Stocks	13	504.84	188.98
		<u>20121.00</u>	<u>16713.98</u>
EXPENDITURE			
Materials	14	13350.19	11734.66
Personnel	15	2162.43	1858.00
Manufacturing and others	16	3248.75	2829.37
		<u>18761.37</u>	<u>16422.03</u>
OPERATING SURPLUS			
		1359.63	291.95
Interest Cost (Net)		356.59	201.12
CASH SURPLUS			
		1003.04	90.83
NON CASH ITEMS			
Depreciation and Amortisation		4562.86	4551.43
PROFIT/(LOSS) BEFORE EXTRA ORDINARY ITEMS			
		(3559.82)	(4460.60)
Extraordinary Items		3385.77	804.34
(Refer Note No.3 of III of Schedule 18)			
PROFIT/(LOSS) AFTER EXTRA ORDINARY ITEMS			
		(174.05)	(3656.26)
Provision for Tax			
- Fringe Benefit Tax		-	28.06
PROFIT/(LOSS) AFTER TAX			
		(174.05)	(3684.32)
Surplus/(Loss) brought from last year		(3396.01)	(44210.25)
Amount Transferred from -			
(Refer Note No.2 of I of Schedule 18)			
- Capital Reserve		-	4.29
- Securities Premium Account		-	44,210.25
- Debenture Redemption Reserve Account		357.42	284.02
Surplus/(Loss) Carried Forward		<u>(3212.64)</u>	<u>(3396.01)</u>
SIGNIFICANT ACCOUNTING POLICIES			
	17		
NOTES ON ACCOUNTS			
	18		

Per our separate report of even date

For & on behalf of the Board

For M.Kamal Mahajan And Co.
Chartered Accountants

(Sushil Suri)
Chairman & Managing Director

(Manoj Joshi)
Director

(M.K. Mahajan)
Partner
Membership No. 17418

(Ajay Sharma)
GM- Finance & Accounts

(Rahul)
Company Secretary

Place : New Delhi
Date : 13th May, 2010

Schedules

Schedules forming part of the accounts for the year ended 31st March, 2010

	(Rs. in Lacs)	
	As at 31.03.2010	As at 31.03.2009
1. SHARE CAPITAL		
Authorised		
- 45,00,00,000 Equity Shares of Rs.2/- each	9000.00	9000.00
- 1,20,00,000 Preference Shares of Rs.100/- each	12000.00	12000.00
	<u>21000.00</u>	<u>21000.00</u>
Issued, Subscribed and paid up		
(Refer Note No. 1 of 1 of Schedule 18)		
- 44,98,26,203 (Previous Year 35,73,35,790) Equity Shares of Rs.2/- each fully paid up	8996.53	7146.72
- 97,35,201 0.01% Optionally Convertible Preference Share of Rs. 100/- each fully paid up	9735.20	9735.20
- 15,30,000 0.01% Redemable Preference Shares of Rs. 100/- each fully paid up	1530.00	1530.00
- 2,00,000 0.01% Redemable Preference Shares of Rs. 100/- each fully paid up	200.00	200.00
- 5,00,000 9.75% Cumulative Redeemable Preference Shares of Rs.100/- each fully paid up	500.00	500.00
	<u>20961.73</u>	<u>19111.92</u>
Less : Calls in arrears	0.66	0.66
	<u>20961.07</u>	<u>19111.26</u>
Naked Convertible Warrants		
Nil (Previous year 10% of Face Value of 1,35,20,000 Naked Convertible Warrants)	-	270.40
	<u>20961.07</u>	<u>19381.66</u>
2. RESERVES AND SURPLUS		
(Refer Note No. 2 of I of Schedule 18)		
Capital Reserve	270.40	-
Securities Premium Account	16740.51	8120.40
Preference Share Redemption Reserve	7123.33	7123.33
Debenture Redemption Reserve	141.25	498.67
	<u>24275.49</u>	<u>15742.40</u>
3. SECURED LOANS		
(Refer Note No. 3 of I of Schedule 18)		
Non Convertible Debentures	565.00	565.00
Term Loans from Financial Institutions/Banks	237.50	286.86
Restructured Debts		
- Interest Bearing Portion	6325.62	
- Interest Free Portion	<u>5559.76</u>	
Other Loans	28.40	37.77
Interest Accrued & due	128.89	64.01
	<u>12845.17</u>	<u>13687.59</u>
4. UNSECURED LOANS		
(Refer Note No. 4 of I of Schedule 18)		
Fixed Deposit	-	14175.90
Short Term Loans		
- From Banks	-	99.70
- From Others	1128.78	82.20
	<u>1128.78</u>	<u>82.20</u>
	<u>1128.78</u>	<u>14357.80</u>



5. FIXED ASSETS

(Rs. in Lacs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2009	Additions	Deductions	As at 31.03.2010	As at 01.04.2009	For the year	Deductions	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
Free hold Land	119.42	-	-	119.42	-	-	-	-	119.42	119.42
Leasehold Land	28.62	4.52	-	33.14	-	-	-	-	33.14	28.62
Buildings	6801.36	93.87	-	6895.23	1681.97	179.72	-	1861.69	5033.54	5119.39
Plant & Machinery	81495.52	323.85	-	81819.37	37048.72	4308.46	-	41357.18	40462.19	44446.80
Furnitures & Fixtures	239.86	3.13	-	242.99	145.42	15.26	-	160.68	82.31	94.44
Vehicles	252.20	13.42	9.55	256.07	130.98	24.25	7.43	147.80	108.27	121.22
Total	88936.98	438.79	9.55	89366.22	39007.09	4527.69	7.43	43527.35	45838.87	49929.89
Previous Year	89813.37	163.02	1039.41	88936.98	35507.09	4516.26	1016.26	39007.09	49929.89	-

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
6. INVESTMENTS (At cost)		
(A) Govt. & Trust Securities		
(i) 10, 11.50% IDBI Bonds of aggregate face value of Rs.10.00 Lacs	10.00	10.00
(B) Shares		
Unquoted :-		
(i) 38,65,500 Equity Shares of Rs. 10/- each fully paid up of Morepen Biotech Ltd.	386.55	386.55
(C) Subsidiary Companies		
Shares:-unquoted		
(i) 4,06,79,500 Equity shares of Rs.10/- each fully paid up of Dr. Morepen Ltd.	11747.25	11747.25
(ii) 51, fully paid and non-assessable Shares @ US\$ 1000 each in MorepenMax Inc.	24.89	24.89
(iii) 9,400 fully paid Shares of Common Voting Stocks in Morepen Inc.	22.23	22.23
	<u>12190.92</u>	<u>12190.92</u>
7. CURRENT ASSETS, LOANS AND ADVANCES		
INVENTORIES		
(As certified by management)		
Raw materials	1445.90	1040.45
Finished goods	722.24	716.14
Work-in-progress	830.22	379.69
Others - Stores and Spares	48.21	-
Total	<u>3046.57</u>	<u>2136.28</u>

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
8. SUNDRY DEBTORS		
(Unsecured-unconfirmed)		
Debt over six months :-		
- Considered Good	195.97	171.56
- Doubtful	-	1.06
Less : Provisions	-	(1.06)
Other debts :-		
- Good	1860.82	1680.90
Total	<u>2056.79</u>	<u>1852.46</u>
9. CASH AND BANK BALANCES		
Cash on hand	18.49	11.28
Banks Balances		
- In Current Accounts	35.38	342.30
- In Deposit Accounts	28.52	76.33
	<u>82.39</u>	<u>429.91</u>
10. LOANS AND ADVANCES		
(Unsecured, unconfirmed-Good)		
Advances recoverable in cash or in kind or for value to be received with suppliers and others	619.79	883.65
Other Current Assets	203.71	175.89
Security Deposits	83.36	98.03
Advance Income Tax	13.57	11.68
Central Excise Balances	340.99	260.24
	<u>1261.42</u>	<u>1429.49</u>
11. CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities		
Acceptances	41.44	27.62
Sundry Creditors	7,160.11	6730.07
Subsidiary companies	1,113.58	1282.91
Unclaimed Dividends	-	11.25
	<u>8315.13</u>	<u>8051.85</u>
B. Provisions		
Provision for Grautity	306.34	283.04
	<u>306.34</u>	<u>283.04</u>
	<u>8621.47</u>	<u>8334.89</u>



(Rs. in Lacs)

	Year Ended 31.03.2010	Year Ended 31.03.2009			
12. SALES AND OTHER INCOMES					
Sales & Operating Income					
Sales : Domestic	9526.24	8061.67			
Export	9666.41	8048.61			
Export Incentive	372.44	295.07			
Others	18.27	5.00			
	<u>19,583.36</u>	<u>16,410.35</u>			
Other Income					
Exchange Fluctuations	27.80	104.86			
Interest Income	5.00	9.79			
	<u>32.80</u>	<u>114.65</u>			
	<u>19616.16</u>	<u>16525.00</u>			
13. ACCRETION / (DECRETION) TO STOCKS					
Opening Stock : Finished goods	716.14	541.53			
Work-in-progress	379.69	365.32			
	<u>1095.83</u>	<u>906.85</u>			
Closing Stock : Finished goods	722.24	716.14			
Others	48.21	-			
Work-in-progress	830.22	379.69			
	<u>1600.67</u>	<u>1095.83</u>			
	<u>504.84</u>	<u>188.98</u>			
14. MATERIALS					
	Opening Stock	Purchase	Closing Stock		
Raw Materials	912.42	13211.32	1255.22	12868.52	11266.25
Packing Materials	128.03	544.32	190.68	481.67	468.41
	<u>1040.45</u>	<u>13755.64</u>	<u>1445.90</u>	<u>13350.19</u>	<u>11734.66</u>
15. PERSONNEL					
Salaries and Wages				2045.45	1772.62
Staff Welfare				116.98	85.38
				<u>2162.43</u>	<u>1858.00</u>
16. MANUFACTURING AND OTHERS					
Power and Fuel				601.24	607.65
Plant & Machinery Repair				199.24	151.76
Building Repair				80.83	64.34
General Repairs				33.49	34.38
Research & Development				170.30	137.79
Rent				153.93	105.53
Travelling				393.75	358.77
Telephone, Telex and postage				141.04	114.51
Vehicle Running Expenses				70.42	62.82
Printing and Stationery				50.09	68.52
Insurance				18.34	20.38
Legal and Professional				206.20	150.37
Bank charges				43.80	62.22
Miscellaneous Expenses				253.96	195.19
Selling & Distribution Expenses				789.84	664.39
Rates and Taxes				36.85	18.66
Advertisement and Publicity				5.43	12.09
				<u>3248.75</u>	<u>2829.37</u>

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

17. SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of financial statements

The financial statements are prepared under the historical cost convention, in accordance with the Generally Accepted Accounting Principles in India, Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as adopted consistently by the company.

2. Fixed assets

- a) Fixed assets are stated at cost less depreciation. Capital work in progress includes pre-operative expenses.
- b) Expenditure incurred on projects / expansion during implementation is capitalized and apportioned to various assets on commissioning / completion of the same. Other revenue expenses including cost of borrowing relating to purchase/installation are charged to revenue.

3. Depreciation

- a) Depreciation on fixed assets is provided on straight-line method at the rates and in the manner as prescribed in schedule XIV of the Companies Act, 1956.
- b) Cost of leasehold land is not being amortized over the period of lease.

4. Investments

Investments are stated at cost. Provision is made, where, there is a permanent fall in the value of investment.

5. Foreign exchange transactions

Foreign currency liabilities covered by forward contracts/swap agreements are stated at the forward contracts/swap agreements rates, while those not covered by forward contracts/swap agreements are restated at rates ruling at the year-end. Exchange differences relating to fixed assets are adjusted in the cost of the asset. Any other exchange differences are dealt with in the profit and loss account.

6. Valuation of inventories

Stocks of raw materials and other ingredients have been valued at cost on first in first out basis or net realizable value whichever is less, finished goods have been valued at lower of cost and net realizable value, work-in-progress is valued at raw material cost up to the stage of completion, as certified by the management on technical basis. Goods in transit are carried at cost.

7. Revenue Recognition

- a) Sales are stated net of returns, excise duty and sales tax.
- b) Dividend income is accounted for when the right to receive the same is established.
- c) Interest on calls-in-arrears on share capital is accounted for as and when received.

8. Excise duty on finished goods

Excise duty on finished goods is accounted for as and when the clearance is made from the factory premises.

9. Researches and Development

- a) Capital expenditure on research and development is included in the cost of fixed assets.
- b) Revenue expenditure on research and development is charged to the profit & loss account.
- c) Expenses in respect of major product development are however, treated as deferred revenue expenditure for amortisation over a period of subsequent five years.

10. Employee Retirement benefits

- a) The contributions to the provident fund, under the defined contribution plans, are charged to revenue.
- b) Gratuity provision has been made as per actuarial valuation.



c) Leave encashment is accounted for on accrual basis.

11. Taxation

The provision for taxation is ascertained on the basis of assessable profits computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

12. Miscellaneous expenditure

- a) Preliminary Expenses / Public Issue expenses are written off over a period of ten years.
- b) Deferred Revenue Expenses are written off over a period of five subsequent years.

13. Impairment of Assets

The company determines whether there is any indication of impairment of carrying amount of company's assets. The recoverable amounts of such assets are estimated, and if any indication exists, impairment loss is recognised wherever the carrying amount of assets exceeds its recoverable amount.

18. NOTES ON ACCOUNTS

I BALANCE SHEET

1. Share Capital

1.1 Equity Share Capital

During the year, the company has allotted 9,24,90,413 Equity Shares of Rs. 2/- each fully paid up at a price of Rs. 11.32 per share, determined under SEBI (DIP) guidelines, to the fixed deposit holders of the company towards full and final settlement of their dues, pursuant to order passed by Hon'ble High Court of 'Himachal Pradesh' at Shimla approving the scheme of arrangement and compromise with fixed deposit holders.

1.2 Preference Share Capital

1,19,65,201 Preference Shares of Rs. 100/- each consist of -

- 97,35,201, 0.01% Optionally Convertible Preference Shares, amounting to Rs. 9735.20 Lacs are due for redemption/conversion in financial year 2014-15.

- 15,30,000, 0.01% Preference Shares amounting Rs.1530.00 Lacs are redeemable in two equal installments in the financial years 2016-17 and 2017-18.

- 2,00,000, 0.01% Preference Shares amounting Rs. 200.00 lacs, are due for redemption in the financial year 2011-12.

- 5,00,000, 9.75% Cumulative Redeemable Preference Shares amounting to Rs. 500.00 Lacs have already become due for redemption.

1.3 Naked Convertible Warrants

During the year, the company has forfeited the advance subscription amount of Rs. 270.40 Lacs received towards naked convertible warrants, on account of non-payment of balance 90% subscription money due on these warrants.

2. Reserves and Surplus

2.1 Addition to capital reserve of Rs. 270.40 Lacs, represents amount forfeited by the company, on account of non-payment within prescribed time period, of balance 90% subscription money due on the naked convertible warrants.

2.2 Addition to 'Securities Premium Account' of Rs. 8620.11 Lacs represents premium on issue of 9,24,90,413 equity shares of Rs. 2/- each issued at a price of Rs. 11.32 per share issued to fixed deposit holders of the company towards full and final settlement of their dues.

- 2.3 Reduction of Rs. 357.42 lacs from Debenture Redemption Reserve represents reserve created in the earlier years and not required any longer in view of repayment/settlement of dues.

3. Secured Loans

- 3.1 Non Convertible Debentures of Rs.565.00 lacs (Previous Year Rs.565.00 lacs) are privately placed and comprise of: 100,000 - 15% NCDs (Rs.33.33 paid up); 100,000- 18.5% NCDs (Rs.66.00 paid up);2,00,000 - 17 % NCDs (Rs.66.50 paid up) ; 200,000 - 19% NCDs (Rs. 33.33 paid up); 400,000- 15.5% NCDs (Rs. 66.50 paid up).

All these debentures along with interest, remuneration payable to trustees and other money due in respect thereof are secured by a first charge created jointly along with banks / financial institutions providing term and corporate rupee loans except borrowings stated in Para 3.6 below.

- 3.2 Term Loans from financial institutions/banks of Rs.237.50 Lacs (Previous Year Rs.286.86 Lacs) represents balance amount payable in respect of settlements with these institutions/banks.
- 3.3 Interest bearing portion of restructured debts of Rs.6325.62 Lacs (Previous Year Rs.6781.01 Lacs) due to institutions/banks is payable starting from financial year 2010-11 and shall be fully payable by 31st March, 2018.
- 3.4 Interest free portion of restructured debts of Rs.5559.76 Lacs (Previous Year Rs.5952.94 Lacs) due to institutions/banks shall be due for payment in the financial years starting 2016-17 and shall be fully payable by 31st March 2018. The debt will be interest bearing from the financial year 2015-16.
- 3.5 Non-convertible debentures/ Term loans / restructured debts, are secured by a first charge created by way of joint equitable mortgage on pari - passu basis on all immovable and movable properties both present and future except borrowings stated in Para 3.6 below.
- 3.6 Other loans of Rs. 28.40 lacs (Previous year Rs.37.77 lacs) are secured by hypothecation of specific assets purchased under the hire purchase scheme.

4. Unsecured Loans

- 4.1 During the year, the scheme of arrangement and compromise with the fixed deposit holders filed by the company under section 391 of Companies Act, 1956, has been approved by the Hon'ble High Court of Himachal Pradesh at Shimla. Pursuant to the approved scheme, the company has allotted Equity Shares of Rs. 2/- each, at a price of Rs. 11.32 per share, determined under SEBI (DIP) Guidelines, to the fixed deposit holders equivalent to 75% of the principal amount due. The balance 25% of the principal amount, as per the approved scheme, has been waived off and is shown as extraordinary items in the profit and loss account. As per the approved scheme, the interest on fixed deposits has been waived off.
- 4.2 Short term loans from others represent loans and inter corporate deposits from friends, relatives & others.

5. Current liabilities

Based on the information available with the Company, no amount is payable to Micro & Small Enterprises as defined under the MSMED Act, 2006. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

6. Fixed Assets

- 6.1 During the year, the company has made addition to fixed assets of Rs. 438.79 lacs (Previous year Rs.163.02 lacs). Additions to fixed assets put to use have been capitalized. Depreciation on fixed assets is provided from the subsequent month after the asset is put to use. Fixed assets installed and put to use have been certified by the management.
- 6.2 Leasehold land is not amortised in view of para 1(c) of Accounting Standard on Leases (AS-19) issued by The Institute of Chartered Accountants of India defining scope of the standard.

7. Investments

The fall in value of investments, in unquoted shares and in respect of losses in subsidiary companies, has not been provided, as this, in view of management's perception, is temporary.



8. Inventories

The inventory of stocks, stores and spares has been taken, valued and certified by the management.

9. Bank Balances

Bank balances of Rs. 28.52 lacs (Previous year Rs. 76.33 lacs) in deposit accounts are pledged as margin money.

10. Miscellaneous expenditure

The miscellaneous expenditure of Rs. 142.38 Lacs (Previous Year Rs. 139.38 lacs) includes Rs. 104.22 Lacs in respect of capital issue expenses remaining un-adjusted and Rs 38.16 lacs towards marketing expenses benefits of which are expected over a period of five years.

11. In the opinion of directors, the current assets, loans and advances are of the value stated except otherwise stated in the accounts, if realized in the ordinary course of business and the provision for depreciation and for all known liabilities is adequate and considered reasonable.
12. Balances of sundry creditors, secured and unsecured loans, sundry debtors, bank balances, loans and advances and security deposits are subject to confirmation.
13. During the year an amount of Rs. 11.24 Lacs was deposited in Investor Education and Protection Fund.
14. The application for compounding of various offences under provisions of the Companies Act, 1956 is pending with the Central Govt.

II. CONTINGENT LIABILITIES

	As at 31st March 2010	As at 31st March 2009
Bank Guarantees	28.52	76.33
Pending settlement with banks/institutions/Fixed Deposits- Interest not provided	Nil	8004.48
Accumulated dividend on preference shares	3.26	2.10
Claim against the Company not acknowledged as debt	338.51	359.98
Liability, if any, arising out of legal cases filed against the company by parties.	Amount not ascertainable	Amount not ascertainable

III. PROFIT & LOSS ACCOUNT

1. Directors Remuneration

	As at 31st March 2010	As at 31st March 2009
A. Directors Remuneration		
a) Details of Remuneration to the Managing Director & Whole time Directors		
Remuneration	26.07	25.15
Other perquisites	18.77	18.18
Commission	-	-
Total	44.84	43.33
b) Calculation of Profits in accordance with Section 198 of the Companies Act, 1956 for the purpose of calculation of commission Payable to directors:		

Profit /(loss) before tax as per Profit & Loss Account	(174.04)	(3656.26)
Less: Directors remuneration as above	(44.84)	(43.33)
Profit/(Loss)on sale of fixed assets	(0.45)	(2.45)
	(128.75)	(3610.48)
Add: Prior period items	32.05	25.93
Total Amount	(96.70)	(3584.55)
4% of the above	-	-
B. Sitting fee	2.40	2.35

Note:-

- The above remuneration paid to managerial persons is subject to approval from the Central Govt. under Section II (A) (ii) of Part II of Schedule XIII of the Companies Act, 1956. The remuneration paid is lower than minimum as allowed under the Act.
- Remuneration paid to directors during the years ending 31.03.2006 to 31.03.2009 amounting to Rs. 153.33 lacs is subject to approval from Central Govt.
- In view of losses during the year, the managing director has been paid a salary of Rs. 12.75 lacs, out of approved salary of Rs. 60.20 lacs. Balance salary of Rs. 47.45 lacs has been forgone by him and hence not provided in the accounts.

2. Remuneration to auditors

2.1 Statutory auditors

	(Rs. in lacs)	
	As at 31st March 2010	As at 31st March 2009
-Audit fee	9.50	9.50
-Tax audit fee	5.50	5.50
-Tax matters	3.00	3.00
-Certification	1.09	0.95
-Service tax	1.85	1.97
Total	20.94	20.92

2.2 Cost auditors

- Audit fee	1.20	1.20
- Others	0.30	0.30
Total	1.50	1.50

- Extraordinary items of Rs. 3385.77 Lacs represents liability waived off in respect of fixed deposit holders pursuant to approved scheme of compromise and arrangement with fixed deposit holders.



4. Income tax deducted at source

	Year Ended 31st March 2010	Year Ended 31st March 2009
- Interest income	0.30	4.27
- Others	1.59	77.35
	1.89	81.62

5. Detail of Depreciation and Amortisation

Depreciation	4527.69	4516.26
Miscellaneous expenses written off	35.17	35.17
	4562.86	4551.43

6. Taxation

No Provision for current Income tax has been made in view of loss during the year.

7. Expenses include Rs. 32.05 lacs (Previous Year Rs. 25.93 lacs) as expenses (net) relating to earlier years.

8. Sales Tax assessments for earlier years are in progress. Demand, if any, shall be accounted for, on the completion of assessments.

9. Dividend

No dividend is provided on equity/preference share capital in view of loss during the year.

10. Previous year figures have been regrouped and rearranged wherever necessary to suit the present year layout.

11. Segment Reporting

As the Company's business activity falls within a single primary business segment viz. "Pharmaceuticals" the disclosure requirements of Accounting Standards (AS-17) "Segment Reporting", issued by The Institute of Chartered Accountants of India are not applicable.

12. Earnings per share

Particulars	Year ended 31st March 2010	Year ended 31st March 2009
Profit/(Loss) after tax (Rs. in Lacs)	(174.04)	(3684.32)
Weighted average number of equity shares outstanding	416124217	357335790
Earnings/(loss) per share in rupees (face value Rs.2/- per share)		
- Basic & Diluted (after pref. Dividend)	(0.04)	(1.03)

13. Deferred Tax Liability/ (Asset)

As required by Accounting Standard "Accounting for taxes on income" i.e. (AS-22) issued by the Institute of Chartered Accountants of India, deferred tax asset on losses during the year, is not recognized as a matter of prudence.

14. Impairment

It is the view of management that there are no impairment conditions that exist as on 31st March, 2010. Hence, no provision is required in the accounts for the year under review.

15. Related party disclosures

Disclosure as required by accounting standard "Related Party Disclosures" (AS-18) issued by the Institute of Chartered Accountants of India are given here under:

Related Parties

1 Subsidiary Companies		
MorepenMax Inc.		Overseas Company
Morepen Inc.		Overseas Company
Dr. Morepen Limited		Domestic Company
Total Care Limited		Domestic Company
2 Associates		
Morepen Biotech Limited		Domestic Company
3 Key Management Personnel (Whole-time directors)		
		Mr. Sushil Suri
		Dr. A. K. Sinha
4 Entities over which key management personnel/ or Relatives of key management personnel are able to exercise significant influence with which the company has any transactions during the year.		
		Blue Coast Infrastructure Development Limited

Transactions with related parties

	Nature of transaction	(Rs. in lacs)
1 Subsidiary Companies		
	Sale of inventories	710.30
	Purchase of inventories	2.16
	Balance as on 31.03.10 Payable (Maximum balance outstanding Rs. 1282.91 Lacs)	1113.58
2 Associate Company		
	Nil	Nil
3 Key management Personnel		
	Remuneration	44.84
	Sitting fee	2.40
	Balance as on 31.03.10	Nil
4 Relatives of key management personnel		
	Nil	Nil
5 Entities over which key management personnel/ Relatives of key management personnel are able to exercise significant influence		
	Receipt of unsecured loan (Max. bal. outstanding Rs. 1024.09 Lacs)	1024.09
	Balance as on 31.03.10 (Payable)	1024.09



IV. ADDITIONAL INFORMATION PURSUANT TO CLAUSE 4C OF PART-II TO SCHEDULE VI OF THE COMPANIES ACT, 1956

1. DETAIL OF INSTALLED CAPACITY/PRODUCTION

	Unit of Measure	Year Ended 31.03.2010	Year Ended 31.03.2009
a) Installed capacity			
- Drugs & Drug Intermediates	(MT)	884.000	884.000
- Formulations Tablets/Capsules	(Nos/Lacs)	37100.00	37100.00
Oral Liquids	(MT)	375.000	375.000
Powders	(MT)	500.000	500.000
b) Production *			
- Drugs & Drug Intermediates	(MT)	158.037	53.075
- Formulations	(Nos/Lacs)	4997.74	3505.33

2. DETAILS OF OPENING STOCK / CLOSING STOCK / SALES OF FINISHED GOODS

(Rs. in Lacs)

	Unit of Measure	As at 31.03.2010		As at 31.03.2009	
		Qty.	Value	Qty.	Value
<u>OPENING STOCK</u>					
- Drugs & Drug Intermediates	(MT)	1.032	205.21	3.037	92.54
- Formulations	(Nos/Lacs)	210.66	202.26	162.74	156.38
- Diagnostic Devices	(Nos/Units)	86655	308.68	74537	292.61
	Total		<u>716.15</u>		<u>541.53</u>
<u>CLOSING STOCK</u>					
- Drugs & Drug Intermediates	(MT)	3.229	174.01	1.032	205.21
- Formulations	(Nos/Lacs)	347.29	217.93	210.66	202.26
- Diagnostic Devices	(Nos/Units)	185505	330.29	86655	308.68
	Total		<u>722.24</u>		<u>716.15</u>
<u>SALES</u>					
- Drugs & Drug Intermediates	(MT)	155.840	11506.82	55.080	8938.18
- Formulations **	(Nos/Lacs)	5698.39	5253.81	4233.13	4620.10
- Diagnostic Devices ***	(Nos/Units)	661956	2367.45	611757	2483.62
- Others			64.56		68.38
	Total		<u>19192.64</u>		<u>16110.28</u>

(Rs. in Lacs)

	Unit of Measure	As at 31.03.2010		As at 31.03.2009	
		Qty.	Value	Qty.	Value
3. PURCHASES OF FINISHED GOODS					
- Formulations	(Nos/Lacs)	837.28	1883.07	775.72	1980.28
- Diagnostic Devices	(Nos/Units)	760806	1546.74	623875	1613.00
	Total		3429.81		3593.28
4. RAW MATERIAL CONSUMED (including consumption for Research & Development)					
Key Intermediates	(MT)	3883.72	6195.15	2968.04	4696.57
Others			3243.56		2976.39
	Total		9438.71		7672.96
* Production of Drugs & Drug Intermediates is net of Captive Consumption of 21.452 MT (Previous Year 9.572 MT)					
** Inclusive of free samples & free of cost quantity distributed i.e. 129.91 Nos/Lacs(Previous year 64.69 Nos/Lacs)					
*** Inclusive of free of cost quantity i.e. 18922 Nos/Units(Previous year 7385 Nos/Units) (Quantitative details and installed capacity are as certified by management)					
5. VALUE OF IMPORTED AND INDIGENOUS RAW MATERIALS CONSUMED AND PERCENTAGE THEREOF					
					(Rs. in Lacs)
		Year Ended		Year Ended	
		31.03.2010		31.03.2009	
		%	Value	%	Value
Imported		20.83%	1965.89	8.31%	637.84
Indigenous		79.17%	7472.82	91.69%	7035.12
Total		100.00%	9438.71	100.00%	7672.96
6. VALUE OF IMPORTS ON CIF BASIS					
Raw Materials			2240.20		747.71
Finished Goods			968.42		1204.99
Capital Goods			32.11		-
7. EXPENDITURE IN FOREIGN CURRENCY					
Technical Knowhow/Professional Fees			-		4.73
Others			226.07		73.75
8. INCOME IN FOREIGN CURRENCY					
F.O.B. Value of Exports			4093.30		2758.66



V BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAIL

Registration No.	6028
State Code	06
Date of Balance Sheet	31.03.10

II. Capital raised during the Year (Amount in Rs. Thousands)

Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL

III. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)

Total Liabilities	5921051
Total Assets	5921051

Sources of Funds

Paid up Capital/Convertible Warrants	2096107
Reserve & Surplus	2427549
Secured Loans	1284517
Unsecured Loans	112878

Application of Funds

Net Fixed Assets	4583887
Investments	1219092
Net Current Assets	(217430)
Profit & Loss Account (Debit Balance)	321264
Misc. Expenditure	14238

IV. Performance of Company (Amount in Rs. Thousands)

Turnover & Other Income	1961616
Total expenditure	1979021
Profit/ Loss before Tax	(17405)
Profit/ Loss after Tax	(17405)
Earning per share of Rs. 2/-each (in Rs.)	(0.04)
Dividend Rate (%)	NIL

V. Generics Names of Three Principal Products/Services of Company

(As per monetary terms)

Item code No. (ITC Code)	Product Description
a) 294200	LORATADINE
b) 294110	SULTAMICILLIN TOSYLATE
c) 29420090	MONTELUKAST

Per our separate report of even date

For M.Kamal Mahajan And Co.

Chartered Accountants

(M.K. Mahajan)

Partner

Membership No. 17418

Place : New Delhi

Date : 13th May, 2010

For & on behalf of the Board

(Sushil Suri)

Chairman & Managing Director

(Ajay Sharma)

GM- Finance & Accounts

(Manoj Joshi)

Director

(Rahul)

Company Secretary

Cash Flow Statement

(Rs. in Lacs)

	Year Ended 31st March 2010	Year Ended 31st March 2009
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before Tax and extraordinary items	(3559.82)	(4460.60)
Adjustments for :		
Depreciation & Amortisation	4562.86	4551.43
Profit/(Loss) on Sale of Fixed Assets	(0.45)	(2.45)
Interest Cost (net)	356.59	201.12
Operating profit before working capital changes	1360.08	294.40
Adjustments for :		
Trade and Other Receivables	(36.26)	(1020.62)
Inventories	(910.30)	(315.20)
Trade Payables	286.58	2018.61
Cash generated from operations	700.10	977.19
Direct taxes paid (including Fringe Benefits tax)	-	28.06
Cash Flow before extraordinary items	700.10	949.13
Misc. Expenditure	(38.16)	-
NET CASH FROM OPERATING ACTIVITIES	661.94	949.13
B. CASH FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(438.79)	(163.02)
Sale of Fixed Assets	1.67	20.70
NET CASH USED IN INVESTING ACTIVITIES	(437.12)	(142.32)
C. CASH FROM FINANCING ACTIVITIES:		
Equity Issued to fixed depositors	10469.92	-
Extraordinary items-waiver relating to fixed deposits	3,385.77	804.34
Interest Cost (net)	(356.59)	2001.12
Proceeds from Long Term borrowings (Net)	(897.93)	(791.88)
Proceeds from Short Term borrowings (Net)	(13173.51)	(340.00)
NET CASH USED IN FINANCING ACTIVITIES	(572.34)	1673.58
Net Increase/(Decrease) in Cash and Cash equivalents (A + B + C)	(347.52)	2480.39
Cash and Cash equivalents as at 01.04.2009	429.91	151.76
Cash and Cash equivalents as at 31.03.2010	82.39	429.91

Per our separate report of even date

For & on behalf of the Board

For M.Kamal Mahajan And Co.
Chartered Accountants

(Sushil Suri)
Chairman & Managing Director

(Manoj Joshi)
Director

(M.K. Mahajan)
Partner
Membership No. 17418

(Ajay Sharma)
GM- Finance & Accounts

(Rahul)
Company Secretary

Place : New Delhi
Date : 13th May, 2010



Auditors' Report on Consolidated Financial Statements

To

The Board of Directors

Morepen Laboratories Limited

We have audited the attached consolidated balance sheet of Morepen Laboratories Limited and its subsidiaries (**as per list appearing in Note No. 1 of Schedule 18**), collectively referred to as "Morepen Group" as at 31st March, 2010 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the "Morepen Group" management and have been prepared by the management on the basis of the separate financial statements and other financial information regarding Morepen Group. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We did not audit the financial statements of the foreign subsidiaries of the company whose financial statements reflect total assets of Rs. 112.11 lacs as at 31st March, 2010, total revenues of Rs. 87.60 lacs and cash flow amounting to Rs. 2.13 lacs for the year then ended. These financial statements have not been audited by us in view of which our opinion on consolidated financial statements is limited to the financial statements of the parent company and its two domestic subsidiary companies only.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirement of accounting standards on consolidated financial statements i.e. 'AS-21' issued by the Institute of Chartered Accountants of India and on the basis of separate audited financial statements of the parent company and its two domestic subsidiaries and financial statement of its two foreign subsidiaries included in the consolidated financial statements.

On the basis of information and explanations given to us and on the consideration of the separate audit reports of the financial statements of the parent company and its two domestic subsidiaries and on the other financial information of the components, we are of the opinion that the said consolidated financial statements, subject to

Note No. 6.3 of I of Schedule 19 regarding dispute in respect of ownership of Trademark "Burnol"

read together with other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

- a) in the case of the consolidated balance sheet, of the state of affairs of the company and its subsidiaries as at 31st March, 2010;
- b) in the case of the consolidated profit and loss account, of the consolidated results of operations of the company and its subsidiaries for the year ended on that date; and
- c) in the case of the consolidated cash flow statement, of the consolidated cash flows of the company and its subsidiaries for the year ended on that date.

For M Kamal Mahajan And Co.
Chartered Accountants

(M K Mahajan)

(Partner)

Membership No.17418

Firm Regn. No. 006855N

Place : New Delhi

Date : 13th May, 2010



Consolidated Balance Sheet

As at 31st March, 2010

(Rs. in Lacs)

	Schedules	As at 31.03.2010	As at 31.03.2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	20961.07	19381.66
Reserves and Surplus	2	24275.49	15742.40
		<u>45236.56</u>	<u>35124.06</u>
LOAN FUNDS			
Secured Loans	3	12845.17	13687.59
Unsecured Loans	4	1128.78	14357.80
		<u>13973.95</u>	<u>28045.39</u>
Total		<u>59210.51</u>	<u>63169.45</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	99553.59	99131.48
Less : Depreciation		45535.47	40787.50
Net Block		<u>54018.12</u>	<u>58343.98</u>
INVESTMENTS	6	396.55	396.55
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	3168.42	2229.39
Sundry Debtors	8	2383.18	2122.06
Cash and Bank Balances	9	110.29	458.75
Loans and Advances	10	1333.75	1654.85
		<u>6995.64</u>	<u>6465.05</u>
Less : CURRENT LIABILITIES & PROVISIONS	11		
Current Liabilities		8217.58	7792.59
Provisions		306.34	294.78
		<u>8523.92</u>	<u>8087.37</u>
NET CURRENT ASSETS		<u>(1528.28)</u>	<u>(1622.32)</u>
MINORITY INTEREST	12	43.82	36.26
MISCELLANEOUS EXPENDITURE		142.38	141.33
(To the extent not written off /adjusted)			
PROFIT & LOSS ACCOUNT (DEBIT BALANCE)		<u>6137.93</u>	<u>5873.65</u>
Total		<u>59210.51</u>	<u>63169.45</u>
SIGNIFICANT ACCOUNTING POLICIES	18		
NOTES ON ACCOUNTS	19		

Per our separate report of even date

For & on behalf of the Board

For M.Kamal Mahajan And Co.
Chartered Accountants

(Sushil Suri)
Chairman & Managing Director

(Manoj Joshi)
Director

(M.K. Mahajan)
Partner
Membership No. 17418

(Ajay Sharma)
GM- Finance & Accounts

(Rahul)
Company Secretary

Place : New Delhi
Date : 13th May, 2010

Consolidated Profit and Loss Account

For the year ended 31st March, 2010

(Rs. in Lacs)

	Schedules	Year ended 31.03.2010	Year ended 31.03.2009
INCOME			
Sales and other income	13	21218.33	18547.71
Accretion / (Decretion) to Stocks	14	504.84	188.98
		<u>21723.17</u>	<u>18736.69</u>
EXPENDITURE			
Materials	15	13678.86	12166.95
Personnel	16	2395.44	2126.22
Manufacturing and others	17	4500.14	3962.87
		<u>20574.44</u>	<u>18256.04</u>
OPERATING SURPLUS/(DEFICIT)			
		1148.73	480.65
Interest Cost (Net)		356.59	201.12
CASH SURPLUS			
		<u>792.14</u>	<u>279.53</u>
NON CASH ITEMS			
Depreciation and Amortisation		4802.06	5213.80
PROFIT/(LOSS) BEFORE EXTRA ORDINARY ITEMS			
		<u>(4009.92)</u>	<u>(4934.27)</u>
Extraordinary Items		3,385.77	804.34
PROFIT/(LOSS) AFTER EXTRA ORDINARY ITEMS			
		<u>(624.15)</u>	<u>(4129.93)</u>
Provision for Tax			
- Fringe Benefit Tax		-	30.57
- Corporation Tax		2.68	32.44
PROFIT/(LOSS) AFTER TAX BUT BEFORE MINORITY INTEREST			
		<u>(626.83)</u>	<u>(4,192.94)</u>
Share of Minority Interest in Profit/(Loss)		(5.13)	(17.10)
PROFIT/(LOSS) AFTER TAX & MINORITY INTEREST			
		<u>(621.70)</u>	<u>(4175.83)</u>
Surplus/(Loss) brought from last year		(5873.65)	(45499.41)
Transfer to Depreciation Reserves		-	696.97
Amount Transferred from -			
(Refer Note No.2 of I of Schedule 19)			
- Capital Reserve		-	4.29
- Securities Premium Account		-	44,210.25
- Debenture Redemption Reserve Account		357.42	284.02
Surplus/(Loss) Carried Forward			
		<u>(6137.93)</u>	<u>(5873.65)</u>
SIGNIFICANT ACCOUNTING POLICIES			
	18		
NOTES ON ACCOUNTS			
	19		

Per our separate report of even date

For & on behalf of the Board

For M.Kamal Mahajan And Co.
Chartered Accountants

(Sushil Suri)
Chairman & Managing Director

(Manoj Joshi)
Director

(M.K. Mahajan)
Partner
Membership No. 17418

(Ajay Sharma)
GM- Finance & Accounts

(Rahul)
Company Secretary

Place : New Delhi
Date : 13th May, 2010



Schedules

Forming Part of the Consolidated Financial Statements for the year ended 31st March, 2010

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
1. SHARE CAPITAL		
Authorised		
- 45,00,00,000 Equity Shares of Rs.2/- each	9000.00	9000.00
- 1,20,00,000 Preference Shares of Rs.100/- each	12000.00	12000.00
	<u>21000.00</u>	<u>21000.00</u>
Issued, Subscribed and paid up		
- 44,98,26,203 (Previous Year 35,73,35,790) Equity Shares of Rs.2/- each fully paid up	8996.53	7146.72
- 97,35,201 0.01% Optionally Convertible Preference Share of Rs. 100/- each fully paid up	9735.20	9735.20
- 15,30,000 0.01% Redemable Preference Shares of Rs. 100/- each fully paid up	1530.00	1530.00
- 2,00,000 0.01% Redemable Preference Shares of Rs. 100/- each fully paid up	200.00	200.00
- 5,00,000 9.75% Cumulative Redeemable Preference Shares of Rs.100/- each fully paid up	500.00	500.00
	<u>20961.73</u>	<u>19111.92</u>
Less : Calls in arrears	0.66	0.66
	<u>20961.07</u>	<u>19111.26</u>
Naked Convertible Warrants		
- 10% of Face Value of 1,35,20,000 Naked Convertible Warrants	-	270.40
	<u>20961.07</u>	<u>19381.66</u>
2. RESERVES AND SURPLUS		
Capital Reserve	270.40	-
Securities Premium Account	16740.51	8120.40
Capital Redemption Reserve	7123.33	7123.33
Debenture Redemption Reserve	141.25	498.67
	<u>24275.49</u>	<u>15742.40</u>
3. SECURED LOANS		
(Refer Note No. 3 of I of Schedule 19)		
Non Convertible Debentures	565.00	565.00
Loans from Financial Institutions/Banks	237.50	286.86
Restructured Debts		
- Interest Bearing Portion	6325.62	
- Interest Free Portion	<u>5559.76</u>	12,733.95
Other Loans	28.40	37.77
Interest accrued & due	128.89	64.01
	<u>12845.17</u>	<u>13687.59</u>
4. UNSECURED LOANS		
(Refer Note No. 4 of I of Schedule 19)		
Fixed Deposit	-	14175.90
Short Term Loans :-		
- From Banks	-	99.70
- From Others	1128.78	82.20
	<u>1128.78</u>	<u>14357.80</u>

5. FIXED ASSETS

(Rs. in Lacs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at	Additions	Deductions	As at	As at	For the	Deductions	As at	As at	As at
	01.04.2009			31.03.2010	01.04.2009	year		31.03.2010	31.03.2010	31.03.2009
Goodwill	7,794.41	-	-	7794.41	-	-	-	-	7794.41	7,794.41
Free hold Land	134.36	-	-	134.36	-	-	-	-	134.36	134.36
Leasehold Land	28.62	4.52	-	33.14	-	-	-	-	33.14	28.62
Buildings	6801.36	93.87	-	6895.23	1681.97	179.72	-	1861.69	5033.54	5119.39
Plant & Machinery	81507.71	328.87	3.15	81833.43	37052.15	4309.79	1.13	41360.81	40472.62	44455.56
Furnitures & Fixtures	256.20	3.73	2.53	257.40	150.80	16.24	1.27	165.77	91.63	105.40
Vehicles	274.75	13.42	9.55	278.62	173.57	26.39	7.43	192.53	86.09	101.18
Patents & Trade Marks	2,323.23	-	-	2,323.23	1719.52	232.32	-	1951.84	371.39	603.71
Computers	10.84	0.27	7.34	3.77	9.49	0.49	7.15	2.83	0.94	1.35
Total	99131.48	444.68	22.57	99553.59	40787.50	4764.95	16.98	45535.47	54018.12	58343.98
Previous Year	100305.35	166.00	1339.87	99131.48	36508.27	4891.08	608.55	40787.50	58343.98	-

(Rs. in Lacs)

	As at	As at
	31.03.2010	31.03.2009

6. INVESTMENTS (At cost)

(A) Govt. & Trust Securities

(i) 10, 11.50% IDBI Bonds of aggregate face value of Rs.10.00 Lacs	10.00	10.00
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(B) Shares

Unquoted :-

(i) 38,65,500 Equity Shares of Rs. 10/- each fully paid up of Morepen Biotech Ltd.	386.55	386.55
	<u>396.55</u>	<u>396.55</u>

CURRENT ASSETS, LOANS AND ADVANCES

7. INVENTORIES

(As certified by management)

Raw materials	1445.90	1133.56
Finished goods	844.09	716.14
Work-in-progress	830.22	379.69
Others - Stores and Spares	48.21	-
Total	<u>3168.42</u>	<u>2229.39</u>



	(Rs. in Lacs)	
	As at 31.03.2010	As at 31.03.2009
8. SUNDRY DEBTORS		
(Unsecured-unconfirmed)		
Debts over six months :-		
- Considered Good	216.80	194.98
- Doubtful	15.84	17.35
Less : Provisions	(15.84)	(17.35)
Other debts :-		
- Good	2166.38	1927.08
Total	<u>2383.18</u>	<u>2122.06</u>
9. CASH AND BANK BALANCES		
Cash on hand	24.39	16.56
Banks Balances		
- In Current Accounts	54.38	362.86
- In Deposit Accounts	31.52	79.33
	<u>110.29</u>	<u>458.75</u>
10. LOANS AND ADVANCES		
(Unsecured, unconfirmed-Good)		
Advances recoverable in cash or in kind or for value to be received with suppliers and others	672.24	1077.60
Other Current Assets	215.16	183.84
Security Deposits	87.03	116.78
Advance Income Tax	18.33	16.39
Central Excise Balances	340.99	260.24
	<u>1333.75</u>	<u>1654.85</u>
11. CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities		
Acceptances	41.44	27.62
Sundry Creditors	8176.14	7753.72
Unclaimed Dividends	-	11.25
	<u>8217.58</u>	<u>7792.59</u>
B. Provisions		
Provision for Grautity	306.34	294.78
	<u>306.34</u>	<u>294.78</u>
	<u>8523.92</u>	<u>8087.37</u>
12. MINORITY INTEREST		
Share Capital	71.65	71.65
Share in Profit/(Loss)	(115.47)	(107.91)
	<u>(43.82)</u>	<u>(36.26)</u>

(Rs. in Lacs)

	Year Ended 31.03.2010	Year Ended 31.03.2009			
13. SALES AND OTHER INCOMES					
Sales & Operating Income					
Sales - Domestic	10950.89	9737.81			
- Export	9754.01	8358.21			
Export Incentive	372.44	295.07			
Others	108.19	14.32			
	<u>21185.53</u>	<u>18405.41</u>			
Other Income					
Interest Income	5.00	32.34			
Exchange Fluctuations	27.80	109.96			
	<u>32.80</u>	<u>142.30</u>			
	<u>21218.33</u>	<u>18,547.71</u>			
14. ACCRETION / (DECRETION) TO STOCKS					
Opening Stock : Finished goods	716.14	541.53			
Stock in Process	379.69	365.32			
	<u>1095.83</u>	<u>906.85</u>			
Closing Stock : Finished goods	722.24	716.14			
Stock in Process	830.22	379.69			
Other - Stores & Spares	48.21	-			
	<u>1600.67</u>	<u>1095.83</u>			
	<u>504.84</u>	<u>188.98</u>			
15. MATERIALS					
	Opening Stock	Purchase	Closing Stock		
Raw Materials	990.39	13659.78	1439.72	13210.45	11698.54
Stores	143.17	453.27	128.03	468.41	468.41
	1133.56	14113.05	1567.75	<u>13678.86</u>	<u>12166.95</u>
16. PERSONNEL					
Salaries and Wages				2278.46	2040.84
Staff Welfare				116.98	85.38
				<u>2395.44</u>	<u>2126.22</u>
17. MANUFACTURING AND OTHERS					
Power and Fuel				601.24	607.65
Plant & Machinery Repair				199.24	151.76
Building Repair				80.83	64.34
General repairs				40.90	45.03
Research & Development				170.30	137.79
Rent				202.47	172.92
Travelling				496.73	466.55
Telephone, Telex and postage				147.87	121.00
Vehicle Running Exp.				73.24	65.62
Printing and Stationery				51.99	70.73
Insurance				19.41	21.75
Legal and Professional				257.84	207.97
Bank charges				46.36	64.94
Miscellaneous Expenses				327.03	331.51
Selling & Distribution Expenses				1,617.79	1279.60
Rates and Taxes				36.97	19.15
Bad Debts Written off & Provided for				-	6.08
Exchange Fluctuations				7.83	-
Advertisement and Publicity				122.11	128.48
				<u>4500.14</u>	<u>3962.87</u>



SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2010

18. SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of financial statements

The financial statements are prepared under the historical cost convention, in accordance with the Generally Accepted Accounting Principles in India, Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as adopted consistently by the company.

The consolidated financial statements consist of financial statements of Morepen Laboratories Ltd. (parent company) and its four subsidiaries namely Dr. Morepen Ltd., Total Care Ltd., (Domestic Companies) and MorepenMax Inc., Morepen Inc. (Foreign Companies). Financial statements of foreign subsidiaries have been recasted for the purpose of consolidation. One of the subsidiary company i.e. Morepen Max Inc. has remained dormant during the year ending 31.03.2010 & its financial statements are un-audited.

Investment in Associate Company has been accounted as per Accounting Standard-13 i.e. Accounting for Investments issued by the Institute of Chartered Accountants of India.

The names of subsidiary companies included in consolidation and parent company's holding therein is are under-

Subsidiary Company	Country of Incorporation	Percentage of Holding (%)
Morepen Max Inc.	U.S.A.	51
Morepen Inc.	U.S.A.	100
Dr. Morepen Ltd.	India	100
Total care Ltd.	India	95*

*(Held by Dr. Morepen Ltd.)

2. Fixed assets

- Fixed assets are stated at cost less depreciation. Capital work in progress includes pre-operative expenses.
- Expenditure incurred on projects / expansion during implementation is capitalized and apportioned to various assets on commissioning / completion of the same. Other revenue expenses including cost of borrowing relating to purchase/installation are charged to revenue.

3. Depreciation

- Depreciation on fixed assets is provided on straight-line method at the rates and in the manner as prescribed in schedule XIV of the Companies Act, 1956.
- Cost of leasehold land is not being amortized over the period of lease.

4. Investments

Investments are stated at cost. Provision is made, where, there is a permanent fall in the value of investment.

5. Foreign exchange transactions

Foreign currency liabilities covered by forward contracts/swap agreements are stated at the forward contracts/swap agreements rates, while those not covered by forward contracts/swap agreements are restated at rates ruling at the year-end. Exchange differences relating to fixed assets are adjusted in the cost of the asset. Any other exchange differences are dealt with in the profit and loss account.

6. Valuation of inventories

Stocks of raw materials and other ingredients have been valued at cost on first in first out basis or net realizable value whichever is less, finished goods have been valued at lower of cost and net realizable value, work-in-progress is

valued at raw material cost up to the stage of completion, as certified by the management on technical basis. Goods in transit are carried at cost.

7. Revenue Recognition

- a) Sales are stated net of returns, excise duty and sales tax.
- b) Dividend income is accounted for when the right to receive the same is established.
- c) Interest on calls-in-arrears on share capital is accounted for as and when received.

8. Excise duty on finished goods

Excise duty on finished goods is accounted for as and when the clearance is made from the factory premises.

9. Researches and Development

- a) Capital expenditure on research and development is included in the cost of fixed assets.
- b) Revenue expenditure on research and development is charged to the profit & loss account.
- c) Expenses in respect of major product development are however, treated as deferred revenue expenditure for amortisation over a period of subsequent five years.

10. Employee Retirement benefits

- a) The contributions to the provident fund, under the defined contribution plans, are charged to revenue.
- b) Gratuity provision has been made as per actuarial valuation.
- c) Leave encashment is accounted for on accrual basis.

11. Taxation

The provision for taxation is ascertained on the basis of assessable profits computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

12. Miscellaneous expenditure

- a) Preliminary Expenses / Public Issue expenses are written off over a period of ten years.
- b) Deferred Revenue Expenses are written off over a period of five subsequent years.

13. Impairment of Assets

The company determines whether there is any indication of impairment of carrying amount of company's assets. The recoverable amounts of such assets are estimated, and if any indication exists, impairment loss is recognised wherever the carrying amount of assets exceeds its recoverable amount.

19. NOTES ON ACCOUNTS

I BALANCE SHEET

1. Share Capital

1.1 Equity Share Capital

During the year, the company has allotted 9,24,90,413 Equity Shares of Rs. 2/- each fully paid up at a price of Rs. 11.32 per share, determined under SEBI (DIP) guidelines, to the fixed deposit holders of the company towards full and final settlement of their dues, pursuant to order passed by Hon'ble High Court of 'Himachal Pradesh' at Shimla approving the scheme of arrangement and compromise with fixed deposit holders.



1.2 Preference Share Capital

1,19,65,201 Preference Shares of Rs. 100/- each consist of-

- 97,35,201, 0.01% Optionally Convertible Preference Shares, amounting to Rs. 9735.20 Lacs issued to banks/financial institutions are due for redemption/conversion in financial year 2014-15.
- 15,30,000, 0.01% Preference Shares amounting Rs.1530.00 Lacs are redeemable in two equal installments in the financial years 2016-17 and 2017-18.
- 2,00,000, 0.01% Preference Shares amounting Rs. 200.00 lacs, issued in lieu of 2,00,000, 10% Preference Shares issued in earlier years, are due for redemption in the financial year 2012-13.
- 5,00,000, 9.75% Cumulative redeemable Preference shares amounting to Rs. 500.00 Lacs have already become due for redemption.

1.3 Naked Convertible Warrants

During the year, on account of non-payment of balance 90% subscription money payable towards naked convertible warrants, by the warrant holder, the company has forfeited the advance subscription money of Rs. 270.40 Lacs, paid in the previous financial year.

2. Reserves and Surplus

- 2.1 Addition to capital reserve of Rs. 270.40 Lacs, during the year, represents amount forfeited by the company, on account of non-payment of balance 90% warrant subscription money by the subscriber to the naked convertible warrants.
- 2.2 Addition to 'Securities Premium Account' represents amount of premium charged on issue of 9,24,90,413 equity shares of Rs. 2/- each issued at a price of Rs 11.32 per share.

3. Secured Loans

- 3.1 Non Convertible Debentures of Rs. 565.00 lacs (Previous Year Rs. 565.00 lacs) are privately placed and comprise of: 100,000 - 15% NCDs (Rs.33.33 paid up); 100,000- 18.5% NCDs (Rs.66.00 paid up);2,00,000 - 17 % NCDs (Rs.66.50 paid up) ; 200,000 - 19% NCDs (Rs. 33.33 paid up); 400,000- 15.5% NCDs (Rs. 66.50 paid up).

All these debentures along with interest, remuneration payable to trustees and other money due in respect thereof are secured by a first charge created jointly along with banks / financial institutions providing term and corporate rupee loans except borrowings stated in Para 3.6 below.

- 3.2 Term Loans from financial institutions/banks of Rs. 237.50 Lacs (Previous Year Rs. 286.86 Lacs) represents balance amount payable in respect of settlements with these institutions/banks.
- 3.3 Interest bearing portion of restructured debts of Rs. 6325.62 Lacs (Previous Year Rs. 6781.01Lacs) due to institutions/banks is payable starting from financial year 2010-11 and shall be fully payable by 31st March, 2018.
- 3.4 Interest free portion of restructured debts of Rs. 5559.76 Lacs (Previous Year Rs 5952.94 Lacs) due to institutions/banks shall be due for payment in the financial years starting 2016-17 and shall be fully payable by 31st March 2018. The debt will be interest bearing from the financial year 2015-16.
- 3.5 Non-convertible debentures/ Term loans / restructured debts, are secured by a first charge created by way of joint equitable mortgage on pari - passu basis on all immovable and movable properties both present and future except borrowings stated in Para 3.6 below.
- 3.6 Other loans of Rs. 28.40 lacs (Previous year Rs. 37.77 lacs) are secured by hypothecation of specific assets purchased under the hire purchase scheme.

4. Unsecured Loans

- 4.1 During the year, the scheme of arrangement and compromise with the fixed deposit holders filed by the company under section 391 of Companies Act, 1956, has been approved by the Hon'ble High Court of Himachal Pradesh at Shimla. Pursuant to the approved scheme, the company has allotted Equity Shares of Rs. 2/- each, at a price of Rs.

11.32 per share, determined under SEBI (DIP) Guidelines, to the fixed deposit holders equivalent to 75% of the principal amount due. The balance 25% of the principal amount, as per the approved scheme, has been waived off and is shown as extraordinary items in the profit and loss account. As per the approved scheme, the interest on fixed deposits has been waived off.

4.2 Short Term loans from others represent loans and inter corporate deposits from friends, relatives & others.

5. Current liabilities

Based on the information available with the Company, no amount is payable to Micro & Small Enterprises as defined under the MSMED Act, 2006. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

6. Fixed Assets

6.1 During the year, the company has made addition to fixed assets of Rs. 444.68 lacs (Previous year Rs. 166.00 lacs). Addition to plant and machinery put to use have been capitalized. Depreciation on fixed assets is provided from the subsequent month after the asset is put to use. Fixed assets installed and put to use have been certified by the management.

6.2 Leasehold land is not amortised in view of para 1(c) of Accounting Standard on Leases (AS-19) issued by The Institute of Chartered Accountants of India defining scope of the standard.

6.3 Trade mark "Burnol" brand was given as a Collateral security to M/s Power Generation (P) Limited against inter corporate deposit taken by Morepen Laboratories Limited, 100% holding company of Dr. Morepen Limited. M/s Poysha Power Generation (P) Limited raised dispute in respect of ownership of the brand which the company challenged and matter is pending in the court.

7. Bank Balances

Bank balances of Rs. 31.52 lacs (Previous year Rs. 79.33 lacs) in deposit accounts are pledged as margin money.

II. CONTINGENT LIABILITIES

	(Rs. in lacs)	
	As at 31st March 2010	As at 31st March 2009
Bank Guarantees	31.52	79.33
Pending settlement with banks/institution/Fixed Deposits- Interest not provided	Nil	8004.48
Accumulated dividend on preference shares	3.26	2.10
Claim against the Company not acknowledged as debt	349.01	370.47
Liability, if any, arising out of legal cases filed against the company by parties.	Amount not ascertainable	Amount not ascertainable

III. PROFIT & LOSS ACCOUNT

1. Details of Depreciation & Amortisation

	(Rs. in lacs)	
	As at 31st March 2010	As at 31st March 2009
- Depreciation	4764.95	4890.66
- Deferred revenue expenses written off	-	287.97
- Capital Issue expenses written off	37.11	35.17
Total	4802.06	5213.80



2. Directors Remuneration

(Rs in lacs.)

A. Directors Remuneration	As at 31st March 2010	As at 31st March 2009
a) Details of Remuneration to the Managing Director & Whole time Directors		
Remuneration	26.07	25.15
Other perquisites	18.77	18.18
Commission	-	-
Total	44.84	43.33
b) Calculation of Profits in accordance with Section 198 of the Companies Act, 1956 for the purpose of calculation of commission Payable to directors:		
Profit /(loss) before tax as per Profit & Loss Account	(624.15)	(4129.92)
Less: Directors remuneration as above	(44.84)	(43.33)
Profit/loss on sale of fixed assets	(3.92)	5.01
	(575.39)	(4081.58)
Add: Prior period items	45.64	42.85
	(529.75)	(4038.73)
4% of the above	-	-
B. Sitting fee	2.40	2.35

Note: -

- The above remuneration paid to managerial persons is subject to approval from the Central Govt. under Section II (A) (ii) of Part II of Schedule XIII of the Companies Act, 1956. The remuneration paid is lower than minimum as allowed under the Act.
- Remuneration paid to directors during the year ending 31.03.2006 to 31.03.2009 amounting to Rs. 153.33 lacs is subject to approval from Central Govt.
- In view of losses during the year, the managing director has been paid a salary of Rs. 12.75 lacs, out of approved salary of Rs. 60.20 lacs. Balance salary of Rs. 47.45 lacs has been forgone by him and hence not provided in the accounts.

3. Earnings per share

(Rs in lacs.)

Particulars	Year ended 31st March 2010	Year ended 31st March 2009
Profit/(Loss) after tax (Rs in Lacs)	(621.70)	(4175.83)
Weighted average number of equity shares outstanding	416124217	357335790
Earnings/(loss) per share in rupees (face value Rs.2/- per share)		
- Basic & Diluted*(after pref. Dividend)	(0.15)	(1.17)

4. Deferred Tax Liability/ (Asset)

As required by Accounting Standard "Accounting for taxes on income" i.e. (AS-22) issued by the Institute of Chartered Accountants of India, deferred tax asset on losses during the year, has not recognized as a matter of prudence.

5. Impairment

It is the view of management that there are no impairment conditions that exist as on 31st March, 2010. Hence, no provision is required in the accounts for the year under review.

6. Related party disclosures

Disclosure as required by accounting standard "Related Party Disclosures" (AS-18) issued by the Institute of Chartered Accountants of India are given here under:

Related Parties

1	Subsidiary Companies	
	MorepenMax Inc.	Overseas Company
	Morepen Inc.	Overseas Company
	Dr. Morepen Limited	Domestic Company
	Total Care Limited	Domestic Company
2	Associates	
	Morepen Biotech Limited	Domestic Company
3	Key Management Personnel (Whole-time directors)	Mr. Sushil Suri Dr. A. K. Sinha
4	Entities over which key management personnel/ or Relatives of key management personnel are able to exercise significant influence with which the company has any transactions during the year	Blue Coast Infrastructure Development Limited

Transactions with related parties

	Nature of transaction	(Rs. in lacs)
1	Associate Company	Nil
2	Key management Personnel	44.84
	Sitting fee	2.40
	Balance as on 31.03.10	Nil
3	Relatives of key management personnel	Nil
4	Entities over which key management personnel/ or Relatives of key management personnel are able to exercise significant influence	Receipt of unsecured loan (Max. bal. outstanding Rs. 1024.09 Lacs)(payable)
		1024.09



V BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAIL

Registration No.	6028
State Code	06
Date of Balance Sheet	31.03.10

II. Capital raised during the Year (Amount in Rs. Thousands)

Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL

III. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)

Total Liabilities	5921051
Total Assets	5921051
Sources of Funds	
Paid up Capital/Convertible Warrants	2096107
Reserve & Surplus	2427549
Secured Loans	1284517
Unsecured Loans	112878
Application of Funds	
Net Fixed Assets	5401812
Investments	39655
Net Current Assets	(152828)
Profit & Loss Account (Debit Balance)	613793
Minority Interest	4382
Misc. Expenditure	14238

IV. Performance of Company (Amount in Rs. Thousands)

Turnover & Other Income	2121833
Total expenditure	2183735
Profit/ Loss before Tax	(61902)
Profit/ Loss after Tax	(62170)
Earning per share of Rs. 2/-each (in Rs.)	(0.15)
Dividend Rate (%)	NIL

V. Generics Names of Three Principal Products/Services of Company

(As per monetary terms)

Item code No. (ITC Code)	Product Description
a) 294200	LORATADINE
b) 294110	SULTAMICILLIN TOSYLATE
c) 29420090	MONTELUKAST

Per our separate report of even date

For M.Kamal Mahajan And Co.
Chartered Accountants

(M.K. Mahajan)
Partner
Membership No. 17418

Place : New Delhi
Date : 13th May, 2010

For & on behalf of the Board

(Sushil Suri)
Chairman & Managing Director

(Ajay Sharma)
GM- Finance & Accounts

(Manoj Joshi)
Director

(Rahul)
Company Secretary

Consolidated Cash Flow Statement

(Rs. in Lacs)

	Year Ended 31st March 2010	Year Ended 31st March 2009
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before Tax and extraordinary items	(4009.92)	(4934.26)
Adjustments for :		
Depreciation & Amortisation	4802.06	5213.80
Profit/(Loss) on Sale of Fixed Assets	(3.92)	(5.01)
Interest Cost (net)	356.59	201.12
Minority Interest	5.13	17.10
Operating profit before working capital changes	1157.78	502.77
Adjustments for :		
Trade and Other Receivables	52.42	(1241.94)
Inventories	(939.03)	(320.32)
Trade Payables	436.55	774.27
Cash generated from operations	707.73	(285.22)
Direct taxes paid (including Fringe Benefits tax)	2.68	63.01
Cash Flow before extraordinary items	705.05	(348.24)
Misc.Expenditure	(38.16)	-
NET CASH FROM OPERATING ACTIVITIES	<u>666.89</u>	<u>(348.24)</u>
B. CASH FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets incl.Capital work in progress	(444.68)	(166.00)
Sale of Fixed Assets	1.67	29.46
NET CASH USED IN INVESTING ACTIVITIES	<u>(443.01)</u>	<u>(136.54)</u>
C. CASH FROM FINANCING ACTIVITIES:		
Equity Issued to fixed depositors	10,469.92	-
Extraordinary items-waiver relating to fixed deposits	3,385.77	804.34
Proceeds from Long Term borrowings (Net)	(897.93)	(791.88)
Proceeds from Short Term borrowings (Net)	(13173.51)	(395.00)
Interest (Net)	(356.59)	(201.12)
NET CASH USED IN FINANCING ACTIVITIES	<u>(572.34)</u>	<u>(583.66)</u>
Net Increase/(Decrease) in Cash and Cash equivalents (A + B + C)	(348.46)	(1068.44)
Cash and Cash equivalents as at 01.04.2009	458.75	1527.18
Cash and Cash equivalents as at 31.03.2010	110.29	458.75

Per our separate report of even date

For M.Kamal Mahajan And Co.
Chartered Accountants

(M.K. Mahajan)
Partner
Membership No. 17418

Place : New Delhi
Date : 13th May, 2010

For & on behalf of the Board

(Sushil Suri)
Chairman & Managing Director

(Ajay Sharma)
GM- Finance & Accounts

(Manoj Joshi)
Director

(Rahul)
Company Secretary



Directors' Report

To
The Members
Dr. Morepen Limited

Your Directors have pleasure in presenting the 9th Annual Report and Audited Accounts for year ended 31st March, 2010.

FINANCIAL HIGHLIGHTS		(Rs. in Lacs)
Particulars	2009-10	2008-09
Sales & other Income	2068.20	2022.91
Cash Surplus/ (Deficit)	(192.62)	129.65
Non Cash Items -		
Depreciation & Amortisation	238.53	474.30
Net Profit/ (Loss) before Tax	(431.15)	(344.65)
Fringe Benefit Tax	-	2.24
Net Profit (Loss) after tax	(431.15)	(346.89)

DIVIDEND

During the year under review the Directors are not recommending any dividend due to absence of any distributable surplus.

OPERATIONS

During the current year sales revenue of the company at Rs. 2018.12 Lacs is up by 1% against last year's revenue of Rs. 2000.35 Lacs. The company is seeking to promote new products and expand customer base. It has spent extensively on marketing and sales promotion, which has resulted in, the company reporting a cash deficit of Rs. 192.62 Lacs for the current year against surplus of Rs. 129.65 Lacs generated in the previous year.

During the year a number of new products were test marketed across various categories. Special emphasis is being put on marketing activities, with a view to develop and promote the new products in the market. During the year, in order to support company's marketing campaign it has appointed famous Bollywood actress Ms. Sonali Bendre as its Brand Ambassador for a period of 3 years. The company expects to reap good benefits of marketing campaign with Ms. Sonali Bendre in the coming years.

Continuing the trend of introduction of new products, the company has introduced Fever X (Fever Tablet), Head X (Head Ache tablet), Option 72 (Emergency Contraceptive pill), Fibre X (Flavored Laxative) and Pain X (Pain Relief ointment). These products represent categories which are having large market share. It has resulted in large product basket catering to diverse consumer needs round the year and thereby even out the seasonal fluctuations in OTC business.

New product additions shall make more products available in the customer's hand which will build up the revenue stream as also the improved profit margins, resulting into better returns on the capital employed.

The company will continue to expand marketing and media activity, keeping in view the potential of its OTC business. It will be more organized and focused in planning and organising the media so that company can derive full advantage of its media spent and financial performance of the company improves year over year.

PARTICULARS OF EMPLOYEES

None of the employees of the Company is in receipt of remuneration in excess of the limits prescribed under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended up to date.

STATEMENT REQUIRED UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

Foreign Exchange Earnings and Outgo -

Expenditure in Foreign Currency	:	NIL
Foreign Exchange earnings during the year	:	NIL
Export Promotion Activities	:	NIL
Initiative taken to Improve Exports	:	NIL
Development of new export markets for product and services and export plans.	:	NIL

AUDIT COMMITTEE

During the year, the composition of the Audit Committee has been as under-

Name	Designation	Position in the Committee
Mr. Sanjay Suri	Managing Director	Chairman
Mr. Ajay Kumar Sharma	Director	Member
Mr Sukhcharan Singh	Director	Member

The meetings of the Audit Committee were held from time to time.

FIXED DEPOSITS

The company has not accepted any Fixed Deposits from the public during the year under review.

AUDITORS

M/s. M. Kamal Mahajan And Co., Chartered Accountants, Auditors of the company, retires at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The confirmation under Section 224 (1B) of the Companies Act, 1956 has been received from them.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Company's Articles of Association, Mr. Ajay Kumar Sharma, Director of the Company retires by rotation and being eligible offers himself for re-appointment. Your Directors recommend his re-appointment as a Director on the Board to the members in the ensuing Annual General Meeting.

DIRECTORS' COMMENTS ON AUDITOR'S QUALIFICATIONS

Regarding qualification in Auditor's Report, at Para (vi), regarding trade marks 'Burnol', your Directors wish to inform you that factual position has adequately been explained in relevant notes on the accounts which are self-explanatory and need no further clarifications.

SUBSIDIARIES

The Company has a subsidiary 'Total Care Limited'.

No investment was made during the year in its subsidiary M/s. Total Care Limited.

Statement relating to the Subsidiary of the Company i.e. Total Care Limited is attached as Annexure A with the Balance Sheet pursuant to Section 212 of the Companies Act, 1956.

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

The Company practices the energy saving techniques e.g. regular maintenance of the equipments and switching off of the electric equipments when not required.

The Operations of the Company do not warrant any additional investments for reduction of consumption of energy.

DIRECTORS' RESPONSIBILITY STATEMENT U/S 217(2AA) OF THE COMPANIES ACT, 1956

Your Directors assure you:

- i) That the applicable accounting standards issued by the Institute of Chartered Accountants of India were followed in the preparation of annual accounts.
- ii) That whatever accounting policies selected were applied consistently and the directors had made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the statement of affairs of the company as it may exist at the end of the financial year. It would also be applicable to the loss during the relevant period.
- iii) That the directors have taken proper and sufficient care for the maintenance of adequate accounting records to safeguard the assets in accordance with the Act.
- iv) That the accounts were prepared on a going concern basis.

ACKNOWLEDGEMENT

Your Directors commend the commitment and dedication of the employees at all levels that has contributed in bringing the company to the present level of performance and convey thanks to the creditors for their continued support, customers who have shown their loyalty and business community in general, for their continued support and association.

For and on behalf of the Board of Directors of

Dr. Morepen Limited

Sanjay Suri
(Managing Director)

Place : New Delhi

Dated : May 10, 2010



Dr. Morepen Limited

Annexure 'A'

Statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary company Total Care Limited (Total Care Limited financial year ended on 31.03.2010)

1. Dr. Morepen Limited's interest in Total Care Limited as on 08.03.2003	Dr. Morepen Limited acquired 886716 equity shares of Total Care Limited (Out of 933390 equity shares)
2. Amount of Total Care Limited 's profit which is attributable to Dr. Morepen Limited and which has not been dealt within the books of Dr. Morepen Limited for	
1. Year ended 31.03.2010	Loss Rs.1842 Thousand
2. Other periods since acquisition	Loss Rs.128877 Thousand
3. Amount of Total Care Limited's profit which is attributable to Dr. Morepen Limited and which has been dealt within the books of Dr. Morepen Limited for	
1. Year ended 31.03.2010	NIL
2. Other periods since acquisition	NIL
4. Change in Dr. Morepen Limited's interest in Total Care Limited during 01.04.2009 - 31.03.2010	Nil
5. Material change during 01.04.2009 - 31.03.2010 in respect of following items of Total Care Limited	
1. Fixed Assets	Writeoff/discarding for Rs.927 Thousand & purchase for Rs.27 Thousand
2. Investments	Nil
3. Lending	Nil
4. Borrowings	Nil

Auditors' Report

To

The Members of Dr. Morepen Limited

- a) We have audited the attached balance sheet of Dr. Morepen Limited, as at 31st March, 2010 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- b) We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- c) As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, ("the act") we enclose in the **Annexure** a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- d) Further to our comments in the Annexure referred to 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 appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account.
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the act;
 - v. On the basis of written representations received from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the act;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts **subject to the Note No. 1 regarding Trademark "Burnol" as appearing in Schedule 15 of the accounts on Notes on Accounts**, read together with other notes thereon, give the information required by the act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the balance sheet, of the state of affairs of the company as at 31st March, 2010;
 - b. in the case of the profit and loss account, of the loss for the year ended on that date, and
 - c. in the case of the cash flow statement, of the cash flow for the year ended on that date.

For M Kamal Mahajan And Co.
Chartered Accountants

(M K Mahajan)

(Partner)

M.No.F-17418

Firm Regn.No.006855N

Place : New Delhi

Date : 10th May, 2010



Annexure to Audit Report of Dr. Morepen Limited

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

- (i)
 - a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) As explained to us, most of the fixed assets have been physically verified by the management during the year and no material discrepancy was noticed on such verification.
 - c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii)
 - a) As stated to us, the inventory has been physically verified at reasonable intervals by the management.
 - b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The company has neither granted nor taken any loans to or from parties covered in register maintained under section 301 of the Companies Act, 1956 except grant of interest free temporary loan/advance of Rs. 111358 thousands to Morepen Laboratories Limited (holding company) and Rs. 118790 thousands to Total Care Limited (subsidiary company).
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business, for the purchases of inventory and fixed assets and for the sale of goods and service. No continuing failure to correct major weakness in internal control system has been noticed in the internal controls system.
- (v)
 - a) Based on the audit procedures applied by us and according to the explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the act have been entered in the register required to be maintained under that section.
 - b) In our opinion and according to the information and explanations given to us, the transactions entered in the registers maintained under Section 301 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The company has not accepted any public deposits.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) As per information and explanations given to us, Central Government has not prescribed any Cost Records in pursuance to section 209(1)(d) of the Companies Act.
- (ix) According to the records of the company, the company, in general, is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Sales-tax, Wealth-tax, Service tax, Custom duty, Excised-duty, Cess and other statutory dues applicable to it and there is no amount outstanding in the books of accounts as on 31st March, 2010 for a period of six months from the date the amount became payable.
- (x) The accumulated losses of the company are more than 50% of its net worth. The company has incurred cash losses during the year under audit but not in the immediately preceding previous year.
- (xi) The company has not taken any loan from bank.
- (xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

- (xiii) The company is not a chit fund/nidhi/mutual benefit fund/societies.
- (xiv) The company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us and on the basis of our verification of books of accounts of the company, we are of the opinion that the company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The company has not taken any term loan from banks/institutions.
- (xvii) The company has not raised any short term funds.
- (xviii) During the year, the company has not made any preferential allotment of equity shares.
- (xix) During the year covered by our audit report, the company has not issued any debentures.
- (xx) During the year covered by our audit report, the company has not raised any money by way of public issue.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the year.

For M Kamal Mahajan And Co.
Chartered Accountants

(M K Mahajan)
(Partner)

M.No.F-17418

Firm Regn. No. 006855N

Place : New Delhi
Date : 10th May, 2010



Dr. Morepen Limited

Balance Sheet

As at 31st March, 2010

(Rs. in Thousands)

	Schedules	As at 31.03.2010	As at 31.03.2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUND			
Capital	1	406795	406795
Reserves and Surplus	2	328725	328725
Total		<u>735520</u>	<u>735520</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	3	238919	238357
Less : Depreciation		200528	176870
Net Block		<u>38392</u>	<u>61487</u>
INVESTMENTS	4	117100	117100
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories		12185	3531
Sundry Debtors	5	23328	14679
Cash and Bank Balances	6	708	727
Loans and Advances	7	233967	262476
		<u>270187</u>	<u>281413</u>
Less : CURRENT LIABILITIES & PROVISIONS	8		
Current Liabilities		93181	84683
Provisions		1274	1174
		<u>94455</u>	<u>85856</u>
NET CURRENT ASSETS		175732	195556
MISCELLANEOUS EXPENDITURE	9	-	195
(To the extent not written off / adjusted)			
PROFIT AND LOSS ACCOUNT		404296	361181
Total		<u>735520</u>	<u>735520</u>
SIGNIFICANT ACCOUNTING POLICIES	14		
NOTES ON ACCOUNTS	15		

Per our separate report of even date

For M.Kamal Mahajan And Co.
Chartered Accountants

(M.K. Mahajan)
Partner
M. No. 17418

For & on behalf of the Board

(Sanjay Suri)
Chairman & Managing Director

(Sukhcharan Singh)
Director

(Ajay Sharma)
Director

(Hemendra Kumar Gupta)
D G M (Accounts & Finance)

Place : New Delhi
Date : 10th May, 2010

Dr. Morepen Limited

Profit and Loss Account

For the year ended 31st March, 2010

(Rs. in Thousands)

	Schedules	Year ended 31.03.2010	Year ended 31.03.2009
INCOME			
Sales		211622	212338
Less : Discounts		<u>(9810)</u>	<u>(12303)</u>
Other Income		5008	2255
Total		<u>206820</u>	<u>202291</u>
EXPENDITURE			
Cost of goods sold	10	90599	80338
Personnel	11	19294	17633
Other Expenses	12	116189	91355
		<u>226082</u>	<u>189326</u>
Profit before Interest, Depreciation/Amortisation and Tax		(19262)	12965
Interest		-	-
Profit before Depreciation/Amortisation and Tax		(19262)	<u>12965</u>
Depreciation/Amortisation	13	23853	47430
Profit/(Loss) Before Tax		(43115)	(34466)
Provision for Current Tax		-	-
Provision for Fringe Benefit Tax		-	224
Profit/(Loss) After Tax		(43115)	<u>(34689)</u>
Deficit b/f from last year		(361181)	(256795)
Transfer to Depreciation Reserves		-	69697
Profit/ (Loss) carried to Balance Sheet			
Total		<u>(404296)</u>	<u>(361181)</u>
SIGNIFICANT ACCOUNTING POLICIES	14		
NOTES ON ACCOUNTS	15		

Per our separate report of even date

For M.Kamal Mahajan And Co.
Chartered Accountants

(M.K. Mahajan)
Partner
M.No. 17418

For & on behalf of the Board

(Sanjay Suri)
Chairman & Managing Director

(Sukhcharan Singh)
Director

(Ajay Sharma)
Director

(Hemendra Kumar Gupta)
D G M (Accounts & Finance)

Place : New Delhi
Date : 10th May, 2010



Dr. Morepen Limited

Schedules

Forming part of the accounts for the year ended 31st March, 2010

(Rs. in Thousands)

	As at 31.03.2010	As at 31.03.2009
1. SHARE CAPITAL		
Authorised		
4,50,00,000 Equity Shares of Rs.10 each	450000	450000
	450000	450000
Issued, Subscribed and paid up		
4,06,79,500 Equity Share of Rs.10 each fully paid up	406795	406795
	406795	406795
2. RESERVE AND SURPLUS		
Securities Premium account	328725	328725
	328725	328725

3. FIXED ASSETS

(Rs. in Thousands)

PARTICULARS	GROSS BLOCK				DEPRECIATION/WRITTEN OFF				NET BLOCK	
	As at 01.04.09	Addition	Deduction	As at 31.03.10	As at 01.04.09	For the year	Adjustments	As at 31.03.10	As at 31.03.10	As at 31.03.09
Land	1494	-	-	1494	-	-	-	-	1494	1494
Patents & Trade Marks*	232323	-	-	232323	174849	23232	-	198081	34242	57475
Office Equipments	583	66	-	649	145	28	-	172	477	438
Computer & Software	326	436	-	762	101	96	-	197	565	225
Furniture & Fixtures	1381	60	-	1441	417	89	-	505	936	965
Vehicles	2249	-	-	2249	1359	214	-	1573	677	891
Total	238357	562	-	238919	176870	23658	-	200528	38392	61487
Previous Year	239238	114	995	238357	84513	23654	(68702)	176870	61487	

1. Refer note 1(a) of Schedule 15 - Notes to Accounts

4. INVESTMENTS

Investment in Subsidiary

Total Care Ltd.

8,86,716 Equity Shares of Rs.100/- each fully paid up (Unquoted)

117100	117100
117100	117100

5. SUNDRY DEBTORS

(Unsecured- Good)

Debt over six months

1584

1629

Less : Provisions

1584

-

1629

Other debts

23328	14679
23328	14679

(Rs. in Thousands)

	As at 31.03.2010	As at 31.03.2009
6. CASH AND BANK BALANCES		
Cash on hand	6	7
Balance with Scheduled Banks		
- In Current Accounts	401	419
- In Deposit Accounts	300	300
	<u>708</u>	<u>727</u>
7. LOANS AND ADVANCES		
(Unsecured, unconfirmed but considered good - wherever applicable)		
Advances recoverable in cash or in kind or for value to be received	1935	14800
Due from Holding Company - Morepen Laboratories Limited	111358	128291
Due From Subsidiary Company -Total Care Limited	118790	117997
Other Advances	986	529
Security Deposits	340	340
Advance Tax / TDS	476	471
Interest accrued but not due	82	49
	<u>233967</u>	<u>262476</u>
8. CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities		
Sundry Creditors	29014	22096
Advance for Land	43500	43500
Statutory Liabilities	2555	973
Indirect Taxes	366	49
Other Liabilities	17745	18064
	<u>93181</u>	<u>84683</u>
B. Provisions		
Provision for Gratuity	1274	1174
	<u>1274</u>	<u>1174</u>
	<u>94455</u>	<u>85856</u>
9. MISCELLANEOUS EXPENDITURE		
(To the extent not written off / adjusted)		
Preliminary Expenses	-	195
	<u>-</u>	<u>195</u>



(Rs. in Thousands)

		Year Ended 31.03.2010	Year Ended 31.03.2009
10. COST OF GOODS SOLD			
	Opening Stock	Purchase	Closing Stock
Material	3531	98447	12185
Freight Inward		675	765
Packing Material		130	44
		90599	80338
11. PERSONNEL			
Salaries and Allowances		19294	17633
		19294	17633
12. OTHER EXPENSES			
Repair and Maintenance		467	217
Rent		3148	3154
Travelling		9534	7825
Telephone, Telex and Postage		557	481
Vehicle Running Expenses		282	280
Printing and Stationery		167	165
Legal and Professional		3724	3832
Bank Charges		111	93
Provisions for Doubtful Debts		-	608
Insurance Expenses		103	126
Freight Outwards		3996	3099
Miscellaneous Expenses		3690	1572
Marketing Expenses		78742	58262
Advertisement & Publicity		11668	11639
		116189	91355
13. Depreciation/Amortisation			
Preliminary Expenses		195	195
Deferred Revenue Expenses		-	23581
Depreciation / Amortisation		23658	23654
		23853	47430

Dr. Morepen Limited

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

14. SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of financial statements

The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles (GAAP), Accounting Standards issued by the Institute of Chartered Accountants of India as applicable to company and the provisions of the Companies Act, 1956.

2. Fixed assets and depreciation

- a) Fixed assets are stated at cost less depreciation / amortization.
- b) Cost of patents, trade marks, designs and brands is being amortized over a period of ten years starting from subsequent to the period of launch of product/period of acquisition.
- c) Depreciation on fixed assets has been provided on straight-line method at the rates and in the manner prescribed in schedule XIV of the Companies Act, 1956.

3. Investments

Investments are stated at cost of acquisition and provision for diminution in value, thereof is made, wherever such diminution is permanent.

4. Revenue Recognition

Sales are stated net of returns, sales tax.

5. Inventories

Inventories have been valued at lower of cost or net realizable value on First In First Out (FIFO) basis.

6. Employee Retirement Benefits

The contributions to the provident fund, under the defined contribution plans, are charged to revenue. Leave encashment is accounted for on accrual basis and gratuity is accounted for on basis of actuarial valuation.

7. Taxation

- a) a)The provision for taxation is ascertained on the basis of assessable profits computed in accordance with the provisions of the Income Tax Act, 1961.
- b) a)Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

8. Impairment of Assets

The company determines whether there is any indication of impairment of carrying amount of company's assets. The recoverable amount of such assets are estimated, and if any indication exists, impairment loss is recognized wherever the carrying amount of assets exceeds its recoverable amount.

9. Miscellaneous expenditure

- a) Preliminary Expenses are written off over a period of five years.
- b) Deferred Revenue Expenses are written off over a period of five subsequent years in five equal installments.

15. NOTES ON ACCOUNTS

1. Fixed Assets

- a. Trade mark "Burnol" was given as a Collateral security to M/S Poysha Power Generation (P) Limited against inter corporate deposit taken by Morepen Laboratories Limited, 100% holding company of Dr. Morepen Limited. M/s Poysha Power Generation (P) Limited raised dispute in respect of ownership of the brand, which the company challenged & the matter is pending in the court.
- b. The brands having gross value of Rs.30000 thousand are owned by the company on assignment basis.

2. Investment

No provision for diminution in value of investment in subsidiary company is made in the books of accounts, being, in the opinion of management, temporary in nature.



3. Inventory

The inventory of stock has been taken, valued and certified by management.

4. Miscellaneous Expenditure

(To the extent not written off/adjusted)

(Rs. in Thousands)

Particulars	As at	As at
	31.03.2010	31.03.2009
Preliminary expenses		
Opening Balance	195	390
Less -Amount w/off during the year	195	195
Closing Balance	NIL	195

5. In the opinion of the directors, the current assets, loan and advances are of the value stated, if realized in the ordinary course of business and the provision for depreciation and for all known liabilities is adequate and considered reasonable.

6. Sundry Creditors

Based on the information available with the Company, the balance due to Micro & Small Enterprises as defined under the MSMED Act, 2006 is Rs. Nil. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

7. Fixed deposits of Rs. 300 thousand is deposited in court in a pending court case filed by a creditor.

8. Balances of sundry creditors, sundry debtors, loan and advances and security deposits are subject to confirmation.

9. The company could not find a suitable person to be appointed as Company Secretary as required to be appointed u/s 383A of the Companies Act, 1956.

10. Contingent Liabilities

(Rs.in Thousands)

Particulars	As at	As at
	31.03.2010	31.03.2009
Claim against the Company not acknowledged as debt	1033	1033
Collateral security given for loan taken by holding company	9222	18445
Claims lodged by creditors in various court cases.	Amount Not Ascertainable	Amount Not Ascertainable

11. Other income includes -

Interest Income	38	2255
Old credit balance no more payable	4970	-
Total	5008	2255

12. Payment to auditors

(Rs.in Thousands)

Particulars	As at	As at
	31.03.2010	31.03.2009
- Audit fee	100	100
- Tax audit fee	50	50
- Others including certification	10	18
- Service Tax	17	18
Total	177	186

13. Expenses include Rs. 1359 thousands (Previous Year Rs. 73 thousands) as expenses relating to earlier years.
14. During the year, name of the company is changed from Dr. Morepen Limited to Dr. Morepen Limited.
15. Figures have been rounded off to the nearest thousand.
16. Previous year figures have been regrouped, rearranged, reworked and readjusted wherever necessary to suit the present period layout.

17. Segment Reporting

As the Company's business activity falls within a single primary business segment viz. "Trading in OTC Health Products" in view of which the disclosure requirements of Accounting Standards (AS-17) "Segment Reporting", issued by The Institute of Chartered Accountants of India are not applicable.

18. Earning Per Share

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Profit/(Loss) after tax (in thousands)	(43115)	(34689)
Weighted average number of equity shares outstanding	40679500	40679500
Earnings/(loss) per share in rupees	(1.06)	(0.85)

19. Deferred Tax liability/Asset

As required by Accounting Standard on "Accounting for taxes on income" i.e. (AS-22) issued by The Institute of Chartered Accountants of India, due to losses during the year, deferred tax assets have not been recognized as a matter of prudence.

20. Related party disclosures

Disclosure as required by accounting standard on "Related Party Disclosures" (AS-18) issued by the Institute of Chartered Accountants of India are given as under:

Related Parties

1	Holding Company Morepen Laboratories Limited	Domestic Company
2	Subsidiary Companies Total Care Limited	Domestic Company
3	Associate companies MorepenMax Inc Morepen Inc.	Foreign Company Foreign Company
4	Key managerial personnel	Nil
5	Entities over which key management personnel/ or Relatives of key management personnel are able to exercise significant influence with which the company has transactions during the year.	Nil

Transactions with related parties

Particulars	Nature of transaction	(Rs. in Thousands)
1 Holding Company	Sale of goods	216
	Purchase of goods	68491
	Year end Balance (Receivable)	111358
	Maximum balance during the Year (Receivable)	128291
2 Subsidiary Company	Loan given	793
	Sale of goods	8
	Year End Balance (Receivable)	118790
	Maximum balance during the Year (Receivable)	118790



21. Impairment

In view of management, no impairment conditions exist as on 31st March 2010. Hence no provision is required in the accounts for the current year ending 31.03.2010.

22. Detail of Opening Stock/Purchases/Sales and Closing Stock

Particulars	As at 31.03.2010		
	Unit of Measure	Qty.	Value
OPENING STOCK			
- Drugs	(Nos/Lacs)	5.625	225
- Formulations			
Ointment(10 gm)	(Tubes)	14479	58
Ointment(20 gm)	(Tubes)	4457	24
Ointment(50 gm)	(Tubes)	13707	138
Ointment(5gm)	(Tubes)	-	-
- Husk	Gm	415700	131
- Others			2955
		Total	3531
PURCHASES OF FINISHED GOODS			
- Drugs	(Nos/Lacs)	920.007	37242
- Formulations			
Ointment(10 gm)	(Tubes)	2425835	9835
Ointment(20 gm)	(Tubes)	428888	2318
Ointment(50 gm)	(Tubes)	7920	80
Ointment(5gm)	(Tubes)	594842	2010
- Husk	Gm	53535520	16868
- Others			30094
		Total	98447
SALES			
- Drugs	(Nos/Lacs)	898.58	98258
- Formulations **			
Ointment(10 gm)	(Tubes)	2437839	46109
Ointment(20 gm)	(Tubes)	432719	13164
Ointment(50 gm)	(Tubes)	12892	455
Ointment(5gm)	(Tubes)	477538	4419
- Husk	Gm	52437120	17720
- Others			31496
		Total	211622
CLOSING STOCK			
- Drugs	(Nos/Lacs)	27.052	1080
- Formulations			
Ointment(10 gm)	(Tubes)	2475	10
Ointment(20 gm)	(Tubes)	626	3
Ointment(50 gm)	(Tubes)	8735	89
Ointment(5gm)	(Tubes)	117304	396
- Husk	Gm	1514100	473
- Others			10134
		Total	12185

23. Any other information required to be furnished pursuant to part II of Schedule VI of Companies Act- NIL

24. INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956
Balance Sheet Abstract And Company's General Business Profile

I. Registration Details :

Registration No.	111636	State Code	55
Balance Sheet Date	3 1 - 0 3 - 2 0 1 0		
	Date	Month	Year

II. Capital raised during the period (Amount in Rs.Thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)

Total Liabilities	735520	Total Assets	735520
Sources of Funds			
Paid up Capital	406795	Reserves & Surplus	328725
Secured Loan	Nil	Unsecured Loan	Nil
Application of Funds			
Net Fixed Assets	38392	Investments	117100
Net Current Assets	175732	Misc. Expenditure	-
Profit & Loss Account (Debit Balance)	404296	Deferred Tax Assets	Nil

IV. Performance of Company (Amount in Rs. Thousands)

Turnover/Other Income	206820	Total Expenditure	249935
Profit/Loss Before Tax	(43115)	Profit/Loss After Tax	(43115)
Earning per share in Rs. (after Preference Dividend)	(1.06)	Dividend Rate %	Nil

V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Product Description	Item code No. (ITC Code)
a) Lemolate	N/a
b) Burnol	N/a
c) Sat Isbagol	N/a

Per our separate report of even date

For & on behalf of the Board

For M.Kamal Mahajan And Co.
Chartered Accountants

(Sanjay Suri)
Managing Director

(Ajay Sharma)
Director

(M.K. Mahajan)
Partner
M.No. 17418

(Hemendra Kumar Gupta)
D G M (Accounts & Finance)

Place : New Delhi
Date : 10th May, 2010



Dr. Morepen Limited Cash Flow Statement

(Rs. in Thousands)

	Year Ended 31st March 2010	Year Ended 31st March 2009
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before Tax and extraordinary items	(43115)	(34466)
Interest on F.D.	(38)	(2255)
Interest Paid	-	-
Depreciation/Amortisation	23853	47430
Operating profit before working capital changes	(19299)	10709
Adjustments for :		
Trade and Other Receivables	19860	(239480)
Inventories	(8654)	(404)
Trade Payables	8599	5786
Cash Generated from Operations	506	(223388)
Interest Received		
Advance tax paid including FBT	-	(224)
Net Cash from Operating Activities	506	(223611)
B. CASH FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(562)	(114)
Interest on F.D.	38	2255
Refund of share Application Money from TCL	-	89285
NET CASH USED IN INVESTING ACTIVITIES	(525)	91426
C. CASH FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital(net)		
Interest Paid	-	-
Loan taken from others	-	-
NET CASH FROM FINANCE ACTIVITIES	-	-
Net Increase in cash and cash equivalents (A + B + C)	(19)	(132185)
Cash and Cash equivalents as at 01.04.2009	727	132912
Cash and Cash equivalents as at 31.03.2010	708	727

Per our separate report of even date

For & on behalf of the Board

For M.Kamal Mahajan And Co.
Chartered Accountants

(Sanjay Suri)
Managing Director

(Ajay Sharma)
Director

(M.K. Mahajan)
Partner
M.No. 17418

(Hemendra Kumar Gupta)
D G M (Accounts & Finance)

Place : New Delhi
Date : 10th May, 2010

Directors' Report

To
The Members
Total Care Limited

Your Directors have the pleasure in presenting you the 10th Annual Report and Audited Accounts of the Company for the financial year ended on 31st March 2010.

FINANCIAL HIGHLIGHTS

	(Rs. in Lacs)	
Particulars	2009-10	2008-09
Sales & other Income	158.91	221.95
Cash Deficit	(19.01)	(41.84)
Non Cash Items		
Depreciation & Amortisation	0.38	187.29
Net Profit/ (Loss) before Tax	(19.39)	(229.13)
Fringe Benefit Tax	-	0.27
Profit/(Loss) after Taxation	(19.39)	(229.40)

DIVIDEND

During the year under review the Directors are not recommending any dividend due to absence of surpluses.

OPERATIONS

Your directors hereby report that business of the Company has recorded income of Rs. 158.91 Lacs against Rs. 221.95 Lacs in the last year, recording a drop of 28% from last year's revenue. In a step towards generating cash surplus, the company has been able to bring down the cash losses to Rs. 19.01 Lacs against Rs. 41.84 Lacs in the previous year. Efforts are on to make the operations viable and management is hopeful of turnaround of the business.

The company has closed down one non-performing store during the year and is presently operating from its office.

FIXED DEPOSITS

During the year under review the Company has not accepted any deposits from the public.

DISCLOSURE OF PARTICULARS

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, the relevant information and data is given as under -

FOREIGN EXCHANGE EARNING & OUTGO

There were no earning or outgo in foreign exchange during the year under report.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The Company practices the energy saving techniques e.g. the switching off of the electric equipments when not required.

The Operations of the Company do not warrant any additional investments for reduction of consumption of energy.

DIRECTORS

Mr. Sanjay Suri retires at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Your Directors recommend his re-appointment as a Director on the Board to the members in the ensuing Annual General Meeting.

AUDIT COMMITTEE

During the year, the composition of audit committee remained unchanged & consists of following:

Name	Designation	Position in Committee
Mr. Sanjay Suri	Director	Chairman
Mr. Suresh Gupta	Director	Member
Mr. H. K. Gupta	Director	Member

Further the meetings of the Audit committee were held from time to time to discuss and review the financial performance of the company.



AUDITORS

The Auditors of your Company M/s M. Kamal Mahajan And Co., Chartered Accountants retire at the ensuing Annual General Meeting of the Company and are eligible for reappointment. The Company has obtained the confirmation as required under Section 224(1B) of the Companies Act, 1956 from the Auditors to the effect that their reappointment, if made will be in accordance with the limits specified in the said section.

AUDITORS' OBSERVATIONS

The observations of the Auditors in the Auditors Report and relevant notes on the accounts are self-explanatory and in the opinion of your Directors do not require any further clarification.

PARTICULARS OF EMPLOYEES

None of the employees is drawing salary in excess of limits prescribed under section 217(2A) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of the provisions of Section 217(2AA) of the Companies Act, 1956 yours directors confirm as under:

1. That in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure.
2. That the Directors have selected such accounting polices and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for prevention and detecting fraud and other irregularities.
4. That the Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

The Directors wish to convey thanks to all the shareholders of the Company for their continued patronage and support and look forward for greater cooperation in the coming years.

For & On Behalf of the Board

For TOTAL CARE LIMITED

(Sanjay Suri)
Director

(Hemendra Kumar Gupta)
Director

Place: New Delhi
Date: 10.05.2010

Auditors' Report

To

The Members of Total Care Limited

- a) We have audited the attached balance sheet of Total Care Limited, as at 31st March, 2010 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- b) We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- c) As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- d) Further to our comments in the Annexure referred to 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 appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account.
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v. On the basis of written representations received from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March, 2010;
 - (b) in the case of the profit and loss account, of the loss for the year ended on that date, and
 - (c) in the case of the cash flow statement, of the cash flow for the year ended on that date.

For M Kamal Mahajan And Co.
Chartered Accountants

(M K Mahajan)

(Partner)

M.No.F-17418

Firm Regn. No. 006855N

Place : New Delhi
Date : 10th May, 2010



Annexure to Audit Report of Total Care Limited

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

- (i)
 - a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) As explained to us, most of the fixed assets have been physically verified by the management during the year and no material discrepancy was noticed on such verification.
 - c) The company has disposed off Fixed assets substantially but in our opinion and according to the information and explanation given by the company, it has not affected the going concern assumption.
- (ii)
 - a) There is no inventory at year end. However, the inventory has been physically verified at reasonable intervals by the management.
 - b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The company has neither granted nor taken any loans to or from parties covered in register maintained under section 301 of the Companies Act, 1956 except obtaining of interest free temporary loan/advance of Rs. 118790 thousands from Dr. Morepen Limited (Holding company).
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business, for the purchases of inventory and fixed assets and for the sale of goods and service. No continuing failure to correct major weakness in internal control system has been noticed in the internal controls system.
- (v)
 - a) Based on the audit procedures applied by us and according to the explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the act have been entered in the register required to be maintained under that section.
 - b) In our opinion and according to the information and explanations given to us, the transactions entered in the registers maintained under Section 301 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The company has not accepted any public deposits.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) As per information and explanations given to us, Central Government has not prescribed any Cost Records in pursuance to section 209(1)(d) of the Companies Act.
- (ix) According to the records of the company, the company, in general, is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Sales-tax, Wealth-tax, Service tax, Custom duty, Excised-duty, Cess and other statutory dues applicable to it and there is no amount outstanding in the books of accounts as on 31st March, 2010 for a period of six months from the date the amount became payable.
- (x) The accumulated losses of the company are more than 50% of its net worth. The company has incurred cash losses during the year under audit and in the immediately preceding previous year.
- (xi) The company has not taken any loan from bank.
- (xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

- (xiii) The company is not a chit fund/nidhi/mutual benefit fund/societies.
- (xiv) The company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us and on the basis of our verification of books of accounts of the company, we are of the opinion that the company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The company has not taken any term loan from banks/institutions.
- (xvii) The company has not raised any short term funds.
- (xviii) During the year, the company has not made any preferential allotment of equity shares.
- (xix) During the year covered by our audit report, the company has not issued any debentures.
- (xx) During the year covered by our audit report, the company has not raised any money by way of public issue.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the year.

For M Kamal Mahajan And Co.
Chartered Accountants

(M K Mahajan)

(Partner)

M.No.F-17418

Firm Regn. No. 006855N

Place : New Delhi
Date : 10th May, 2010



Total Care Limited

Balance Sheet

As at 31st March, 2010

(Rs. in Thousands)

	Schedules	As at 31.03.2010	As at 31.03.2009
SOURCES OF FUNDS			
Shareholders' Funds :			
Share Capital	A	93,339	93,339
Loan Funds			
Unsecured Loans	B	118,790	117,997
TOTAL		<u>212,129</u>	<u>211,336</u>
APPLICATION OF FUNDS			
Fixed Assets :			
Gross Block	C	97	1,339
Less : Depreciation		28	917
Net Block		<u>70</u>	<u>422</u>
Current Assets, Loans & Advances :			
Inventories		-	5,780
Sundry Debtors	D	46	86
Cash and Bank Balances	E	237	321
Loans & Advances	F	3,337	6,130
		<u>3,620</u>	<u>12,318</u>
Less : Current Liabilities & Provisions			
Current Liabilities	G	4,734	12,506
Provisions		-	132
		<u>4,734</u>	<u>12,638</u>
Net Current Assets		(1,114)	(320)
Profit and Loss Account Debit Balance		213,173	211,234
TOTAL		<u>212,129</u>	<u>211,336</u>
SIGNIFICANT ACCOUNTING POLICIES	J		
NOTES ON ACCOUNTS			

Per our separate report of even date

For M.Kamal Mahajan And Co.
Chartered Accountants

(M.K. Mahajan)
Partner
M. No. 017418

For & on behalf of the Board

(Sanjay Suri)
Director

(Suresh Gupta)
Director

(Hemendra Kumar Gupta)
Director

Place : New Delhi
Date : 10.05.2010

Total Care Limited

Trading and Profit & Loss Account

For the year ended 31st March, 2010

(Rs. in Thousands)

Particulars	Schedules	Year Ended 31.03.2010	Year Ended 31.03.2009
INCOME :			
Sales		11,907	21,264
Other Income		3,984	932
TOTAL		<u>15,891</u>	<u>22,195</u>
EXPENDITURE :			
Cost of Goods Sold	H	13,522	16,496
Staff Salaries		899	1,986
Administrative, Selling & General Expenses		3,372	7,896
Deferred Revenue Expenses written off		-	5,021
Depreciation		38	13,708
TOTAL		<u>17,831</u>	<u>45,108</u>
Profit (Loss) Before Tax for the Year		(1,939)	(22,913)
Fringe benefit Tax		-	27
Profit (Loss) After Tax		(1,939)	(22,940)
Balance from Previous Years		(211,234)	(188,294)
Total Profit (Loss) Carried to Balance Sheet		<u>(213,173)</u>	<u>(211,234)</u>
Significant Accounting Policies & Notes Forming Part of Accounts	L		

Per our separate report of even date

For & on behalf of the Board

For M.Kamal Mahajan And Co.
Chartered Accountants

(Sanjay Suri)
Director

(Hemendra Kumar Gupta)
Director

(M.K. Mahajan)
Partner
M. No. 017418

(Suresh Gupta)
Director

Place : New Delhi
Date : 10.05.2010



Total Care Limited

Schedules forming part of the accounts

For the year ended 31st March, 2010

(Rs. in Thousands)

Schedules	As at 31.03.2010	As at 31.03.2009
SCHEDULE 'A' SHARE CAPITAL		
Authorised		
9,35,000 Equity shares of Rs.100/- each	93,500	93,500
Issued, Subscribed & Paid-up :		
933,390 fully paid-up Equity shares of Rs.100/- each	93,339	93,339
TOTAL	93,339	93,339
SCHEDULE 'B' UNSECURED LOANS		
Unsecured Loans	118,790	117,997
TOTAL	118,790	117,997

SCHEDULE - 'C' - FIXED ASSETS

(Rs. in Thousands)

PARTICULARS	GROSS BLOCK				DEPRECIATION/WRITTEN OFF				NET BLOCK	
	As at 01.04.2009	Additions	Deductions/ Adjustments	As at 31.03.2010	As at 01.04.2009	For the year	Written Back	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
1. Furniture, Fixture & Fittings	253	-	253	-	118	9	127	-	-	136
2. Computers	771	27	700	97	695	20	687	28	70	76
3. Office Equipments	137	-	137	-	36	4	40	-	-	101
4. D.G.Set	178	-	178	-	68	5	73	-	-	110
GRAND TOTAL	1,339	27	1,268	97	917	38	927	28	70	422
PREVIOUS YEAR	28,903	65	27,629	1,339	14,837	13,708	27,629	917	422	

(Rs. in Thousand)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 'D' SUNDRY DEBTORS		
(Unsecured but considered good)		
Debts Over Six Months	5	-
Other debts	41	86
TOTAL	46	86

(Rs. in Thousands)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 'E' - CASH AND BANK BALANCES		
Cash in hand	21	127
Balance With Scheduled Bank in Current Account	216	195
TOTAL	<u>237</u>	<u>321</u>
SCHEDULE 'F' - LOANS & ADVANCES		
(Unsecured, Unconfirmed but Considered Good)		
Advances recoverable in cash or in kind or for value to be received	3,310	4,595
Security deposits	27	1,535
TOTAL	<u>3,337</u>	<u>6,130</u>
SCHEDULE 'G' - CURRENT LIABILITIES & PROVISIONS		
Current Liabilities :		
Sundry Creditors	4,670	10,468
Other Liabilities	-	740
Statutory Liabilities	41	227
Security Deposit	-	1,025
Credit Balance with Scheduled Banks in Current Account	23	47
	<u>4,734</u>	<u>12,506</u>
Provisions :		
Provision for Gratuity	-	132
TOTAL	<u>4,734</u>	<u>12,638</u>



(Rs. in Thousands)

	Year ended 31.03.2010	Year ended 31.03.2009
SCHEDULE 'H' - COST OF GOODS SOLD		
Opening stock	5,780	5,671
Add : Purchases during the year	7,742	16,605
	<u>13,522</u>	<u>22,277</u>
Less : Closing stock	-	5,780
TOTAL	<u>13,522</u>	<u>16,496</u>
SCHEDULE 'I' - ADMINISTRATIVE, SELLING & GENERAL EXPENSES		
Rent & Hire Charges	1,706	3,585
Insurance	4	11
Legal & Professional Charges	86	118
Repair & Maintenance	275	851
Travelling & Conveyance Expenses	79	187
Licence Fee	7	3
Business Promotion Expenses	57	160
Printing & Stationery	23	56
Telephone, Mobile & Fax	126	168
Electricity expenses	189	349
Bank Charges	145	179
Transportation Expenses	8	29
Watch & Ward Expenses	6	116
Miscellaneous Expenses	140	225
Software Expenses	-	10
Warehouse Expenses	12	58
Auditors Remuneration	121	121
Prior Period Expenses	78	1,619
Rates & taxes	12	49
Loss on Sale of Fixed Assets	298	-
TOTAL	<u>3,372</u>	<u>7,896</u>

Total Care Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

Schedule "J"

I. SIGNIFICANT ACCOUNTING POLICIES:

1. Basis of preparation of Financial Statements

- i) The financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principals and provisions of Companies Act, 1956 and rules framed hereunder, subject to what is stated here-in-below, are adopted consistently by the Company.
- ii) Accounting policies not specifically referred to otherwise are in consonance with generally accepted accounting policies.
- iii) The company generally follows mercantile system of accounting and recognizes significant item of income & expenditure on accrual basis.

2. Sales and Purchases:

- i) The total sales include consignment sales, sale of damaged goods, sale against gift vouchers, sodexo vouchers and the same has been disclosed at net of sales tax & service tax.
- ii) The purchases of the Company include the purchases made on consignment basis also.

3. Gift Vouchers:

The Company recognizes the sale against gift vouchers as its business promotion expenses only when the customer buys the goods against them.

4. Disclosure of other Income:

- i) The other Income reflects the amount received by the Company from space provided to different dealers for display of their products in their Stores.
- ii) It includes the sale receipt of gift vouchers, Insurance Claims, Sale of Balloons, Sale of Bangles, Sale of Damaged goods and Scraps etc.

5. Fixed Assets and Depreciation

- i) The fixed assets are stated at cost inclusive of freight, duties, taxes and incidental expenses.
- ii) Depreciation on Fixed Assets is provided on Straight line Method on pro rata basis at the rates specified in Schedule "XIV" of the Companies Act, 1956 except in respect of Furniture, Fixture and fittings in two parts i.e. Non Retrievable and Retrievable. The Non Retrievable type of Furniture, Fixture and Fittings has been depreciated over a period of four to nine years on pro-rata basis over the lease period of the premises of the respective Stores of the Company. Depreciation on retrievable furniture, fixture and fitting is provided at the rates specified in Schedule "XIV" of the Companies Act, 1956.

6. Inventories

Inventories have been valued at lower of cost or net realizable value on First in First out (FIFO) basis.

7. Taxation

- a.) The provision for taxation is ascertained on the basis of assessable profits computed in accordance with the provisions of the Income Tax Act, 1961.



b.) Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

8. Miscellaneous expenditure

- a) Preliminary Expenses are written off over a period of five years.
- b) Deferred Revenue Expenses are written off over a period of five subsequent years in five equal installments.

9. Contingent Liability :

Contingent liabilities are disclosed by the way of notes only.

10. Foreign Currency Transactions:

Transaction done during the year are converted at the rate prevailing on the date of transaction

11. Impairment of Assets

The company determines whether there is any indication of impairment of carrying amount of company's assets. The recoverable amounts of such assets are estimated, and if any indication exists, impairment loss is recognised wherever the carrying amount of assets exceeds its recoverable amount.

12. Employees Retirement Benefits

The contributions to the provident fund, under the defined contribution plans, are charged to revenue. Leave encashment is accounted for on accrual basis and Gratuity are accounted for on the basis of actuarial valuation.

II. NOTES ON ACCOUNTS:

1. Fixed Assets

During the year, fixed assets worth Rs 27 thousands have been purchased and put to use. Fixed assets put to use are certified by management.

2. Sundry Creditors

Based on the information available with the Company, the balance due to Micro & Small Enterprises as defined under the MSMED Act, 2006 is Rs. Nil. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

3. Inventory

Inventories are as taken, valued and certified by the management.

4. In the opinion of the directors, the current assets, loan and advances are of the value stated, if realized in the ordinary course of business and the provision for depreciation and for all known liabilities is adequate and considered reasonable.

5. Balance with sundry creditors, sundry debtors, loan and advances and security deposits are subject to confirmation.

6. Other income Includes-

	(Rs. in Thousands)	
	31.03.2010	31.03.2009
Old Credit Balances no more payable	3758	284
Others	226	648
Total	3984	932

7. Payment to auditors-

(Rs. in Thousands)

	31.03.2010	31.03.2009
Audit fee	90	90
Tax audit fee	20	20
Others Tax matters	-	8
Service Tax	11	12
Total	121	130

8. Contingent Liabilities

Claims not acknowledged by the company	16	16
--	----	----

9. Earning Per Share

Particulars	Year ended	Year ended
	31st March 2010	31st March 2009
Profit/(Loss) after tax in Rs. Thousands	(1939)	(22940)
Weighted average number of equity shares outstanding	933390	933390
Earnings (Loss) per share in rupees	(2.08)	(24.58)

10. The company could not find a suitable person to be appointed as company secretary as required to be appointed u/s 383A of the Companies Act, 1956.

11. Previous year figures have been regrouped, rearranged, reworked and readjusted wherever necessary to suit the present period layout.

12. Segment Reporting

As the Company's business activity falls within a single primary business segment viz. "Retail Store " the disclosure requirements of Accounting Standards (AS-17) "Segment Reporting" , issued by The Institute of Chartered Accountants of India are not applicable.

13. Figures have been rounded off to the nearest thousand.

14. Deferred Tax liability/Asset

As required by Accounting Standard on "Accounting for taxes on income" i.e. (AS-22) issued by the Institute of Chartered Accountants of India, deferred tax asset on loss during the year has not recognized as a matter of prudence.

15. Additional information pursuant to the paragraph 3,4 C and 4D of Part II of Schedule VI of the Companies Act, 1956.

- The company is dealing in large number of petty items. None of the individual stock items having separate unit of measurement comprises of a value that render the incorporation of the same for the purpose of quantitative details as required by the provision of paragraph 3,4 C and 4D of Part II of Schedule VI of the Companies Act, 1956. Therefore, the details of the sales, purchases, opening stocks and closing stocks are as per profit and loss account and balance sheet forming part of financial results of the company.

(Rs. in Thousands)

	As at 31.03.2010	As at 31.03.2009
- CIF Value of Imports	NIL	NIL
- Earnings in Foreign currency	NIL	NIL



16. Related party disclosures

Disclosure as required by accounting standard on "Related Party Disclosures" (AS-18) issued by the Institute of Chartered Accountants of India are given here under: Related Parties

1	Holding Company	
	Morepen Laboratories Limited	Domestic Company
	Dr. Morepen Limited	Domestic Company
2	Associates	
	MorepenMax Inc	Foreign Company
	Morepen Inc	Foreign Company
3	Key managerial personnel	NIL
4	Entities over which key management personnel/ or Relatives of key management personnel are able to exercise significant influence with which the company has any transactions during the year.	Nil

Transactions with related parties

	Nature of transaction	Rs.(In Thousands)
Holding Companies	Sale of goods	Nil
	Purchase of goods	2547
	Unsecured Loan Taken	793
	Year end Balance	118790
	(Cr. Balance)	
	Maximum balance during the Year	118790
	(Cr. Balance)	
Key Managerial Personnel	Nil	Nil
	Year end Balance	Nil
	Maximum Balance during the Year	Nil
Relative of Key Managerial Personnel	Nil	Nil
	Year end Balance	Nil
	Maximum Balance during the Year	Nil
Entities over which key management personnel/ or Relatives of key Management personnel are able to exercise significant influence with which the company has transactions during the year.	Nil	Nil
	Year end Balance	Nil
	Maximum Balance during the Year	Nil

17. Impairment

In view of management, there is no impairment conditions exist as on 31st March 2010. Hence no provision is required in the accounts for the current year ending 31.3.2010.

18. Any other information required to be furnished pursuant to part II of Schedule VI of Companies Act - Nil

20. INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956
Balance Sheet Abstract and Company's General Business Profile

I. Registration Details :

Registration No.	105296	State Code	55
Balance Sheet Date	3 1 - 0 3 - 2 0 1 0		
	Date	Month	Year

II. Capital raised during the period (Amount in Rs.Thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)

Total Liabilities	212129	Total Assets	212129
Sources of Funds			
Paid up Capital	93339	Reserves & Surplus	Nil
Secured Loan	Nil	Unsecured Loan	118790
Application of Funds			
Net Fixed Assets	70	Investments	Nil
Net Current Assets	(1114)	Misc. Expenditure	Nil
Profit & Loss Account (Debit Balance)	213173	Deferred Tax Assets	Nil

IV. Performance of Company (Amount in Rs. Thousands)

Turnover/Other Income	15891	Total Expenditure	17831
Profit/Loss Before Tax	(1939)	Profit/Loss After Tax	(1939)
Earning per share in Rs. (after Preference Dividend)	(2.08)	Dividend Rate %	Nil

V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Product Description	Item code No. (ITC Code)
a) Store Item	N/a
b)	
c)	

Per our separate report of even date

For & on behalf of the Board

For M.Kamal Mahajan And Co.
Chartered Accountants

(Sanjay Suri)
Director

(M.K. Mahajan)
Partner
M. No. 017418

(Suresh Gupta)
Director

(Hemendra Kumar Gupta)
Director

Place : New Delhi
Date : 10.05.2010



Total Care Limited

Cash Flow Statement

For the year ended 31st March, 2010

(Rs. in Thousands)

	Year Ended 31st March 2010	Year Ended 31st March 2009
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before Tax and extraordinary items	(1,939)	(22,913)
Adjustments for :		
Depreciation & Amortisation	38	13,708
Loss on Sale Of Fixed Assets	298	
Extraordinary items / Misc. Expenditure	-	5,021
Operating profit before working capital changes	(1,603)	(4,183)
Adjustments for :		
Trade and Other Receivables	2,834	576
Inventories	5,780	(109)
Trade Payables	(7,905)	(8,373)
Cash generated from operations	(894)	(12,090)
Advance tax paid including FBT	-	(27)
NET CASH FROM OPERATING ACTIVITIES	(894)	(12,117)
B. CASH FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets incl. Capital work in progress	(27)	(65)
Sale of Fixed Assets	43	-
NET CASH USED IN INVESTING ACTIVITIES	17	(65)
C. CASH FROM FINANCING ACTIVITIES		
Unsecured Loans	793	11,312
NET CASH FROM FINANCEING ACTIVITIES	793	11,312
Net Increase/(Decrease) in cash and cash equivalents	(84)	(870)
Cash and Cash equivalents as at 01.04.09	321	1,192
Cash and Cash equivalents as at 31.03.10	237	321

Per our separate report of even date

For & on behalf of the Board

For M.Kamal Mahajan And Co.
Chartered Accountants

(Sanjay Suri)
Director

(M.K. Mahajan)
Partner
M. No. 017418

(Suresh Gupta)
Director

(Hemendra Kumar Gupta)
Director

Place : New Delhi
Date : 10.05.2010

RAVI VENKATARAMAN
CERTIFIED PUBLIC ACCOUNTANT
14 COURTSIDE LANE
PRINCETON, NJ 08540

TEL: (609) 452-7770

FAX: (732) 823-1405

Board of Directors
Morepen, Inc.
Plainsboro, NJ

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying Balance Sheet of Morepen Inc. as of March 31, 2010 and 2009 and the related statements of Income and Retained Earnings and Cash Flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on the Financial Statement based on my audit.

I have conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I Plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. I believe that my audit of the Financial Statements provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morepen Inc. as of March 31, 2010 and 2009 and the results of its operations for year then ended in conformity with accounting principles generally accepted in the United States of America.

Ravi Venkataraman, CPA
April 20, 2010



Morepen Inc.

Balance Sheet

31st March, 2010

Particulars	(in US\$)	
	As at 31.03.2010	As at 31.03.2009
ASSETS		
Current Assets:		
Cash	12,419	7,723
Accounts Receivable -Trade	158,370	193,205
Employee Loans	403	2,951
Security Deposit	1,300	1,300
Total Current Assets	<u>172,492</u>	<u>205,180</u>
Property and Equipments:		
Computers	6,144	6,144
Less : Accumulated Depreciation	<u>(5,613)</u>	<u>(4,976)</u>
Net Fixed Assets	<u>531</u>	<u>1,168</u>
TOTAL ASSETS	<u>173,023</u>	<u>206,348</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	29,457	25,307
Corporate Taxes Payable	13,783	63,617
Other current Liabilities	10,000	10,000
Total Current Liabilities	<u>53,240</u>	<u>98,924</u>
Stockholders' Equity :		
Capital Stock	57,128	57,128
Retained Earnings	62,654	50,295
Total Stockholders Equity	<u>119,782</u>	<u>107,423</u>
TOTAL LIABILITIES AND STOCKHOLDERS 'EQUITY	<u>173,023</u>	<u>206,348</u>

See Notes to the Financial Statements

Morepen Inc.

Statement of Income and Retained Earnings

For the year ended March 31, 2010

	(in US\$)	
Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Sales	193,169	607,054
Cost of Goods Sold	-	(1,559)
Gross Profit	<u>193,169</u>	<u>605,495</u>
Expenses		
Bank Service Charges	161	305
Loss on sale of vehicle	-	5,011
Product Development	28,947	85,472
Fuel Expenses	451	95
Car Rental Expenses	1,196	552
Insurance	13,074	13,526
Miscellaneous	3,831	768
Website Business	573	-
Professional Fees	29,825	13,921
Rent	6,214	35,503
Repairs	-	60
Telephone	192	-
Travel & Entertainment	14,918	53,618
Utilities	-	1,444
Payroll Expenses	62,500	116,286
Payroll Taxes	6,025	24,947
Depreciation Expense	637	1,536
Total Operating Expense	<u>168,544</u>	<u>353,045</u>
Income/(Loss) from operations	24,625	252,450
Provision for taxes	(5,910)	(63,617)
Retained Earnings - Beginning	50,295	(70,688)
Prior period adjustment	(6,356)	(67,850)
Retained Earnings - Ending	<u>62,654</u>	<u>50,295</u>

See Notes to the Financial Statements



Morepen Inc.
Statement of Cash Flow
 for the year ended 31st March, 2010

Particulars	(in US\$)	
	As at 31.03.2010	As at 31.03.2009
Net Income/(Loss) for the period	18,715	188,834
Add: Depreciation	637	1,536
Prior period adjustment	(6,356)	(45,533)
Loss of sale of vehicle	-	5,011
Changes in assets and liabilities		
Accounts Receivable	34,835	(193,205)
Employee Loans	2,548	57,870
Security deposit	-	(1,300)
Advance from Customers	-	(93,121)
Accrued Expenses	-	(51,374)
Accounts Payable	4,150	7,000
Corporate taxes payable	(49,833)	63,617
Other current liabilities	-	10,000
Auto Loans Payable	-	(21,241)
Net increase (decrease) in cash from Operating activities	4,696	(71,906)
Cash Flow from Investing activities:		
Sale of Vehicle	-	21,181
Net increase in cash from Investing activities	-	21,181
Cash Flow from Financing Activities:		
Common Stock	-	-
Net increase in cash from Financing activities	-	-
Cash - Beginning	7,723	58,448
Cash - Ending	12,419	7,723
See Notes to Financial Statements		

Morepen Inc.

Notes to Financial Statements

March 31, 2010

Note : 1 - Summary of Significant Accounting Policies :

A. General

Morepen Inc. was incorporated under the laws of New Jersey on September 30,2005. Morepen is a wholly owned subsidiary of Morepen Laboratories Ltd. (MLL) with an initial capital contribution of \$50,000.00. The subsidiary is a trading outfit of MLL. The main business of the Company is to sell finished products of MLL and also do marketing for MLL's existing as well as new products. It also assists MLL in procurement of reference standards and other regulatory related activities with the end customers.

B. Basis of Presentation

The accompanying financial statements has been prepared in accordance with accounting principles generally accepted by United States of America.

Note 2 - Significant business with certain clients :

Morepen Inc., has one customer who accounted for 99% of sales for the years ended March 31, 2010 and 2009. A loss of this customer could have a material impact on the financial condition of the company.



MorepenMax Inc.

(A Development Stage Company)

Unaudited Balance Sheet

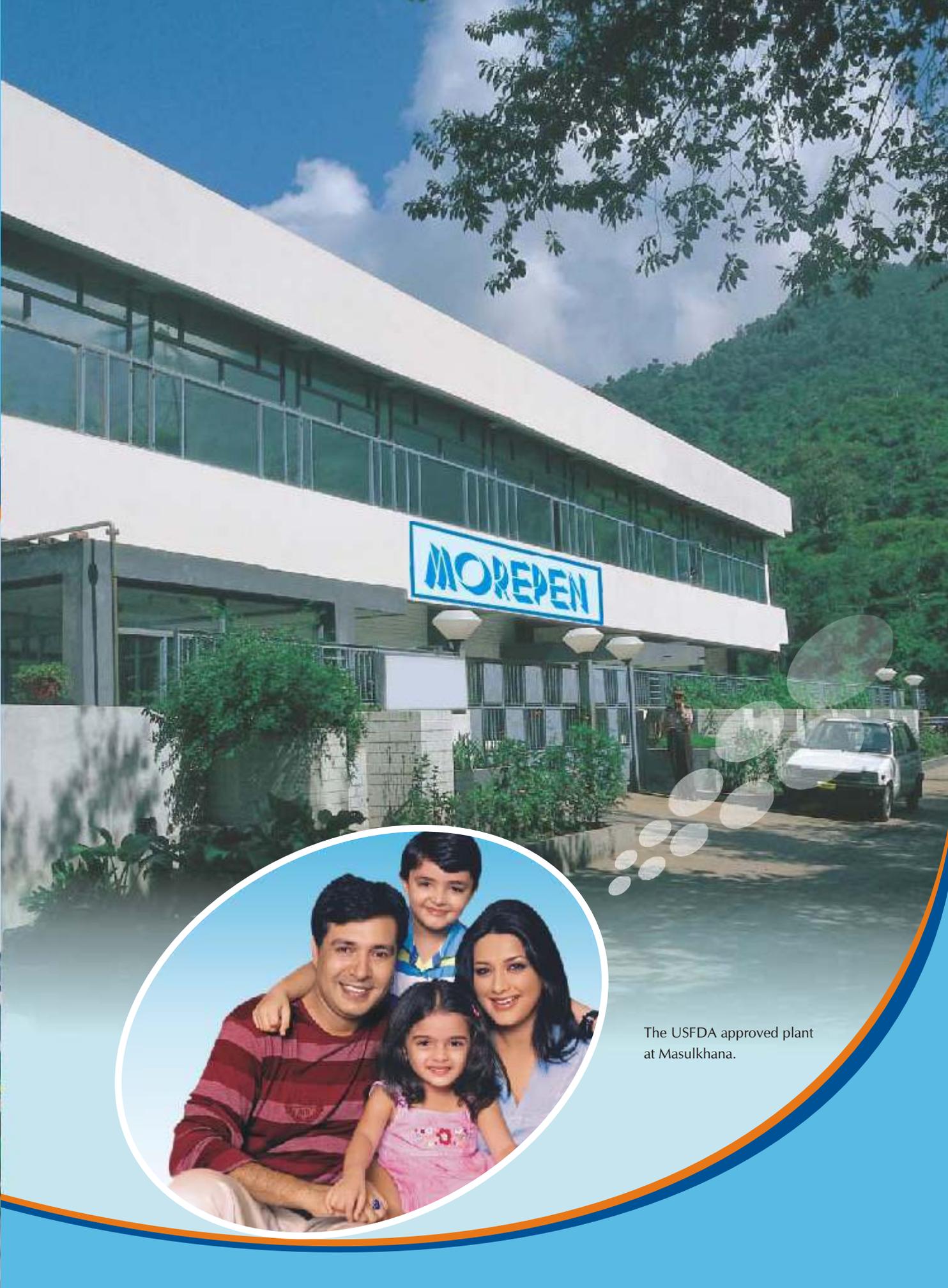
As at 31st March, 2010

(in US\$)

Particulars	As at 31.03.2010	As at 31.03.2009
SOURCES OF FUNDS		
SHAREHOLDERS FUNDS		
SHARE CAPITAL		
Authorised		
Share Holders Equity	100000.00	100000.00
Total	<u>100000.00</u>	<u>100000.00</u>
APPLICATION OF FUNDS		
CURRENT ASSETS,		
LOANS AND ADVANCES		
Sundry Debtors	45926.50	45926.50
Cash and Bank Balances	28271.73	28271.73
Total Assets	<u>74198.23</u>	<u>74198.23</u>
Less : CURRENT LIABILITIES & PROVISIONS		
Current Liabilities	-	-
Due to Shareholders	-	-
Total Liabilities	<u>-</u>	<u>-</u>
NET CURRENT ASSETS	74198.23	74198.23
Net Loss	25801.77	25801.77
Total	<u>100000.00</u>	<u>100000.00</u>

Note :

As there was no operational activities during the year ending 31st March 2010, so Profit & Loss Account and Cash Flow Statement has not been drawn for the said year.



MOREPEN



The USFDA approved plant
at Masulkhana.



MOREPEN
The Joy Of Growing Together

Morepen Laboratories Limited and Reduced

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