



Sterling Biotech Limited
Annual Report 2009





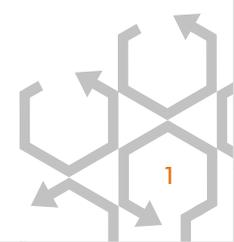
Contents

Directors' Report	2
-----------------------------	---

Management Discussion & Analysis	7
--	---

Report on Corporate Governance	10
--	----

Financial Statements	19
--------------------------------	----



Directors' Report

To
The Members
Sterling Biotech Limited

We have great pleasure in presenting the 24th Annual Report of the Company together with the audited statements of accounts for the year ended 31st December, 2009.

FINANCIAL HIGHLIGHTS

(Rs. In Million)

Particulars	Year Ended 31 st December, 2009	Year Ended 31 st December, 2008
Sales	14,381.73	11,783.81
Total Income	14,470.37	11,884.13
EBIDTA	5,143.79	5,113.35
Interest	1,494.38	592.07
Depreciation	1,230.42	1,071.52
PBT and Extraordinary item	2,418.99	3,449.76
Extraordinary items*	620.51	(113.26)
PBT	3,039.50	3,336.50
Provision for Current Tax	350.00	375.00
Provision for Deferred Tax	335.00	755.00
Provision for FBT	1.25	4.75
PAT	2,353.26	2,201.74
Proposed Dividend	125.10	121.90
Dividend Tax	21.26	20.71
Transfer to Debenture Redemption Reserve	107.14	107.14
Balance carried to Balance Sheet	2,116.45	1,942.05
EPS (Rs.)	9.47	9.38

* Extraordinary Item includes gain of Rs. 699.36 Million on buy back of FCCBs of US \$ 90.50 Million.



DIVIDEND

The Board of Directors proposes a dividend of 50 percent, i.e. Rs. 0.50 per equity share of face value Re. 1/- each, for the year ended 31st December, 2009. The dividend increased from Rs.121.90 Million last year to Rs. 125.10 Million this year.

OPERATIONS

During the year under review, net sales increased to Rs. 14,381.73 Million, a growth of 22.05 percent, while total income grew 21.76 percent to Rs. 14,470.37 Million from the previous year. Operating profit increased 0.60 percent to Rs. 5,143.79 Million over the year. Net Profit increased to Rs. 2,353.26 Million signifying 6.88 percent growth compared to the previous year. Earning per share reached Rs. 9.47 for the current year.

As informed previous year, we continued to consolidate our position as one of the leading gelatin producers in the world. The Company has commissioned additional capacity of 1,500 MTPA of Gelatin, which was operationalised during the last quarter of 2009.

During the year, the company has raised USD 90 Million through External Commercial Borrowings (ECBs) for the purpose of buyback of outstanding FCCBs. Further, the Company has entered into facility agreement for availing USD 147.4 Million through External Commercial Borrowings (ECBs) for the purpose of financing the Greenfield gelatin manufacturing project in Sterling SEZ, Gujarat.

INCREASE IN PAID UP CAPITAL

Your Company, during the year 2005 and 2007, issued FCCBs of USD 175 Million and USD 250 Million respectively. During the year FCCBs of USD 28.25 Million was converted into equity shares and as a result paid up capital of the Company has been increased from 243,797,581 equity shares of Re. 1/- each to 250,196,564 equity shares of Re. 1/- each.

ACCOLADES

During the year, your company has been awarded Trading House Certificate for a period of Five years. Our facilities in Vadodara and Ooty produce gelatin on par with that produced in the USA, Europe and Japan.

QUALITY

Meeting the stringent quality standards required by our international clientele, our facilities have earned certifications including:

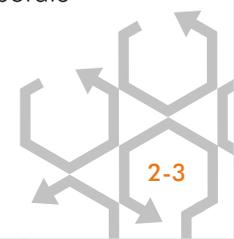
- Hazardous Analysis and Critical Control Point Certification (HACCP)
- ISO 9001
- ISO 14001
- European Directorate for Quality of Medicine Certification (EDQM).

MANAGEMENT DISCUSSION AND ANALYSIS

A separate report on Management Discussion and Analysis pursuant to Clause 49 of the Listing Agreement entered with stock exchanges is enclosed as a part of this Directors' Report.

REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement entered with stock exchanges, a separate section on Corporate Governance is attached to the Annual Report.



DIRECTORS

Shri R. B. Dixit and Shri N. B. Patel, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. The Board recommends their re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm:

- i) That in the preparation of the Annual Accounts for the year ended 31st December, 2009 the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- ii) That the Directors had selected such accounting policies 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 of the Company for the year under review;
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) That the Directors have prepared the Annual Accounts for the year ended 31st December, 2009 on a going concern basis.

FIXED DEPOSITS

The Company did not accept any deposits from the Public during the year under review.

EXTERNAL COMMERCIAL BORROWINGS

During the year under review, The Company have availed USD 90 Million External Commercial Borrowings (ECBs) for the purpose of Buyback of Foreign Currency Convertible Bonds (FCCBs). In accordance with Reserve Bank of India Guidelines, the Company repurchased/bought back FCCBs due 2010 of nominal value of USD 7.5 Million and FCCBs due 2012 of nominal value of USD 83.00 Million and as a result the outstanding amount of FCCBs are reduced to USD 93.67 Million and USD 134.50 Million respectively.

VOLUNTARY DELISTING OF EQUITY SHARES FROM THE CALCUTTA STOCK EXCHANGE LIMITED

Pursuant to application for Voluntary Delisting of equity shares submitted under SEBI (Delisting of Securities) Guidelines, 2003, the equity shares of the Company have been delisted by The Calcutta Stock Exchange Ltd. w.e.f. 19th March, 2010.

AUDITORS

M/s. H. S. Hathi & Co., Chartered Accountants, Auditors of the Company shall retire at the conclusion of the ensuing Annual General Meeting and having furnished the required certificate pursuant to Section 224(1B) of the Companies Act, 1956, are eligible for re-appointment. The Board recommends their re-appointment. In respect of observations made by the Auditors in their Report, your Directors wish to state that the respective notes to the accounts are self-explanatory, and do not call for any further comments.

INDUSTRIAL RELATIONS

The industrial relations of the Company continued to remain cordial. The Directors wish to place on record their sincere appreciation for the co-operation extended and the valuable contribution made by the employees at all levels.



PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended regarding employees is given in annexure to the Director's Report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Annual Report is being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such information may inspect at or write to the Company's Registered Office address.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

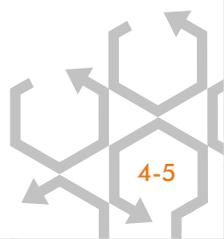
Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo required to be given by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure to this Report in the prescribed format under these rules.

ACKNOWLEDGEMENTS

We appreciate the valuable co-operation extended by the Central and State Government Authorities and all other Regulatory Authorities and are extremely grateful to Financial Institutions, ECB Lenders, FCCB and GDR holders and their intermediaries and our bankers for their continued assistance and guidance. We are also grateful to our employees, shareholders, customers for their co-operation and look forward to their support in the future.

Place: Mumbai
Date: 31st March, 2010

For and on behalf of the Board of Directors
NITIN J. SANDESARA
Chairman and Managing Director



Annexure to the Directors' Report

Particulars pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, forming part of the Directors' Report for the year ended 31st December, 2009

A. CONSERVATION OF ENERGY

Energy Conservation Measures taken: The Company has undertaken various measures for conservation and saving of energy in critical areas including

1. Power factor improvement
2. Quicker heat transfer
3. Monitoring of combustion efficiency of boilers
4. Reuse of Steam condensate as boiler feed water
5. Optimum use of utility depending upon process requirement.

As in earlier years, your Company continued to envisage and implement energy conservation measures in various manufacturing operations leading to saving of quantitative consumption of power, fuel and oil etc. The Company is also carrying on continuous education and awareness program for its employees for Energy conservation and optimum use.

B. TECHNOLOGY ABSORPTION

Research & Development (R & D)

1. Specific areas in which R & D carried out by the Company:

- Improvement of product quality
- Process improvements
- Cost effectiveness
- Elimination of waste in the systems

2. Benefits derived as a result of the above R & D:

Improvement in yield and product quality, cost effectiveness and reduction in consumption of raw material and utilities.

3. Future plan of action:

The Company's effort will continue in the areas of product quality, process improvement technology with the aim of offering better products to meet consumer needs.

4. Expenditure on R & D:

- a) Capital: NIL
- b) Recurring: Rs. 177.34 Million
- c) Total: Rs. 177.34 Million
- d) Total R & D Expenditure as a percentage of total turnover: 1.23%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

After full absorption of technology imparted by foreign collaborations, innovations in process control, cost reduction and quality improvements are being made on a continuous basis.

2. Benefits derived as a result of the above efforts:

Improvements in productivity, cost of manufacturing, quality, waste elimination and flexibility in manufacturing.

3. Information regarding technology imported during last 5 years: Nil.

C. FOREIGN EXCHANGE EARNED AND USED

- a) Earned: Rs. 4,537.96 Million
- b) Used: Rs. 69.76 Million



Management Discussion & Analysis

INDUSTRY OVERVIEW

GELATIN

Gelatin is derived from collagen, a fibrous insoluble protein, which forms around one third of the body's mass. Gelatin is produced in various grades and is used in photographic applications, pharmaceutical, food and nutraceutical industries. Pharmaceutical gelatin, used in the production of capsules, commands the second highest price, after photographic grade gelatin. These four industries collectively consume over 95 percent of gelatin globally. The balance 5 percent industrial gelatin finds applications in the manufacture of abrasive paper, textiles, matches and printer rollers and many more industries.

The pharmaceutical and nutraceutical market for gelatin present a slew of barriers for new manufacturers. The barriers to entry include the necessity to carry out fresh stability tests and submission of revised ANDA to the regulatory authorities for each product. The price of edible gelatin is lower than that of pharmaceutical grade gelatin. Moreover, the pricing of gelatin depends on its bloom strength or bloom value which indicates the molecular weight of gelatin.

The global gelatin market in 2008 was estimated at 339,711 MTPA, a growth of 4.13 percent over previous year (Source: GME). The global market size for gelatin is pegged at USD 2.2 Billion in 2008 and is growing at 2-3 percent per annum. This growth is primarily driven by the 7 percent growth in the global pharmaceutical industry. There are total 25 manufacturers of gelatin in the world; however there are five major manufacturers which comprise about 70% of the total gelatin supply. In fact 80% of the world's gelatin production is concentrated in the US, Europe and Japan with technology closely guarded by handful of players. The major global producers of gelatin are Gelita AG (Formerly DGF Stoess), Rousselot SAS, PB Gelatin (Tessenderlo Group), Sterling Biotech Ltd., Weishardt Group and Nitta Gelatin Inc., which together account for around 75 percent of global gelatin production.

The domestic gelatin market comprises players with smaller capacities. Similar to global growth, demand for gelatin in the domestic market is driven by the pharmaceutical and nutraceutical sector, which is growing at around 15 percent per annum. Sterling Biotech is the dominant player in the domestic market with a market share of more than 60% of installed capacity and 65% of domestic production. Sterling's customer base is centered upon the pharmaceutical and nutraceutical end-user industries.

COENZYME Q10

CoQ10 is a dietary supplement that improves memory, boosts immunity and is essential for the production of cellular energy within the human body. It serves as coenzyme for several key enzymatic steps and has many anti-oxidant properties. In each human cell, food is converted into energy in the mitochondria with the help of CoQ10. Over 95 percent of the human body's energy requirements are converted with the help of CoQ10. In the human body, our heart, lungs and liver have the highest concentration of CoQ10, as these organs have high energy requirements. CoQ10 has been proved to be effective in restoring and preserving healthy organ and brain function together with a strong immune system.

Coenzyme Q10 (CoQ10) is among the fastest growing health supplements globally. A powerful antioxidant, CoQ10 plays a vital role in conversion of food into energy. Therefore, CoQ10 is required by human body continuously irrespective of state of health i.e. both healthy as well as during recovery for conversion of food into energy. It finds application in the treatment of all heart-related ailments, thyroid, Alzheimer's disease, Parkinson's disease, AIDS, cancer, dental and skin diseases and many more under research. The CoQ10 market has been dominated by four Japanese players with the capacity to supply multi-ton quantities of the ingredient. The global CoQ10 market is pegged at USD 2 Billion, mainly in the US, Europe and Japan. CoQ10 produced through fermentation process being from natural source has acceptance in all the 3 major markets of USA, Europe and Japan.

COMPANY OVERVIEW

- Sterling is among the five largest gelatin producers in the world with a 6.5 percent market share
- We are the largest producer of gelatin in India, and the largest producer of pharma grade gelatin in Asia
- Sterling has accelerated its pace of growth with a rapid capacity expansion
- We have a significant location based cost advantage of 30 percent, a key growth driver
- Sterling is a significant player in the US market with presence in European, Japanese and Asian markets
- Sterling specializes in pharmaceutical and nutraceutical grade gelatin which is a premium high growth segment

Sterling Biotech Limited (Sterling) is the largest producer of pharmaceutical and nutraceutical gelatin in India and Asia as well. It has a 9.5 percent global market share in pharmaceutical gelatin and is amongst the top five gelatin producers globally with 6.5 percent global market share. Additionally, Sterling sells Dicalcium Phosphate (DCP), a by-product of the gelatin manufacturing process, to poultry-feed and fertilizer industry in India, which is required as feed and medicines to protect poultry against diseases such as rickets. DCP finds further applications in products such as talcum powder, fertilizers and toothpaste. The primary raw materials required for the manufacture of gelatin are buffalo bones, lime and HCL. These raw materials are available in abundance since India is one of the world's largest producers of buffalo meat. Competitive material costs enable Sterling to be lowest cost producer of gelatin, globally. Capacity utilization of over 100 percent allows Sterling a distinct cost advantage over its competitors. Similarly, in CoQ10, Sterling harnesses low production costs compared to all other producers. Sterling is a public-listed company with listings on the Bombay Stock Exchange Limited, National Stock Exchange of India Limited, Luxembourg Stock Exchange and Singapore Stock Exchange.

FACILITIES

In a highly capital-intensive industry, Sterling has developed world-class technology for gelatin by establishing state-of-the-art facilities. A R&D laboratory at Sterling's plant employs state-of-the-art facilities. It carries out R&D work on fermentation products, API and intermediates. Sterling's Masar plant manufactures CoQ10 (since March 2007) through microbiological fermentation. Sterling has a captive Heavy Fuel Oil (HFO) based power plant based to minimize its power cost and become self sufficient in its power requirements. Effluent treatment plants at its facilities and the development of a green belt, of over 40,000 square meters, serves to protect the environment.

During the year, Sterling has completed modernization and de-bottlenecking exercise at its gelatin facility at Vadodara. As a result of which, the capacity has increased by 1,500 MTPA of gelatin and 4,500 MTPA of DCP. The increase capacity was fully operationalised in the last quarter of 2009.

QUALITY CERTIFICATIONS

In accordance with Sterling's policy to achieve and maintain the highest standards of quality, the Company has the following quality certifications.

- **Kosher Certifications:** This certifies that the Jewish population can consume Sterling's gelatin and that the inputs used for gelatin production are in accordance with the religious standards of the Jewish community.
- **Ifanka Certification:** This is required for Halal certification, which certifies that the gelatin is manufactured using Halal-defined processes and can be used by the Muslim population.
- **HACCP (Hazardous Analysis and Critical - Control Point) Certification:** This certifies the manufacturing process with the highest and most consistent quality and safety of product. Also ensures the availability of fallback measures in case of unfortunate events.



- **ISO 9001**- denotes that the production process is in accordance with standards laid down by the International Standards Organizations.
- **ISO 14001**- signifies that the environment management system is in compliance with the Environmental Management System Standard.
- **EDQM (European Directorate for Quality of Medicare)** - this certification denotes that the product is in compliance with the European Union pharmacopeia.

STRENGTHS AND STRATEGIES

Sterling differentiates from its industry peers through key strengths by:

- Developing indigenous technology for complex products.
- Consolidating its position in the global gelatin market through constant capacity enhancements.
- Expanding its product basket by introducing CoQ10, thereby strengthening its product basket.
- Generating high cash inflows due to a high EBIDTA margin, currently at about 35 percent.

These strengths drive Sterling's future strategies which include:

- Constantly expanding manufacturing capacities for gelatin. These expansion initiatives will allow Sterling to augment its market share.
- Increasing CoQ10 production and capacity to encash on growing markets in the nutraceutical industry.

HUMAN RESOURCES

Sterling recognizes its employees as its most valuable assets. As such, they are encouraged to enhance their aptitude through on the job training programs to further their prospects within the company. Sterling continues to induct competent professionals for its present and future needs.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The CEO/CFO certification provided in the report discusses the adequacy of our internal control systems and procedures.

FINANCIAL ANALYSIS

The highlights of Sterling Biotech's financial performance over 2009 were:

- 22.05 percent increase in sales from Rs. 11,783.81 Million in 2008 to Rs. 14,381.73 Million in 2009.
- 6.88 percent increase in net profit to reach Rs. 2,353.26 Million in 2009 from Rs. 2,201.74 Million in 2008.
- The company also issued External Commercial Borrowings, aggregating to USD 90 Million for the purpose of buyback of outstanding Foreign Currency Convertible Bonds (FCCBs). Of the total proceeds, it has utilized USD 75.61 Million to buyback of outstanding Foreign Currency Convertible Bonds of USD 90.50 Million

CAUTIONARY STATEMENT

Management Discussion and Analysis details the Company's objectives and expectations that may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. The actual results could differ materially from those expressed or implied depending upon global and Indian demand-supply conditions, changes in Government regulations, tax regimes as well as economic developments within India and overseas.



Report on Corporate Governance

I) CORPORATE GOVERNANCE PHILOSOPHY

At Sterling Biotech Limited, we view sound corporate governance as an integral part of our efforts to enhance shareholders value. We endeavor to safeguard the interests of investors, customers, suppliers and lenders and build the confidence of society in general. We adopt a philosophy of Professionalism, transparency and accountability in all areas.

II) BOARD OF DIRECTORS (BOARD)

Presently, the Board comprises of 6 Directors of whom 4 are Non-executive Directors and a majority of them being independent. All Directors are eminent industrialists and/or professionals with experience in overall management, finance and law, who bring a wide range of skills and experience to the Board

a. Composition of the Board

Name	Designation	No. of other Directorships and Committees Memberships / Chairmanships			Relationships with other Directors
		Other Directorships	Committee Memberships	Committee Chairmanships	
Nitin J. Sandesara	Chairman & Managing Director - Executive	32	-	-	Brother of Chetan J. Sandesara
Chetan J. Sandesara	Joint Managing Director & Executive	37	-	-	Brother of Nitin J. Sandesara
R. B. Dixit	Independent & Non-Executive Director	4	2	2	None
Vilas D. Joshi	Independent & Non-Executive Director	1	-	-	None
Priyadarshan B. Mehta	Independent & Non-Executive Director	1	-	-	None
Narendrabhai B. Patel	Independent & Non-Executive Director	1	-	-	None

b. Number of Board Meetings :

During the year under review the Board of Directors met 22 times on the following dates: 15-01-2009, 19-02-2009, 26-02-2009, 03-03-2009, 14-03-2009, 17-03-2009, 31-03-2009 (Adoption of Annual Accounts), 29-04-2009, 11-05-2009, 02-06-2009, 05-06-2009, 30-06-2009, 06-07-2009, 27-07-2009, 30-07-2009, 31-07-2009, 28-08-2009, 12-10-2009, 31-10-2009, 12-11-2009, 30-11-2009, 24-12-2009.

c. Attendance of Directors

Name	Meetings Attended	Attended last AGM on 30 th June 2009
Nitin J. Sandesara	13	Yes
Chetan J. Sandesara	20	Yes
R. B. Dixit	18	Yes
Vilas D. Joshi	9	Yes
Priyadarshan B. Mehta	5	No
Narendrabhai B. Patel	9	No

III) CODE OF CONDUCT

The Board lays down code of conduct for Board members and senior management of the Company and is posted on the website of the Company. The Board members and senior management personnel affirm compliance to the code of conduct.

IV) COMMITTEE OF DIRECTORS

The involvement of Non-executive Directors in providing guidance on policy matters to the operating management is formalized through constitution of committees of the Board. The Committees provide periodical and regular exchange of information and ideas between the Directors and the Operating Management. The Board constituted following committees.

AUDIT COMMITTEE

The Committee reviews the Company's financial reporting process, disclosure norms, internal control systems, accounting policies and practices, reports of the Company's Internal Auditors, quarterly/half yearly financial statements as well as its financial risk policies. It also recommends appointment of statutory auditors, fixes audit fees and reviews internal control systems, scope for observations of the auditors and adequacy of the internal audit function. During the year under review, the committee met four times on 31-03-2009 (Adoption of Annual Accounts), 29-04-2009, 31-07-2009, 31-10-2009 and the meeting was attended by all the Directors of the Audit Committee namely Shri R. B. Dixit, Shri V. D. Joshi and Shri P. B. Mehta.

INVESTORS/SHAREHOLDERS GRIEVANCE COMMITTEE

The Committee comprises of Shri R. B. Dixit, Shri P. B. Mehta and Shri N. B. Patel. The Committee redresses shareholder and investors complaints like a delay in transfer of shares, non-receipt of dividend, non-receipt of balance sheet etc. During the year the committee met two times.

REMUNERATION COMMITTEE OF THE BOARD

The Committee comprises of Shri R. B. Dixit, Shri P. B. Mehta and Shri N. B. Patel to recommend and review the remuneration package of Directors based on performance, industry practice and defined criteria. During the year, the Committee met three times.

DETAILS OF REMUNERATION TO DIRECTORS FOR THE YEAR

The aggregate value of salary and perquisites payable for the year ended 31st December, 2009 to Nitin Sandesara, Chairman and Managing Director is Rs. 34.23 lacs and to Chetan Sandesara, Joint Managing Director is Rs. 26.00 lacs.



V) GENERAL BODY MEETINGS:

Year	Venue	Date	Time	Any special Resolution	Kind of Meeting
2009	Shri Bhaidas Maganlal Sabhagriha, Swami Bhaktivedant Marg, J.V.P.D. Scheme, Vile Parle(W) Mumbai – 400 056	30 th June, 2009	10.30 A.M	Yes	AGM
2008	Shri Bhaidas Maganlal Sabhagriha, Swami Bhaktivedant Marg, J.V.P.D. Scheme, Vile Parle(W) Mumbai – 400 056	2 nd June, 2008	10.30 A.M	No	AGM
2008	Shri Bhaidas Maganlal Sabhagriha, Swami Bhaktivedant Marg, J.V.P.D. Scheme, Vile Parle(W) Mumbai – 400 056	5 th March, 2008	10.30 A.M	Yes	EGM
2007	Shri Bhaidas Maganlal Sabhagriha, Swami Bhaktivedant Marg, J.V.P.D. Scheme, Vile Parle(W) Mumbai – 400 056	12 th May, 2007	10.30 A.M	Yes	AGM

Special Resolution if any passed by postal ballot: NIL

VI) DISCLOSURES

- As required under the Companies Act, the Directors disclose the name of the Companies/ Parties in which they are interested. In terms of Accounting Standard AS-18, details of related party transactions during the year have been set out under Note 11 of Schedule 15(B) annexed to the Balance Sheet and Profit and Loss Account. However, they are not having any potential conflict with the interest of the Company at large.
- There has been no non-compliance of any legal requirements nor have there been any strictures imposed by any stock exchange or SEBI, on any matters relating to the capital market, over the last three years.

VII) MEANS OF COMMUNICATION

- Quarterly financial results are forwarded to the Stock Exchanges where the shares of the Company are listed and published in the Free Press Journal in English and the Nav Shakti paper in Marathi.
- The Company has not made any presentations to any Institutional Investors / Analysts during the year.
- A Management's Discussion & Analysis Report is annexed to the Directors' Report to the Shareholders.

VIII) GENERAL SHAREHOLDER INFORMATION**A. ANNUAL GENERAL MEETING**

Date : Wednesday, the 30th day of June, 2010

Time: 10.30 A.M.

Venue: Shri Bhaidas Maganlal Sabhagriha, Swami Bhaktivedant Marg, J.V.P.D. Scheme, Vile Parle (W) Mumbai - 400 056.

B. DATE OF BOOK CLOSURE:

Wednesday, the 23rd day of June, 2010 to Wednesday, the 30th day of June, 2010 (both days inclusive)

C. FINANCIAL CALENDAR 2010:**Board Meeting**

Unaudited Results Qtrly. March 2010	: April 2010
Unaudited Results Qtrly. June 2010	: July 2010
Unaudited Results Qtrly. September 2010	: October 2010
Unaudited Results Qtrly. December 2010	: January 2011
Audited Accounts December 2010	: February/March 2011

Annual General Meeting : May/June 2011 (Next Year)



D. STOCK EXCHANGES WHERE SECURITIES ARE LISTED

The Company's equity shares are listed on the BSE and NSE. Global Depository Receipts (GDRs) are listed on the Luxembourg Stock Exchange. Foreign Currency Convertible Bonds 2010 & 2012 are listed on the Singapore Stock Exchange. 12.00% Secured Redeemable Non-Convertible Debentures are listed on the Bombay Stock Exchange Limited (BSE) in Debt Segment.

Name of Stock Exchange	Code/Symbol
Bombay Stock Exchange Limited (BSE) (Equity)	512299
National Stock Exchange of India Limited (Equity)	STERLINBIO
Luxembourg Stock Exchange (GDRs)	CUSIP No. : 85916G108 Common Code : 017757709 ISIN : US85916G1085
Singapore Stock Exchange FCCB due 2010	Common Code : 022966120 ISIN : XS0229661201
Singapore Stock Exchange FCCB due 2012	Common Code : 029812535 ISIN : XS0298125351
Bombay Stock Exchange Limited (BSE) (Debentures)	945828

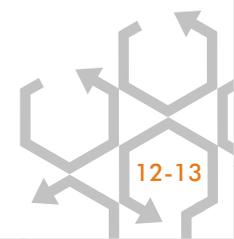
E. Stock Price Data

Month	BSE		NSE	
	High Rs.	Low Rs.	High Rs.	Low Rs.
January 2009	164.00	149.60	166.10	149.65
February 2009	170.00	147.00	172.00	147.10
March 2009	155.00	136.00	160.00	136.25
April 2009	145.50	134.20	144.90	135.00
May 2009	139.25	129.00	139.90	129.00
June 2009	146.35	110.35	146.70	108.10
July 2009	118.50	107.60	120.00	107.00
August 2009	122.15	109.50	122.10	109.50
September 2009	122.65	111.55	122.85	110.50
October 2009	118.45	90.05	118.35	90.05
November 2009	102.90	90.05	103.00	90.00
December 2009	101.00	92.35	102.00	92.50

F. SHARE TRANSFER SYSTEM

Share sent for physical transfers are registered and returned within a stipulated time frame, if the documents filed are clear in all respects. Officers/ Directors of the Company have been authorized to approve transfers. Trading in equity shares of the Company is permitted only in dematerialized form w.e.f. 26-02-2001. All requests for dematerialization of shares are processed and the confirmation is given to the respective depositories, i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within a stipulated time frame. Upto 31-12-2009, 95.14% equity shares of the company have been dematerialized.

Total Number of shares transferred in the non-dematerialized form during the year 2009 i.e. from 01.01.2009 to 31.12.2009 were 41,500.



G. Shareholding Pattern as on 31st December 2009

Sr. No.	Category	No. of Shareholder	Percentage	No. of Equity Shares	Percentage
1.	Indian Promoters	33	0.12	89,034,694	35.59
2.	FIs/ MFs/Banks	9	0.03	118,003	0.05
3.	Indian Companies	792	2.97	106,942,626	42.74
4.	Resident Individuals	25,121	94.31	16,398,829	6.55
5.	Clearing Members	210	0.79	2,171,357	0.87
6.	NRIs/OCBs/FIIs/FCs	471	1.77	8,035,716	3.21
7.	Underlying Shares out of GDR's	1	0.00	27,495,339	10.99
	TOTAL	26,637	100.00	250,196,564	100.00

Distribution of Shareholding as on 31st December 2009

Sr. No.	No. of shares Held	No. of Shareholder	% of Holders	Holding	% of Holding
1.	1 – 5,000	26,066	97.86	14,213,780	5.68
2.	5,001 – 10,000	282	1.06	2,196,125	0.88
3.	10,001 – 20,000	74	0.28	1,076,276	0.43
4.	20,001 – 30,000	24	0.09	585,549	0.23
5.	30,001 – 40,000	16	0.06	563,027	0.23
6.	40,001 – 50,000	8	0.03	353,310	0.14
7.	50,001 – 100,000	29	0.11	2,127,894	0.85
8.	100,001 & Above	138	0.52	229,080,603	91.56
	TOTAL	26,637	100.00	250,196,564	100.00

H. DEMATERIALISATION OF SHARES

ISIN Number for Equity Shares of the Company in NSDL & CDSL : INE324C01038

Total No. of Shares dematerialized upto 31-12-2009: 241,602,791

With NSDL 165,363,151

With CDSL 76,239,640

I. OUTSTANDING GDRS, FCCBS OR OTHER CONVERTIBLE AND NON-CONVERTIBLE INSTRUMENTS

As of date, the Company has the following outstanding instruments:

1. GDRs:

45,82,557 GDRs representing in aggregate 27,495,339 equity shares of Re. 1/- each.

2. FCCBs:

(a) 0.50% FCCB due 2010 aggregating to USD 93.67 Million. FCCBs are convertible into equity shares at the option of the bond holders at a price of Rs. 152.7846 and the fixed rate of exchange is Rs. 43.8225.

(b) Zero Coupon FCCB due 2012 aggregating to USD 134.5 Million. FCCBs are convertible into equity shares at the option of the bond holders at a price of Rs. 204.576 and fixed rate of exchange is Rs. 42.00.

The outstanding FCCBs if converted into equity shares will increase the equity capital by approx 54,480,143 equity shares and post conversion capital of the Company would reach approx 304,676,707 equity shares of Re. 1 each.

3. Debentures:

(a) 12.00% Secured Redeemable Non-Convertible Debentures due 2015 of Rs. 300 Crores.

J. PLANT LOCATION

1. ECP Road, Village Karakhadi - 391 450, Tal. Padra, Dist. Baroda, Gujarat.
2. Village Masar, Jambusar Road, Tal. Padra, Dist. Vadodara, Gujarat.
3. Sandyanalla, Sholur Gram Panchayat, Ottacamund, Dist. The Nilguries, Tamilnadu.

K. ADDRESS FOR CORRESPONDENCE

Shareholders can correspond at the Registered Office of the Company at Mumbai. Investor complaints may be addressed to: investorscomplain@stergel.com.

L. COMPLAINTS BY SHAREHOLDERS & THEIR REDRESSAL

Nature of Complaints	Received	Solved
Non -receipt of Share Certificate	13	13
Non -receipt of Dividend Warrants	24	24
Non receipt of Demat Credit/Remat Certificate	3	3
Non -receipt of Rejected DRF	6	6
Non -receipt of Exchange Certificates	6	6
Others	3	3



Certificate

To
The Members
Sterling Biotech Limited
Mumbai

We have examined the compliance of conditions of Corporate Governance by Sterling Biotech Limited, for the year ended 31st December, 2009, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges.

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

In our opinion, and to the best of our information, and according to 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 no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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

For H. S. Hathi & Co.
Chartered Accountants

Place: Mumbai
Date: 31st March, 2010

HEMANT S. HATHI
Partner
Membership No.: 037109



CERTIFICATION BY CHIEF EXECUTIVE OFFICER (CEO) PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

I, Shri Nitin Sandesara, in my capacity as Chief Executive Officer (CEO) of the Company hereby certify that -

- a. I have reviewed the financial statements and the cash flow statement for the year ended December 31, 2009 and that to the best of my knowledge and belief:
 - i) These statements do not contain any material untrue statement or omit any material fact or contain statement 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 my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violated the Company's code of conduct.
- c. I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and I have disclosed to the Auditors and Audit Committee, deficiencies in the design or operations of such internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.
- d. I have indicated to the Auditors and the Audit committees:
 - 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 I 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.

For Sterling Biotech Limited

NITIN SANDESARA
Chairman and Managing Director

Place: Mumbai
Date: 31st March, 2010





DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING COMPLIANCE WITH CODE OF CONDUCT

In Accordance with Clause 49 I (D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance with the Code of Conduct, as applicable to them, for the Financial Year ended on 31st December, 2009.

Place: Mumbai
Date: 31st March, 2010

For Sterling Biotech Limited
NITIN SANDESARA
Chairman and Managing Director



Financial Statements

Auditors' Report

To the Members of
STERLING BIOTECH LIMITED

1. We have audited the attached Balance Sheet of STERLING BIOTECH LIMITED as at 31st December 2009 and also the Profit & 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 this financial statement based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. These 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.
3. 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, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we state 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 & 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 & 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.
 - e) On the basis of the written representations received from the Directors as on 31st December, 2009, and taken on record by the Board of Directors, we report that none of the Directors of the company are disqualified as on 31st December, 2009 from being appointed as a Director in terms of Clause (g) of the sub-section (1) of section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the 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:
 - i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st December, 2009;
 - ii) In the case of the Profit & Loss Account, of the Profit of the company for the year ended on that date; and
 - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Place: Mumbai
Date: 31st March, 2010

For H. S. HATHI & CO.
Chartered Accountants

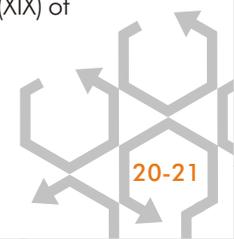
HEMANT S. HATHI
(Partner)
Membership No.: 037109

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF STERLING BIOTECH LIMITED ON THE ACCOUNTS AS AT AND FOR THE PERIOD ENDED 31st DECEMBER 2009.

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management based on a phased program of verification of all the assets during the year, which in our opinion is reasonable having regard to the size of the company and the nature of its business. No material discrepancies were noticed on such verification.
- (c) As per the information and explanations given to us, during the year, the company has not disposed off any substantial part of fixed assets that would affect the going concern.
- (ii) (a) As explained to us inventories have been physically verified by the management at reasonable intervals during the year.
- (b) In our opinion and according to information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examinations of records of inventories, we are of the opinion that the company is maintaining proper records of the inventory. As explained to us, no material discrepancies have been noticed on physical verification of inventories as compared to Books records.
- (iii) (a) The Company has granted unsecured loan to companies covered in the register maintained under section 301 of the companies Act, 1956. The Maximum amount involved during the year was Rs. 418.66 crore and the year end balance of loans granted to such parties was Rs. 336.31 crore.
- (b) In our opinion, terms and conditions on which loans granted to companies listed in the register maintained under section 301 of the Companies Act, 1956 are not, *prima facie*, prejudicial to the interest of the company.
- (c) There are no overdue amounts of Loans granted to companies listed in the register maintained under section 301 of the Companies Act, 1956.
- (d) According to the information and explanations given to us, the company has not taken any unsecured loan from companies, firms and other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- (iv) According to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase of inventory and fixed assets and sales of Goods and service. We have not observed any continuing failure to correct major weakness in internal controls.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in to the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, there are no transactions of purchase of Goods and materials and sales of Goods, material & services made in pursuance of contracts or arrangements required to be entered in the register maintained under section 301 of the Companies Act, 1956, aggregating during the year to Rs. 5,00,000/- or more in respect of each party.



- (vi) The Company has not accepted any deposits from the public and hence directives issued by the Reserve Bank of India and provisions of section 58A and 58AA or any other relevant provisions of the companies Act, 1956 and rules framed there under are not applicable for the year under audit.
- (vii) In our opinion, 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 the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained .
- (ix).
 - (a) According to the records of the company, the company has been regular in depositing with appropriate authorities, Undisputed statutory dues including Provident Fund, Income tax, Sales Tax / VAT, Wealth tax, Service Tax, Custom Duty, Cess and other statutory dues.
 - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of such statutory dues were outstanding as at the 31st December 2009 for a period of more than six months from the date they became payable .
 - (c) According to the information and explanations given to us, there are no such statutory dues which have not been deposited on account of any dispute.
- (x). The Company neither has Accumulated losses nor it has incurred any cash losses during the year and in the immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the company has not defaulted in the repayment of the dues to financial institutions or banks.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund, a nidhi or a mutual benefit fund society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is maintaining proper records and making timely entries in respect of shares, securities, debentures and other investments. Further all the investments made by the company are held in its own name.
- (xv) According to the information and explanations given to us by the management, the company has not given any Guarantee for loan taken by other from banks or financial institutions.
- (xvi). According to the information and explanations given to us by the management, the term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investments.
- (xviii) According to the information and explanations given to us, during the year the Company has not made any preferential allotment of shares to the parties or companies covered in the register maintained under section 301 of the companies Act, 1956.
- (xix) During the period covered by our report, the company has not issued any debentures and hence clause 4(XIX) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.



- (xx) During the period covered by our report, the company has not raised any money by way of public issue.
- (xxi) According to the information and explanations given to us no frauds on or by the company has been noticed or reported during the year.

Place: Mumbai
Date: 31st March, 2010

For H. S. HATHI & CO.
Chartered Accountants

HEMANT S. HATHI
(Partner)
Membership No.: 037109



BALANCE SHEET AS ON 31ST DECEMBER, 2009

(Amount in Rs.)

Sr. No.	Particulars	Schedule		As on 31 st Dec. 2009	As on 31 st Dec. 2008
I	SOURCES OF FUNDS				
	1. Shareholders' Funds :				
	a) Share Capital	1	250,196,564		243,797,581
	b) Reserves & Surplus	2	20,453,054,732		17,035,963,698
				20,703,251,296	17,279,761,279
	2. Loan Funds				
	a) Secured Loans	3	18,257,725,271		7,887,024,501
	b) Unsecured Loans	4	12,650,975,600		18,808,274,000
				30,908,700,871	26,695,298,501
	3. Deferred Tax Liability			2,808,200,000	2,473,200,000
	Total Funds Employed			54,420,152,167	46,448,259,780
II	APPLICATION OF FUNDS				
	1. Fixed Assets	5			
	a) Gross Block		29,569,154,615		27,098,549,842
	Less : Depreciation		5,301,217,218		4,070,796,595
	Net Block		24,267,937,397		23,027,753,247
	Capital Work-in-Progress		9,736,637,650		7,680,179,333
				34,004,575,047	30,707,932,580
	2. Investments	6		2,747,489,743	3,062,049,480
	3. Current Assets, Loans and Advances				
	Current Assets	7			
	a) Inventories		5,644,024,621		3,447,315,863
	b) Sundry Debtors		5,918,928,307		4,127,744,021
	c) Cash and Bank Balances		1,292,360,770		1,023,370,362
			12,855,313,698		8,598,430,246
	Loans & Advances	8	5,654,728,190		4,818,321,412
			18,510,041,888		13,416,751,658
	Less :				
	Current Liabilities & Provisions				
	Current Liabilities	9	483,308,014		456,139,448
	Provisions	10	497,608,735		522,365,491
			980,916,749		978,504,939
	Net Current Assets			17,529,125,139	12,438,246,719
	4. Miscellaneous Expenditure	11		138,962,238	240,031,001
	TOTAL ASSETS			54,420,152,167	46,448,259,780
	Notes on Accounts	15			

As per our report of even date

For H. S. Hathi & Co.
Chartered Accountants

Hemant S. Hathi
Partner
Membership No.: 037109

Place: Mumbai
Date: 31st March, 2010

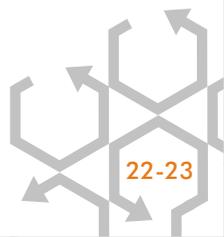
For and on behalf of the Board

Nitin J. Sandesara
Chairman & Managing Director

R. B. Dixit
Director

Chetan J. Sandesara
Jt. Managing Director

Kirtidev Khatri
Company Secretary



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER, 2009

(Amount in Rs.)

Sr. No.	Particulars	Schedule	For the Year ended 31 st Dec 2009	For the Year ended 31 st Dec 2008
I	INCOME			
	Sales		14,381,729,275	11,783,807,371
	Other Income		88,641,507	100,326,090
	Total		14,470,370,782	11,884,133,461
II	EXPENDITURE			
	(Increase)/Decrease in Stocks	12	(1,713,010,853)	31,309,577
	Material Cost	13	7,774,936,282	4,215,394,862
	Manufacturing & Other Expenses	14	3,264,653,128	2,524,083,606
	Interest and Finance Charges		1,494,377,062	592,071,063
	Depreciation		1,230,420,623	1,071,517,813
	Total		12,051,376,242	8,434,376,921
	PROFIT BEFORE EXTRAORDINARY ITEM & TAXATION		2,418,994,540	3,449,756,540
	Extraordinary Item		(620,512,252)	113,263,652
	PROFIT AFTER EXTRAORDINARY ITEM BUT BEFORE TAXATION		3,039,506,792	3,336,492,888
	Provision for Current Tax		350,000,000	375,000,000
	Provision for Deferred Tax		335,000,000	755,000,000
	Provision for Fringe Benefit Tax		1,250,000	4,750,000
	PROFIT FOR THE PERIOD		2,353,256,792	2,201,742,888
	Prior Year Adjustment		16,696,585	(9,929,619)
	PROFIT AVAILABLE FOR APPROPRIATION		2,369,953,377	2,191,813,269
	PROPOSED DIVIDEND		125,098,282	121,898,791
	DIVIDEND TAX		21,260,453	20,716,700
	TRANSFER TO DEBENTURE REDEMPTION RESERVE		107,142,857	107,142,857
	TRANSFER TO GENERAL RESERVE		2,116,451,785	1,942,054,921
	BASIC EARNINGS PER SHARE		9.47	9.38
	DILUTED EARNINGS PER SHARE		7.77	6.99
	(Refer Note No. B 5 of Schedule 15)			
	Notes on Accounts	15		

As per our report of even date

For H. S. Hathi & Co.
Chartered Accountants

Hemant S. Hathi
Partner
Membership No.: 037109

Place: Mumbai
Date: 31st March, 2010

For and on behalf of the Board

Nitin J. Sandesara
Chairman & Managing Director

R. B. Dixit
Director

Chetan J. Sandesara
Jt. Managing Director

Kirtidev Khatri
Company Secretary

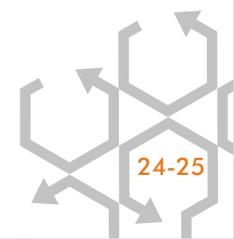


SCHEDULES

FORMING PART OF THE BALANCE SHEET AS ON 31ST DECEMBER, 2009

(Amount in Rs.)

Particulars		As on 31 st Dec. 2009	As on 31 st Dec. 2008
SCHEDULE 1 SHARE CAPITAL			
AUTHORISED			
500,000,000 Equity Shares of Re.1/-each		500,000,000	500,000,000
(Previous year 500,000,000 Equity Shares of Re.1/-each			
ISSUED			
253,920,564 Equity Shares of Re.1/-each		253,920,564	247,521,581
(Previous year 247,521,581 Equity Shares of Re.1/-each			
SUBSCRIBED			
253,920,564 Equity Shares of Re.1/-each		253,920,564	247,521,581
(Previous year 247,521,581 Equity Shares of Re.1/-each			
PAID UP			
Fully Paid up 250,196,564 Equity Shares of Re.1/-each		250,196,564	243,797,581
(Previous year 243,797,581 Equity Shares of Re.1/-each			
TOTAL		250,196,564	243,797,581
SCHEDULE 2 - RESERVES & SURPLUS			
General Reserve			
As per Last Balance Sheet	8,342,249,799		6,400,194,878
Add: Transferred from Profit & Loss Account	2,116,451,785		1,942,054,921
		10,458,701,584	8,342,249,799
Debenture Redemption Reserve		214,285,714	107,142,857
Share Premium Account		9,780,067,434	8,586,571,042
TOTAL		20,453,054,732	17,035,963,698
SCHEDULE 3 - SECURED LOANS			
Term Loans from Banks/Fl's Secured by way of charge created on the fixed assets of the Company, on Pari Passu basis		5,691,330,196	488,446,149
Redeemable Non Convertible Debentures secured by way of charge created on Fixed Assets of the Company, on pari passu basis and are redeemable in 20 equal Quarterly installments commencing from November, 2010		3,000,000,000	3,000,000,000



SCHEDULES

FORMING PART OF THE BALANCE SHEET AS ON 31ST DECEMBER, 2009

(Amount in Rs.)

Particulars		As on 31 st Dec. 2009	As on 31 st Dec. 2008
External Commercial Borrowings of USD 90 million secured by way of charge created on the Fixed Assets of the Company, on pari passu basis		4,201,200,000	-
Working Capital Borrowings from Banks secured by way of charge created on Current Assets of the Company, on pari passu basis		5,365,195,075	4,398,578,352
TOTAL		18,257,725,271	7,887,024,501
SCHEDULE 4 - UNSECURED LOANS			
Foreign Currency Convertible Bonds - 0.50 % Convertible Bonds due 2010 aggregating to US\$ 93.67 Million (Convertible into Ordinary shares or Global Depository Receipts representing Ordinary Shares) (P.Y.: US\$ 108.52 Million)		4,372,515,600	5,257,794,000
Foreign Currency Convertible Bonds - Zero Coupon Convertible Bonds due 2012 aggregating to US\$ 134.50 Million (Convertible into Ordinary shares or Global Depository Receipts representing Ordinary Shares) (P.Y.: US\$ 238.40 Million)		6,278,460,000	11,550,480,000
Short Term Loan from Banks		2,000,000,000	2,000,000,000
TOTAL		12,650,975,600	18,808,274,000



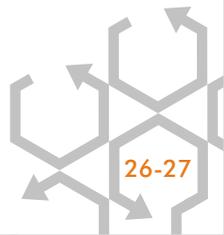
SCHEDULES

FORMING PART OF THE BALANCE SHEET AS ON 31ST DECEMBER, 2009

SCHEDULE 5 - FIXED ASSETS

(Amount in Rs.)

Description	GROSS BLOCK		DEPRECIATION		NET BLOCK	
	As on 01.01.2009	Additions/ Adjustments	As on 01.01.2009	For the year 31.12.2009	As on 31.12.2009	As on 31.12.2008
Land & Development	338,881,547	1,284,410	340,165,957	-	340,165,957	338,881,547
Building	2,058,699,553	34,963,409	2,093,662,962	68,969,531	1,735,145,918	1,769,152,040
Plant & Machinery	24,334,101,847	2,395,844,328	3,704,251,707	1,137,681,214	21,888,013,254	20,629,850,140
Office Equipments & Furniture	269,242,378	10,473,538	53,554,031	17,249,089	208,912,796	215,688,347
Vehicles	97,624,517	28,039,088	125,663,605	6,520,789	95,699,472	74,181,173
Grand-Total	27,098,549,842	2,470,604,773	29,569,154,615	1,230,420,623	24,267,937,397	23,027,753,247
Previous Year	19,493,099,853	7,605,449,989	27,098,549,842	1,071,517,813	23,027,753,247	16,493,821,071
Capital Work-in-Progress (Including						
Capital Advances)					9,736,637,650	7,680,179,333



SCHEDULES FORMING

PART OF THE BALANCE SHEET AS ON AT 31ST DECEMBER, 2009

(Amounts in Rs.)

Particulars		As on 31 st Dec. 2009	As on 31 st Dec. 2008
SCHEDULE 6 - INVESTMENTS			
LONG TERM INVESTMENTS (AT COST, FULLY PAID)			
In Units of Mutual Funds (Market Value Rs. 518 Lacs, Previous year Rs. 3688 Lacs)		63,723,052	383,499,088
In Shares (Quoted) (Market Value Rs. 276 Lacs, Previous year Rs. 109 Lacs)		43,716,211	38,499,912
In Shares (Un-quoted)		2,640,050,480	2,640,050,480
TOTAL		2,747,489,743	3,062,049,480
SCHEDULE 7- CURRENT ASSETS			
a) Inventories			
Raw Materials	1,312,912,189		860,925,717
Stock-in-process	2,856,122,141		1,739,328,778
Stores & Spare Parts	129,461,121		97,749,688
Finished Stock	1,345,529,170		749,311,680
		5,644,024,621	3,447,315,863
b) Sundry Debtors(Unsecured & considered good)			
Debts outstanding for a period exceeding 6 months	28,085,126		23,644,415
Other Debts	5,890,843,181		4,104,099,606
		5,918,928,307	4,127,744,021
c) Cash & Bank Balances			
Cash in Hand	1,841,890		1,709,874
Bank Balance with Scheduled Banks			
In Current Account	753,887,744		170,738,579
In Fixed Deposits	536,631,136		850,921,909
		1,292,360,770	1,023,370,362
TOTAL		12,855,313,698	8,598,430,246
SCHEDULE 8- LOANS & ADVANCES & OTHERS			
(Unsecured considered good)			
Deposits		41,305,895	38,832,595
Balance with Excise and other Government Authorities		122,555,049	90,827,652
Advances recoverable in cash or in kind or for value to be received		5,490,867,246	4,688,661,165
TOTAL		5,654,728,190	4,818,321,412

SCHEDULES FORMING

PART OF THE BALANCE SHEET AS ON 31ST DECEMBER, 2009

(Amounts in Rs.)

Particulars		As on 31 st Dec. 2009	As on 31 st Dec. 2008
SCHEDULE 9 - CURRENT LIABILITIES			
Sundry Creditors		326,759,728	306,325,141
Other Liabilities		156,548,286	149,814,307
TOTAL		483,308,014	456,139,448
SCHEDULE 10 - PROVISIONS			
Proposed Dividend		125,098,282	121,898,791
Dividend Tax		21,260,453	20,716,700
Provision for Taxation		351,250,000	379,750,000
TOTAL		497,608,735	522,365,491
SCHEDULE 11- MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
FCCB Issue Expenses		240,031,001	353,294,653
Add: Addition during the period		-	-
		240,031,001	353,294,653
Less: Written off during the period		101,068,763	113,263,652
TOTAL		138,962,238	240,031,001



SCHEDULES FORMING

PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2009

(Amounts in Rs.)

Particulars	As on 31 st Dec. 2009	As on 31 st Dec. 2008
SCHEDULE 12 - (INCREASE)/DECREASE IN STOCKS		
Stock in trade (At Close)		
Finished Goods	1,345,529,170	749,311,680
Stock in Process	2,856,122,141	1,739,328,778
	4,201,651,311	2,488,640,458
Stock in trade (At Commencement)		
Finished Goods	749,311,680	881,642,639
Stock in Process	1,739,328,778	1,638,307,396
	2,488,640,458	2,519,950,035
(INCREASE)/DECREASE IN STOCKS	(1,713,010,853)	31,309,577
SCHEDULE 13 - MATERIAL COST		
Opening Stock	958,675,405	891,120,587
Add: Purchases	8,258,634,187	4,282,949,680
	9,217,309,592	5,174,070,267
Less: Closing Stock	1,442,373,310	958,675,405
TOTAL	7,774,936,282	4,215,394,862
SCHEDULE 14 - MANUFACTURING AND OTHER EXPENSES		
Manufacturing expenses	2,145,728,289	1,514,015,763
Repairs and maintenance to Buildings	16,488,127	14,719,717
Repairs and maintenance to Plant & Machinery	67,442,726	62,650,846
Salaries, Wages & Other Employee Benefits	401,721,834	352,248,002
Traveling & Conveyance	68,929,336	66,331,432
Telephone & Telex	24,228,982	22,109,529
Printing & Stationery	12,693,198	11,665,431
Postage, Telegram & Courier	16,528,785	15,796,923
Office Expenses	58,284,264	51,455,388
Miscellaneous Expenses	53,627,446	48,718,624
Selling & Distribution Expenses	398,980,141	364,371,951
TOTAL	3,264,653,128	2,524,083,606



SCHEDULE 15

NOTES FORMING PART OF THE ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. **Basis of preparation of Financial Accounts** - The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and the requirements of the Companies Act, 1956, under the historical cost convention and on accrual basis.
2. **Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements and reported amounts of revenue and expenses for that year. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.
3. **Fixed Assets** - Fixed assets are stated at cost less accumulated depreciation. Fixed assets include all related expenses incurred up to the date of acquisition and installation. Pre-operative expenses incurred up to the date of commencement of production of the project is allocated to Building and Plant & Machinery.
4. **Depreciation** - Depreciation on fixed assets is calculated on straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on additions to / deletions from the fixed assets during the year is provided on pro-rata basis.
5. **Inventories** - Inventories are valued as follows
 - a) Finished Goods at cost or net realisable value whichever is less.
 - b) Work-in-process at cost or net realisable value whichever is less.
 - c) Raw material, packing material, stores and spares, tools and consumables are valued at cost or net realisable value whichever is less.
6. **Foreign Currency Transactions** - Foreign currency transactions during the period are recorded at the exchange rates prevailing on the date of the transaction. Foreign currency denominated assets and liabilities are translated into rupees at the rates of exchange prevailing at the date of the balance sheet. All exchange differences are dealt with in the statement of profit and loss, except for those relating to the acquisition of fixed assets, which are adjusted in the cost of the fixed assets.
7. **Investments** - Investments are stated at cost.
8. **Revenue Recognition** - Sales are recognised at the time of dispatch of the goods.
9. **Research and Development expenditure** - Revenue expenditure on Research and Development is charged to revenue in the respective head of expenditure account.
10. **Retirement Benefits** - Retirement benefits payable to employees is charged to revenue on accrual basis. Employer's contribution to Provident Fund is accounted on accrual basis.
11. **Employee Benefits** -
 - a) Short Term Employee benefits
All Short term employee benefit plans such as salaries, wages, bonus, special awards and medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognised on an undisclosed basis and charged to the Profit & loss account.
 - b) Defined Contribution Plan
The Company has a statutory scheme of Provident Fund with the Regional Provident Fund Commissioner and contribution of the Company is charged to the Profit & Loss account on accrual basis.



c) Defined Benefit Plan

The Company's liability towards gratuity to its employees is covered by a group gratuity policy with LIC of India. The contribution paid / payable to LIC of India is debited to Profit & Loss Account on accrual basis. Liability towards gratuity is provided on the basis of an actuarial valuation using the Projected Unit Credit method and debited to Profit & Loss Account on accrual basis. Thus charge to the Profit & Loss Account includes premium paid to LIC, current service cost, interest cost, expected return on plan assets and gain/loss in actuarial valuation during the year net of fund value of plan asset as on the balance sheet date. Liability towards leave salary is provided on actuarial basis.

- 12. Borrowing Cost** - Borrowing cost attributable to the acquisition of fixed assets is included in the cost of asset. The balance borrowing cost is charged to revenue.
- 13. Income Tax** - Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise and deferred tax asset or liability is recorded for the timing differences. The deferred tax asset or liability is recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date.
- 14. Export Benefits** - The Company accounts for export benefit entitlements under the Duty Entitlement Pass Book Scheme of Government of India, on accrual basis.
- 15. Impairment Loss** - As per Accounting Standard AS 28 'Impairment of Assets' effective from April 01, 2004, the Company assesses at each Balance Sheet date whether there is any indication that any asset may be impaired and if such indication exists, the carrying value of such asset is reduced to its recoverable amount and a provision is made for such impairment loss in the profit and loss account.
- 16. Provisions, Contingent Liabilities and Contingent Assets** - A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

B. NOTES TO ACCOUNTS

- Estimated amount of contracts remaining to be executed on capital account and not provided for as on 31st December, 2009 is Rs. 4,643.52 Lacs [Previous year Rs. 3,721.69 Lacs].
- Contingent liabilities not provided for on account of letters of credit as on 31st December, 2009 are of Rs. 4,986.27 Lacs [Previous year Rs. 4,497.16 Lacs].
- Current income Tax is provided for the year as per provisions of the Minimum Alternate Tax under the Income Tax Act, 1961.
- The company has provided for a deferred tax liability of Rs. 3,350 Lacs for the year ended December 31, 2009 on additional depreciation on fixed assets under Income Tax Act, 1961 [Previous year Rs. 7,550 Lacs].
- Calculation of Earnings Per Share [EPS]

(Amount in Rupees)

Particulars	2009	2008
1. Net Profit after Tax	2,353,256,792	2,201,742,888
2. Face value of each equity share	1.00	1.00
3. Weighted average No. of Equity Shares	248,381,215	234,735,946
4. Earning Per Share [EPS] Basic	9.47	9.38
5. Weighted average No. of Equity Shares for Diluted EPS	302,861,358	314,806,393
6. Diluted EPS	7.77	6.99

6. Managerial Remuneration

(Rupees in Lacs)

Particulars	2009	2008
Salary	54.00	37.12
Contribution To Provident Fund	-	-
Superannuation Fund	-	-
Perquisites (Bonus)	6.23	4.50
Total	60.23	41.62



7. The company's operations fall under single segment. Hence Segmental Reporting as defined under AS 17 is not applicable.

8. Foreign Currency Earnings and Expenditure (Rupees in Lacs)

Particulars	2009	2008
1. FOB Value of Exports	45,379.63	39,762.11
2. CIF Value of Imports (Capital Goods)	534.81	556.64
3. Other Expenditure	162.83	269.26

9. Based on the information received by the company from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (The Act) there are no amounts due to such vendors during the year and as at the year end. Therefore, disclosures required under the Act have not been given.

10. Additional information pursuant to the provisions of Paragraph (3) & (4) of Part IV of Schedule VI to the Companies Act, 1956, together with other notes:

The Ministry of Corporate Affairs, New Delhi, have granted exemption to the Company from disclosure of quantitative details in compliance of Para 3(i)(a) and 3(ii)(a) (1) & (2) of Part II, Schedule VI to the Companies Act, 1956 In respect of the Financial Year ended 31st December, 2009 by their order No. 46/234/2009-CL-III dated 04.11.2009 under Section 211(4) of the Companies Act, 1956.

11. Related Party Information

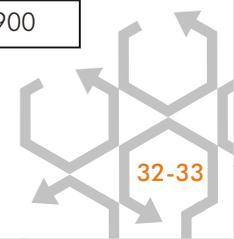
A. Names of related parties and relationships.

- i) Details of Key Management Personnel
 - Mr. Nitin J. Sandesara Chairman and Managing Director
 - Mr. Chetan J. Sandesara Joint Managing Director
- ii) Enterprises in which significant influence is exercised by Key Management Personnel
 - Sterling SEZ and Infrastructure Limited
 - Sterling Oil Resources Limited

B. The aggregate amount of transaction with the related parties are as below

(Rupees in Lacs)

Particulars	Nature of transaction	2009
a) Transactions during the period		
1) Mr. Nitin J. Sandesara	Remuneration	34.23
2) Mr. Chetan J. Sandesara	Remuneration	26.00
b) Amount outstanding as at Balance Sheet date		
1) Sterling SEZ and Infrastructure Limited	Loans & Advances	22,066
Maximum amount outstanding		22,066
2) Sterling Oil Resources Limited	Loans & Advances	11,564
Maximum amount outstanding		19,800
3) Sterling SEZ and Infrastructure Limited	Investment	14,500
4) Sterling Oil Resources Limited	Investment	11,900



12. Payment to Auditors

(Rupees in Lacs)

Particulars	2009	2008
Audit Fees	4.00	4.00
Tax Audit Fees	1.50	1.50
Taxation and other matters	2.00	2.00
Service Tax	0.77	0.77
Total	8.27	8.27

13. Figures of the previous year have been regrouped, reclassified whenever necessary to make them Comparable with the current year's figures.

As per our report of even date

For H. S. Hathi & Co.
Chartered Accountants

Hemant S. Hathi
Partner
Membership No.: 037109

Place: Mumbai
Date: 31st March, 2010

For and on behalf of the Board

Nitin J. Sandesara
Chairman & Managing Director

R. B. Dixit
Director

Chetan J. Sandesara
Jt. Managing Director

Kirtidev Khatri
Company Secretary

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2009

(Rupees in Lacs)

Sr. No.	Particulars	For the Year ended 31 st Dec. 2009	For the Year ended 31 st Dec. 2008
(A)	Cash Flow From Operating Activities		
	Net Profit Before Tax and Extraordinary Items	24,189.95	34,497.56
	<i>Adjustment for:</i>		
	Depreciation and Amortisation	12,304.21	10,715.18
	Finance Charges	14,943.77	5,920.71
	Operating Profit Before Working Adjustments for	51,437.92	51,133.45
	Trade Receivables	(17,911.84)	(21,740.57)
	Other Receivables	(9,145.29)	(28,257.11)
	Inventories	(21,967.09)	(362.45)
	Trade Payable (Current Liabilities)	271.69	693.32
	Interest	(14,943.77)	(5,920.71)
	Direct Tax	(2,817.50)	(4,055.79)
	Cash Flow Before Extra Ordinary Items	(15,075.89)	(8,509.86)
	Dividend & Dividend Tax	(1,457.96)	(1,360.84)
	Share/FCCB Issue Expenditure	-	-
	Net Cash Flow from Operating Activities	(16,533.85)	(9,870.70)
(B)	Cash Flow From Investing Activities		
	Purchase of Fixed Assets	(45,270.63)	(124,033.23)
	Purchase of Investments	-	(26,179.02)
	Sale of Investments	3,145.60	-
	Net Cash Used in Investing Activities	(42,125.03)	(150,212.25)
(C)	Cash Flow From Financing Activities		
	Proceeds from Issue of Share on Conversion of FCCB	63.99	143.22
	Proceeds from Share Premium on Conversion of FCCB	11,934.96	22,972.09
	Proceeds/(Repayment) from Long Term Borrowings	49,349.83	66,664.41
	Net Cash used in Financing Activities	61,348.79	89,779.72
	Net Increase/(Decrease) in Cash &	2,689.90	(70,303.23)
	Cash Eq. (A+B+C)		
	Cash & Cash Equivalents (Opening)	10,233.70	80,536.93
	Cash & Cash Equivalents (Closing)	12,923.61	10,233.70

We have examined the attached Cash Flow Statement of Sterling Biotech Limited for the year ended 31st December, 2009. The statement has been prepared by the company in accordance with the listing agreement of the stock exchange and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report of the even date to the members of the Company.

As per our report of even date

For H. S. Hathi & Co.
Chartered Accountants

Hemant S. Hathi
Partner
Membership No.: 037109

Place: Mumbai
Date: 31st March, 2010

For and on behalf of the Board

Nitin J. Sandesara
Chairman & Managing Director

R. B. Dixit
Director

Chetan J. Sandesara
Jt. Managing Director

Kirtidev Khatri
Company Secretary



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**ADDITIONAL INFORMATION UNDER PART IV OF THE SCHEDULE VI TO THE COMPANIES ACT, 1956.**

1 Registration Details

Registration No.

CIN No.

State Code

Balance Sheet Date
date Month Year

2 Capital raised during the year (Amount in Rs. Thousand)

Public issue
Rights issue
Bonus issue
Private Placement

3 Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)

Total Liabilities Total Assets

Sources of Funds

Paid - up Capital Reserves and Surplus

Secured Loans Unsecured Loans

Deferred Tax Liability

Application of Funds

Net Fixed Assets Investments

Net Current Assets Misc. Expenditure

4 Performance of Company (Amount in Rs. Thousand)

Total Turnover Total Expenditure

Profit Before Tax Profit After Tax

Earning Per Share in (Rs.) Face Value of Share (Re.)

Dividend Rate (Per Share) (Rs.)

5 Generic Names of Principal Products

ITC Code No.

Product Description

As per our report of even date

For H. S. Hathi & Co.
Chartered Accountants

Hemant S. Hathi
Partner
Membership No.: 037109

Place: Mumbai
Date: 31st March, 2010

For and on behalf of the Board

Nitin J. Sandesara
Chairman & Managing Director

R. B. Dixit
Director

Chetan J. Sandesara
Jt. Managing Director

Kirtidev Khatri
Company Secretary



Corporate Information

BOARD OF DIRECTORS

Nitin J. Sandesara
Chairman and Managing Director

Chetan J. Sandesara
Joint Managing Director

Vilas D. Joshi
Director

P. B. Mehta
Director

N. B. Patel
Director

R. B. Dixit
Director

BANKERS

Andhra Bank
UCO Bank
Punjab National Bank
Allahabad Bank
Catholic Syrian Bank Ltd.
Oriental Bank of Commerce
Syndicate Bank
Vijaya Bank
Bank of Maharashtra
Federal Bank
Bank of India
Bank of Baroda
IDBI Bank
State Bank of India
Indian Overseas Bank

AUDITORS

H. S. Hathi & Co.
Chartered Accountants

COMPANY SECRETARY

Kirtidev Khatri

REGISTERED OFFICE

43, Atlanta, Nariman Point, Mumbai - 400 021





Registered Office : 43, Atlanta, Nariman Point, Mumbai - 400 021