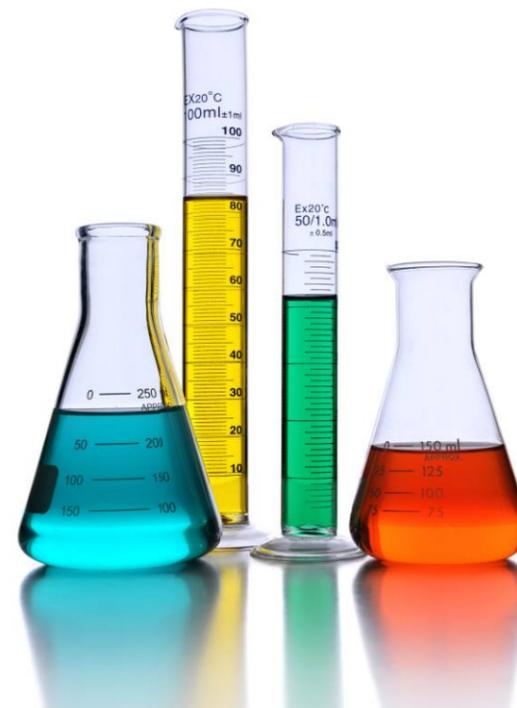
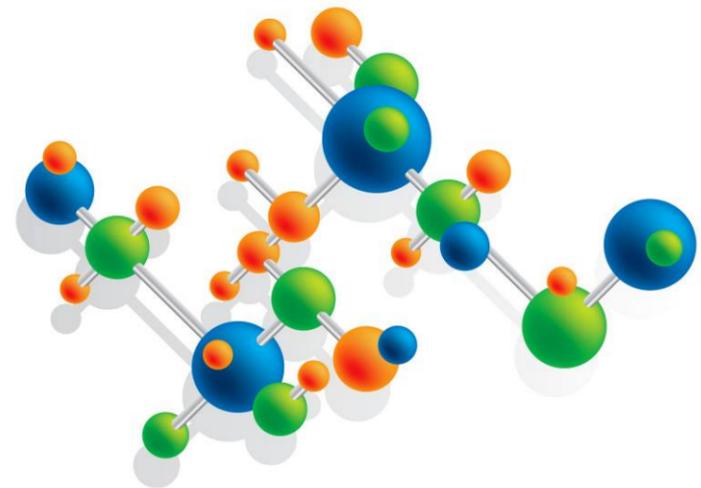


ANNUAL REPORT 2010

 **Sterling Biotech Limited**
Registered Office : 43, Atlanta,
Nariman Point, Mumbai - 400 021



 **Sterling Biotech Limited**

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DIRECTORS' REPORT



To The Members Sterling Biotech Limited

We have great pleasure in presenting the 25th Annual Report of the Company together with the audited statements of accounts for the year ended 31st December, 2010.

FINANCIAL HIGHLIGHTS

(₹ in Million)

Particulars	Year Ended 31 st December 2010	Year Ended 31 st December 2009
Sales	16,165.78	14,381.73
Total Income	16,272.16	14,470.37
EBIDTA	7,077.20	5,143.79
Interest	2,304.70	1,494.38
Depreciation	1,976.22	1,230.42
PBT and Extraordinary item	2,796.28	2,418.99
Extraordinary items	(631.05)	620.51
PBT	2,165.23	3,039.50
Provision for Current Tax	402.00	350.00
Provision for Deferred Tax	310.00	335.00
Provision for FBT	0.00	1.25
PAT	1,453.23	2,353.26
Proposed Dividend	133.94	125.10
Dividend Tax	22.76	21.26
Transfer to Debenture Redemption Reserve	107.14	107.14
Balance carried to Balance Sheet	1,198.23	2,116.45
EPS (₹)	5.69	9.47

DIVIDEND

The Board of Directors proposes a dividend of 50 percent, i.e. ₹ 0.50 per equity share of face value of ₹ 1/- each, for the year ended 31st December, 2010. The dividend increased from ₹125.10 million last year to ₹ 133.94 million this year.

OPERATIONS

During the year under review, net sales increased to ₹16,165.78 million, a growth of 12.41 percent, while total income grew 12.45 percent to ₹16272.16 million from the previous year. Operating profit increased by 37.59 percent to ₹ 7077.20 million over the year. The Adjusted Net Profit (before extraordinary items) increased to ₹ 2084.28 Million as compared to ₹1732.74 million for the previous year. Earning per share decreased to ₹ 5.69 from ₹ 9.47 for the previous year.

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 out of FCCBs of USD 175 Million, FCCBs of USD 61.63 million was converted into equity shares and as a result paid up capital of the Company has been increased from 250,196,564 equity shares of ₹ 1/- each to 267,873,590 equity shares of ₹ 1/- each.

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 Vilas Joshi and Shri P. B. Mehta, 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, 2010 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, 2010 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, the Company have availed USD 147.4 million External Commercial Borrowings (ECBs) for the purpose of financing the Greenfield gelatin manufacturing project in Sterling SEZ, Gujarat.

BUYBACK/REDEMPTION OF FCCBs

During the year, after seeking permission to buyback part of FCCBs from RBI, the Company has repurchased and cancelled FCCBs with nominal value of USD 13,725,000 and USD 18,315,000 have been redeemed in full at the redemption price, as per the terms and conditions of the 0.50 % Convertible Bonds due 2010.

The Company has outstanding amount of USD 134.50 Million of FCCBs due 2012.

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, Facility Agent(s), FCCB Holders and our bankers for their continued assistance and guidance. We are also grateful to our employees, shareholders, GDR Holders, Depositories, customers for their co-operation and look forward to their support in the future.

For and on behalf of the Board of Directors

Place: Mumbai
Date: 31st May, 2011

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, 2010

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: ₹ 176.81 million
- b. Recurring: ₹ 467.01 million
- c. Total: ₹ 643.82 million
- d. Total R & D Expenditure as a percentage of total turnover: 3.98%

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: ₹ 5035.08 million
- b. Used: ₹ 84.43 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. Obtained from the collagen protein by hot water extraction, gelatin is a natural and easily digestible pure protein, free from fat, cholesterol and Carbohydrates. Gelatin is unique in its gel-sol behaviour as the gel it forms is 100 % thermo-reversible.

Gelatin is produced in various grades measured in terms of bloom strength. Bloom is a test to measure the strength of a gel or gelatin. The test determines the weight needed by a probe to deflect the surface of the gel 4 mm without breaking it. The result is expressed in Bloom (grades). Gelatin is used in pharmaceutical, food and nutraceutical industries and photographic applications. The gelatin in pharmaceutical industry is being used in the production of hard and soft gel capsules and commands the highest price. These four industries collectively consume over 90 percent of gelatin production globally. The balance production finds place in industrial applications such as in 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 rapidly aging population in the developed countries, improving standards of living in the developing nations, higher consumption of pharmaceuticals and nutraceutical are all key factors driving worldwide demand for gelatin. Europe dominates the world gelatin market, with approximately 41% share estimated in the year 2008. In Europe, Germany, and France is estimated to collar 42.5% of the total gelatin market in 2008.

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 domestic production. Sterling's customer base is centered upon the pharmaceutical and nutraceutical end-user industries.

CO-ENZYME Q10

Co-Enzyme Q10 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 more than 7 percent market share
- We are the largest producer of gelatin in India, and the largest producer of gelatin pharmaceutical industries 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 more than 9 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 Di-calcium 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, National Stock Exchange and Singapore Stock Exchange and Luxembourg Stock Exchange

FACILITIES

Sterling Biotech's manufacturing facilities employ the latest innovations in technology for the production of gelatin. It operates two manufacturing facilities in Vadodara, Gujarat and one in Ooty, Tamil Nadu. The company's facilities at Khadkadi and Ooty are engaged in manufacturing gelatin while Masar plant manufactures Co-enzyme Q10 through microbiological fermentation process. In a highly capital-intensive industry, Sterling has developed world-class technology for gelatin by establishing state-of-the-art facilities.

The Company 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.

RESEARCH & DEVELOPMENT

Sterling Biotech undertakes research & development activities at its in-house R&D centres which look after at specific areas of improvement of product quality, process improvements, cost effectiveness and elimination of waste in the systems. The company also carries out R&D work on fermentation products, API and intermediates.

The company has invested significant amount of resources on Research & Development and has set up a state-of-the-art R&D facility in the name of "Sterling Biotech Research Centre" at its Masar plant, Vadodara, which is engaged in development of complex and niche generic active substances for leading generic players from Europe and other regulated market. For company, the R&D is an integral part of process and product development.

Our Research is the nerve centre for the company's growth plans in variegated business areas in different models and in different therapeutic segments. The laboratories are equipped with the most advanced research facilities in organic synthesis.

The Company also has a microbiology laboratory which is equipped with all facility to handle culture maintenance, inoculums preparation and propagation, in – process batch analysis, shake flask trials.

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 Medicine)** – 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 Co-Enzyme Q10, high end nutraceutical product;

- Expanding its product basket by introducing complex pharmaceutical products into Oncology and Cardiovascular therapeutic segment, thereby strengthening its product basket.
- Generating high operating cash inflows due to a high EBIDTA margin.

These strengths drive Sterling's future strategies which include:

- Constantly expanding manufacturing capacities for gelatin. These expansion initiatives will allow Sterling Biotech to augment its market share.
- Introducing more complex pharmaceutical products in niche therapeutic segments and expanding capacities to offer contract manufacturing and research service, to encash on growing markets in the global pharmaceutical and 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 AND BUSINESS ANALYSIS

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

- A 12.41 percent increase in sales from ₹ 14,381.73 million in 2009 to ₹ 16,165.78 million in 2010.
- A 20.29 percent increase in adjusted net profit (before extraordinary items) to ₹ 2,084.28 million in 2010 from ₹ 1,732.74 million in 2009.
- The company also issued External Commercial Borrowings (ECB), aggregating to USD 147.40 million for the purpose of setting up Greenfield Gelatin manufacturing facility at Sterling Multi-Product SEZ, Bharuch, Gujarat. Of the total ECB amount, it has utilized USD 128.50 Million as on December 31, 2010.
- During the year, the following changes to the Company's FCCBs took place:
- FCCBs with a nominal value of USD 13.725 Million were bought back by the Company;
 - FCCBs with a nominal value of USD 61.630 Million were converted into GDRs, as per the terms of conversion; and
 - FCCBs with a nominal value of USD 18.3125 Million were redeemed on maturity.

Launch of New Pharma Products

During the year, the company has developed and launched four new complex API (Active Pharmaceuticals Ingredients) products into oncology and cardiovascular therapeutic segment. These API products have been developed in-house by our scientists as a result of their meritorious efforts, high chemistry skills and support of financial resources, which company has put during the past three years.

API Product List

Products	Therapeutic Segments
Doxorubicin	Oncology
Daunorubicin	Oncology
Epirubicin	Oncology
Lovastatin	CVS/Statin

Expenditure on Research & Development and Product Development:

The company incurs significant amount of expenditure on research and development activities which is necessary for product development and process improvements. During the past two years, the company has incurred expenditures on research & product development, as follow:

Expenditures on R&D & Product Development: (₹ in Millions)

Particulars	2010	2009
Capital	176.81	-
Recurring	467.01	177.34
Total	643.82	177.34
Total R&D Expenditure as a percentage of sales	3.98%	1.23%



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	31	-	-	Brother of Chetan J. Sandesara
Chetan J. Sandesara	Joint Managing Director & Executive	39	-	-	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 13 times on the following dates: 03-02-2010, 15-03-2010, 17-03-2010, 31-03-2010, 14-05-2010, 21-06-2010, 21-07-2010, 07-08-2010, 21-09-2010, 28-09-2010, 19-10-2010, 12-11-2010, 18-11-2010.

C.Attendance of Directors

Name	Meetings Attended	Attended last AGM on 30 th June 2010
Nitin J. Sandesara	5	Yes
Chetan J. Sandesara	11	Yes
R. B. Dixit	10	Yes
Vilas D. Joshi	5	No
Priyadarshan B. Mehta	4	No
Narendrabhai B. Patel	8	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 31-03-2010 (Adoption of Annual Accounts), 14-05-2010, 07-08-2010, 12-11-2010 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 two times.

DETAILS OF REMUNERATION TO DIRECTORS FOR THE YEAR

The aggregate value of salary and perquisites payable for the year ended 31st December, 2010 to Nitin Sandesara, Chairman and Managing Director is ₹105.62 lacs and to Chetan Sandesara, Joint Managing Director is ₹ 60.23 lacs.





V) GENERAL BODY MEETINGS:

Year	Venue	Date	Time	Any special Resolution	Kind of Meeting
2010	Shri Bhaidas Maganlal Sabhagriha, Swami Bhaktivedant Marg, J.V.P.D. Scheme, Vile Parle(W) Mumbai – 400 056	30 th June, 2010	10.30 A.M	Yes	AGM
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

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 transaction 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 interests 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 : Thursday, the 30th day of June, 2011

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:

Thursday, the 23rd day of June, 2011 to Thursday, the 30th day of June, 2011 (both days inclusive)

C. FINANCIAL CALENDAR 2011:

Board Meeting

Unaudited Results – Qtrly. March 2011 : May 2011

Unaudited Results – Qtrly. June 2011 : August 2011

Unaudited Results – Qtrly. September 2011 : November 2011

Unaudited Results – Qtrly. December 2011 : February 2011

Audited Accounts December 2011 : March/April 2012

Annual General Meeting : May/June 2012 (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 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 2012	Common Code : 029812535 ISIN : XS0298125351
Bombay Stock Exchange Limited (BSE) (Debentures)	945828

E. Stock Price Data

Month	BSE		NSE	
	High ₹	Low ₹	High ₹	Low ₹
Jan-10	114.45	90.10	115.00	91.00
Feb-10	101.85	90.00	102.00	90.75
Mar-10	114.45	98.50	114.40	99.10
Apr-10	117.85	107.60	118.50	100.65
May-10	117.80	105.00	117.85	104.65
Jun-10	117.00	107.00	117.50	107.00
Jul-10	110.90	103.00	122.00	105.15
Aug-10	110.90	104.00	120.00	105.00
Sep-10	120.00	105.60	119.55	97.55
Oct-10	125.65	107.00	125.60	107.00
Nov-10	115.00	100.00	114.40	100.00
Dec-10	106.00	99.15	109.70	99.15

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 31-12-2010, 95.61% equity shares of the company have been dematerialized.

Total Number of shares transferred in the non-dematerialized form during the year 2010 i.e. from 01.01.2010 to 31.12.2010 were 43,500





G. SHAREHOLDING PATTERN – AS ON 31ST DECEMBER 2010

Sr. No	Category	No. of Shareholders	Percentage	No. of Equity Shares	Percentage
1	Indian Promoters	33	0.15	89,034,694	33.24
2	FIs/ MFs/Banks	10	0.05	328,753	0.12
3	Indian Companies	610	2.81	103,601,294	38.68
4	Resident Individuals	20498	94.37	15,541,277	5.80
5	Clearing Members	129	0.59	1,036,287	0.39
6	NRIs/OCBs/FIIs/FCs	440	2.03	13,158,920	4.91
7	Underlying Shares out of GDR's	1	0.00	45,172,365	16.86
	TOTAL	21,721	100.00	267,873,590	100.00

Distribution of Shareholding – as on 31st December 2010

Sr. No	No. of shares Held	No. of Shareholder	% of Holders	Holding	% of Holding
1	1 – 5000	21153	97.38	12,484,876	4.66
2	5001 – 10000	276	1.27	2,143,823	0.80
3	10001 – 20000	60	0.28	874,551	0.33
4	20001 – 30000	25	0.12	627,915	0.23
5	30001 - 40000	15	0.07	525,187	0.20
6	40001 – 50000	12	0.06	548,944	0.20
7	50001 - 100000	38	0.17	3,018,523	1.13
8	100001 & Above	142	0.65	247,649,771	92.45
	TOTAL	21,721	100.00	267,873,590	100.00

H. DEMATERIALISATION OF SHARES

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

Total No. of Shares dematerialized upto 31-12-2010: 259,555,817

With NSDL 181,272,446

With CDSL 78,283,371

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

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

1. GDRs:

7,528,728 GDRs representing in aggregate 45,172,365 equity shares of ₹ 1/- each.

2. FCCBs:

(a) 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 ₹ 163.13 and fixed rate of exchange is ₹ 42.00.

The outstanding FCCBs if converted into equity shares will increase the equity capital by approx 3,462,882 equity shares and post conversion capital of the Company would reach approx 302,502,414 equity shares of ₹ 1 each.

3. Debentures:

(a) 12.00% Secured Redeemable Non-Convertible Debentures due 2015 of ₹ 285 Crores.

J. PLANT LOCATION

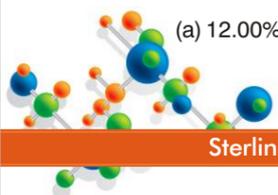
1. ECP Road, Village Karakhadi – 391 450, Tal. Padra, Dist. Baroda, Gujarat.
2. Village Masar, Jambusar Road, Tal. Padra, Dist. Vadodara, Gujarat
3. Sandyanalla, Sholur Town Panchayat, Oottacamund, Tamilnadu

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	6	6
Non-receipt of Dividend Warrants	18	18
Non-receipt of Demat Credit/Remat Certificate	4	4
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, 2010, 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
Firm Reg. No.: 103596W

HEMANT S. HATHI
Partner

Membership No.: 037109

Place: Mumbai
Date: 31st May, 2011

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, 2010 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 J. SANDESARA
Chairman and Managing Director

Place: Mumbai
Date: 31st May, 2011

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, 2010.

For Sterling Biotech Limited

NITIN J. SANDESARA
Chairman and Managing Director

Place: Mumbai
Date: 31st May, 2011



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 2010 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, 2010, 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, 2010 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, 2010;
 - 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 May, 2011

For H. S. Hathi & Co.
Chartered Accountants
Firm Reg. No.: 103596W
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, 2010.

- (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 a companies covered in the register maintained under section 301 of the companies Act, 1956. The Maximum amount involved during the year was ₹ 488.84 crore and the year end balance of loans granted to such parties was ₹ 396.31 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 2010 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 record 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. No long term funds have been used to finance short term assets except permanent working capital.
- (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.

For H. S. Hathi & Co.
Chartered Accountants
Firm Reg. No.: 103596W

HEMANT S. HATHI
Partner

Membership No.: 037109

Place: Mumbai
Date: 31st May, 2011



BALANCE SHEET AS ON 31ST DECEMBER, 2010

(Amount in ₹)

Sr. No.	Particulars	Schedule	As on 31 st Dec. 2010	As on 31 st Dec. 2009
I	SOURCES OF FUNDS			
	1. Shareholders' Funds :			
	a) Share Capital	1	267,873,590	250,196,564
	b) Reserves & Surplus	2	24,441,528,027	20,453,054,732
			24,709,401,617	20,703,251,296
	2. Loan Funds			
	a) Secured Loans	3	27,911,454,048	18,257,725,271
	b) Unsecured Loans	4	9,526,945,000	12,650,975,600
			37,438,399,048	30,908,700,871
	3. Deferred Tax Liability		3,118,200,000	2,808,200,000
	Total Funds Employed		65,266,000,665	54,420,152,167
II	APPLICATION OF FUNDS			
	1. Fixed Assets	5		
	a) Gross Block		35,726,277,669	29,569,154,615
	Less : Depreciation		7,277,434,101	5,301,217,218
	Net Block		28,448,843,568	24,267,937,397
	Capital Work-In-Progress		12,627,758,148	9,736,637,650
			41,076,601,716	34,004,575,047
	2. Investments	6	3,639,291,408	2,747,489,743
	3. Current Assets, Loans and Advances			
	Current Assets	7		
	a) Inventories		6,855,104,250	5,644,024,621
	b) Sundry Debtors		6,764,102,160	5,918,928,307
	c) Cash and Bank Balances		1,583,721,345	1,292,360,770
			15,202,927,755	12,855,313,698
	Loans & Advances	8	6,495,364,558	5,654,728,190
			21,698,292,313	18,510,041,888
	Less :			
	Current Liabilities & Provisions			
	Current Liabilities	9	650,421,760	483,308,014
	Provisions	10	558,699,353	497,608,735
			1,209,121,113	980,916,749
	Net Current Assets		20,489,171,200	17,529,125,139
	4. Miscellaneous Expenditure	11	60,936,341	138,962,238
	TOTAL ASSETS		65,266,000,665	54,420,152,167
	Notes on Accounts	15		

As per our report of even date

For H. S. Hathi & Co.
Chartered Accountants
Firm Reg. No.: 103596W
Hemant S. Hathi
Partner
Membership No. 037109
Place: Mumbai
Date: 31st May, 2011

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, 2010

(Amount in ₹)

Sr. No.	Particulars	Schedule	For the year Ended 31 st Dec. 2010	For the year Ended 31 st Dec. 2009
I	INCOME			
	Sales		16,165,784,871	14,381,729,275
	Other Income		106,376,483	88,641,507
	Total		16,272,161,354	14,470,370,782
II	EXPENDITURE			
	(Increase)/Decrease in Stocks	12	(933,231,890)	(1,713,010,853)
	Consumption of Raw Material	13	8,938,790,051	9,920,664,571
	Employee Cost		437,149,798	401,721,834
	Manufacturing & Other Expenses	14	752,253,758	717,203,005
	Interest and Finance Charges		2,304,705,129	1,494,377,062
	Depreciation		1,976,216,883	1,230,420,623
	Total		13,475,883,729	12,051,376,242
	PROFIT BEFORE EXTRAORDINARY ITEM & TAXATION		2,796,277,625	2,418,994,540
	Extraordinary Item		631,048,082	(620,512,252)
	PROFIT AFTER EXTRAORDINARY ITEM BUT BEFORE TAXATION		2,165,229,543	3,039,506,792
	Provision for current tax		402,000,000	350,000,000
	Provision for deferred tax		310,000,000	335,000,000
	Provision for Fringe Benefit Tax		-	1,250,000
	PROFIT FOR THE PERIOD		1,453,229,543	2,353,256,792
	Prior Year Adjustment		8,839,456	16,696,585
	PROFIT AVAILABLE FOR APPROPRIATION		1,462,068,999	2,369,953,377
	PROPOSED DIVIDEND		133,936,795	125,098,282
	DIVIDEND TAX		22,762,558	21,260,453
	TRANSFER TO DEBENTURE REDEMPTION RESERVE		107,142,857	107,142,857
	TRANSFER TO GENERAL RESERVE		1,198,226,789	2,116,451,785
	BASIC EARNINGS PER SHARE		5.69	9.47
	DILUTED EARNINGS PER SHARE		5.01	7.77
	(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
Firm Reg. No.: 103596W
Hemant S. Hathi
Partner
Membership No. 037109
Place: Mumbai
Date: 31st May, 2011

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, 2010 (Amount in ₹)

Particulars	As on 31 st Dec. 2010	As on 31 st Dec. 2009
SCHEDULE 1 - SHARE CAPITAL		
AUTHORISED		
500,000,000 Equity Shares of ₹ 1/- each (Previous year 500,000,000 Equity Shares of ₹ 1/- each)	500,000,000	500,000,000
ISSUED		
271,597,590 Equity Shares of ₹ 1/- each (Previous year 253,920,564 Equity Shares of ₹ 1/- each)	271,597,590	253,920,564
SUBSCRIBED		
271,597,590 Equity Shares of ₹ 1/- each (Previous year 253,920,564 Equity Shares of ₹ 1/- each)	271,597,590	253,920,564
PAID UP		
Fully Paid-Up 267,873,590 Equity Shares of ₹ 1/- each (Previous year 250,196,564 Equity Shares of ₹ 1/- each)	267,873,590	250,196,564
TOTAL	267,873,590	250,196,564
SCHEDULE 2 - RESERVE & SURPLUS		
General Reserve		
As per Last Balance Sheet	10,458,701,584	8,342,249,799
Add: Transferred from Profit & Loss Account	1,198,226,789	2,116,451,785
	11,656,928,373	10,458,701,584
Debenture Redemption Reserve	321,428,571	214,285,714
Share Premium Account	12,463,171,083	9,780,067,434
TOTAL	24,441,528,027	20,453,054,732
SCHEDULE 3 - SECURED LOANS		
Term Loans from Banks (Secured by way of charge on Fixed Assets of the company, on pari passu basis)	7,421,727,835	5,691,330,196
Redeemable Non-Convertible Debentures (Secured by way of first charge on Fixed Assets of the company, on pari passu basis and are redeemable in 20 equal Quarterly installments commencing from November, 2010)	2,850,000,000	3,000,000,000
External Commercial Borrowings		
a) ECB 2009 aggregating US \$ 90 million (P. Y. US \$ 90 Million) (Secured by way of first charge on Fixed Assets of the company, on pari passu basis)	4,032,900,000	4,201,200,000
b) ECB 2010 aggregating US \$ 128.5 million (P. Y. Nil) (Secured by way of first charge on Fixed Assets of the company, on pari passu basis)	5,758,085,000	-
Working Capital Borrowings from Banks (Secured by way of first charge on Current Assets of the company, on pari passu basis)	7,848,741,213	5,365,195,075
TOTAL	27,911,454,048	18,257,725,271

SCHEDULES

FORMING PART OF THE BALANCE SHEET AS ON 31ST DECEMBER, 2010

Particulars	As on 31 st Dec. 2010	As on 31 st Dec. 2009
SCHEDULE 4 - UNSECURED LOANS		
Foreign Currency Convertible Bonds		
- 0.50 % Convertible Bonds due 2010 (Convertible into Ordinary shares or GDRs representing Ordinary Shares) (P. Y.: US \$ 93.67 Million)	-	4,372,515,600
- Zero Coupon Convertible Bonds due 2012 Aggregating to US \$ 134.50 Million (Convertible into Ordinary shares or GDRs representing Ordinary Shares) (P.Y.: US \$ 134.5 Million)	6,026,945,000	6,278,460,000
Short Term Loan from Banks	3,500,000,000	2,000,000,000
TOTAL	9,526,945,000	12,650,975,600



SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST DECEMBER, 2010
SCHEDULE 5 - FIXED ASSETS

(Amount in ₹)

Description	GROSS BLOCK		DEPRECIATION		NET BLOCK	
	As on 01.01.2010	Additions/ Adjustments 31.12.2010	As on 01.01.2010	For the Year 31.12.2010	As on 31.12.2010	As on 31.12.2009
Land & Development	340,165,957	1,324,100	-	-	341,490,057	340,165,957
Leasehold Land	-	648,448,287	-	-	648,448,287	-
Building	2,093,662,962	157,890,826	358,517,044	72,335,405	1,820,701,339	1,735,145,918
Plant & Machinery	26,729,946,175	5,308,364,855	4,841,932,921	1,872,446,376	25,323,931,733	21,888,013,254
Office Equipments & Furniture	279,715,916	25,670,305	70,803,120	18,196,653	216,386,448	208,912,796
Vehicles	125,663,605	15,424,681	29,964,133	13,238,449	97,885,704	95,699,472
Grand-Total	29,569,154,615	6,157,123,054	5,301,217,218	1,976,216,883	28,448,843,568	24,267,937,397
Previous Year	27,098,549,842	2,470,604,773	4,070,796,595	1,230,420,623	24,267,937,397	23,027,753,247
Capital Work - in - Progress (Including Capital Advances)					12,627,758,148	9,736,637,650

SCHEDULES

FORMING PART OF THE BALANCE SHEET AS ON 31ST DECEMBER, 2010
(Amount in ₹)

Particulars	As on 31 st Dec. 2010	As on 31 st Dec. 2009
SCHEDULE 6 - INVESTMENTS		
(At cost)		
In Units of Mutual Funds (Market Value ₹ 435 Lacs, Previous year ₹ 518 Lac)	54,755,836	63,723,052
In Shares (Quoted) (Market Value ₹ 270 Lacs, Previous year ₹ 276 Lac)	40,885,092	43,716,211
In Shares (Un-quoted AT COST)	3,543,650,480	2,640,050,480
TOTAL	3,639,291,408	2,747,489,743
SCHEDULE 7 - CURRENT ASSETS		
a) Inventories		
Raw Materials	1,570,957,191	1,312,912,189
Stock-in-process	3,246,534,125	2,856,122,141
Stores & Spare Parts	149,263,858	129,461,121
Finished Stock	1,888,349,076	1,345,529,170
	6,855,104,250	5,644,024,621
b) Sundry Debtors (Unsecured & considered good)		
Debtors outstanding for a period more than 6 months	26,261,274	28,085,126
Other Debtors	6,737,840,886	5,890,843,181
	6,764,102,160	5,918,928,307
c) Cash & Bank Balances		
Cash in Hand	5,389,727	1,841,890
Bank Balance with Scheduled Banks		
In Current Account	905,842,325	753,887,744
In Fixed Deposits	672,489,293	536,631,136
	1,583,721,345	1,292,360,770
TOTAL	15,202,927,755	12,855,313,698

SCHEDULES

FORMING PART OF THE BALANCE SHEET AS ON 31ST DECEMBER, 2010

(Amount in ₹)

Particulars	As on 31 st Dec. 2010	As on 31 st Dec. 2009
SCHEDULE 8 - LOANS AND ADVANCES		
(Unsecured, Considered good)		
Deposits	40,382,024	41,305,895
Balance with Excise and other Government Authorities	261,857,579	122,555,049
Advances recoverable in cash or in kind or for value to be received	6,193,124,955	5,490,867,246
TOTAL	6,495,364,558	5,654,728,190
SCHEDULE 9 - CURRENT LIABILITIES		
Sundry Creditors	501,692,179	326,759,728
Other Liabilities	148,729,581	156,548,286
TOTAL	650,421,760	483,308,014
SCHEDULE 10 - PROVISIONS		
Proposed Dividend	133,936,795	125,098,282
Dividend Tax	22,762,558	21,260,453
Provision for Taxation	402,000,000	351,250,000
TOTAL	558,699,353	497,608,735
SCHEDULE 11 - MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
FCCB Issue Expenses	138,962,238	240,031,001
Add: Addition during the period	-	-
	138,962,238	240,031,001
Less: Written off during the period	78,025,897	101,068,763
TOTAL	60,936,341	138,962,238

SCHEDULES

FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR
ENDED 31ST DECEMBER, 2010

(Amount in ₹)

Particulars	For the year ended 31 st Dec. 2010	For the year ended 31 st Dec. 2009
SCHEDULE 12 - (INCREASE)/DECREASE IN STOCKS		
Stock in trade (At Close)		
Finished Goods	1,888,349,076	1,345,529,170
Stock in Process	3,246,534,125	2,856,122,141
	5,134,883,201	4,201,651,311
Stock in trade (At Commencement)		
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
(INCREASE)/DECREASE IN STOCKS	(933,231,890)	(1,713,010,853)
SCHEDULE 13 - CONSUMPTION OF RAW MATERIAL		
Opening Stock	1,442,373,310	958,675,405
Add: Purchases	6,966,174,974	8,258,634,187
	8,408,548,284	9,217,309,592
Power & Fuel	2,250,462,816	2,145,728,289
Less: Closing Stock	1,720,221,049	1,442,373,310
TOTAL	8,938,790,051	9,920,664,571
SCHEDULE 14 - MANUFACTURING AND OTHER EXPENSES		
Repairs and maintenance to Buildings	17,295,215	16,488,127
Repairs and maintenance to Plant & Machinery	70,734,658	67,442,726
Traveling & Conveyance	72,397,941	68,929,336
Telephone & Telex	25,718,124	24,228,982
Printing & Stationery	13,272,136	12,693,198
Postage, Telegram & Courier	17,346,022	16,528,785
Office Expenses	117,437,129	111,911,710
Selling & Distribution Expenses	418,052,533	398,980,141
TOTAL	752,253,758	717,203,005



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 for 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.

17. Extraordinary Item includes wright off of FCCB issue Expense, Redemption, Premium of FCCB, Product development Cost, etc.

B. Notes to Accounts

1. Estimated amount of contracts remaining to be executed on capital account and not provided for as on 31st December, 2010 is ₹ 3,236.18 Lacs [Previous year ₹ 4,643.52 Lacs].
2. Contingent liabilities not provided for on account of letters of credit as on 31st December, 2010 are of ₹ 10,100.00 Lacs [Previous year ₹ 4,986.27 Lacs].
3. Current income Tax is provided for the year as per provisions of the Minimum Alternate tax under the Income Tax Act, 1961.
4. The company has provided for a deferred tax liability of ₹ 3,100 Lacs for the year ended December 31, 2010 on additional depreciation on fixed assets under Income Tax Act [Previous year ₹ 3,350 Lacs].

5. Calculation of Earnings per share [EPS]

(Amount in ₹)

Sr.no.	Particulars	2010	2009
1	Net Profit after Tax	1,453,229,543	2,353,256,792
2	Face value of each equity share	1.00	1.00
3	Weighted average No. of Equity Shares	255,276,440	248,381,215
4	Earning Per Share [EPS] Basic	5.69	9.47
5	Weighted average No. of Equity Shares for Diluted EPS	289,905,850	302,861,358
6	Diluted EPS	5.01	7.77

6. Managerial Remuneration

(₹ in Lacs)

Sr.no.	Particulars	2010	2009
1	Salary (Including Bonus)	105.62	60.23
2	Contribution to Provident Fund	0.00	0.00
3	Superannuation Fund	0.00	0.00
	Total	105.62	60.23



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

(₹ in Lacs)

	Particulars	2010	2009
1	FOB Value of Exports	50,350.86	45,379.63
2	CIF Value of Imports	550.33	534.81
3	Other Expenditure	294.01	162.83

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 Company 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, 2010 by their order no. 46/201/2010-CL-III dated 01.11.2010 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
- Sterling Port Limited

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

(₹ in Lacs)

Particulars	Nature of transaction	2010	2009
a) Transactions during the period			
1) Mr. Nitin J. Sandesara	Remuneration	63.55	34.23
2) Mr. Chetan J. Sandesara	Remuneration	42.07	26.00
b) Amount outstanding as at Balance Sheet date			
1) Sterling SEZ and Infrastructure Limited	Loans & Advances	12,813.00	22,066.00
Maximum Amount Outstanding		22,066.00	22,066.00
2) Sterling Oil Resources Limited	Loans & Advances	18,153.00	11,564.00
Maximum Amount Outstanding		18,153.00	19,800.00
3) Sterling Port Limited	Loans & Advances	8,665.00	NIL
Maximum Amount Outstanding		8,665.00	NIL
4) Sterling SEZ and Infrastructure Limited	Investment	14,500.00	14,500.00
5) Sterling Oil Resources Limited	Investment	11,900.00	11,900.00
6) Sterling Port Limited	Investment	36.00	-
7) Sterling Port Limited	Share Application Money	9,000.00	-

12. Payment to Auditors

(₹ in Lacs)

Particulars	2010	2009
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
Firm Reg. No.: 103596W

Hemant S. Hathi
Partner
Membership No. 037109
Place: Mumbai
Date: 31st May, 2011

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, 2010

(₹ in Lacs)

Sr. No.	Particulars	For the Year ended 31 st Dec. 2010	For the Year ended 31 st Dec. 2009
(A)	Cash Flow From Operating Activities		
	Net Profit Before Tax and Extraordinary Items	27,962.78	24,189.95
	<i>Adjustment for:</i>		
	Depreciation and Amortization	19,762.17	12,304.21
	Interest & Finance Charges	23,047.05	14,943.77
	Operating Profit before Working adjustments for	70,772.00	51,437.92
	Trade Receivables	(8,451.74)	(17,911.84)
	Other Receivables	(8,930.45)	(9,145.29)
	Inventories	(12,110.80)	(21,967.09)
	Trade Payable (Current Liabilities)	1,671.14	271.69
	Direct Tax	(2,900.00)	(2,817.50)
	Cash flow Before Extra Ordinary Items	40,050.15	(132.11)
	Extra-Ordinary Expenses	(5,227.35)	-
	Share/FCCB Issue Expenditure	-	-
	Net Cash Flow from Operating Activities	34,822.81	(132.11)
(B)	Cash Flow From Investing Activities		
	Purchase of Fixed Assets	(90,482.44)	(45,270.63)
	Purchase of Investments	(8,918.02)	-
	Sale of Investments	-	3,145.60
	Net Cash Used in Investing Activities	(99,400.45)	(42,125.03)
(C)	Cash Flow From Financing Activities		
	Proceeds from Issue of Share on Conversion of FCCB	176.77	63.99
	Proceeds from Share Premium on Conversion of FCCB	26,831.04	11,934.96
	Proceeds/(Repayment) from Long Term Borrowings	64,994.11	49,349.83
	Interest & Finance Charges	(23,047.05)	(14,943.77)
	Dividend & Dividend Tax	(1,463.61)	(1,457.96)
	Net Cash used in Financing Activities	67,491.25	44,947.05
	Net Increase/(Decrease) in Cash & Cash Eq. (A+B+C)	2,913.61	2,689.90
	Cash & Cash Equivalents (Opening)	12,923.61	10,233.70
	Cash & Cash Equivalents (Closing)	15,837.21	12,923.61

We have examined the attached Cash Flow Statement of Sterling Biotech Limited for the year ended 31st December, 2010. 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
Firm Reg. No.: 103596W

Hemant S. Hathi
Partner
Membership No. 037109
Place: Mumbai
Date: 31st May, 2011

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 ₹ Thousand)

Public Issue Right Issue
Bonus Issue Private Placement

3. POSITION OF MOBILISATION & DEPLOYMENT OF FUNDS (Amount in ₹ Thousand)

Total Liabilities Total Assets

Source of Funds

Paid-up Capital Reserves & Surplus
Secured Loans Unsecured Loans
Deferred Tax Liability

Application of Funds

Net Fixed Assets Investments
Net Current Assets Miscellaneous Expenditure

4. PERFORMANCE OF COMPANY (Amount in ₹ Thousand)

Turnover Total Expenditure
Profit before Tax Profit after Tax
Earnings per Share in (₹) Face Value of Share in (₹)
Dividend Rate (Per Share) (₹)

5. GENERIC NAMES OF PRINCIPAL PRODUCTS

ITC Code

Product Description

As per our report of even date

For H. S. Hathi & Co.
Chartered Accountants
Firm Reg. No.: 103596W

Hemant S. Hathi
Partner
Membership No. 037109
Place: Mumbai
Date: 31st May, 2011

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	Vilas D. Joshi Director	N. B. Patel Director
Chetan J. Sandesara Joint Managing Director	P. B. Mehta Director	R.B. Dixit Director

COMPANY SECRETARY

Kirtidev Khatri

AUDITORS

H.S. Hathi & Co. Chartered Accountant
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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

REGISTERED OFFICE

43, Atlanta, Nariman Point, Mumbai – 400 021

Members are requested to bring a copy of the Annual Report at the Annual General Meeting