

# SMALL IS LARGE

SURYA PHARMACEUTICAL LIMITED | ANNUAL REPORT, 2010-11



TONNES TO  
MILLI

BULK TO  
FIXED

CORPORATE TO  
CUST

WAREHOUSE TO  
SHELF

**SAFE-HARBOUR STATEMENT** In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



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GRAMS

DOSAGE

OMER

SPACE

CAN YOU CONNECT THE DOTS?

**FORMULATIONS!**  
(JUST WHAT THE DOCTOR PRESCRIBES...)  
AT SURYA, SMALL IS THE NEW LARGE.

# SMALL INITIATIVES

...THAT WILL DELIVER LARGE RETURNS.

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## SMALL OUTPUT LARGE INFRASTRUCTURE

Surya Pharmaceutical reinforced its formulations infrastructure across five years through the following business-strengthening initiatives:

- Created large world-class formulation facilities (972 million capsules, 630 million tablets and 18 million bottles of dry powder)
- Commissioned our US FDA-compliant API and injectables facility at Jammu, paving the way for an entry into regulated markets
- Created a dedicated, world-class R&D facility to develop formulations to establish a global market presence
- Upgraded the Baddi and Banur plants as per global regulatory standards
- Drew out a blueprint to invest ₹650 crore in a world-class, non-antibiotic API facility – sine qua non to establish a strong presence in the high-growth, non-antibiotic formulations space

The result: We executed our first bulk overseas contract with a leading global pharmaceutical player and entered into an agreement with a leading domestic pharmaceutical major to manufacture five generic Beta-lactum products (to be scaled to 16 multiple strengths and dosage forms).

BULK OVERSEAS CONTRACT  
WORLD-CLASS FORMULATION FACILITIES  
TO INVEST RS. 650 CRORE IN A NON-ANTIBIOTIC API FACILITY

FORMULATIONS INFRASTRUCTURE

₹150 CRORE

SURYA EXPECTS TO INVEST ₹150 CRORE  
IN A DEDICATED NON-ANTIBIOTIC  
FORMULATIONS MANUFACTURING FACILITY.





## SMALL INITIATIVES LARGE IMPLICATIONS

Surya Pharmaceutical is strengthening its global recall through the following initiatives:

- Acquired US-based Amershire Investment Corporation and Herkules Capital Management Ltd, thereby the sales and ownership of brand ActivOn, a leading pain management therapy, envisaged investment of US\$ 22 million through our wholly-owned subsidiary Surya Pharmaceutical (Singapore) Pte Ltd.
- Acquired US-registered OTC Pharma brands (PreferOn, RenewIn and FirstOn) that will be marketed in India and the world
- Acquired the non-US, marketing rights for HeadOn (headache management) in global markets
- Provides an opportunity to leverage relationships of these retailers like WalMart, CVS, Walgreens and Rite Aid to launch new products.

**The result:** These acquisitions will enhance our global footprint, volumes and a platform for launching new products. The ActivOn brand alone reported revenues of US\$ 8.5 million (2010) with a 30%-plus EBIDTA margin.



US\$ 20 MILLION IS ACTIVON'S PROJECTED  
ANNUAL SALES IN TWO YEARS





## SMALL ENDORSEMENTS L A R G E R E C A L L

Surya Pharmaceutical (through the Surya Care division) intends to enrich a consumer's retail experience through a wide array of international merchandise.

Surya Care undertook the following initiatives:

- Entered into an exclusive alliance with Crocs to distribute Crocs Rx medical footwear in India, China, South East Asia and SAARC countries
- Entered into an exclusive alliance with Royal Industries, Thailand in the baby care segment to market baby feeding products and accessories under the brand Nursa in India
- Entered into an agreement with QNT to market sports nutrition products and dietary supplements in India
- Entered into an alliance with E.T. Browne Drug Co of US for an exclusive licence of Palmer's brand, renowned for premium beauty, skin and cosmetic cocoa butter-based products
- Launched FastAid, an umbrella brand for pharmaceutical OTC products – India's first branded emergency first-aid kit and a topical pain management product. The first few products under FastAid comprised cotton buds, cotton balls, bandages, antiseptic lotions and emergency first-aid kit; the product basket will increase to about 25 SKUs by March 2012
- Launched BASICS brand, in the personal care range comprising skincare, hair care and body care; the brand's offering will expand to 25 SKUs by March 2012
- Negotiating with global corporates to introduce new international brands to India.

**The result:** These endorsements will lead to a differentiated transformation (from a chemist shop into a high-end FMCG store) drawing aspirational consumers, increasing footfalls and generating attractive revenues.

**₹ 600 CRORE**

**SURYA CARE DIVISION IS OPTIMISTIC  
OF ACHIEVING A TOPLINE OF  
₹ 600 CRORE IN 2014.**



# 1400 STORES

SURYA'S PROJECTED RETAIL STORE  
STRENGTH BY MARCH 31, 2014

## SMALL PACKETS LARGE SHELF SPACE

Surya Pharmaceutical (through subsidiary Surya Healthcare Ltd) invested in wider proprietary (company-owned and company-operated) shelf space to enhance offtake and profitability.

The Company embarked on the following initiatives:

- Set up in a record 27 months, 186 outlets (as of August 2011) of the pharmacy retail chain (the VIVA and MEDIMART brands) across 22 cities in Delhi NCR, Punjab, Haryana, Maharashtra, Andhra Pradesh, Uttar Pradesh and Chandigarh Tricity.
- As of August 2011, the stores enjoy the loyalty of more than 150,000 customers and more than 300,000 customers walk into the stores every month
- Acquired for an investment of ₹10.50 crore, Medimart India Pvt Ltd (revenues of ₹11 crore in 2010-11), a pharmaceutical retail company with 42 Hyderabad stores

**The result:** The Company emerged among a few Indian pharmaceutical players with a retail shelf space as well.

FLAGSHIP  
OF THE ₹  
**1700**  
C R O R E  
SURYA GROUP

**SURYA PHARMACEUTICAL LIMITED.**  
**FLAGSHIP OF THE ₹ 17 BILLION**  
**SURYA GROUP. AMONG THE TOP FIVE**  
**COMPANIES IN INDIA'S BETALACTAM**  
**AND ORAL CEPHALOSPORIN RANGE**  
**OF ANTI-INFECTIVES.**

SURYA PHARMACEUTICAL LIMITED  
(INCORPORATED 1992) IS A  
CHANDIGARH-BASED  
PHARMACEUTICAL COMPANY  
PRESENT ACROSS THE  
PHARMACEUTICAL VALUE CHAIN.

The Company's product and service portfolio comprises active pharmaceutical ingredients (API), intermediates, formulations, phytopharmaceuticals, contract research and manufacturing facilities.

The Company is an ISO 9001-2008, ISO 22000:2005 certified organisation having approved Drug Master Files (DMFs) in Europe, Turkey and Korea, whose products and services are marketed

across the globe. Surya Pharmaceutical has a global footprint across 90 nations, supported by overseas offices in China, Singapore and the US as well as state-of-the-art R&D centres in Banur and Panchkula (India).

The Company has six state-of-the-art manufacturing facilities across North India and its shares are listed on the Luxembourg, Bombay and National Stock Exchanges.

#### BUSINESS DIVISIONS

**Surya Life:** Markets APIs and Bulk Drugs

**Surya Naturals:** Markets menthol/mint derivatives, essential oils and flavour chemicals

**Alexus and Aegis:** Markets ethical and generic formulations

**Altair:** Diagnostic and medical equipment division

**Surya Care:** Markets OTC & FMCG products for institutional and home use

**Eureka:** Contract/custom research and manufacturing services

**Alliances:** Exclusive agreement with Crocs for marketing their therapeutic products in India and SAARC nations

#### CERTIFICATIONS

ISO 9001:2008

ISO 22000-2005

R&D centres approved and recognised by DSIR

GMP certified facilities

USFDA registered for mint products

Halal Certificate for mint products

Star Kosher Certificate for mint products

Trading House Status granted by Government of India

Korean FDA approval for Banur plant

European DMF for Cefixime

Korean DMF for Cefaclor

#### VISION

We will endeavour to emerge as a leader in the integrated pharmaceuticals business by continually achieving and surpassing the highest standards in quality-driven manufacturing and sustainable development through environment-friendly practices.

At Surya Pharmaceutical, we will continuously provide value to all stakeholders of the organisation with a focus on innovation and core values towards achieving excellence across all operations.

#### MISSION

■ Our determined commitment to our values in integrity, transparency and responsible corporate citizenship along all facets of our value chain.

■ A continuous focus on achieving excellence and leadership through the highest standards of quality across all functions of our organisation.

■ Ensuring a safe and healthy environment for all personnel and maintaining harmony with the natural environment.

■ Recruiting, training and retaining the highest calibre of professionals in the industry.

■ To ensure the well-being of the community by effectively fulfilling social responsibilities.

#### CORE VALUES

■ To demonstrate the utmost INTEGRITY and TRANSPARENCY to all Company stakeholders to ensure consistent value creation over long-term associations

■ To INSPIRE TRUST through example-driven LEADERSHIP across all aspects of the Company's management

■ To pursue EXCELLENCE through a continued focus on QUALITY and INNOVATION

■ To emerge as an EMPLOYER OF CHOICE through the best human resource practices

■ INVEST IN HUMAN CAPITAL over the long-term

# HIGHLIGHTS, 2010-11

# SURYA, 101

**GREW EXISTING PRESENCE.  
ENTERED NEW VERTICALS.**

## FINANCIAL PERFORMANCE

| NET SALES GROWTH               | EBIDTA GROWTH                | PROFIT AFTER TAX GROWTH      | CASH PROFIT GROWTH           |
|--------------------------------|------------------------------|------------------------------|------------------------------|
| 41.10%                         | 53.43%                       | 31.69%                       | 38.69%                       |
| ₹ 1,157.53<br>CRORE<br>2009-10 | ₹ 173.38<br>CRORE<br>2009-10 | ₹ 76.06<br>CRORE<br>2009-10  | ₹ 96.24<br>CRORE<br>2009-10  |
| ₹ 1,633.27<br>CRORE<br>2010-11 | ₹ 266.02<br>CRORE<br>2010-11 | ₹ 100.16<br>CRORE<br>2010-11 | ₹ 133.48<br>CRORE<br>2010-11 |

## IMPROVEMENT IN PROFITABILITY

| EBIDTA MARGIN     | PBT MARGIN       | RETURN ON CAPITAL EMPLOYED |
|-------------------|------------------|----------------------------|
| 86 BPS            | 3 BPS            | 58 BPS                     |
| 14.85%<br>2009-10 | 7.75%<br>2009-10 | 17.30%<br>2009-10          |
| 15.71%<br>2010-11 | 7.78%<br>2010-11 | 17.88%<br>2010-11          |

## OPERATIONAL EFFICIENCY

Initiated implementing the ERP management system organisation-wide

## PROJECT MANAGEMENT

- Commissioned two API units and a state-of-the-art formulation unit at Samba (Jammu) for an investment of ₹320 crore
- Modernised the Banur and two Baddi units in line with global regulatory standards

## INNOVATION EXCELLENCE

- Commercialised 250+ new products
- Launched two own brands, FastAid for pharma OTC products and Basics for FMCG products

## MARKETING

- Received DMF approvals from Turkey for two API products, namely Cefaclor and CPDP, and from Korea for Cefaclor.
- Filed 11 DMFs in regulated markets and 90 DMFs in semi-regulated and non-regulated markets
- Launched 250+ new formulations in the domestic market through three divisions – Alexis, Aegis and Adonia
- Established a marketing footprint in 90 nations
- Received the first export order for betalactam formulations

## NEW AVENUES

- Successfully underwent Korean FDA inspection and an audit approval from a leading Indian pharmaceutical company for our Banur facility
- Formulation unit at Baddi was successfully inspected by WHO-GMP (certification expected)
- Collaborated with Royal Industries Inc., Thailand, to introduce a range of baby feeding products and accessories in India under the Nursa brand
- Entered into alliances to exclusively distribute and market QNT and Palmer's products in India
- Entered into an exclusive alliance with Crocs to distribute Crocs Rx medical footwear in India, China, South East Asia and the SAARC countries

## VALUE-ADDED BUSINESSES

- Launched/acquired 130 retail stores under the Viva and Medimart brands (through subsidiary Surya Healthcare), taking the tally to 155 stores at the end of 2010-11

- Launched the phyto-pharmaceutical business vertical; commenced production; product samples received approvals from domestic and international clients

## INORGANIC INITIATIVES

- Acquired US-based Over-the-Counter (OTC) analgesic drug brand ActivOn for an envisaged investment of US\$ 22 million through the acquisition of Amershire Investment Corp and Herkules Capital Management Ltd
- Acquired Medimart India Pvt. Ltd. (42-outlet retail pharmacy chain in Hyderabad) for an investment of ₹10.50 crore

## BOARD ROOM DECISIONS

- Mobilised US\$ 25 million through a global depository receipt (GDR) issue and listed on Luxembourg Stock Exchange on 12th October, 2010
- Split the stock from a face value of ₹10 to Re. 1

## RESPECTABLE POSITION!

- Received 'Crown of Brilliance for Innovation' by Shimadzu, Japan
- Ranked 20th-largest pharmaceutical company in India
- Positioned 398 in the prestigious Fortune India 500 list
- Ranked 417 out of top ET 500 companies



FROM THE CHAIRMAN'S DESK



OUR SMALL INITIATIVES WILL DELIVER  
**LARGE RETURNS.**

Mr. Rajiv Goyal, *Chairman and Managing Director*, highlights  
the Company's strategy

CROSSED RS 1,600-CRORE REVENUES, SUSTAINED  
46% GROWTH, PROFIT GREW 31.69%

WE PLANNED A ₹  
**650**  
C R O R E  
CAPITAL INVESTMENT

*Pear shareholders,*

ALL OBJECTIVES DRAWN UP IN APRIL 2010 WERE SUCCESSFULLY ACCOMPLISHED DURING THE YEAR UNDER REVIEW, WHICH RESULTED IN BETTER NUMBERS, BUSINESS EXPANSION, INORGANIC GROWTH AND GEOGRAPHIC DIVERSIFICATION.

**THE RESULT:** WE CROSSED ₹1,600-CRORE REVENUES, SUSTAINED 46% GROWTH (5-YEAR AVERAGE) ON A GROWING REVENUE BASE, AND PROFITS ACCELERATED AT A HEALTHY PACE (NET PROFIT GREW 31.69% FROM ₹76.06 CRORE IN 2009-10 TO ₹100.16 CRORE IN 2010-11). OUR EXPORTS GREW FROM ₹341.22 CRORE TO ₹422.78 CRORE AT A SLOWER CLIP OF 23.9% DURING THE SAME PERIOD.

### PHARMACEUTICAL BUSINESS

At Surya, the pharmaceutical business accounted for 53% of our revenues in 2010-11. We see a growing scope for this business for the following reasons:

- Growing urbanisation, leading to an increasing incidence of medical ailments
- Increasing per capita income and penetration of health insurance, growing the demand for pharmaceutical products
- India being positioned as a preferred destination for medical tourism, which is expected to grow the demand for healthcare services and formulations
- Over \$267 billion worth of sales are at risk from patent expirations between 2011-16
- Increasing role of generics being played out in developed countries by insurance and healthcare providers

We embarked on the following initiatives in 2010-11 to grow our API business:

**Approvals:** Our Banur facility received the Korean FDA approval, a big achievement. South Korea is a large market, estimated to grow at a 7-10% CAGR over the medium term, strengthening our prospects. Large domestic pharmaceutical players audited the Banur facility, resulting in the prospect of enhanced volumes from within the country from the current year onwards.

**Capacity enhancement:** We liberated our manufacturing capacity through the de-bottlenecking and modernisation of the Baddi and Banur units, resulting in superior asset sweating.

**Filings:** We filed for Certificate of Suitability for 11 products with European regulatory authorities, which will result in the audit of our Banur facility. These audits will allow us to extend our presence in regulated markets, enhancing revenues. We also filed around 90 DMFs in semi-regulated markets, some of which could receive regulatory clearances in 2011-12, opening new markets (like Turkey).

**Product expansion:** We planned a ₹6.5 billion capital investment, comprising the setting up of a new API facility near Chandigarh. The proposed unit will manufacture the entire range of APIs (cardiovascular products, CNS products, hormonal products and steroids, among others) and we expect this initiative to contribute to the Company's earnings from 2012-13 onwards.

### OUR FORAY INTO REGULATED MARKETS

We intend to establish our presence in the regulated markets, especially US and Europe.

**Relevance of the US pharma market:** The US market is becoming increasingly relevant for global generic players like us on account of its genericisation.

## US\$1 BILLION

For every 2% increase in generics utilisation, the nation's Medicaid programme can potentially save US\$1 billion annually.

THE COMPANY  
COMMISSIONED ITS ₹  
320  
CRORE  
USFDA-COMPLIANT  
JAMMU FACILITY

■ Drugs worth US\$ 68 billion are likely to lose their patent status in the US in the next two years, higher than the average annual patent expiry of US\$ 16 billion over CY06-10.

■ The US administration's healthcare bill assures affordable healthcare to about 32 million hitherto uninsured Americans, implying an increase in generic drug use.

■ For every 2% increase in generics utilisation, the nation's Medicaid programme can potentially save US\$1 billion annually (*Source: GPhA*).

Indian companies account for 15.4% (*November 2010 IMS data*) of the US generics market, while incremental prescription market share is estimated at 33.7%, a trend which is expected to accelerate in the coming years, keeping with India's low-cost advantage.

**Our preparedness:** Surya embarked on multiple initiatives to establish a strong presence in the US market. The Company commissioned its ₹320 crore USFDA-compliant Jammu facility, which manufactures sterile and non-sterile APIs and injectables, paving the way for an entry into the regulated markets. The Company acquired Herkules Capital Management Ltd and its subsidiary, Family First Pharmaceuticals Inc. (marketing ActivOn) and Amershire Investment

Corporation (owner brand ActivOn), adding the world famous Analgesic and four other pharma OTC brands like HeadOn, PreferOn, FirstOn and RenewIn. This acquisition will entitle us to ready shelf space and help forge relationships with leading US retailers, resulting in the launch of proprietary OTC and FMCG products in these markets (already launched a range of OTC and FMCG brands like FastAid and Basics in India).

### MENTHOL AND MINT DERIVATIVES

The prospects of our menthol business appear attractive as the market is large, shortages perpetual and the prospect of menthol being used in every food/fragrance product high.

The Company expects to capitalise on this reality through additional global certifications, product development and the fact that out of the top 10 global flavour and fragrance companies, we enjoy business alliances with a large number.

At Surya, the menthol business accounted for 46% of our revenue in 2010-11. We added a number of large international menthol consumers with long-term offtake plans. We plan to double our existing capacity and capitalise on prospects arising from

numerous by-products.

### PHARMACY RETAIL

The Company's extension into healthcare retail (through our subsidiary Surya Healthcare Limited) appears optimistic on account of its size (₹40,000 crore) and minimal (3%) organised presence, which is expected to increase to almost 10% by 2015.

In 2010-11, the Company expanded its VIVA and Medimart retail network from 25 to 155 outlets towards the end of year, including acquisition of 42-store Hyderabad-based Medimart India Pvt. Ltd to extend deeper into South India. We are engaged in appraising opportunities to extend into West and East India as well, creating a pan-India footprint by 2014.

This growth is not expected to be only numerical; the Company expects to transform a mundane pharmacy store into an upmarket FMCG outlet, providing complete pharmacy solutions encompassing products (formulations) and services (diagnostics and primary healthcare) through marketing alliances with global players. The Company also expects to launch about 50+ formulations, 150+ OTC products (judicious medley of allopathic, herbal and ayurvedic products).

IN 2010-11, THE  
COMPANY EXPANDED  
ITS VIVA AND  
MEDIMART RETAIL  
NETWORK FROM 25 TO

155

OUTLETS TOWARDS  
THE END OF YEAR,  
INCLUDING  
ACQUISITION OF  
42-STORE HYDERABAD-  
BASED MEDIMART  
INDIA PVT. LTD TO  
EXTEND DEEPER INTO  
SOUTH INDIA.

### MESSAGE TO SHAREHOLDERS

At Surya Pharmaceutical, a number of initiatives will deliver superior returns from 2011-12 onwards. The Company's mature business verticals will capitalise on emerging opportunities; new business verticals will report their first full year of operations.

In doing so, the Company expects to graduate from a domestic pharmaceutical player to a global pharmaceutical brand, strengthening value for shareholders.

**Rajiv Goyal**  
*Chairman and Managing Director*



# DRIVERS OF COMPETITIVE ADVANTAGE

**Experience:** The promoters possess more than 18 years of rich domain experience in the pharmaceutical sector. They are assisted by a professional management team with an average 30+ year experience in pharmaceutical and other sectors.

**Business model:** The Company has a balanced business model comprising pharmaceutical and related pharma sectors (menthol, CRAMS and phyto-products) with a wide geographical presence in 90 countries (including an emerging presence in the US OTC pharma market) which de-risks business growth from a downturn in any particular sector.

**Integration:** The Company is present across the pharmaceutical value chain – intermediate, formulation and CRAMS services – enabling it to capitalise on opportunities in the pharmaceutical space. SPL's integrated operations facilitate profitable growth despite significant competitive forces.

**Manufacturing infrastructure:** The

Company continuously invested in business earnings to increase and modernise its operating infrastructure. Surya Pharmaceutical has six manufacturing facilities, with ISO 9001:2008 and ISO 22000:2005 certifications. Its Jammu facility is USFDA-compliant.

**Research capability:** The Company has two DSIR-approved research facilities in India (Panchkula and Banur). These units possess sophisticated equipment and are managed by scientists, enabling the Company to undertake process and product development.

**Operations:** The Company's operations strictly adhere to Good Manufacturing Practices (GMP), providing superior quality and pharmacopeia-compliant products.

**Reach:** The Company's market reach comprises domestic and international markets. The Company's global footprint extends across 90 nations, growing in regulated markets. The Company's domestic clients comprise leading Indian

pharmaceutical companies.

**People:** The Company's intellectual capital comprises skilled and experienced scientists, engineers, lab technicians, production heads and functional managers. Its multicultural and multidisciplined workforce facilitates customer satisfaction.

## STRENGTHENING LEADERSHIP

The Company is one of the largest manufacturers and exporters of menthol and derivatives. The Company is expanding capacities to manufacture menthol crystals, flakes and menthol derivatives.

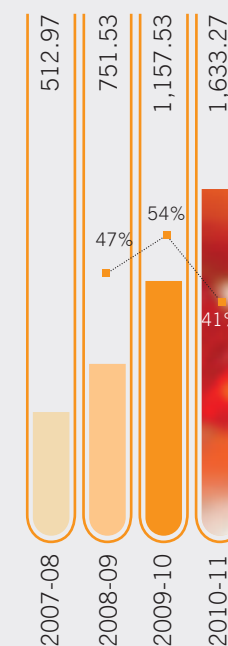
## Vindication of our strategy

|   |  |   |   |   |
|---|--|---|---|---|
| REVENUE<br><b>44.67%</b><br>5-YEAR<br>CAGR UPTO 2010-11 | EBIDTA<br><b>36.47%</b><br>5-YEAR<br>CAGR UPTO 2010-11 | PROFIT<br>AFTER TAX<br><b>35.45%</b><br>5-YEAR<br>CAGR UPTO 2010-11 | CASH PROFIT<br><b>34.58%</b><br>5-YEAR<br>CAGR UPTO 2010-11 | RESERVES<br>AND SURPLUS<br><b>44.03%</b><br>5-YEAR<br>CAGR UPTO 2010-11 |
|---|--|---|---|---|

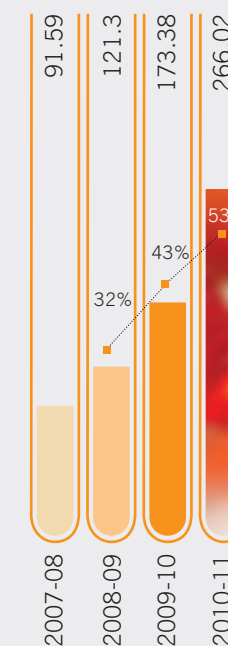
ISO 22000:2005 JAMMU FACILITY USFDA  
COMPLIANT RICH DOMAIN EXPERIENCE  
DSIR-APPROVED MULTIDISCIPLINED WORKFORCE

# AN ILLUSTRIOUS JOURNEY

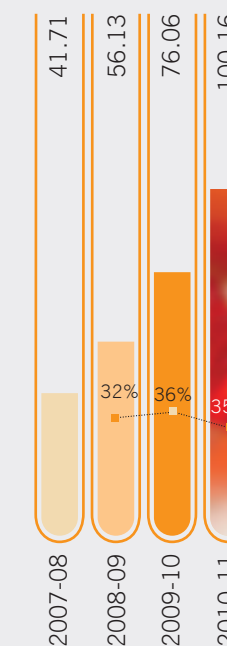
**GROSS SALES**  
(₹ crore)



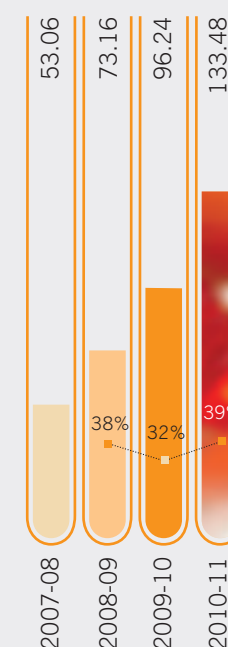
**EBIDTA**  
(₹ crore)



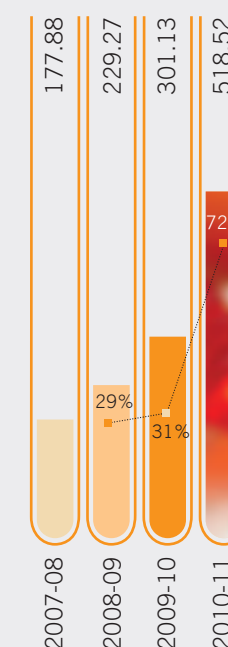
**PROFIT AFTER TAX**  
(₹ crore)



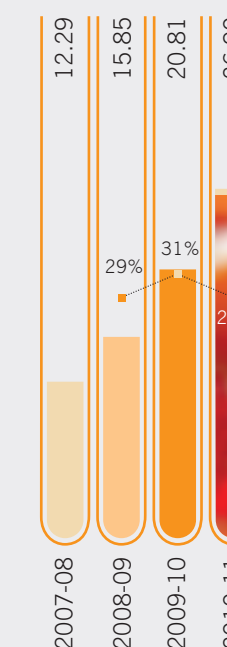
**CASH PROFIT**  
(₹ crore)



**NET WORTH**  
(₹ crore)



**BOOK VALUE PER SHARE\***  
(₹)



\* After adjusting for change in the face value of shares from ₹10 to Re. 1



# LEADING BRANDS. STRONG RECALL.



## GLOBAL BRANDS

IN 2010-11, THE COMPANY ENTERED MARKETING ALLIANCES WITH LEADING GLOBAL PLAYERS FOR THREE IMPORTANT REASONS:

- These initiatives largely utilise existing infrastructure and generate healthy margins
- These alliances graduate VIVA and Medimart stores from mere chemist shops to branded FMCG outlets resulting in superior brand recall
- These alliances reinforce the Surya brand, offering international players with an opportunity to establish an Indian footprint

## CROCS

Surya and Crocs Footwear entered into a partnership to exclusively retail and distribute Crocs Rx medical footwear through a pan-Indian distribution network and pharmacy retail outlets including the Group's VIVA pharmacy outlets.

Crocs Rx Medical offers a wide range of foot care products like shoes and socks

that are specially designed for specific medical and therapeutic applications. These products are enhanced with the nano-silver technology and are made with Croslite™ Ag+ material, positioning the product range as specialised and designed for individuals with general foot problems, diabetic or arthritic feet.

## NURSA

Surya entered into a tie-up with Royal Industries, Thailand, for baby products under the Nursa brand. This alliance will allow the Company to market baby care products in India, a utilitarian category where consumers look forward to innovative product lines. Nursa produces a range of patented chemical-safe, disease-resistant products awarded

ALL CROCS RX PRODUCTS ARE CERTIFIED BY THE AMERICAN PODIATRIC MEDICAL ASSOCIATION TO BE OF REMARKABLE ERGONOMIC BENEFIT. THEY ARE INDEPENDENTLY TESTED TO ASSURE OPTIMUM COMFORT AND PRESSURE RELIEF





and certified for their world-class quality. This alliance has added 18 SKUs to the shelf-space of the VIVA network and allied distributors.

India is emerging as one of the world's fastest-growing baby care markets catalysed by India's large young and working-age population. Besides, the estimated birth rate in India by 2011 will be 20.97/1,000.

Even in a tough post recessionary scenario, the industry continued to report strong year-on-year growth. Our projections indicate that the industry will continue to experience strong traction and a CAGR of 11.3% during 2010-13.

## QNT

Quality Nutrition Technology (QNT), a privately-owned company headquartered in Brussels, Belgium (Europe), is recognised as one of the premier nutrition supplement brands distributed in over 30 countries across Europe, the Middle East, Asia and North America.

Under a recent tie-up, Surya attained exclusive and permanent marketing rights for sports nutrition products and supplements in India. The alliance involves marketing 14 products (in multiple SKUs) on a pan-India basis through VIVA retail pharmacies, authorised distribution channels and

other modern retail pharmacies.

## PALMER'S

Surya entered into a marketing agreement with Palmer's, the number one cosmetics brand in its category in the US.

Having launched the revolutionary brand Palmer's Cocoa Butter Formula™, Palmer's expanded its product basket to include brands namely Skin Success, Shea Butter Formula, Olive Butter Formula, Coconut Oil Formula, Olive Oil Formula and Hair Success. This provides Palmer's a strong presence in important market segments such as skin care, pregnancy, skin fade care and hair care. Palmer's products are available in over 80 countries. Surya will market the entire Palmer's skin and cosmetic product range through its OTC and FMCG divisions.

## OWN BRANDS

### FastAid

The FastAid brand is an innovative and empowering platform for self-prescribed medications and medicines and self-application of surgical cotton and dressing at the scene of distress to provide quick relief in an emergency before a doctor arrives.

FastAid is the first branded emergency first-aid kit in India. Its USP is the high

quality and safety of its products, ergonomic packaging, portability quotient and ease of use for the entire family. The other products of FastAid include cotton balls, cotton buds, bandages and antiseptic lotion.

FastAid is an umbrella Surya brand of OTC medicines available pan-India through traditional and modern trade, particularly through the VIVA chain of pharmacy and wellness stores.

## BASICS

The Basics brand caters to the theme 'Back to the Basics', wherein the daily physical wear and tear of the skin, hair, eyes, arms, feet and various body parts creates a need for special conditioning, nourishment and protection. The products launched under Basics include Facewash in variants of orange, neem and lemon, and Face Scrub in variants of apricot and neem.

The psyche map of Basics includes qualities like beautiful, agreeable, sparkling, ignited, colorful and savvy. The Basics brand comprises a product portfolio in skincare, hair care and body care from Surya for all Indian consumers through traditional and modern trade outlets, particularly the VIVA chain of pharmacy and wellness stores.

# CREATING SHELF SPACE

SURYA IS AMONG THE TOP FOUR BRANDS IN THE ORGANISED RETAIL PHARMACY SPACE WITH 186 OUTLETS IN NORTH, WEST AND SOUTH INDIA.

## HIGHLIGHTS, 2010-11

■ Surya Healthcare Ltd acquired Medimart India Pvt. Ltd., possessing a 42-store retail pharmacy network across Hyderabad, for an investment of ₹10.50 crore. Medimart generated a topline of about ₹11 crore in 2010-11. This acquisition gives Surya an immediate entry into the Hyderabad market (from the pharmacy point of view) with an entry point into South India.

■ Surya added 88 VIVA stores in 2010-11 across five states and 22 cities, marking its entry into Delhi, Gurgaon, Ghaziabad, Noida, Chandigarh, Panchkula, Mohali, Ludhiana, Patiala, Zirakpur, Rajpura, Jalandhar, Amritsar, Ambala, Kalka, Pinjore, Karnal, Kurukshetra, Panipat, Sonapat and Mumbai.

## OVERVIEW

VIVA is a pharmacy retail brand of Surya Pharmaceutical. VIVA was established in 2009 under its wholly-owned subsidiary Surya Healthcare Ltd with an objective to achieve a dominant position in the health and wellness retail space.

## NETWORK

Surya Healthcare possesses a combination of formats from pure pharmacies to large formats with medicines, FMCG, health and prevention products as its core offering along with value-added services in context to consumers' buying behaviour. This strategy will facilitate critical mass, economies of scale and extend the Company's reach to local and premium neighborhoods. This will allow the Company to achieve a dominant

position in the healthcare retail space.

The network comprised outlets in three distinct formats namely large, mid and express in offering products and services for individuals as well as society.

As of August 2011, the VIVA and Medimart network comprises 186 outlets covering six states and 22 cities across India and is the fastest growing Indian Pharmacy retail network chain.

## COMPETITIVE ADVANTAGE

All stores possess an attractive, easy-to-locate layout and convenient 'touch and feel' displays designed to maximise visual appeal. All outlets are centrally air-conditioned and stringently follow 'cold chain' requirements – of maintaining specific temperatures for specialised medicines, vaccinations and

FASTAID IS THE FIRST  
BRANDED EMERGENCY  
FIRST-AID KIT IN INDIA. ITS  
U.S.P. IS A HIGH QUALITY  
AND SAFETY, ERGONOMIC  
PACKAGING, PORTABILITY  
QUOTIENT AND EASE OF  
USE FOR THE ENTIRE  
FAMILY.





VIVA IS PROJECTED  
TO GROW TO  
**1400**  
OUTLETS IN THE  
NEXT THREE YEARS

injections.

The retail operation's core competence lies in offering genuine medicines and managing a robust technology-enabled front end and back end with a strong supply chain to meet customer requirements.

#### HUMAN CAPITAL

A team comprising 1,350+ efficient and experienced professionals manage the day-to-day operations of this exponentially growing retail network. Licensed pharmacists and informed customer care executives address customer queries and assist them in the buying process providing an experience that matches the best global standards. As a result, VIVA serves more than 300,000 customers every month.

#### ATTRACTIVE ADD-ONS

The stores offer a unique Loyalty Points Programme for regular visitors and a special Loyalty Card for senior citizens with balanced benefits of health and wellness needs. As a card member,

customers get access to home delivery of products (with a valid prescription), access to points-based programme, which allows them to collect regular points redeemable for various in-store benefits. Additionally, customers can avail of free consultation with a physician and benefits from healthcare partners. Currently there are more than 150,000 customers under the various loyalty programme schemes of the Company.

VIVA also organises regular free healthcare camps wherein patients – undergo free health tests such as blood sugar level, blood pressure and body mass index. Patients are provided free consultation by dental experts, cardiologists, diabetologists, orthopedicians and general physicians.

#### GOAL

VIVA is projected to grow into the number one brand in pharmacy retail in three years with more than 1,400 operational outlets pan-India.

#### THE PHARMACY RETAIL OPPORTUNITY

India's Pharmacy retail industry is estimated at ₹35,000-37,000 crore a year with predominant contribution from the unorganised sector. Modern trade pharmacies contribute just about 3% of the industry's retail revenues: the management sees this share increasing to almost 10% in the next five years.

SAY YES TO LIFE INTEGRATED HEALTH CENTERS  
PATANJALI AYURVEDA TOUCH AND FEEL' DISPLAYS





# MANAGEMENT DISCUSSION AND ANALYSIS

## ECONOMIC REVIEW

**Global economic overview:** The global economy rebounded with 5.1% growth in 2010 against (0.5%) in 2009, facilitated by strong private consumption in advanced economies, private demand, accommodative policy stances and resurgent capital inflows in emerging economies.

Pockets of vulnerability persisted; real estate markets and household income remained weak in some major advanced economies. Financial turbulence re-emerged in the periphery of the Euro area in the last quarter of 2010. One key difference was the limited financial

market spillover to other countries.

Natural global disasters posed a significant challenge for global economic growth, taking a massive toll on human life and wealth. Political turmoil in the Middle East and North Africa contributed to a modest deceleration in global industrial production and trade.

**Indian economic overview:** India retained its position as the second fastest-growing nation with 8.5% growth in 2010-11. The highlight was robust agricultural sector growth at 5.4% in 2010-11 against 0.4% growth in 2009-10.

Even as macroeconomic numbers remained robust, they were marked by volatility, primarily driven by global clues and policy responses to address inflation.

Headline inflation witnessed a relentless rise in 2010-11. Despite government intervention through large scale monetary policy tightening, inflation continued to remain close to the double digit mark. Rising inflation and moderate demand are expected to limit India's economic growth below 8% in 2011-12.

| SNAPSHOT   |         |         |
|--|---------|---------|
|  | 2010-11 | 2009-10 |
| Agriculture, forestry and fishing                  | 5.4%    | 0.4%    |
| Mining and quarrying                               | 6.2%    | 6.9%    |
| Manufacturing                                      | 8.8%    | 8.8%    |
| Electricity, gas and water supply                  | 5.1%    | 6.4%    |
| Construction                                       | 8.0%    | 7.0%    |
| Trade, hotels, transport and communication         | 11.0%   | 9.7%    |
| Financing, insurance, realty and business services | 10.6%   | 9.2%    |
| Community, social and personal services            | 5.7%    | 11.8%   |

(Source: Prime Minister's Economic Advisory Council, PMEAC)

## INDUSTRY REVIEW AND OPPORTUNITIES

### A) THE PHARMACEUTICAL INDUSTRY

#### ■ Global pharmaceutical sector

The global pharmaceutical market is expected to grow 5-7% in 2011 (4-5% in 2010) and reach US\$ 880 billion. The market is expected to grow at a 4-7% CAGR till 2013 to US\$ 975 billion. Growing economies with several innovative treatment options will contribute significantly towards this growth as against developed markets, which face constraints like major patent expiries and payer mechanisms that limit drug spending.

The 17 emerging pharmaceutical countries are expected to record a growth of 15-17% in 2011 to reach US\$ 170-180 billion, with China growing 25-27% into a market worth US\$ 50 billion. This growth will be boosted by increased government

expenditure on healthcare and broader private healthcare funding.

The Asia-Pacific market will grow at a CAGR of 12.6% during 2010-12, owing to increased R&D activities in the region, low costs and a favourable regulatory environment.

Among the developed countries, Japan is likely to grow 5-7%. The US is likely to remain the single largest market with a growth of 3-5% to US\$ 320-330 billion. The five major European markets (Germany, France, Italy, Spain and the U.K.) will collectively grow at 1-3% [Source: IMS Health].

#### Long term

The global pharmaceutical market is expected to become increasingly genericised. Over US\$ 267 billion of sales are exposed to patent expirations in 2011-16 and as a result, the expected loss of sales will be

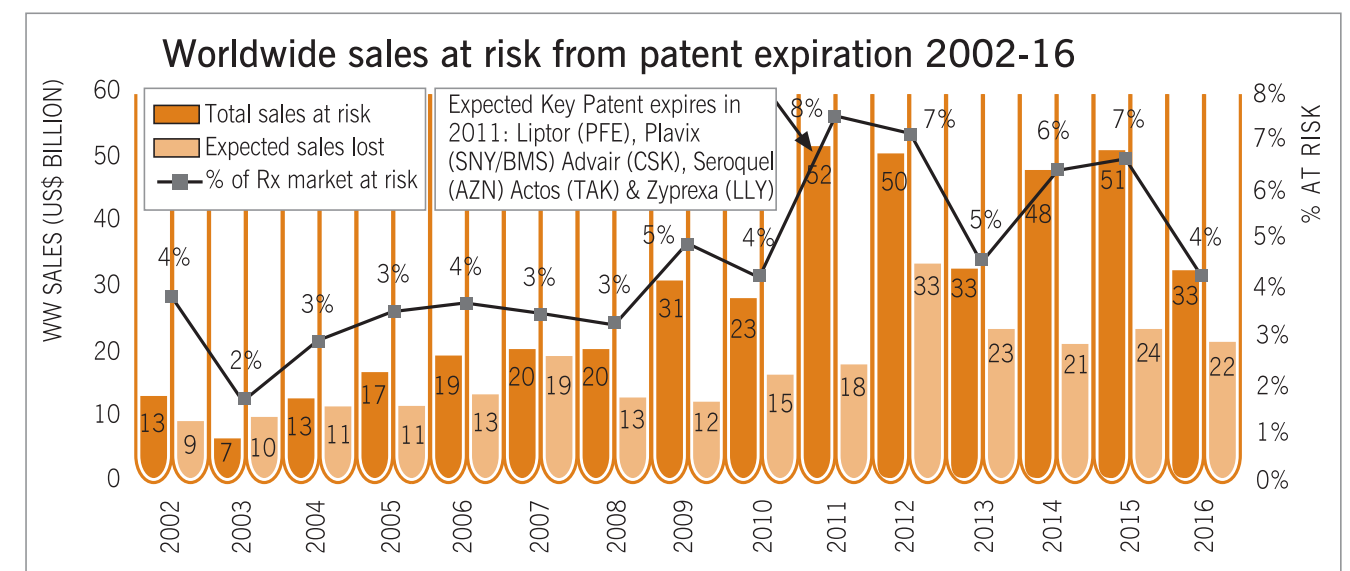
US\$ 141 billion.

Interestingly, the US market is approaching a patent cliff where branded is expected to decline significantly due to the following reasons:

- Significant R&D expenses not translating into an increasing number of product launches
- Increasing regulation focused on safety and cost-effectiveness

This is expected to increase competition from players in emerging markets and big pharmaceutical companies involved in generics.

Estimates suggest that global pharmaceutical R&D spend is expected to grow 2.3% (CAGR 2009-16) to US\$ 145 billion by 2016 leading to a robust product pipeline of new generation products.



## ■ Indian pharmaceutical sector

There are more than 5,000 Indian pharmaceutical firms employing about 3,40,000 people, with around 1,000 pharmaceutical plants having the World Health Organisation's seal of current good manufacturing practices (cGMP). The pharmaceutical industry is also one of India's most innovative industries in terms of R&D spending and the number of patents granted in India and abroad.

The Indian pharmaceutical industry ranks third by drug volume (10% of global share) and 14th by value -- about US\$ 24.8 billion (3% of global sales). The industry is growing at around 1.5-1.6 times the country's GDP growth (Source: Financial Express). The Indian pharmaceutical industry's growth was propelled primarily by exports, expanding 18.7% CAGR to US\$ 9 billion in 2009-10 (2005-2010). During the same period, the domestic market grew at 13.5% CAGR to US\$ 13.8 billion.

India has the highest number of FDA-approved production facilities in the world outside the US and possesses 25% of the drug master files (DMFs) with the U.S. Food and Drug Administration.

**Bulk drugs/APIs:** In India, the bulk drug market, which grew at a CAGR of 18.5% during five years to reach US\$ 7.69 billion in 2010, is expected to grow to US\$ 16.91 billion by 2014 (Source: IMS Health). The Indian API segment is fragmented, with top 10 companies constituting 44% of the market. About 30% of the bulk drugs manufactured in India are for domestic consumption.

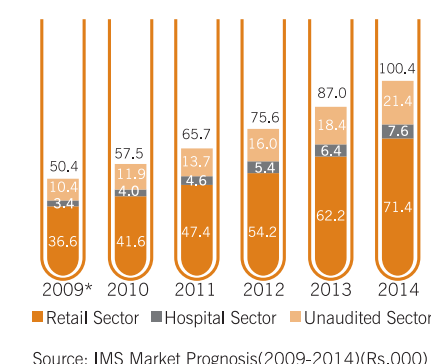
According to the World Health Organisation and Pharmexcil, more than 90% of API approvals for anti-retroviral drugs, anti-tubercular and anti-malarials are granted to India, out of a total of 4,942 pre-qualified approvals granted by WHO to 12 countries in 2009.

**Generics:** India accounts for about 25% of the world's generic drug production and is ranked third in the global generics market behind the US and China. It accounts for nearly 6% of the global generics markets. Branded generics represent the single largest segment in the generics segment. Hence, doctors will remain key influencing factors leading to the growth of branded generics in India.

According to FICCI, India and China are set to dominate the global generics (off-patent drugs) market as low manufacturing and R&D costs will prompt key global pharma players to look east.

**Exports:** India's pharmaceutical exports grew 16% from US\$ 8,878.27 million in 2009-10 to US\$ 10,300 million in 2010-11. Indian pharmaceutical products are exported to more than 65 countries. The US has consistently been its biggest market.

## INDIAN PHARMACEUTICAL MARKET



### LIFESTYLE AT A COST

India could lose around US\$ 236.6 billion of its national income to diabetes and cardiovascular disease between 2005 and 2015 as per a World Health Organisation projection.

### INDIA, A GLOBAL PLAYER

About 70% of patients in 87 developing countries receive medicines from India, as distributed by the United Nations Childrens Fund, International Dispensary Association, Global Fund and Clinton Foundation.

**Research and development:** India's R&D investments have been low -- at 0.9% of India's GDP over the past few years. Of this, 0.61% comprises the government's R&D investment, which grew consistently in the past years. The current total target for R&D as a share of GDP is 1.2% by 2012. To achieve this target, the government announced the following favourable policies:

- In the Union Budget 2010-11, the weighted deduction on in-house R&D increased to 200% from 150%, which is likely to reduce the tax liability of drug companies.
- The government plans to create a pharma fund of ₹3,000 crore to promote innovative research and development in drug discovery. The proposed fund will focus on key areas such as biologics, among others.

**Pharmacy retail:** Organised retail chains account for around 3% of total pharmacy sales. The market is highly fragmented with more than 800,000 chemists and 50,000 stockists distributing formulations pan-India. Sizeable investments are expected in this segment from corporates like Apollo Hospitals and Fortis Hospitals. Additionally, the entry of large retail chains, namely, Big Bazaar, Hypercity and Spencers in pharmaceutical products retail is expected to grow the organised retail share to 10% of the market size by 2015.

## GROWTH DRIVERS OF THE PHARMACEUTICAL SECTOR

**Population growth:** Population growth will translate into additional demand for

medicine. India's population is expected to increase at a CAGR of 1.4% to 1.26 billion by 2026.

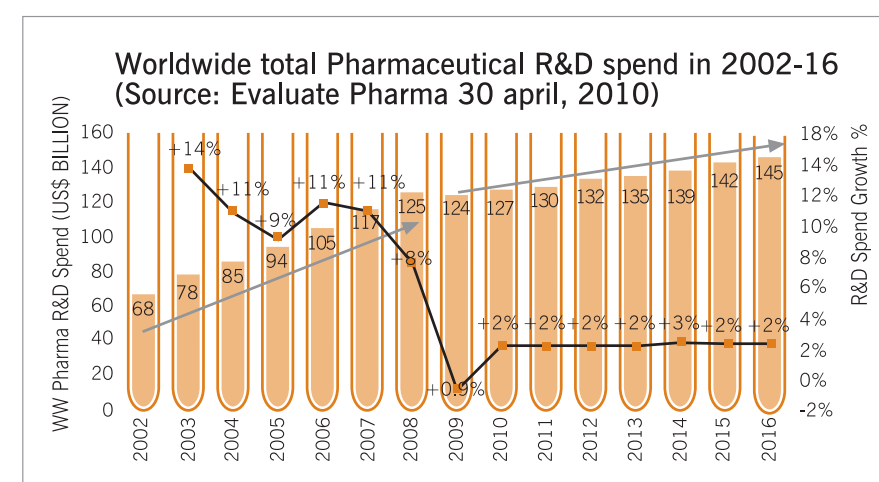
**Demographics:** The working age group population (30-60 years) is expected to increase from 32% in 2007 to 36% in 2026, resulting in an uptrend in lifestyle diseases. Besides, India's ageing population (>60 years) is likely to increase from 7.5% in 2007 to 9% in 2026.

**Urbanisation:** The shift towards a city lifestyle is expected to increase significantly over the next two decades. By 2030:

- 590 million people will live in cities, nearly twice the population of the United States currently
- 91 million urban households will be middle-class, up from 22 million currently
- 68 cities will have a population of 1 million-plus, up from 42 currently.

Urban population is more prone to lifestyle diseases owing to improper eating habits and lack of physical activity in their daily schedule, fuelling medicinal demand.

**Per capita income:** According to McKinsey Global Institute, the number of households with incomes above US\$ 5,000 per annum (middle-class and above) is expected to increase at a CAGR of 18.8% from 14.4 million to 63.8 million by 2015. The population of households with an income range between US\$ 2,250 and US\$ 5,000 per annum will stand at 106 million. Increased income will enhance an access to medicinal remedies.



## INDIA'S EXPORTS OF DRUGS AND PHARMACEUTICALS

| Year    | US\$ million |
|---------|--------------|
| 2007-08 | 7,644.05     |
| 2008-09 | 8,802.64     |
| 2009-10 | 8,878.27     |
| 2010-11 | 10,300.00    |

**Healthcare insurance:** The health insurance market represents one the fastest growing and second-largest non-life insurance segment. This growth is accelerated by favourable government policies: the Rashtriya Swasthya Bima Yojna (RSBY), a health insurance scheme launched in April 2008, will provide health insurance coverage to about 30 crore individuals below-the-poverty-line (BPL) by 2012-13. The Indian health insurance market is expected to grow at a CAGR of over

25% from 2009-10 to 2013-14.

**Medical tourism:** India will account for a 3% share in the global medical tourism industry by 2013, generating revenues of US\$ 3 billion, growing at a CAGR of around 26% during 2011–2013. During this period, the number of medical tourists are expected to grow at a CAGR of over 19% to 1.3 million.

#### CREDIBLE ESTIMATES

■ India and China are expected to propel the global pharma market to US\$

1.1 trillion by 2014 [Source: *Money Control*].

■ The Indian pharmaceutical industry is expected to record a compound annual growth rate (CAGR) of 14.2% to US\$ 50 billion by 2015-16.

■ By 2015, India is expected to rank among the top 10 global pharmaceutical markets, with the industry growing at around 1.6 times the country's GDP growth (Source: *The Financial Express*).

biology skills to facilitate early stage discovery.

The Indian contract research industry grew at a 65% CAGR (2007-10) to around US\$ 1.5 billion in 2010, outpacing the 15% growth in the global contract research market over the same period (the global market stood at US\$ 25 billion in 2010).

Contract manufacturing operations are the largest contributors (more than

60%) to CRAMS earnings. India has earned the reputation of being a master at value-engineering products similar to patented products in a non-infringing manner, strengthening its expertise to challenge patents in the US FDA, which was perceived as a threat to global companies. However, the Indian Patent Protection Amendment Act 2005 addresses these threats and opens larger opportunities for contract research operations from regulated markets.

The global outsourcing business will witness a major shift from North American and European markets to Asia (mainly India and China), given the low R&D productivity and intense pressure on global innovators to catalyse growth. India is on the threshold of a big opportunity, with its market share in the global contract manufacturing business likely to more than double to 7% by 2012, indicating better prospects for established CRAMS players.

## B) MINT/MENTHOL SEGMENT

India produces about 75-80% of the world's mentha oil production, the balance contributed by China, Brazil and the US.

Mentha oil is used for making mint products, namely mint oils, menthol

crystals and menthol powder. In India, about 32.5 million kgs mentha leaves are farmed across 1,25,000 hectares. The domestic demand for mentha oil is about 8,000-10,000 tonnes, whereas exports account for 18,000-22,000 tonnes, growing by 10-12% annually.

Export of mint products is increasing,

covering menthol powder, flakes, crystals and mint oils. Menthol powder is the single largest exported product group.

In 2010-11, Indian exports of mint products increased significantly, largely owing to a resurgence in demand from the US and Europe.

## C) CRAMS BUSINESS

### 1) Global CRAMs opportunity

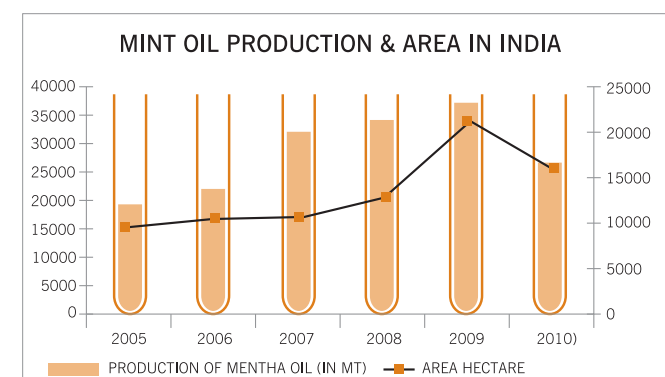
The global pharmaceutical outsourcing market is estimated at US\$ 67 billion in 2010 and was expected to grow at a 14% CAGR (2007–2012) to US\$ 85 billion by 2012.

### 2) Indian CRAMs sector

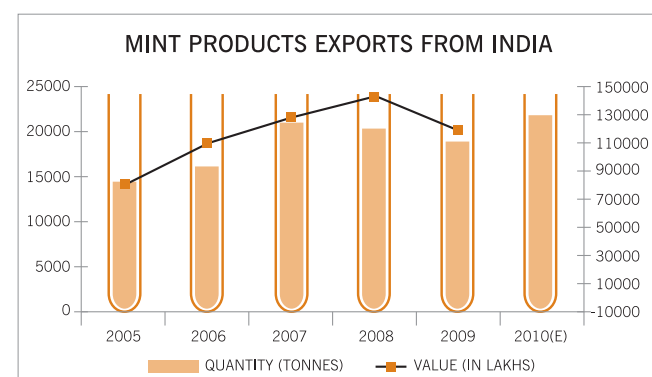
The CRAMs opportunity in India is large as US companies have reduced their R&D expenditure in the recent past. These companies are outsourcing their R&D, primarily to reduce their operating expenses and move to low-cost

destinations like China and India that possess high chemistry skills.

The Indian pharmaceutical companies are capable of providing late stage discovery (research chemistry) and drug development services. However, they are in the process of building research



Source: www.Ficciagroindia.Com, trade sources

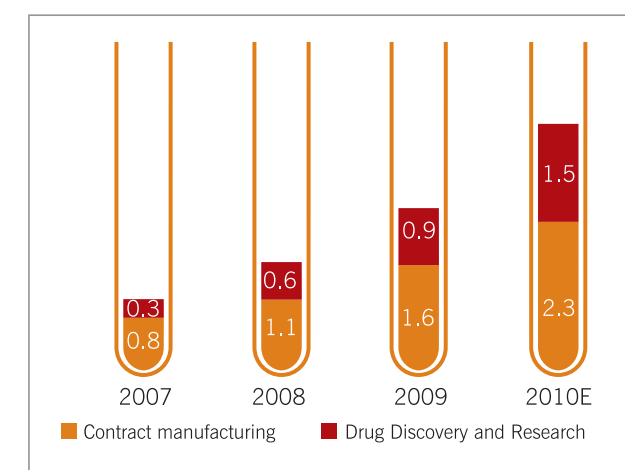


Source: Spice Board of India

## KEY GLOBAL GROWTH DRIVERS

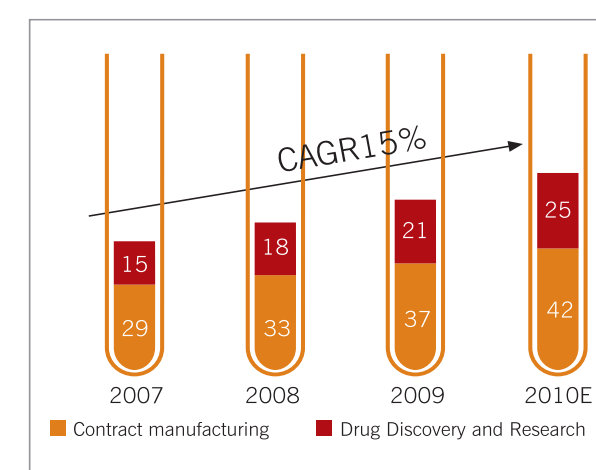
|                                    |  |
|------------------------------------|--|
| Patent expiries                    | <p>■ Expected sales lost in 2002-10 due to patent expiries were US\$ 114 billion while in coming years 2011-16, the expected sales lost will be US\$ 141 billion</p> <p>■ New launches not enough to justify loss of existing blockbuster drugs going off-patent</p>                   |
| Falling R&D productivity           | <p>■ Sales generated by new approvals have seen declining trends over the last few years despite an increase in R&amp;D budgets</p> <p>■ Average R&amp;D cost increased to US\$ 1.3 billion per NME; rising intolerance to side effects of new drugs reduces research productivity</p> |
| Focus on generics/branded generics | <p>■ Increasing role of generics in developed countries by insurance and healthcare providers</p> <p>■ Foray into the branded generics segment of emerging markets to boost dwindling global revenues and profitability</p>  |
| Cost pressures                     | <p>■ Falling R&amp;D productivity coupled with pricing pressure led to margin contraction</p> <p>■ Increase in raw material and wage inflation to further impact bottomline</p>  |

## INDIAN CRAMS MARKET (US\$ BILLION)



Source: ICRA report (June 2011)

## GLOBAL CRAMS MARKET (US\$ BILLION)





# BUSINESS OPERATIONS

ANTIBIOTICS APIS NEW GENERATION BUSINESSES LIKE  
GRAMS SOLUTIONS 80 COUNTRIES DEVELOPING AND MARKETING OWN BRANDS  
GROSS SALES INCREASED 16.4%  
PHYTO-PHARMACEUTICALS  
JAMMU  
KOREAN FDA  
BADDI  
ACTIVE PHARMACEUTICAL INGREDIENTS (APIS)  
CONSUMER  
PRODUCTS  
FINISHED DOSAGE FORMS BANUR

Surya Pharmaceutical Ltd is not only recording impressive growth in sales and profits, but is undergoing a makeover from conventional businesses that manufacture (antibiotic APIs, finished dosage forms, menthol and mint derivatives, phyto-pharmaceuticals), market domestically and abroad and offer CRAMs solutions to new generation businesses that also develop and market own medicine, OTC and consumer product brands.



## BUSINESS DIVISION

# ACTIVE PHARMACEUTICAL INGREDIENTS (APIS) AND FINISHED DOSAGE FORMS

## HIGHLIGHTS

- Gross sales increased 16.4% from ₹741.9 crore in 2009-10 to ₹863.4 crore in 2010-11.
- Exports grew 34.5% from ₹225.5 crore in 2009-10 to ₹303.22 crore in 2010-11
- The division received Drug Master file approvals for Cefaclor from the Korean FDA and for Cefaclor and CPDP from Turkey opening a sizeable opportunity.

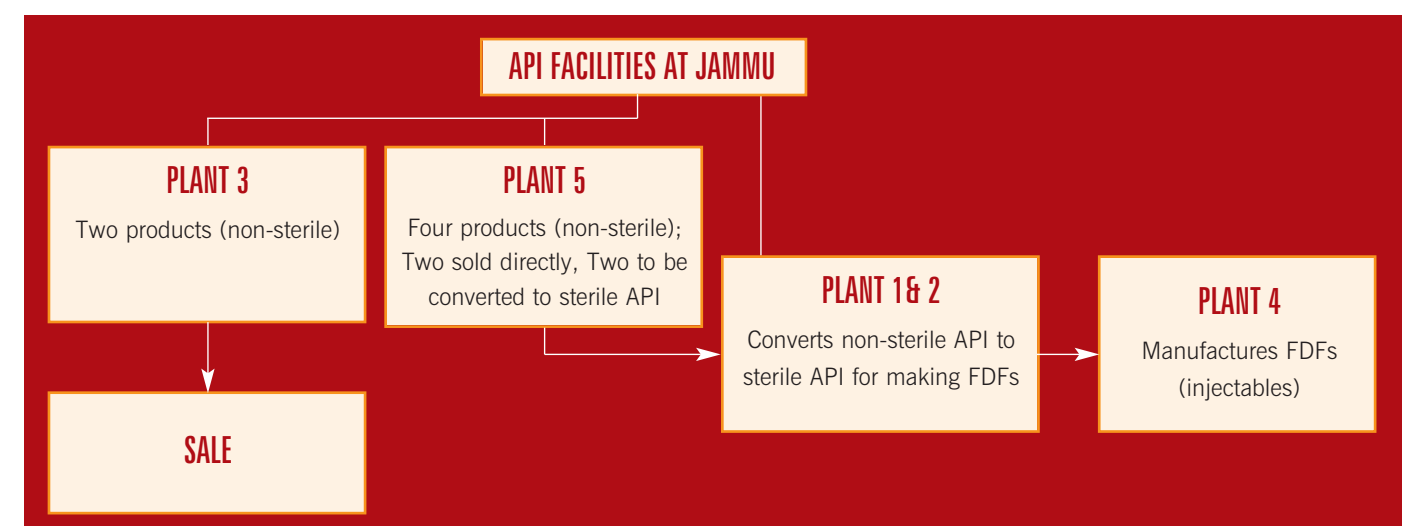
## OVERVIEW

- SuryaLife, the Pharmaceutical division, is predominantly an antibiotics and herbal API manufacturer in addition to making finished dosage forms; the business segment contributes about

53% to the Company's topline.

- Its products are manufactured at three facilities, namely Banur, Baddi and Jammu, with a manufacturing capacity of 3,112 tonnes. The fourth facility at Panchkula is an R&D facility.
- The units manufacture more than 40 products and intermediates in beta-lactams, cephalosporins and carbapenems.
- The Company's products find acceptance among more than 600 customers – domestic and international; some of its marquee clients include Biesterfeld, Indoco, Glaxo Smithkline, Zydus, Cipla, FDC and Ranbaxy; about 150 customers source more than a single product.

- The Company invested more than ₹50 crore in two years to modernise and upgrade the Banur facility, benchmarking it with the requirements of global regulatory authorities.
- The Company invested ₹320 crore in setting up the Jammu facility in line with USFDA standards comprising five operating units (sterile and non-sterile APIs and sterile formulations).
- This state-of-the-art facility houses imported equipment with complete automation, and is capable of clearing international regulatory audits.



CORE COMPETENCE

- Ranked among the top five in India in Beta lactams and oral Cephalosporins range of anti-infectives.
- Achieved segment domination and cost leadership in oral, crystalline, non-sterile Beta lactams and Carbapenems.
- Manufactures 90% of the intermediates used to make APIs, strengthening its competitive edge – the in-house process provides complete

control on product quality, consistency and cost; additionally, marketing intermediates allows the Company a toe-hold in global markets before regulatory clearances are received.

- Skilled scientists and state-of-the-art R&D facilities provide a product pipelines; quality assurance initiatives improve plant utilisation.
- Benchmarked multiple plants to international standards; provides the

flexibility to cater to shift products between operating units to capitalise on opportunities.

- Greater emphasis on regulatory which will positively impact sales and margins.
- Stabilised the marketing team, strengthening client confidence; adopted a region-centric marketing approach with dedicated teams for each region, allowing for a better conversion of opportunities into business realities.

modules and undertaking certain processes in isolation

- Introduced the spray drying facility for developing amorphous product variants, strengthening the value-addition quotient
- Created oxygen-generating units to replace liquid oxygen in the ozonator
- Invested in large warehouses which are cGMP-compliant to store material in a controlled environment
- Added a refrigeration unit which eliminated liquid nitrogen purchases for cryogenic reaction optimising manufacturing costs
- Altered refrigeration plant operations, which eliminated the need for a pump, saving electricity
- Reduced boiler and the compressed air pressure, optimising energy consumption

At the shop floor, Jammu

- Commissioned Plant 3 and Plant 5 dedicated to non-sterile APIs; commissioned Plant 4 (manufacturing sterile FDFs) by outsourcing inputs
- Commenced manufacture of 10 products at the Jammu API plant
- Transferred four products from the Banur facility to the Jammu API plant

2) Market place

- Expanded domestic base by about 45-50 customers in 2010-11.
- Showcased products and capabilities in CPHI Europe, CPHI China and CPHI India, the biggest exhibition for the pharmaceutical sector (especially APIs).
- Global footprint extended across 80+ nations as on March 31, 2011.

ROAD AHEAD

- Commercialise three APIs in the herbal segment – colchicine, quinine sulphate and thiocolchicoside.
- Commence work on creating an API manufacturing facility near Chandigarh for non-antibiotic APIs.
- Stabilise operations at the Jammu facility; add about 5-6 products to the Jammu units; obtain USFDA and other international regulatory approvals for the unit.
- Capitalise on opportunities emerging from the KFDA approval; increase supplies to large domestic pharmaceutical companies following their approval of our plant, processes and products.

KEY INITIATIVES

1) At the shop floor, Baddi

- Increased manufacturing capacity by about 20% for some products by connecting a DEX system in the new 8KL reactor
- Added product-wise partitions to avoid cross contamination and process isolation
- Introduced new SS tray dryers for drawing facility for the Cloxa section

- Invested in sophisticated microbiology laboratory equipped with best-in-class facilities
- Invested in warehouses covering 1,213 sq. mtr. (G+2) for material storage in a controlled environment (cGMP and WHO GMP-compliant)
- Replaced the small capacity DG set with a new 1,000 KVA DG set, strengthening in-house power generation capability

- Installed a new DEX system to optimise production costs
  - Added one GC In Quality Control Lab
- At the shop floor, Banur
- Developed alternative processes for 5-6 products, reducing manufacturing cycle time and costs
  - Increased manufacturing capacity by about 30-40% for some products by de-bottlenecking operations, adding

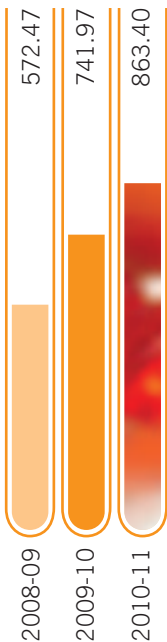
OPERATIONS SNAPSHOT

| Location  | Certifications   | Capacity  |
|-----------|--|-----------|
| Baddi     | ISO:9000; GMP  | 1,680 TPA |
| Banur     | ISO 9000-2008, GMP, KFDA approved and R&D approved by DSIR | 660 TPA   |
| Jammu     | USFDA compliant  | 772 TPA   |
| Panchkula | R&D approved by DSIR                                       | R&D       |

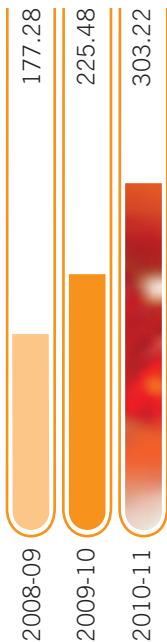
SUCCESSFUL AUDIT

The Banur facility was successfully audited by Ranbaxy and is expected to generate revenues from 2011-12.

REVENUE  
(₹ crore)



EXPORTS  
(₹ crore)



DOMESTIC SALES  
(₹ crore)



SURYALIFE - FINISHED DOSAGE FORMS

HIGHLIGHTS

- The Baddi 87 formulation unit was successfully inspected by WHO GMP, facilitating entry into global markets.
- Endorsed an agreement with a leading Indian pharmaceutical major to manufacture five generic Beta lactam products which will gradually be scaled to 16 dosage forms
- Received the first bulk overseas order, creating a global entry.

OVERVIEW

Surya Pharmaceutical Ltd has a formulations presence in two manufacturing locations, Baddi and

Jammu. The Company has a state-of-the-art formulations facility at Baddi with a capacity to manufacture 972 million capsules, 630 million tablets and 18 million bottles of dry powder. It was successfully audited by the Central Drug Authority, as per WHO norms.

The Company entered the injectables space with the commissioning of its injectable unit (Plant 4) at Jammu, equipped with an automated filling line imported from Mekafor, Italy, among the leading global pharmaceutical equipment manufacturers.

KEY INITIATIVES

- Commissioned the third and fourth plants at Jammu; this state-of-the-art facility complies with USFDA standards and will cater to regulated markets, like the US and Europe.
- Commenced operations at the injectables unit at Jammu, utilising outsourced APIs; produced vials which are being validated.

ROAD AHEAD

- Launch about 50 products including injectable formulations from the Jammu facility.
- Establish a strong presence in the injectables sphere.



BUSINESS DIVISION

# MENTHOL AND MINT DERIVATIVES

HIGHLIGHTS

- Increased gross sales of menthol and mint derivatives by 82% from ₹414.7 crore in 2009-10 to ₹755 crore in 2010-11
- Increased export of menthol and mint derivatives by 21% from ₹153.5 crore to ₹185.7 crore
- Added large domestic customers like Emami and Dabur and international customers like Colgate Palmolive, A.M. Todd, Frutorm.

OVERVIEW

Surya, with 18 years of hands-on experience in the chemical synthesis of Beta lactams and Cephalosporins, mastered herbal processing and successfully emerged as one of India's leading player in menthol and mint products within four years of initiating this business vertical.

Surya is India's second-largest exporter of menthol; its products are exported to 90 countries, especially regulated markets like the US, Europe and other markets as per USFDA certification,

Halal certification, and ISO 22000-2005. This division accounts for about 46% of the Company's turnover.

The Company has two manufacturing facilities for menthol products – one at Jharimajra, Baddi for menthol and its derivatives and another at Banur for processing Demethylated Oil.

The Company manufactures about 15+ derivatives; menthol flakes and crystals are sold in bulk to tobacco, chewing gum, *gutka*, confectionaries and oral hygiene players.



COMPETITIVE ADVANTAGE

**Proximity:** The Company's facility is located in Baddi (North India), proximate to the mentha leaf cultivation area.

**Position:** The Company is the second-largest Indian exporter of menthol and its derivatives – a position that draws menthol users, to the corporate brand.

**Products:** The Company's large product portfolio enables it to capitalise on growth opportunities from diverse user segments.

**Certification:** The Company's facilities have been awarded the USFDA registration, which allows them to market products to regulated markets and cater to the large global flavour and fragrance companies.

**Acceptance:** The Company's huge client list and expansive global presence de-risks it from an excessive dependence on a single client or geography.

KEY INITIATIVES

- Initiated the marketing of cis-3-Hexenol, a high value-added product to domestic and international clients.
- Commenced production of methyl acetate at one of the facilities.
- Adopted the policy of taking orders that provide long-term revenue visibility – this enabled better planning and efficient capacity sweating.
- Filed for regulatory clearance in Europe for menthol products.
- Improved operational parameters at the Banur facility, reducing process loss by about 200 basis points.

ROAD AHEAD

The Company has drawn a blueprint for doubling capacity of menthol and derivatives, which should commence operations by 2013-14.

PRODUCT MATRIX

| Product          | Capacity (MT) |
|------------------|---------------|
| Mentha oil       | 12,000        |
| Menthol crystals | 3,600         |
| Menthol powder   | 4,500         |
| Dementholised    |               |
| Peppermint oil   | 2,800         |
| Essential oils   | –             |
| Other products   | –             |

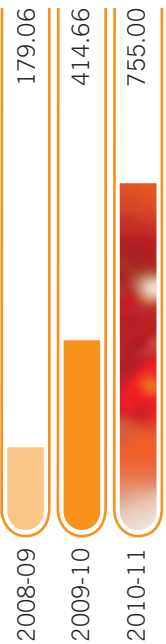
VARIEGATED USES OF MENTHOL AND MINT PRODUCTS

| Product         | Uses  |
|-----------------|---|
| Oral            | Toothpaste, mouthwashes and oral sprays   |
| Pharmaceutical  | Drugs, compresses, medicated oils, analgesic balms and rubbing alcohol                            |
| Confectionery   | Chewing gum, hard candies, cough drops, lozenges and licorice                                     |
| Tobacco         | Regular cigarettes, menthol cigarettes, pipe tobacco and chewing tobacco                          |
| Perfumed        | Lotions, shaving lotions, handkerchiefs, footsprays, shampoos, refreshing towels and cooling gels |
| Peppermint oils |   |

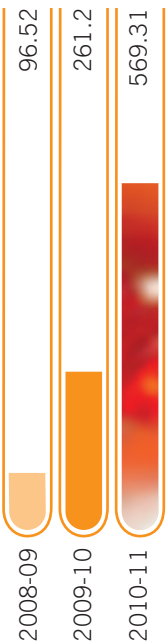
SUCCESSFUL AUDIT

Lamivudine, an anti-retroviral product, consumes a large amount of menthol – 1 tonne of Lamivudine requires 1 tonne of menthol. This product is a must for all HIV-positive patients with a huge market in Africa and Latin America.

REVENUE  
(₹ crore)



DOMESTIC SALES  
(₹ crore)



EXPORTS  
(₹ crore)





BUSINESS DIVISION

FORMULATIONS MARKETING  
ETHICAL AND GENERIC

OVERVIEW

The Company divided its formulations marketing into two divisions – ethical formulations division (Alexus) and the generic formulations divisions (Aegis). These divisions cumulatively manage

232 SKUs, which are marketed by a 600+ salesforce with pan-India distribution. The business vertical's contribution was miniscule in 2010-11 – 1% of the Company's net sales; this share is expected to grow.

Altair is the diagnostic and medical equipment division with three products (five SKUs) namely BP-alert monitors, fever-alert, gluco-alerts and gluco-alert strips.

MARKETING SETUP

| Name   | Product category                         | Team   | Products  |
|--------|--|--|---|
| Alexus | Ethical formulation division             | 32 SKUs and 400+ marketing representatives pan-India distribution                          | Antibiotics, PPIs, cough and cold remedies, calcium and multi-vitamin supplements |
| Aegis  | Generic formulation division             | 200 SKUs pan-India distribution  | Anti-infectives, anti-allergics, NSAIDS and gastrointestinal                      |
| Adonia | Gynaecology focused formulation division | 15 SKUs and 200+ marketing representatives distribution across North, West and South India | Injectables, soft gels and tablets for feminine care                              |
| Altair | Diagnostic and medical equipment         | 5 SKUs pan-India distribution  | BP Monitor, glucometer and digital thermometer                                    |

ALEXUS - BLOCKBUSTERS IN THE MAKING

| Brand name | Therapy area      |
|------------|-------------------|
| FastAid    | Topical analgesic |
| Suryamox   | Antibiotic        |
| LMG        | Antibiotic        |
| Merycef    | Antibiotic        |
| Anticold   | Anti-flu          |

ADONIA - BLOCKBUSTERS IN THE MAKING

| Brand name | Therapy area     |
|------------|------------------|
| Dronia     | Musculo-skeletal |
| Aronia     | Supplements      |
| Adofert    | Supplements      |

AEGIS - BLOCKBUSTERS IN THE MAKING

| Brand name | Therapy area    |
|------------|-----------------|
| Suryamox   | Antibiotic      |
| Yaceff     | Antibiotic      |
| Aegicoff   | Anti-bronchitis |
| Proad      | Nutraceutical   |



**NEW DIVISION**

Surya launched a gynaecology-focused ethical division, Adonia; launched in May 2011 with 15 SKUs and 200+ marketing representatives across three Indian zones.

CORE COMPETENCE

**In-house APIs:** Internal API sources provide a consistent supply of quality inputs; this allows the team to develop novel therapies.

**Relationships:** Established brand awareness across more than 1,00,000 doctors over India and strong relationships with more than 60,000 stockists and chemists, facilitating seamless product distribution.

**Large team:** A strong marketing team comprising 500+ marketing representatives and more than 100 area managers enhance product availability.

**Robust front-end:** Organised retail through the VIVA network provides a robust marketing base.

KEY INITIATIVES

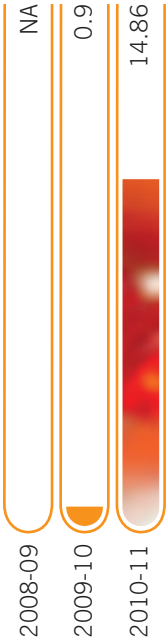
■ Launched Neoclonazone, a topical anti-bacterial/anti-fungal ointment under the Aegis division, catering to a market estimated at ₹200 crore and growing at 22% y-o-y.

- Launched Aegicoff (anti-cough preparation) and Aegicold (anti-cold preparation) syrups under the Aegis division.
- Established a pan-India presence for the ethical formulations business; launched new products including appetisers and PPIs, antibiotics (Agicin 100 mg, 250 mg and 500 mg), alkalisers (Rycitral), along with infusions including Metrogis, Yaflox and Aegicip in FFs packs.

ROAD AHEAD

- Launch the dermatology and neuro-psychiatry division in the current financial year.
- Establish a presence in high-growth therapeutic segments, namely respiratory, oncology neuropsychiatry, diabetology and cardiac care.
- The Altair division expects to add 10 new products in 2011-12.

REVENUE  
(₹ crore)



PRODUCTS  
(SKUs)



BUSINESS DIVISION

# CONSUMER PRODUCTS

HIGHLIGHTS

- Entered into an agreement with Crocs Footwear of exclusively retail and distribute of Crocs Rx medical footwear across India and SAARC countries.
- Acquired US-based over-the-counter (OTC) analgesic drug brand ActivOn; the deal provides global marketing rights. The deal also adds to the Company's portfolio, other brands, namely Preferon, FirstOn and RenewIn and global marketing rights (except the US) for HeadOn, another leading brand.
- Tied up with E.T. Browne Drug Co. to exclusively market and distribute of Palmer's, renowned for their premium beauty, skin and cosmetic range of cocoa butter-based products in India.
- Collaborated with Royal Industries Inc., Thailand to markete a new range of quality baby feeding products and accessories under the brand Nursa.
- Attained exclusive and permanent

marketing rights for sports nutrition products and supplements from QNT in India.

**OVERVIEW**

Surya's consumer product vertical is a recent addition. The business vertical is divided into three distinct divisions, which primarily deal in outsourced products marketed under the Surya brand. The product basket comprises diagnostic and medical equipment, OTC products and personal care and hygiene products. Additionally, this vertical will market products of global business partners namely CROCS, QNT, Palmer's and Nursa.

- The consumer products division was launched to address a variety of innovative healthcare and FMCG products for institutional and home use. The OTC products were launched under the registered trademark of FastAid.

- KEY INITIATIVES**
- Launched a new range of products under Basics which includes a range of face washes and face scrubs.
  - Introduced a novel first aid kit under the brand FastAid; separate formats were launched for vehicle, home, industrial and institutional use, addressing a wide customer base.
- ROAD AHEAD**
- About 50+ SKUs are expected to be launched in 2011-12, comprising a judicious mix of allopathic, herbal and ayurvedic products sourced from domestic and international partners.
  - Plan to launch products that address diabetes, cardiovascular, migraine, impaired immune and nervous system as well as hepatitis.



AVERAGE UNIT REALISATIONS INCREASED FROM RS 6,070 TO RS 6,500

INCREASED FOCUS ON EXPORTS OVER THE YEARS

ROBUSTNESS OF THE BUSINESS MODEL

GLOBAL ALLIANCES

ACQUIRED GLOBAL BRANDS

ECONOMY

ANALYSIS

EBIDTA

CORPORATE STRATEGY

NEW PRODUCTS GENERATED POSITIVE FEEDBACK

DEBT-EQUITY

SHAREHOLDER VALUE

EXISTING PRODUCTS ARE GAINING ACCEPTANCE

**ANALYSIS OF FINANCIAL STATEMENTS**

THE COMPANY REGISTERED ROBUST GROWTH IN 2010-11, WHEREIN PROFITABILITY ACCELERATED FASTER THAN THE 41%+ REVENUE GROWTH, VINDICATING THE EFFECTIVENESS OF STRATEGY AND BUSINESS MODEL.

THE HIGHLIGHT



SNAPSHOT

|             | 2010-11<br>(₹ crore) | 2009-10<br>(₹ crore) | % growth | Implication for the reader   |
|-------------|----------------------|----------------------|----------|--|
| Gross sales | 1,633.27             | 1,157.53             | 41.10    | Existing products are gaining acceptance; new products generated positive feedback |
| EBITDA      | 266.01               | 173.38               | 53.43    | Establishes the ability of the team to optimise costs                              |
| PBT         | 131.72               | 90.46                | 45.60    | Highlights the profitable business of the Company                                  |
| PAT         | 100.16               | 76.06                | 31.68    | Ability of the management to grow shareholder value                                |
| Cash profit | 133.48               | 96.24                | 38.69    | Liquidity enables the management to capitalise on opportunities                    |



THE HISTORICAL AVERAGE



INCOME ANALYSIS

**Total income**  
Total income (operating and non-operating) increased 45.03% from ₹1,167.15 crore in 2009-10 to ₹1,692.76 crore in 2010-11.

**Income from operating activities:**  
Operating income (gross sales) increased 41.10% from ₹1,157.53 crore in 2009-10 to ₹1,633.27 crore in 2010-11, owing to a strong growth in the Company's API and menthol businesses. Additionally, the formulation and consumer products division made a sizeable contribution to the Company's revenues (first full year of operations for Surya). Exports increased 23.9% from ₹341.21 crore in 2009-10 to ₹422.78 crore in 2010-11; domestic sales increased 48.29% from ₹816.31 crore in 2009-10 to ₹1,210.49 crore in 2010-11.

**Active pharmaceutical ingredients (APIs):** The division comprised APIs and intermediates. Revenues increased consequent to increased business volumes, derived from new clients and new business from existing clients. More than 150 clients source multiple APIs from the Company. Increased focus on exports tilted the revenue mix in favour of exports to about 35% of the API revenue mix. The Company marketed intermediates to semi-regulated nations, enabling it to understand market

opportunities and strategise accordingly.

**Menthol and mint derivatives:** The business vertical registered maximum growth as revenues surged 82% from ₹414.7 crore in 2009-10 to ₹755 crore in 2010-11. The increase was on two accounts:

- Increased offtake from existing domestic and international customers
- Added several large domestic customers like Emami and Dabur and international customers like Colgate Palmolive, A.M. Todd and Frutorom

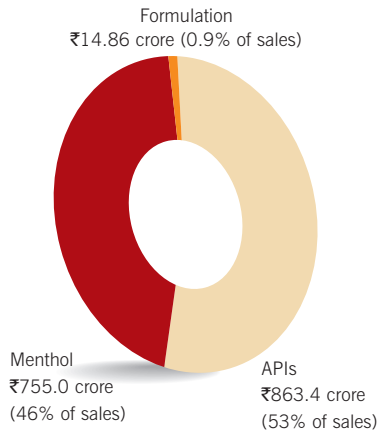
Average unit realisations increased from ₹6,070 per kg in 2009-10 to ₹10,221 per kg in 2010-11, strengthening business profitability.

**Formulations and consumer products:** This was the first full year of operations of the business. The Company entered into global alliances and acquired global brands, which should reflect in robust growth.

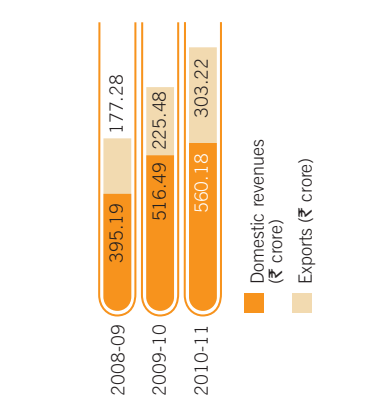
COST ANALYSIS

Total expenditure increased 45% from ₹1,076.69 crore in 2009-10 to ₹1,561.04 crore in 2010-11, largely driven by increased operational scale necessitating the deployment of additional resources to manage day-to-day operations.

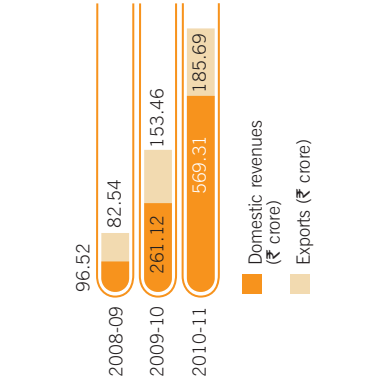
REVENUE MIX IN 2010-11 (₹ crore)



REVENUE MIX (API)



REVENUE MIX (MENTHOL)



OPERATING COST MATRIX

|                    | 2010-11  | % of total cost | 2009-10  | % of total cost | Increase y-o-y (%) |
|--------------------|----------|-----------------|----------|-----------------|--------------------|
| Operating expenses | 1,426.74 | 91.39           | 993.18   | 92.29           | 43.57              |
| Financial expenses | 107.75   | 6.90            | 62.36    | 5.79            | 72.79              |
| Non-cash expenses  | 27.18    | 1.74            | 21.15    | 1.96            | 28.51              |
| Total              | 1,561.67 |                 | 1,076.69 |                 |                    |

OPERATING EXPENSES

Total operating expenses increased 43.59% from ₹993.18 crore in 2009-10 to ₹1426.11 crore in 2010-11, owing to an overall increase in variable and fixed expenses. The primary items in the operating expenses comprised:

**Raw material cost:** Raw material expenses increased 44.13% from ₹885.05 crore in 2009-10 to ₹1,275.62 crore in 2010-11, owing to

increased consumption in line with growing business volumes.

**Employee emoluments:** Human capital expenses increased 39.44% from ₹28.83 crore in 2009-10 to ₹40.20 crore in 2010-11. This increase was largely on account of the addition to the team to manage new facilities in Jammu, marketing teams for the formulation divisions and annual salary increase.

FINANCIAL EXPENSES

Financial expenses increased 72.79% from ₹62.36 crore in 2009-10 to ₹107.75 crore in 2010-11. This increase was on account of an increase in debt by 41.52% to fund growing business operations and capacity creation at Jammu. As a result, interest cover declined marginally from 2.78 in 2009-10 to 2.47 in 2010-11.

ANALYSIS OF THE BALANCE SHEET

| Sources of funds       |  | 2010-11  |            | 2009-10  |            |
|------------------------|--|----------|------------|----------|------------|
| Segment                |  | Amount   | % of total | Amount   | % of total |
| Equity capital         |  | 25.84    | 1.56       | 14.47    | 1.41       |
| Reserves and surplus   |  | 494.11   | 29.92      | 288.72   | 28.18      |
| Loan funds             |  | 1,118.68 | 67.74      | 708.11   | 69.12      |
| Deferred tax liability |  | 19.36    | 1.17       | 13.22    | 1.29       |
|                        |  | 1,656.99 | 100        | 1,024.52 | 100        |

CAPITAL EMPLOYED

The total capital employed by the Company (net worth and external liabilities) increased 61.02% from ₹1,022.45 crore as on March 31, 2010 to ₹1,656.56 crore as on March 31, 2011. The growth was mainly contributed by higher reserves and increased debt during the year. Much of the additional funds were deployed in asset building which will yield sizeable returns from the current year. As a result, return on capital employed increased marginally from 17.30% as

on March 31, 2010 to 17.88% as on March 31, 2011, which is expected to correct in the current year.

**Net worth:** The Company's net worth as a proportion of total capital employed strengthened from 29.45% as on March 31, 2010 to 31.30% as on March 31, 2011. Net worth increased 72.19% from ₹301.13 crore as on March 31, 2010 to ₹518.52 crore as on March 31, 2011.

**Equity share capital:** It increased from ₹14.47 crore as on March 31, 2010 to ₹25.84 crore as on March 31, 2011,

as the Company completed a US\$ 25 million GDR issue. The promoter and public holding as on March 31, 2011 stood at 34.90% and 45.09% respectively.

**Reserves and surplus:** Reserves and surplus increased 71.14% from ₹288.72 crore as on March 31, 2010 to ₹494.11 crore as on March 31, 2011, owing to:

- Premium on issue of capital
- Transfer of ₹95.66 crore (or 96%) from net profit earned during the year

Free reserves stood at ₹494.11 crore as on March 31, 2011, providing a solid foundation for undertaking future growth initiatives.

**Loan funds:** Total loan funds increased 57.98% from ₹708.11 crore as on March 31, 2010 to ₹1,118.68 crore as on March 31, 2011. Despite an increase in external funds, debt-equity ratio strengthened from 2.35 as on March 31, 2010 to 2.16 as on March 31, 2011, reflecting the strength in the Company's Balance Sheet. The Company increased its reliance on unsecured loans; its proportion in the total debt increased from 3.90% as on March 31, 2010 to 13.91% as on March 31, 2011.

APPLICATION OF FUNDS

**Gross block:** The gross block increased 45.54% from ₹512.95 crore as on March 31, 2010 to ₹746.54 crore as on March 31, 2011. This was primarily due to the commissioning of capacity enhancement initiatives at its various operating sites. The commissioning of the Jammu facility was the most significant contribution to the gross block in 2010-11.

**Investments:** The investment portfolio increased more than five-fold – from ₹5.49 crore as on March 31, 2010 to ₹25.81 crore as on March 31, 2011. The increase was on account of:

- Investment in mutual funds
  - Investment in subsidiaries namely Surya Healthcare, Surya Eduquest and Surya Biopharma and Surya Pharmaceutical (Singapore) Pte Ltd
- Of the total investments, long-term investments stood at ₹20.61 crore and current investments (largely mutual funds) stood at ₹5.20 crore which can be liquidated for funding capex initiatives.

**Net current assets:** Net current assets increased 69.06% from ₹588.98 crore as on March 31, 2010 to ₹995.73 crore as on March 31, 2011; signifying increased financial commitment to support the growing operational scale.

The current ratio and quick ratio of the firm increased from 2.63 and 0.81 respectively as on March 31, 2010 to 2.96 and 0.91 respectively as on March 31, 2011. Working capital as a proportion of capital employed stood at 60.11% as on March 31, 2011.

TAXATION

The Company's current tax liability increased 70.80% from ₹15.37 crore in 2009-10 to ₹26.25 crore in 2010-11, owing to an increase in profit before tax by 45.60%. The Company's average tax rate increased from 16.99% in 2009-10 to 19.93% in 2010-11.

INTERNAL CONTROL SYSTEMS

The Company has sound internal control systems commensurate to its size, business scale and operational complexity. Clearly defined policies and procedures and inbuilt checks and controls supplement the internal control procedures. A well-established and empowered system of internal audits and control procedures independently review the financial and operational controls and report deviations, if any, to the senior management and facilitate course correction when required. The Company constantly engages in practicing best financial and operational control systems as per international practices and standards.

The Company's internal audit team carried out extensive audits throughout the year across all functional areas and submits its report to the Audit Committee of the Board of Directors.

The Audit Committee addresses significant issues raised by the internal and statutory auditors.

INDUSTRIAL RELATIONS AND HUMAN RESOURCE DEVELOPMENT

The Company remains committed and focused on its most valuable resource – its people. The Company believes that people play a pivotal role in driving performance and has effectively empowered them. In pursuance of the Company's commitment to retain and develop best available talent, several programmes are conducted at various levels on a regular basis. Employee relations continue to be cordial and harmonious at all Company levels and units.

RISK MANAGEMENT

Every business is susceptible to risks. The Company relentlessly endeavours not only to minimise risks but convert them into business opportunities that allow it to maximise returns for shareholders from diverse situations.

The Company's risk conversion approach is built on a comprehensive and integrated framework, leveraging its strengths to create growth opportunities, institutionalising prudent norms, structured reporting and control. This approach ensures that risk management and growth creation discipline are centrally initiated but efficiently decentralised across the organisation.

The Company believes in constant monitoring and decision-making to balance risks and rewards to translate into a perfect parity between revenue-generating initiatives and risks taken.

CORPORATE INFORMATION

- Mr. Rajiv Goyal, *Chairman & Managing Director*
- Ms. Alka Goyal, *Executive Director*
- Mr. Anil Arya, *Director*
- Mr. Abhishek Arya, *Director*
- Mr. Ashwani K. Aggarwal, *Nominee Director Of IDBI*
- Dr. H.B.L. Vohra, *Director*
- Mr. Devinder Pal, *Director*
- Dr. R.K. Gupta, *Additional Director*

BANKERS

- State Bank of India
- Punjab National Bank
- IDBI Bank
- Bank of Baroda
- Punjab and Sind Bank
- Export and Import Bank of India
- Allahabad Bank
- Corporation Bank
- Federal Bank
- Catholic Syrian Bank

PLANTS

- Plot No. 85, HPSIDC, Industrial Area, Baddi-173 205 Distt. Solan (H.P.)
- Plot No. 87, HPSIDC, Industrial Area, Baddi-173 205 Distt. Solan (H.P.)
- Plot No. 383, Industrial Area, Phase I, Panchkula (Haryana)
- Plot No. 50 -51, EPIP, Phase I, Jharmajiri, Baddi
- Village Banur, Tehsil Rajpura, Distt. Patiala (Punjab)
- Industrial Growth Center-II, Samba, District Jammu (J&K)

REGISTERED OFFICE

**SURYA PHARMACEUTICAL LTD.**  
911, 9th Floor, Surya Kiran Building, 19 K.G. Marg, Connaught Place, New Delhi

CORPORATE OFFICE

**SURYA PHARMACEUTICAL LTD.**  
SCO 164-165, SECTOR 9-C, MADHYA MARG, CHANDIGARH - 160 009

AUDITORS

**M/S. AAD & ASSOCIATES**  
Chartered Accountants  
# 1595, Sector 33D  
Chandigarh

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Rajansh Thukral  
Surya Pharmaceutical Ltd.  
S.C.O. 164-165, Sector 9-C, Madhya Marg, Chandigarh-160 009

COMPANY'S REGISTRAR AND SHARE TRANSFER AGENTS

**M/S. BIGSHARE SERVICES PVT. LTD.,**  
E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai-400 072  
Tel:022-28470652/53, 40430200





*Dear shareholders,*

We are pleased to present the 19th Annual Report on the business and operations of Surya Pharmaceutical Ltd. along with the Annual Accounts and the Auditors' Report thereon for the financial year ended March 31, 2011. The financial highlights for the year under review are given below:

## CORPORATE RESULTS

(₹ in crore)

|  | 2010-11  | 2009-10  |
|--|----------|----------|
| Net revenue for the year (net of excise)     | 1,659.91 | 1,143.75 |
| Profit before interest, depreciation & taxes | 266.02   | 173.38   |
| Profit before depreciation & taxes           | 158.26   | 111.02   |
| Depreciation                                 | 26.55    | 20.55    |
| Profit before tax                            | 131.72   | 90.46    |
| Provision for taxation:                      |          |          |
| Current                                      | 26.25    | 15.37    |
| Deferred tax                                 | 6.14     | (0.97)   |
| MAT Asset Appropriation                      | (0.84)   | –        |
| Net profit after tax                         | 100.16   | 76.06    |
| Profit brought from previous year            | 288.72   | 215.64   |
| Appropriations:                              |          |          |
| Proposed dividend                            | 2.89     | 2.17     |
| Other Appropriations                         | 1.61     | 0.81     |
| Transfer to General Reserves                 | 95.67    | 73.08    |
| Closing balance of General Reserves          | 494.12   | 288.72   |

During the year 2010-11, the net revenue of the company was ₹1,659.91 crore as compared with ₹1,143.75 crore during the previous year, thus registering an increase of 45.13%.

The profit before interest, depreciation and taxes was ₹266.02 crore as compared with ₹173.38 crore during the previous year, thus advancing by 53.43%. Further the company reported a PAT of ₹100.16 crore as compared with the PAT of ₹76.06 crore, thereby showing growth of 31.69%.

## APPROPRIATIONS

### Dividend

We are pleased to recommend a final dividend of 15% (i.e. ₹0.15 per share) for the financial year 2010-11. The dividend, if approved at the ensuing Annual General Meeting, will be paid to those shareholders whose names appear on the register of members of the Company as on September 28, 2011 within the period as prescribed under the Companies Act, 1956.

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

### Transfer to Reserves

In Compliance with Rule 2 of the Companies (Transfer of Profits to Reserves) Rules, 1975, more than 5% of the current profits were transferred to General Reserve.

## MANAGEMENT DISCUSSION AND ANALYSIS

Management discussion & analysis of financial condition and results of operation of the Company for the year under review was included in the Management discussion & analysis section of this annual report.

### Transfer of Unpaid and Unclaimed amounts to IEPF

The share application money received against the IPO in the year 2003-04 which remains unpaid or unclaimed for the period of seven years was transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the central government.

### Corporate Social Responsibility

In India as in the rest of the world, there is a growing realisation that capital markets and corporations are, after all, created by society and must therefore serve it, and not merely profit from it. And those consumers and citizens' campaigns can make all the difference. Surya, thus, sees corporate social responsibility as a new business strategy to reduce investment risks and maximise profits by taking all the key stakeholders into confidence. We also recognise the fact that from an eco-social perspective, social and environmental stability and sustainability are two important prerequisites for the sustainability of the market in the long run. Accordingly, we at Surya's manufacturing facilities installed the most advanced anti-pollution devices to keep the environment in and around the manufacturing facilities clean and green.

From the rights-based perspective on corporate responsibility, we stress that consumers, employees, affected communities and shareholders have a right to know about us and our business. We therefore stress upon ourselves accountability, transparency and social and environmental investment as the key aspects of corporate social responsibility.

## EXPANSION/GROWTH PLANS AND OUTLOOK

During the year, Surya Pharmaceutical Ltd (hereinafter referred as "SPL") and its group companies identified particular segments and invested in new product development in ethical formulations, generic formulations, consumer personal care and consumer healthcare (OTC).

In order to provide new and hitherto unavailable alternatives to the Indian consumer, the Company entered into exclusive, international alliances to market and distribute the therapeutic footwear of Crocs, where the footwear is not only recommended by doctors to diabetic patients for preventive and curative purpose but to any profession that demands long standing hours. The therapeutic footwear comes in various designs for male and female wear and in various colours, and is available across all major cities in India.

Similarly, the Company entered into a tie-up with US-based company, Palmer's, for the cocoa butter-based beauty care products that will vie with the premium brands and will provide "value for money" in the markets upper segment. Another alliance with Thailand-based Royal Industries for baby feeding products and accessories and range of products is based on superior design and material, and is well-accepted by the market. Our fourth tie-up was struck with the Belgium-based QNT, one of the leading global companies in sports nutrition and dietary supplements. This market is emerging stronger as people everywhere have started taking control of their exercise regimen and food habits.

The three existing formulations divisions of the Company, namely Alexis (for ethical formulations), Aegis (for generic formulations) and Altair (for medical devices and diagnostics) became available pan-India, launched new products and consolidated and grew market share during the year. The Company also launched the gynaecology-focused division, Adonia with 15 major products. Further, new therapeutic-specific divisions are due to be launched this year. We expect to emerge among the leading formulations players in India in next 3-5 years.

During the year under review, your Company achieved new milestones for cost improvement and technology leadership. The state-of-the-art cGMP-compliant, Jammu plant commissioned two units in 2009-10, underwent further validation trials and commercial production started in two new units during 2010-11. The Jammu plant can manufacture sterile and non-sterile cephalosporin APIs and formulations for the regulated markets. Among other developments, your Company's Banur plant, the largest plant location among the six locations, underwent successful audits with Korean FDA as well as large Indian buyers. The cephalosporin formulations plant in Baddi also successfully and deservedly underwent the CDSCO inspection. Many technological improvements were implemented in the plants to secure efficiency and compliances. Your Company will continue to invest in modern technology in the plants.

Within pharmaceuticals, the regulatory filings in terms of marketing dossiers and drug master files gained momentum, and during the year, the Company obtained drug master files for Cefaclor and CPDP. New regulatory filings for Europe and the US are in the pipeline. In menthol and mint derivatives, the Company continues to enjoy the confidence of some of the world's largest buyers in consumer goods and flavours and fragrances. The R&D division continued to focus on process improvement, product development and added new dimensions in the form of R&D formulations during the year. Phytochemicals and CRAMS plan to exploit their strategic advantages in the future.

Talent acquisition and retention has become one of the top priorities, given that new businesses have been started with experienced professionals, and your Company strengthened the middle management ranks during the year. We aspire to become the first choice employer for all professions in the Indian economy. Your Company also moved its registered office from Himachal Pradesh to New Delhi in order to acquire and retain professionals from more diverse backgrounds.

## SUBSIDIARY COMPANIES

With a track record of manufacturing excellent APIs and serving customers across 90 countries in the last nineteen years, the Company started exporting its formulations as well during 2010-11, manufactured at its Baddi formulations facility. Your Company incorporated a wholly-owned subsidiary in Singapore, Surya Pharmaceutical Singapore Pte Ltd for the purpose of trading in API s and raw materials for the Indian manufacturing

plants and also for launching Crocs therapeutic footwear in the South East Asian market. While these business activities were still under implementation, the US pharmaceutical OTC market studded with prominent brands offered us an M&A opportunity and we acquired ActivOn, the leading topical analgesic brand in the US and four other brands, HeadOn, FirstOn, RenewIn and PreferOn. The company in US, Family First Pharmaceuticals Inc which managed the outsourced manufacturing, logistics and distribution, was also acquired within the transaction. The value of the deal was US\$ 22 million.

The Company's other subsidiary, Surya Healthcare Ltd, launched 88 Viva stores during 2010-11 and also acquired Hyderabad-based Medimart India Pvt Ltd for its 42 stores in Hyderabad. The range of medicines, beauty care, everyday essentials and consumer healthcare products gained acceptance, and the Company added more than 100,000 customers to its loyalty programme. The stores are now present in 25 cities across six states. The products are made available through international tie-ups of the parent company helped Viva to attract all segments of people, being a neighbourhood store and by offering a touch and feel display, air conditioning and the promise of safe and genuine medicines.

The Company has four subsidiaries as on March 31, 2011.

As per Section 212 of the Companies Act, 1956, we are required to attach the Directors' Report, Balance Sheet and Profit and Loss Account of our subsidiaries to our annual report.

The Ministry of Corporate Affairs, Government of India vide its circular no. 2/2011 dated February 08, 2011 provided an exemption to companies from complying with Section 212, provided such companies publish the audited consolidated financial statements in the annual report. Accordingly, the annual report 2010-11 does not contain the financial statements of our subsidiaries. The audited annual accounts and related information of our subsidiaries, where applicable, will be made available for inspection during business hours at our registered office in Delhi, India. The same will also be published on our website, [www.suryapharma.com](http://www.suryapharma.com).

The consolidated financial statements, in terms of Clause 32 of the Listing Agreement and prepared in accordance with Accounting Standard 21 as specified in Companies (Accounting Standards) Rules, 2006 also forms part of this annual report.

The members, if desire, may write to the Company Secretary at Registered Office of Surya Pharmaceutical Limited, to obtain a copy of the financials of the subsidiary companies.

## CAPITAL STRUCTURE

During the year under review, the Company sub-divided the face value of its equity shares from ₹10 each to ₹1 each. The Authorised Share Capital increased from ₹50 crore to ₹100 crore and the paid-up share capital of the Company increased from ₹14,46,83,380 to ₹19,27,52,380 after issue of Global Depository Receipts and conversion of 9,50,000 out of 47,00,000 Share Warrants during the year. Subsequently, in the current year, the promoters have exercised 10,00,000 Share Warrants thereby increasing the Paid up Capital to ₹20,27,52,380.

## DIRECTORS

During the year under review, Mr. Abhishek Arya and Mrs. Alka Goyal, Directors of the Company, retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for reappointment. The Board recommends their reappointment.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Dr. R. K Gupta, was appointed as Additional Director of the Company whose term expires at this Annual General Meeting of the Company. It is proposed to appoint him as Director of the Company liable to retire by rotation.

The details of their reappointment together with nature of their expertise in specific functional areas and names of the companies in which they hold office as Director and/or the Chairman/ Membership of Committees of the Board, are provided in the Notice of this Annual General Meeting.

## DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Director's Responsibility Statement, it is hereby confirmed that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed;
- The Directors have 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 as at March 31, 2011 and of the profit of the Company for the year ended on that date.
- 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

- The Directors have prepared the annual account of the Company on a 'going concern' basis.

## AUDITORS AND THEIR REPORT

M/s. AAD & Associates, Chartered Accountants, the statutory auditors of the Company holds office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The Company has received their consent letter under Section 224 (1-B) of the Companies Act, 1956 to the effect that their appointment, if made, would be within the prescribed limit and that they are not otherwise disqualified within the meaning of Section 226 (3) of the Companies Act, 1956 for such appointment. The Board recommends their reappointment as Auditors of the Company for the financial year 2011-12.

The notes to the accounts referred to in the Auditors Report are self explanatory and therefore do not call for any further comments.

## INDUSTRIAL RELATIONS

The Company maintained healthy, cordial and harmonious industrial relations at all levels. The enthusiasm and unstinting efforts of employees have enabled the Company to gain present level of growth.

## CORPORATE GOVERNANCE

The Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance requirements set out by SEBI. The Company complied with the applicable provisions of Corporate Governance under Clause 49 of the Listing Agreement with the stock exchanges.

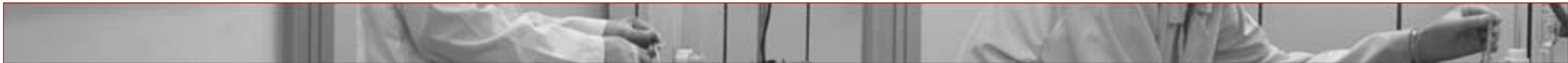
A Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the annual report.

The requisite Certificate from the Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is attached to this report.

## SECRETARIAL AUDIT

For each quarter of the financial year 2010-11, a qualified practicing Company Secretary carried out audits to reconcile the total admitted share capital with NSDL and CDSL, total issued and listed share capital. The reports confirm that the total issued/paid-up share capital is in agreement with the total





# ANNEXURE-B

## TO THE DIRECTORS REPORT

number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

### COST AUDIT

Pursuant to Section 233B of the Companies Act, 1956, the central government has prescribed cost audit of the Company's bulk drug division and formulation division. Based on the recommendations of the Audit Committee, and subject to the approval of the Central Government the Board of Directors had appointed M/s. J. Verma & Associates as Cost Auditors of the Company for the financial year 2010-11 and 2011-12. The cost audit report will be filed with the central government as per the timeline.

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

The information relating to energy conservation, technology absorption, foreign exchange earnings and outgo required to be disclosed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure-B forming part of this report.

### PARTICULARS OF EMPLOYEES

Particulars of Employees in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this report and are given in Annexure-A attached with the Director's Report.

### APPRECIATIONS AND ACKNOWLEDGEMENTS

Your Directors express their gratitude to State Bank of India, Punjab National Bank, Industrial Development Bank of India Limited, Federal Bank Limited, Punjab & Sind Bank, Exim Bank, Allahabad Bank, Bank of Baroda, Corporation Bank, Catholic Syrian Bank and all other Banks and Financial Institutions who have directly or indirectly supported the Company for meeting short-term, long-term and working capital financial needs of the Company's expanding operations.

Your Directors place on record their sincere thanks to the central and state governments of Punjab, Haryana, Himachal Pradesh and the state of J & K for their continued support to the Company. The Board also places on record the appreciation for the support provided by the customers, suppliers, equipment vendors and others to the Company.

Your Directors also wish to place on record their sincere thanks and appreciation for the continuing support of the esteemed shareholders of the Company.

The Board expresses its appreciations of the commitment, contribution and support of all employees of the Company for attaining the present level of growth.

For & on behalf of the Board  
For Surya Pharmaceutical Limited

Place: Chandigarh  
Date: August 13, 2011

Sd/-  
Rajiv Goyal  
(Chairman & Managing Director)

### PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS PER SECTION 217 (1)(e) OF THE COMPANIES ACT, 1956 AND THE RULES MADE THEREUNDER AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED MARCH, 2011.

#### I. CONSERVATION OF ENERGY:

The Company established various plant and machinery segments and has put in place various systems with a specific focus on the Company's philosophy on conservation of energy. The Company has always resorted to various energy-saving tactics including optimisation of all energy generating and consuming resources. Although the products manufactured by the Company are material-intensive, the Company has been continuously striving for cost reduction through various means including energy conservation to stay competitive by saving on costs in various operations.

Some of the steps taken by the Company for conservation of energy are as under:-

1. Strict adherence to contract demand of State Electricity Board Power Supply.
2. Stabilisation of manufacturing processes for better productivity.
3. Emphasis on awareness for energy saving by control and process upgradation, better house keeping, preventing wastages among others.
4. Preventive maintenance inspections and checks at regular intervals.
5. Optimisation of chilling system and chiller compressors.
6. Energy audit.

The power and fuel consumption is as under:-

|                               | Year ended<br>31.03.2011 | Year ended<br>31.03.2010 |
|-------------------------------|--------------------------|--------------------------|
| <b>1 ELECTRICITY</b>          |                          |                          |
| a) Purchased:                 |                          |                          |
| Units                         | 1,32,12,765              | 92,99,538                |
| Total Amount (₹ lacs)         | 584.51                   | 464.46                   |
| Rate per unit (₹)             | 4.42                     | 4.99                     |
| b) Own Generation:            |                          |                          |
| Through Diesel Generator:     |                          |                          |
| Units                         | 33,53,451                | 27,55,654                |
| Units per liter of Diesel Oil | 3.05                     | 3.36                     |
| Cost per unit (Rupees)        | 10.77                    | 8.55                     |
| <b>2A FURNACE OIL</b>         |                          |                          |
| Quantity (K litres)           | 885.10                   | 314.17                   |
| Total Cost (₹ lacs)           | 270.21                   | 79.31                    |
| Average rate (₹ per K litres) | 30.53                    | 25.25                    |
| <b>2B LIGHT DIESEL OIL</b>    |                          |                          |
| Quantity (K litres)           | NIL                      | NIL                      |
| Total Cost (₹ lacs)           | NIL                      | NIL                      |
| Average rate (₹ per K litres) | NIL                      | NIL                      |
| <b>2C HIGH SPEED DIESEL</b>   |                          |                          |
| Quantity (K litres)           | 2,974.26                 | 1,536.78                 |
| Total Cost (₹ lacs)           | 1,046.04                 | 441.66                   |
| Average rate (₹ per K litres) | 35,170                   | 28,739                   |
| <b>3 PETCOKE</b>              |                          |                          |
| Details:                      |                          |                          |
| Quantity (In Tonnes)          | 375.15                   | 1,341.66                 |
| Rate per Ton (₹)              | 6,820.96                 | 6,692.64                 |
| <b>3A RICE HUSK</b>           |                          |                          |
| Quantity (In Tonnes)          | 25,238.67                | 14,214.49                |
| Total Cost (₹ lacs)           | 1,038.88                 | 465.93                   |
| Rate per Ton (₹)              | 4,116.22                 | 3,277.85                 |

# ANNEXURE-A

## TO THE DIRECTORS REPORT



| Sr. No. | Name            | Age      | Existing Designation         | Gross Remuneration (₹ in Lacs) (p.a.) | Qualifications | Total Experience | Date of Joining | Previous Employment |
|---------|-----------------|----------|------------------------------|---------------------------------------|----------------|------------------|-----------------|---------------------|
| 1       | Mr. Rajiv Goyal | 48 years | Chairman & Managing Director | ₹419.43                               | MBA            | 28 years         | 25.03.1992      | NIL                 |
| 2       | Mrs. Alka Goyal | 46 years | Executive Director           | ₹419.43                               | Post Graduate  | 25 years         | 24.08.1996      | NIL                 |

**Note:** Mr. Rajiv Goyal, Chairman and Managing Director and Mrs. Alka Goyal, Executive Director of the Company are related to each other.

## II TECHNOLOGY ABSORPTION

### Research and Development (R&D)

Key areas in which R&D was carried by the Company:

1. Process development and further improvement in products like Cephachlor, Cefixime, Cefidininir, Cephalixin, Cefadroxil, Cefradine, Ciprofloxacin, Dicloxacin, Flucloxacillin, Cefuroxime Axetil & 7ANCA, among others.
2. Company started a new category of antibiotics named as Carbapenems viz Imipenem, BCK.
3. Trial production for Oxocepham intermediates viz Flomoxef.
4. Process improvement of existing products and processes for improved quality, yields and lower production costs.
5. Development of safe and environmental conservation methods, effective and better solvent recycling.

#### Benefits:

During the year under review, the Company filed four national/international patents for the Cephalosporins and established CRAMS business.

1. Accelerated new process development.
2. Process improvement of products like Cephachlor, Cefuroxime, Cefidininir and Cefixime, Desloratadine (advanced version of Loratadine), a non-sedative anti-histamine to achieve better results.
3. Development of efficient third generation Penicillin-based Cephalosporin.
4. Development of new products as anti-hypoglycemic agents Glimpride.
5. Improved waste recovery, translating into attractive cost savings.
6. Product movement (API/Intermediates) in regulated markets worldwide.

7. To open new business opportunities with market leaders.

## III EXPENDITURE ON R&D

The R&D outlay is as follows:-

|   | (₹ In lacs)              |                          |
|---|--------------------------|--------------------------|
|   | Year ended<br>31.03.2011 | Year ended<br>31.03.2010 |
| a) Capital  | 1,580.15                 | 897.47                   |
| b) Recurring  | -                        | -                        |
| c) Total  | 1,580.15                 | 897.47                   |
| d) Total R&D expenditure as a percentage of total turnover and operating income | 0.97                     | 0.78                     |

## IV TOTAL FOREIGN EXCHANGE EARNINGS & OUTGO

|  | (₹ In lacs)              |                          |
|--|--------------------------|--------------------------|
|  | Year ended<br>31.03.2011 | Year ended<br>31.03.2010 |
| 1 Earnings in foreign exchange during the year (F.O.B. value of Exports) | 42,278.06                | 34,121.95                |
| 2 C.I.F. Value of Imports (on cash basis)                                |                          |                          |
| Raw materials  | 32,958.63                | 20,998.06                |
| Capital goods  |                          |                          |
| Spare parts, components and consumables                                  | 2,846.45                 | 1,384.46                 |
| 3 Expenditure in foreign currency during the year (on cash basis)        |                          |                          |
| Traveling expenses   | 55.47                    | 32.04                    |
| Interest and bank charges  | NIL                      | NIL                      |
| Technical know-how fees  | NIL                      | NIL                      |
| Consultancy fees   | NIL                      | NIL                      |
| Others   | 250.95                   | 310.56                   |
| 4 Total Foreign Exchange used (2+3)                                      | 36,111.58                | 22,725.12                |

The detailed report on Corporate Governance as per Clause 49 of the Listing Agreement is set out below:

## 1) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

At Surya Pharmaceutical, we firmly believe in the importance of pursuing the highest standards in best practices towards good Corporate Governance. Our policies and procedures exemplify our core values in utmost transparency, professionalism and accountability across all functions of our organisation. The Company has, and will, continually endeavour to improve corporate practices, methodologies, and procedures to ensure that long-term value is realised for all stakeholders of our organisation. We aim to consistently offer our shareholders, customers, employees, vendors and the larger community mutually beneficial value through transparency in our associations, quality in our products and services, and integrity in our relationships.

Our Corporate Governance philosophy is driven by the following principles:

- To fulfill and comply by the spirit of law and further pursue initiatives that determine paramount value to all associated with our organisation.
- To ensure transparency and openness about all facets of our operations, at all times.
- To be driven by integrity and core values and co-operate at all times in providing a clear and true image of our organisation.
- To understand and comply with the written and unwritten laws of all companies in which we operate.
- To ensure that our corporate structure fosters clear communication channels and lines of command at all times.
- To continually enhance shareholder value at all times.
- To endeavour to do the best we can to ensure and improve the preservation of communities and the environment.

The Company implemented all mandatory requirements. The Company has a sound control and risk management.

## BOARD OF DIRECTORS

### i) Composition

The Board of Directors of the Company comprise of eight Directors.

| Name of the Director   | Office/Designation              | Executive/Non Executive | Independent/Non- Independent |
|------------------------|---------------------------------|-------------------------|------------------------------|
| Sh. Rajiv Goyal        | Chairman-cum- Managing Director | Executive               | Non-Independent              |
| Smt. Alka Goyal        | Executive Director              | Executive               | Non-Independent              |
| Sh. Anil Arya          | Director                        | Non-Executive           | Independent                  |
| Sh. Abhishek Arya      | Director                        | Non-Executive           | Independent                  |
| Dr. H. B. L. Vohra     | Director                        | Non-Executive           | Independent                  |
| Sh. Ashwani K. Agarwal | Nominee Director                | Non-Executive           | Independent                  |
| Dr. R. K. Gupta        | Additional Director             | Non-Executive           | Independent                  |
| Mr. Devinder Pal       | Director                        | Non-Executive           | Independent                  |

A brief resume and profile of the Directors eligible for reappointment at the ensuing Annual General Meeting of the Company is given in Annexure-A to the Notice annexed to this Annual Report.

### ii) Meetings and attendance record of Directors and other Directorships

During the financial year ended on March 31, 2011, the Board of Directors met fifteen times on April 22, 2010, May 11, 2010, May 27, 2010, June 10, 2010, July 30, 2010, August 14, 2010, August 27, 2010, October 07, 2010, October 12, 2010,





November 03, 2010 , December 06, 2010, December 24, 2010, February 03, 2011, March 28, 2011 and March 31, 2011. The composition of the Board of Directors, their attendance at the Board Meetings during the year and at the last Annual General Meeting together with the number of directorship in other companies are given below:

| Name of the Director     | No. of Board meetings attended | Attendance at the last AGM | No. of other directorships * |
|--------------------------|--------------------------------|----------------------------|------------------------------|
| Sh. Rajiv Goyal          | 15                             | YES                        | 9                            |
| Smt. Alka Goyal          | 15                             | YES                        | 9                            |
| Sh. Anil Arya            | 5                              | -                          | 1                            |
| Sh. Abhishek Arya        | 5                              | -                          | 1                            |
| Sh. Ashwani K. Agarwal** | 3                              | -                          |                              |
| Sh. K. K Upadhyay**      | 7                              | -                          | 1                            |
| Dr. H. B. L. Vohra       | 13                             | -                          | -                            |
| Dr. M. L. Sharma****     | 10                             | -                          | -                            |
| Mr. Devinder Pal         | 1                              | -                          | -                            |
| Sh. S. P Sharma***       | 5                              | -                          |                              |
| Dr. R. K. Gupta****      | -                              | -                          | 1                            |

\* This excludes directorship in Indian Private Limited companies/private companies with unlimited liability and firms.

\*\* Mr. Ashwani K. Agarwal was appointed in place of Sh. K. K Upadhyay w.e.f. December 24, 2010 as nominee Director of IDBI

\*\*\* Sh. S. P Sharma resigned from the directorship w.e.f. October 19, 2010.

\*\*\*\*Dr. R. K.Gupta was appointed as Additional Director w.e.f. August 13, 2011 and Dr. M. L. Sharma resigned from directorship w.e.f July 23, 2011.

### iii) Detail of Directorship in other Companies

The detail of directorships of the Company's Directors in other companies as on March 31, 2011 are given below:

| Name of the Director | Name of the company/firm             | Nature of interest |
|----------------------|--------------------------------------|--------------------|
| Sh. Rajiv Goyal      | Surya Envirotech limited             | Director           |
|                      | Surya Healthcare Limited             | Director           |
|                      | Futuristics Garments Pvt. Ltd        | Director           |
|                      | Kala Infra Pvt. Ltd                  | Director           |
|                      | Emm Bee Fincap Pvt. Ltd              | Director           |
|                      | Surya Hi Tech Communications Limited | Director           |
|                      | Surya Hi Tech Infrastructure Limited | Director           |
|                      | Ess Ess Exim Pvt. Ltd                | Director           |
|                      | Mediwell Healthcare Pvt. Ltd         | Director           |
|                      | Malik & Malik Pharma Pvt. Ltd        | Director           |
|                      | Surya Softedge Limited               | Director           |
|                      | Surya Eduquest Limited               | Director           |
|                      | Raja Forgings & Gears Ltd            | Director           |
|                      | Medi Mart India Pvt. Ltd             | Director           |
|                      | Kala Realtech Ltd                    | Director           |
|                      | Kala Buildwell Ventures Ltd          | Director           |
|                      | Surya Tradewings Pvt Ltd             | Director           |
|                      | Surya Healthway Ltd                  | Director           |
|                      | Shree Krishna Agents Pvt Ltd         | Director           |

| Name of the Director   | Name of the company/firm             | Nature of interest |
|------------------------|--------------------------------------|--------------------|
| Smt. Alka Goyal        | Surya Envirotech limited             | Director           |
|                        | Surya Healthcare Limited             | Director           |
|                        | Futuristics Garments Pvt. Ltd        | Director           |
|                        | Kala Infra Pvt. Ltd                  | Director           |
|                        | Emm Bee Fincap Pvt. Ltd              | Director           |
|                        | Surya Hi Tech Communications Limited | Director           |
|                        | Surya Hi Tech Infrastructure Limited | Director           |
|                        | Ess Ess Exim Pvt. Ltd                | Director           |
|                        | Mediwell Healthcare Pvt. Ltd         | Director           |
|                        | Malik & Malik Pharma Pvt. Ltd        | Director           |
|                        | Surya Softedge Limited               | Director           |
|                        | Surya Eduquest Limited               | Director           |
|                        | Raja Forgings & Gears Ltd            | Director           |
|                        | Medi Mart India Pvt. Ltd             | Director           |
|                        | Kala Realtech Ltd                    | Director           |
|                        | Kala Buildwell Ventures Ltd          | Director           |
|                        | Surya Tradewings Pvt. Ltd            | Director           |
|                        | Surya Healthway Ltd                  | Director           |
|                        | Shree Krishna Agents Pvt. Ltd        | Director           |
| Sh. Anil Arya          | Acumen Education Limited             | Director           |
|                        | Astaberry Biosciences India Pvt. Ltd | Director           |
| Sh. Abhishek Arya      | Acumen Education Limited             | Director           |
|                        | Astaberry Biosciences India Pvt. Ltd | Director           |
| Sh. Ashwani K. Agarwal | -                                    | -                  |
| Dr. H. B. L. Vohra     | -                                    | -                  |
| Dr. R. K. Gupta        | Ludhiana Stock Exchange Limited      | Director           |
| Sh. Devinder Pal       | -                                    | -                  |

### iv) Detail of membership/chairmanship of Directors in Board Committee

| Name of the Director   | Name of the Indian Public Limited Company | Nature of the Committee       | Member/Chairman |
|------------------------|---|-------------------------------|-----------------|
| Sh. Rajiv Goyal        | Surya Pharmaceutical Ltd                  | Audit Committee               | Member          |
|                        |   | Investor Grievances Committee | Member          |
| Smt. Alka Goyal        | Surya Pharmaceutical Ltd                  | Investor Grievances Committee | Member          |
| Sh. Anil Arya          | Surya Pharmaceutical Ltd                  | Audit Committee               | Chairman        |
|                        |   | Investor Grievances Committee | Chairman        |
|                        |   | Remuneration Committee        | Chairman        |
| Sh. Abhishek Arya      | Surya Pharmaceutical Ltd                  | Audit Committee               | Member          |
|                        |   | Remuneration Committee        | Member          |
| Sh. K. K. Upadhyay     | NIL                                       | NIL                           | NA              |
| Dr. H. B. L. Vohra     | NIL                                       | NIL                           | NA              |
| Sh. S. P. Sharma       | NIL                                       | NIL                           | NA              |
| Dr. R. K. Gupta        | NIL                                       | NIL                           | NA              |
| Mr. Devinder Pal       | NIL                                       | NIL                           | NA              |
| Sh. Ashwani K. Agarwal | NIL                                       | NIL                           | NA              |

**v) Certificate on Code of Conduct**

As provided under Clause 49 of the Listing Agreement with the stock exchanges, the Board members and the senior management personnel have confirmed compliance with the Code of Conduct and Ethics for the year ended March 31, 2011.

For Surya Pharmaceutical Limited

Sd/-

**Rajiv Goyal**

Delhi, 13.08.2011

*Chairman & Managing Director*

**CEO/CFO CERTIFICATION**

As required by sub clause V of Clause 49 of the listing Agreement with the Stock Exchange, we have certified to the Board that for the financial year ended March 31, 2011 the Company has complied with the requirements of the said sub-clause.

For Surya Pharmaceutical Limited

Sd/-

**B.B. Jain**

*GM, Finance*

Sd/-

**Rajiv Goyal**

*Chairman & Managing Director*

**3. AUDIT COMMITTEE**

The following are the current members of the Audit Committee:

1. Mr. Anil Arya: Chairman (Independent and Non-Executive)
2. Mr. Abhishek Arya: Member (Independent and Non-Executive)
3. Mr. Rajiv Goyal: Member (Executive)

The terms of reference to the Audit Committee as contained in Clause 49 of the Listing Agreement as well as under Section 292A of Companies Act, 1956 are as under:-

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
3. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on;
  - i. Any changes in accounting policies and practices.
  - ii. Major accounting entries based on exercise of judgment

by management.

- iii. Qualifications in draft audit report.
- iv. Significant adjustments arising out of audit.
- v. The going concern assumption.
- vi. Compliance with accounting standards.
- vii. Compliance with stock exchanges and legal requirements concerning financial statements.
- viii. Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives, among others, that may have potential conflict with the interests of Company at large.

4. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
5. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
6. Discussion with auditors, any significant findings and follow up there on.
7. Reviewing the findings of any internal investigations by the auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
8. Discussion with external auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
9. Reviewing the Company's financial and risk management policies.
10. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
11. Investigate into any matter in relation to the items specified in Section 292A of the Companies Act, 1956.

**Meetings and attendance during the financial year ended March 31, 2011**

| Name              | No. of meetings held | No. of meetings attended |
|-------------------|----------------------|--------------------------|
| Mr. Anil Arya     | 4                    | 4                        |
| Mr. Abhishek Arya | 4                    | 4                        |
| Mr. Rajiv Goyal   | 4                    | 4                        |

During the year 2010-11, the Audit Committee met four times on May 11, 2010, August 14, 2010, November 03, 2010 and February 03, 2011. Meetings were also attended by the Statutory Auditors and certain senior Financial Executives of the Company. The Company Secretary acted as Secretary of the Audit Committee.

The Committee reviewed the financial results of the Company and recommended the same to the Board of Directors for their adoption.

**4. REMUNERATION COMMITTEE**

Remuneration Committee meeting was held on November 03, 2010 during the year to recommend the remuneration of Sh. Suhail Goyal, Associate Director of the Company. However, later, he did not join the Company.

**5. INVESTORS GRIEVANCE COMMITTEE**

The Investors Grievance Committee comprises three Directors namely Mr. Anil Arya - Chairman, Mrs. Alka Goyal - Member and Mr. Rajiv Goyal - Member. This committee oversees and reviews all matters connected with redressal of investor

grievances and complaints. The transfer of shares is undertaken by M/s. Bigshares Services Private Limited, Mumbai and they are fully equipped to deal with transfers and all related complaints of investors.

**Meeting and attendance during the financial year ended March 31, 2011:**

| Name            | No. of meetings held | No. of meetings attended |
|-----------------|----------------------|--------------------------|
| Sh. Anil Arya   | 4                    | 4                        |
| Smt. Alka Goyal | 4                    | 4                        |
| Sh. Rajiv Goyal | 4                    | 4                        |

The Board has also constituted a Share Transfer Committee to attend share transfer formalities, as and when required. No transfers during the year under review.

**Compliance Officer**

Sh. Rajansh Thukral, Chief Company Secretary of the Company has been designated as Compliance Officer under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 for overseeing/addressing the investor complaints.

**Detail of shareholder complaints for the period 2010-11**

| Nature of complaint                        | Opening balance | No. of complaints received | No. of complaints resolved | No. of complaints pending |
|--|-----------------|----------------------------|----------------------------|---------------------------|
| Non-receipt of exchange share certificates | 0               | 1                          | 1                          | 0                         |
| Non-receipt of annual report               | 0               | 1                          | 1                          | 0                         |
| Non-receipt of dividend warrant            | 0               | 2                          | 2                          | 0                         |
| Stock exchange                             | 0               | 3                          | 3                          | 0                         |
| <b>Total</b>                               | <b>0</b>        | <b>7</b>                   | <b>7</b>                   | <b>0</b>                  |

All complaints were resolved to the satisfaction of the shareholders and no complaints remained unattended/pending.

**6. GENERAL BODY MEETINGS**

The last three General Body Meetings of the members of the Company were held as per the following details:-

| Financial Year | Location of the Meeting   | Type of Meeting | Date     | Time       |
|----------------|---|-----------------|----------|------------|
| 2009-10        | Registered Office: 85, HPSIDC, Industrial Area, Baddi, Distt. Solan, H.P. | AGM             | 30/09/09 | 11.00 A.M. |
| 2009-10        | Registered Office: 85, HPSIDC, Industrial Area, Baddi, Distt. Solan, H.P. | EOGM            | 30/06/10 | 11.00 A.M. |
| 2010-11        | Registered Office: 85, HPSIDC, Industrial Area, Baddi, Distt. Solan, H.P. | EOGM            | 06/12/10 | 11.00 A.M. |

No resolution was passed through postal ballot during the year under review.





## 7. DISCLOSURES

Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives, among others, that may have potential conflict with the interests of Company at large. Further details of related party transactions are presented in Note G in Schedule XXI to the Accounts.

The Company has entered into an agreement with M/s Nova Machino Fabrik, in which Mr. Rajiv Goyal, Managing Director and Mrs. Alka Goyal, Executive Director are interested. The same has also been approved by the Ministry of Corporate Affairs vide their letter No.4/276/T-1/2011/D/2874 dated July 21, 2011.

Details of non-compliance by the Company, penalties, and strictures imposed on the Company by stock exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years. There are no disclosures required to be made under this point.

## 8. MEANS OF COMMUNICATIONS

|   |  |
|---|--|
| i) Half-yearly report sent to each household of shareholders              | Nil  |
| ii) Quarterly results   | The quarterly results are taken on record by the Board of Directors of the Company for each quarter and notified to stock exchanges in compliance with Clause 41 of the Listing Agreement. |
| iii) Publications in newspapers   | English: Business Standard and Economic Times<br>Vernacular: Divya Himachal, Business Standard and Economic Times  |
| iv) Website where displayed?  | BSE/NSE website  |
| v) Whether it also displays official news releases?                       | NO   |
| vi) Whether presentation made to institutional investors or to analysts?  | NO   |
| vii) Whether Management Discussion and Analysis is part of annual report? | YES  |

## 9. GENERAL SHAREHOLDER INFORMATION

|   |  |
|---|--|
| i) <b>Annual General Meeting:</b>                     |  |
| Date & Time:  | September 30, 2011 at 10.00 A.M.   |
| Venue:  | Jolly Good Banquet, Aditya Mega Mall, C.B.D. Sahadara, New Delhi - 110032  |
| ii) <b>Financial Calendar (2011-12) (Tentative):</b>  |  |
| AGM   |  |
| Quarterly results:                                    | September 30, 2011   |
| Quarter ended June 30, 2011                           | On or before August 14, 2011   |
| Quarter ended September 30, 2011                      | On or before November 14, 2011   |
| Quarter ended December 31, 2011                       | On or before February 14, 2012   |
| Quarter ended March 31, 2012                          | On or before May 14, 2012  |
| iii) <b>Date of Book Closure</b>                      | September 29, 2011 - September 30, 2011  |
| iv) <b>Dividend payment date</b>                      | On or before October 29 2011   |
| v) <b>Listing of equity shares on stock exchanges</b> | National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Ltd. (BSE) and Luxembourg Stock Exchange<br>The Annual Listing Fees in respect of above stock exchanges for the financial year 2011-12 has already been paid. |

|  |  |
|--|--|
| vi) <b>Stock Code</b>  | 532516   |
| Script Code  | SURYAPHARMA  |
| ISIN Number  | INE249G01012   |
| (For Demat Trading)  |  |
| Depository Connectivity  | NSDL & CDSL  |
| vii) <b>Market Price Data</b>  | As per Table-I below   |
| viii) <b>Performance in comparison to broad-based BSE Sensex</b>   | As per Figure-I to II below  |
| ix) <b>Registrar and Transfer Agents</b>   | M/s. Bigshare Services Pvt. Ltd.<br>E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai-400 072<br>Tel: 022-28470652/53, 40430200  |
| x) <b>Share Transfer System</b>  | Trading in the equity shares of the Company is permitted only in dematerialised form. However, there are certain shares still in physical form with the pre-issue shareholders. All the share transfers in respect of physical shares are handled by the Registrar & Share Transfer Agents. Whenever transfers are lodged, the certificates of registration of transfers are returned within 1- 2 weeks and in case of rejections, average time is seven days. |
| xi) <b>Distribution of shareholding</b>  | As per Table-2 & 3 given below   |
| xii) <b>Dematerialisation of shares and liquidity</b>  | Shares held in Demat Form as on March 31, 2011:-<br>With NSDL: 30,320,962 (67.61%)<br>With CDSL: 50,759,238 (26.33%)<br>Physical: 1,16,72,180 (6.06%)<br>Company's equity shares are tradable in Demat form and there is good liquidity of the shares as the shares are actively traded both on NSE & BSE.   |
| xiii) <b>Outstanding GDRs/ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity</b> | 27,50,000 Zero Coupon Convertible Warrants, Conversion date i.e. October 28, 2011.   |
| xiv) <b>Plant locations</b>  | 1. Village Banur, Tehsil Mohali, Distt. Mohali (Punjab)<br>2. Plot No. 383, Industrial Area, Phase I, Panchkula (Haryana)<br>3. Plot No. 85, HPSIDC, Industrial Area, Baddi, Distt. Solan, (H.P.)<br>4. Plot No. 87, HPSIDC, Industrial Area, Baddi, Distt. Solan, (H.P.)<br>5. Plot No. 50 -51, EPIP, Phase I, Jharmajiri, Baddi<br>6. Industrial Growth Center-II, Samba, District Jammu (J&K)   |
| xv) <b>Company Secretary &amp; Compliance Officer</b>  | Mr. Rajansh Thukral<br>Surya Pharmaceutical Limited<br>SCO 164-165, Sector 9-C,<br>Madhya Marg, Chandigarh -160 009  |
| xvi) <b>Address for Correspondence</b>   | Corporate Office:<br>Surya Pharmaceutical Limited<br>SCO 164-165, Sector 9-C,<br>Madhya Marg, Chandigarh -160 009  |



**TABLE-I**

**Market Price Data:**

Monthly high and low quotations of shares and volume of equity shares traded on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) for the year ended March 31, 2011 are as follows:-

| Month           | BSE      |         |                     | NSE      |         |                     |
|-----------------|----------|---------|---------------------|----------|---------|---------------------|
|                 | High (₹) | Low (₹) | Monthly Vol. (Qty.) | High (₹) | Low (₹) | Monthly Vol. (Qty.) |
| April, 2010     | 195.80   | 174.85  | 12,58,398           | 196      | 174.30  | 19,29,260           |
| May, 2010       | 189.80   | 161.90  | 7,35,181            | 189.90   | 162     | 10,04,809           |
| June, 2010      | 194.90   | 162     | 5,42,028            | 189.25   | 162     | 7,71,780            |
| July, 2010      | 199.35   | 181.05  | 8,06,778            | 199.30   | 181.10  | 8,22,529            |
| August, 2010    | 314.85   | 181.20  | 99,99,783           | 314.40   | 181.30  | 1,88,99,948         |
| September, 2010 | 302.80   | 255.60  | 27,74,857           | 302.65   | 255     | 55,23,256           |
| October, 2010   | 354.95   | 263.05  | 32,36,562           | 354.80   | 263.60  | 57,54,842           |
| November, 2010  | 355.90   | 266.00  | 14,13,503           | 356.80   | 266.05  | 28,97,364           |
| December, 2010* | 313.95   | 28.35   | 28,36,744           | 313      | 28.10   | 52,99,193           |
| January, 2011*  | 30.15    | 23.00   | 22,20,188           | 30       | 22.55   | 33,22,882           |
| February, 2011* | 26       | 19.15   | 29,12,748           | 25.90    | 17.05   | 47,66,945           |
| March, 2011*    | 25.90    | 20      | 19,28,294           | 25.90    | 20.90   | 38,57,589           |

**Note:** W.e.f December 24, 2010, the face value of equity shares was sub-divided from ₹10 to ₹1 per equity share and consequently, the price got readjusted.

**TABLE-II**

**Distribution of Shareholding as on 31st March, 2011:**

| No.of Equity Shares held | Number of shareholders | % of shareholders | No.of shares held | % of shareholding |
|--------------------------|------------------------|-------------------|-------------------|-------------------|
| 1-500                    | 8710                   | 49.02             | 2072918           | 1.08              |
| 501-1000                 | 4127                   | 23.22             | 3873674           | 2.01              |
| 1001-2000                | 1910                   | 10.75             | 3288599           | 1.71              |
| 2001-3000                | 780                    | 4.39              | 2114776           | 1.10              |
| 3001-4000                | 366                    | 2.06              | 1367315           | 0.71              |
| 4001-5000                | 553                    | 3.11              | 2684776           | 1.39              |
| 2001-10000               | 655                    | 3.69              | 5223311           | 2.71              |
| 10001-99999999           | 668                    | 3.76              | 172127011         | 89.30             |
| <b>Grand Total</b>       | <b>17769</b>           | <b>100.00</b>     | <b>192752380</b>  | <b>100</b>        |
| Physical mode            | 17                     | 0.10              | 11672180          | 6.06              |
| Electronic mode          | 17752                  | 99.90             | 181080200         | 93.94             |

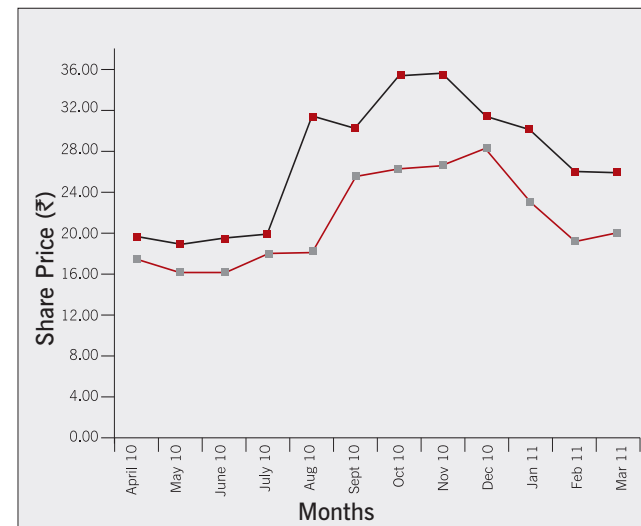
**TABLE-III**

**Category of shareholders as on March 31,2011:**

| Category   | Number of shareholders | % of shareholders | No.of shares held | % of shareholding |
|--|------------------------|-------------------|-------------------|-------------------|
| Indian Promoter(s) and Persons acting in concert | 9                      | 0.05              | 67263630          | 34.90             |
| Private Bodies Corporate                         | 528                    | 2.97              | 46338244          | 24.04             |
| Indian Public                                    | 16842                  | 94.78             | 37675181          | 19.54             |
| NRI/OCBs/FIIs                                    | 291                    | 1.64              | 2681293           | 1.39              |
| Nationalised/Non Nationalised Bank               | 2                      | 0.01              | 11000             | 0.01              |
| Others-Clearing Member                           | 95                     | 0.53              | 213032            | 0.11              |
| Trust  | 1                      | 0.01              | 1000              | 0.00              |
| Global Depository Receipt                        | 1                      | 0.01              | 38569000          | 20.01             |
| <b>Total</b>                                     | <b>17769</b>           | <b>100.00</b>     | <b>192752380</b>  | <b>100</b>        |

**FIGURE-I**

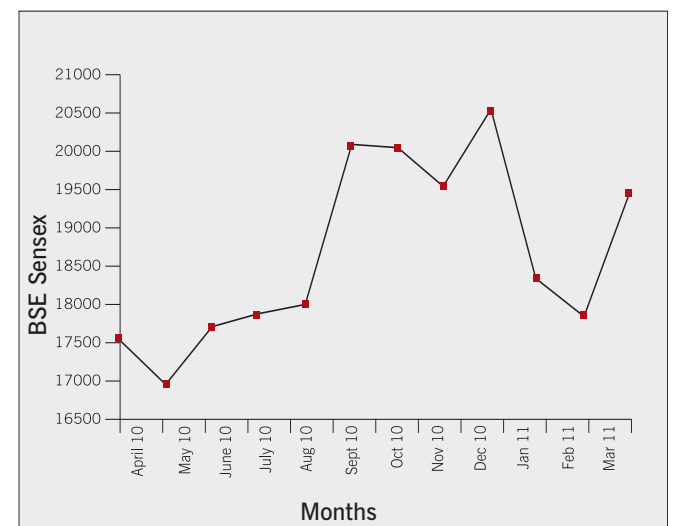
**BSE Share Price performance (Month-High & Low)**



**Note:** w.e.f. December 24, 2010, the face value of equity shares was sub-divided from ₹10 to ₹1 per equity share & consequently price got readjusted. Historical share prices (from April 10 to Dec 10) are re-adjusted for the share price graph.

**FIGURE-II**

**BSE Sensex Performance**



**III) NON MANDATORY REQUIREMENTS**

The Company has not, so far, adopted any non mandatory requirements as stated in Annexure 3 of the Listing Agreement.





## **CERTIFICATE ON CORPORATE GOVERNANCE**

*Members of*

**Surya Pharmaceutical Limited,**  
911, 9th Floor, Surya Kiran Building, 19 K.G.Marg,  
Connaught Place, New Delhi

**Sub: Certificate on Corporate Governance**

We have examined the compliance of conditions of Corporate Governance by M/s. Surya Pharmaceutical Limited, for the year ended March 31, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with, in all material respects, the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended March 31, 2011, no investor grievances are unattended/pending for a period exceeding one month against the Company as certified by the Registrars of the Company and details presented to the Investor Grievance Committee of the Company.

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

**For AAD & Associates**  
*Chartered Accountants*

Date: August 13, 2011  
Place: Chandigarh

*sd/-*  
**Shamsher Singh**  
*(Partner)*  
*M.NO. 083898*  
*FRN-020624N*

Auditor’s Report

To the members of  
Surya Pharmaceutical Limited

We have audited the attached Balance sheet of **SURYA PHARMACEUTICAL LIMITED** as at 31st March, 2011 and also the Profit and Loss Account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

- 1. We conducted our audit in accordance with auditing standards generally accepted in India. The standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit also 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
- 2. As required by the Companies (Auditors' Report) Order, 2003 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 we enclose in the Annexure A statement on the matters specified in paragraph 4 & 5 of said order:
- 3. Further to our comments in the annexure referred to in paragraph (1) above, we report that:-
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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 the books;
  - c) The Balance sheet and Profit and Loss Account dealt

with by this report are in agreement with the books of accounts;

- d) In our opinion, the balance sheet and the profit and loss account comply with the accounting standards referred to in sub section (3C) of section 211 of the companies Act, 1956, subject to Notes on Accounts forming part of Balance Sheet.
- e) As per information and explanations given to us, none of the directors of the company is disqualified from being appointed as a director in terms of clause (g) of subsection (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 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view.
  - i) In the case of the Balance Sheet of the State of affairs of the company as at 31st March, 2011 and
  - ii) In the case of the Profit and Loss account, of Profit of the company for the year ending on that date.
  - iii) In case of cash flow statement, of the cash flows for the year ending on that date.

For AAD & Associates  
Chartered Accountants

Place: Chandigarh  
Date: 13th August, 2011

Sd/-  
**Shamsher Singh**  
(Partner)  
M.NO. 083898  
FRN-020624N



## Annexure to the Auditors' Report

Annexure 'A' referred to in paragraph 1 of our Report of the Auditors to the members of SURYA PHARMACEUTICAL LIMITED on the accounts for the year ending 31st March, 2011

- 1 a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) The company has a regular program of physical verification of its fixed assets by which all fixed assets are verified every year. In our opinion, the periodicity of physical verification is reasonable to the size of the company and nature of its assets. No material discrepancies were noted on such verification.
- c) The fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- 2 a) Physical verification of stock of finished goods, stores, spares and raw materials was conducted by the management during the year and in our opinion, the frequency of such verification was reasonable.
- b) Procedures for physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material.
- 3 a) The company has granted unsecured loans to Companies/ Firms and other Parties Listed in the register maintained under Section 301 of the Companies Act, 1956 and the amount outstanding as on 31.03.2011 was ₹510.35 Lacs (₹114.35 Lacs).
- b) & (c)" These points are not applicable to the company.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to the purchase of stores, raw materials including the Plant & Machinery, Vehicles, Equipment and other assets and for the sale of these goods. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct the major weaknesses in internal control system. We have not observed any major weakness in the internal control system during the course of our audit.
5. According to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under section 301 of the Companies Act, 1956.
6. In our opinion, and according to the information and explanations given to us, the company has complied with the provisions of Section 58A of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
- 7 The company has an internal audit system, which in our opinion is, commensurate with the size of the company and nature of its business.
- 8 We have broadly reviewed the books of account maintained by the company pursuant to the rules prescribed by the Central Government for 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. However, we have not made a detailed examination of the records.
- 9 a) The company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sale Tax, Wealth Tax Service Tax, Custom Duty, Excise Duty, cess and other material statutory dues applicable to it with the appropriate authorities.
- b) No undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sale Tax, Custom Duty, Excise Duty, cess were in arrears as at March 31.03.2011 for a Period of more than six months from the date they became payable.
- c) Detail of dues of Sales Tax, Service Tax and Income Tax

which have not been deposited as at March 31.03.2011 on account of disputes are given below:

| Name of Statute              | Nature of Dues | Amount ₹ in Lacs (*) | Period to which the amount relates | Forum where dispute is pending |
|------------------------------|----------------|----------------------|------------------------------------|--------------------------------|
| The Income Tax Act, 1961     |                | 89.72                | AY 2006-07                         | ITAT                           |
|                              |                | 89.72                |                                    |                                |
| The Central Excise Act, 1944 | Demand         | 2.16                 | 1998                               | CESTAT                         |
|                              |                | 17.97                | 1999                               |                                |
|                              |                | 3.69                 | 2002                               |                                |
|                              |                | 0.86                 | 2003                               |                                |
|                              |                | 94.12                | 2005                               |                                |
|                              |                | 6.34                 | 2008                               |                                |
|                              |                | 371.53               | 2009                               |                                |
|                              |                | 237.85               | 2010                               |                                |
|                              | <b>Total</b>   | <b>734.52</b>        |                                    |                                |
| Service Tax                  | Demand         | 2.89                 | 2007                               | Department                     |
|                              |                | 13.25                | 2008                               |                                |
|                              |                | 19.84                | 2009                               |                                |
|                              |                | 137.96               | 2010                               |                                |
|                              | <b>Total</b>   | <b>173.94</b>        |                                    |                                |
| Custom Act                   | Demand         | 313.27               | 2008                               | Department                     |
| <b>Total</b>                 |                | <b>1,311.45</b>      |                                    |                                |

• Net of pre-deposit amount

10. The Company does not have accumulated Losses. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company did not have any amount outstanding to a financial institution or bank. Therefore the provision of clause (xi) of paragraph 4 of CARO is not applicable.
12. In our opinion and according to the information and explanations given to us, the Company has not granted loans & advances on the basis of security by way of pledge of shares, debentures & other securities.
13. In our opinion and according to the information and explanations given to us the provisions of chit fund not applicable to the company
14. In our opinion and according to the information and explanations given to us, the Company is not dealing in shares securities and debentures. Therefore the provision of clause 4(xiv) of CARO are not applicable to the Company.
15. In our opinion and according to the information and explanations given to us, having regard to the fact that the subsidiary is wholly owned the term and conditions of the guarantee given by the Company for loan taken by the subsidiary from a bank are not prima facie prejudicial to the interest of the Company
16. In our opinion and according to the information and explanations given to us, the term loan have been applied for the purpose for which they were raised.
17. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short term basis have not been used during the year for long term investment.
18. According to the information and explanations given to us during the period covered by our audit, the Company has made preferential allotment of 47,00,000 convertible share warrants out of which 9,50,000 warrants has been converted into 95,00,000 equity shares to the parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. According to the information and explanations given to us, during the year covered by our report, the Company has not issued any secured debentures.
20. The Company has raised ₹111.85 crores from issue of GDR's & the company has issued and allotted 47,00,000 convertible Share Warrants during the year. The management has disclosed the end use of monies received through GDR's & Convertible Share Warrants during the year in notes to accounts (Refer Note-E) which has been verified by us.
21. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanation given to us, we have neither come across any instance of fraud on or by the Company noticed or reported during the year.

For AAD & Associates  
Chartered Accountants

Sd/-  
Place: Chandigarh  
Date: 13th August, 2011

Shamsher Singh  
(Partner)  
M.NO. 083898  
FRN-020624N

Balance Sheet as on 31st March 2011

| (Amount in ₹)                               |      |                 |                 |                |                 |
|---|------|-----------------|-----------------|----------------|-----------------|
| Schedules                                   |      | Current year    |                 | Previous year  |                 |
| SOURCES OF FUNDS                            |      |                 |                 |                |                 |
| 1. Shareholders Funds                       |      |                 |                 |                |                 |
| Share Capital                               | I    | 19,27,52,380    |                 | 14,46,83,380   |                 |
| Share Warrants Pending exercise             |      | 6,56,25,000     |                 | -              |                 |
| Reserves & Surplus                          | II   | 4,94,10,96,739  | 5,19,94,74,119  | 2,88,72,02,477 | 3,03,18,85,857  |
| 2. Loan Funds                               |      |                 |                 |                |                 |
| Secured Loans                               | III  | 9,63,08,24,897  |                 | 6,80,50,91,427 |                 |
| Unsecured Loans                             | IV   | 1,55,59,45,284  | 11,18,67,70,181 | 27,60,03,562   | 7,08,10,94,989  |
| 3. Deferred Tax Liabilities (Net)           |      | V               | 19,36,04,497    |                | 13,21,71,744    |
|   |      |                 | 16,57,98,48,797 |                | 10,24,51,52,590 |
| APPLICATION OF FUNDS                        |      |                 |                 |                |                 |
| 1. Fixed Assets                             |      |                 |                 |                |                 |
| Gross Block                                 | VI   | 7,46,53,74,432  |                 | 5,12,95,19,286 |                 |
| Less : Accumulated Depreciation             |      | 1,11,51,89,086  |                 | 84,97,19,542   |                 |
| Net Block                                   |      |                 | 6,35,01,85,346  |                | 4,27,97,99,744  |
| 2. Investments                              |      | VII             | 25,81,42,414    |                | 5,49,52,894     |
| 3. Current Assets, Loans & Advances         |      |                 |                 |                |                 |
| Inventories                                 | VIII | 10,40,63,25,036 |                 | 6,57,25,84,157 |                 |
| Sundry Debtors                              | IX   | 2,90,84,87,488  |                 | 1,53,08,02,023 |                 |
| Cash & Bank Balances                        | X    | 15,48,02,238    |                 | 17,90,76,275   |                 |
| Loans & Advances                            | XI   | 1,56,60,46,041  |                 | 1,22,65,23,270 |                 |
|   |      | 15,03,56,60,803 |                 | 9,50,89,85,725 |                 |
| Less: Current Liabilities & Provisions      |      |                 |                 |                |                 |
| Liabilities & Provisions                    | XII  | 5,07,84,30,996  |                 | 3,61,92,05,093 |                 |
| Net Current Assets                          |      |                 | 9,95,72,29,807  |                | 5,88,97,80,632  |
| Miscellaneous Expenditure                   |      |                 |                 |                |                 |
| (To the extent not written off or adjusted) | XIII |                 | 1,42,91,230     |                | 2,06,19,320     |
|   |      |                 | 16,57,98,48,797 |                | 10,24,51,52,590 |
| Notes on Accounts                           |      | XXI             |                 |                |                 |

For and on behalf of the Board

AUDITORS' REPORT

As per our report of even date annexed

For AAD & Associates

Chartered Accountants

Sd/-  
Rajiv Goyal  
Managing Director

Sd/-  
Alka Goyal  
Executive Director

Sd/-  
Rajansh Thukral  
Associate Director &  
Chief Co. Secretary

Sd/-  
Shamsher Singh  
Partner

Place: Chandigarh

Date: 13.08.2011

Profit and Loss Account for the year ending 31st March 2011

| (Amount in ₹)                                       |                        |                        |
|---|------------------------|------------------------|
| Schedules   | Current year           | Previous year          |
| <b>INCOME</b>                                       |                        |                        |
| Sales & Job Charges                                 | 16,33,26,73,536        | 11,57,53,14,393        |
| Other IncomeXIV                                     | 8,90,41,577            | 10,49,81,562           |
| Increase/ decrease in value of Finished Goods       | 50,58,45,353           | (87,87,284)            |
|   | <b>16,92,75,60,466</b> | <b>11,67,15,08,671</b> |
| <b>EXPENDITURE</b>                                  |                        |                        |
| Raw Material ConsumedXV                             | 12,75,61,49,830        | 8,85,05,70,520         |
| Manufacturing ExpensesXVI                           | 42,65,13,849           | 28,08,38,485           |
| Excise Duty Consumed                                | 32,84,98,587           | 23,39,63,258           |
| Personnel ExpensesXVII                              | 40,20,36,350           | 28,83,32,270           |
| Administrative ExpensesXVIII                        | 14,94,96,921           | 9,59,73,071            |
| Financial ExpensesXIX                               | 1,07,75,33,738         | 62,36,17,554           |
| Selling ExpensesXX                                  | 19,83,72,619           | 15,76,04,921           |
| DepreciationVI                                      | 26,54,69,543           | 20,55,48,346           |
| Loss Due to Fire                                    | -                      | 2,44,73,135            |
| Preliminary & Deferred Revenue Expenses Written Off | 63,28,090              | 59,53,013              |
|   | <b>15,61,03,99,527</b> | <b>10,76,68,74,573</b> |
| <b>Profit / (Loss) before Tax</b>                   | <b>1,31,71,60,939</b>  | <b>90,46,34,098</b>    |
| <b>Tax Provisions</b>                               |                        |                        |
| Provision for Tax                                   | 26,25,10,175           | 15,36,97,333           |
| Provision for Deferred Tax                          | 6,14,32,752            | (96,68,896)            |
| MAT Asset Appropriation                             | (83,60,640)            | -                      |
| <b>Profit after tax</b>                             | <b>1,00,15,78,651</b>  | <b>76,06,05,661</b>    |
| Proposed Dividend                                   | 2,89,12,857            | 2,17,02,507            |
| Dividend Distribution Tax                           | 36,04,515              | 29,50,673              |
| Income tax relating to previous years               | 1,24,59,989            | 51,62,258              |
| <b>Balance transferred to General Reserve</b>       | <b>95,66,01,290</b>    | <b>73,07,90,223</b>    |
| Basic Earning Per Equity Share of ₹1 each           | 5.20                   | 5.26                   |
| Diluted Earning Per Equity Share of ₹1 each         | 5.10                   | 5.26                   |

For and on behalf of the Board

AUDITORS' REPORT

As per our report of even date annexed

For AAD & Associates

Chartered Accountants

Sd/-  
Rajiv Goyal  
Managing Director

Sd/-  
Alka Goyal  
Executive Director

Sd/-  
Rajansh Thukral  
Associate Director &  
Chief Co. Secretary

Sd/-  
Shamsher Singh  
Partner

Place: Chandigarh

Date: 13.08.2011

## Schedules to the Balance Sheet as on 31st March 2011

(Amount in ₹)

|  | As on<br>31.03.2011 | As on<br>31.03.2010 |
|--|---------------------|---------------------|
| <b>Schedule I SHARE CAPITAL</b>  |                     |                     |
| <b>Authorised Capital</b>  |                     |                     |
| 1,00,00,00,000 Equity Shares of ₹1/- each  | 1,00,00,00,000      | 50,00,00,000        |
| <b>Issued Subscribed &amp; Paid Up</b>   |                     |                     |
| <b>Capital</b>   |                     |                     |
| 19,27,52,380 Equity Shares of ₹1/- each Fully paid up,out of which 67,50,000 shares @ ₹1/- each issued as bonus shares and 700 shares @ ₹1/- each issued for consideration other than cash | 19,27,52,380        | 14,46,83,380        |
|  | <b>19,27,52,380</b> | <b>14,46,83,380</b> |

|   |                       |                       |
|---|-----------------------|-----------------------|
| <b>Schedule II RESERVES &amp; SURPLUS</b> |                       |                       |
| <b>General Reserve</b>                    |                       |                       |
| Opening Balance                           | 2,45,51,31,457        | 1,72,43,41,234        |
| Transferred From Profit & Loss Account    | 95,66,01,290          | 73,07,90,223          |
|   | 3,41,17,32,747        | 2,45,51,31,457        |
| <b>Share Premium</b>                      | 1,52,93,63,992        | 43,20,71,020          |
| <b>Total</b>                              | <b>4,94,10,96,739</b> | <b>2,88,72,02,477</b> |

|                                   |                       |                       |
|-----------------------------------|-----------------------|-----------------------|
| <b>Schedule III SECURED LOANS</b> |                       |                       |
| <b>Term Loan</b>                  | 3,23,18,56,987        | 2,88,71,29,270        |
| Working Capital Limit             | 6,38,14,40,201        | 3,89,38,29,298        |
| Vehicle Loan                      | 95,05,018             | 73,46,086             |
| Interest Accrued & Due            | 80,22,690             | 1,67,86,773           |
| <b>Total</b>                      | <b>9,63,08,24,897</b> | <b>6,80,50,91,427</b> |

|                                    |                       |                     |
|------------------------------------|-----------------------|---------------------|
| <b>Schedule IV UNSECURED LOANS</b> |                       |                     |
| <b>Short Term loan from banks</b>  | 1,44,97,83,162        | 27,48,41,440        |
| Others                             | 10,61,62,122          | 11,62,122           |
| <b>Total</b>                       | <b>1,55,59,45,284</b> | <b>27,60,03,562</b> |

|   |                     |                      |
|---|---------------------|----------------------|
| <b>Schedule V DEFERRED TAX LIABILITIES (NET)</b>                            |                     |                      |
| <b>Deferred Tax Liabilities Arising On Account Of Depreciation</b>          | 20,00,72,858        | (85,46,407)          |
| <b>Total (A)</b>  | <b>20,00,72,858</b> | <b>(85,46,407)</b>   |
| <b>Deferred Tax Assets Arising On Account Of Provision For :</b>            |                     |                      |
| Retirement Benefits   | 1,53,04,207         | 2,00,69,704          |
| Loss on the sale of Shares long term  | –                   | –                    |
| <b>Total (B)</b>  | <b>1,53,04,207</b>  | <b>2,00,69,704</b>   |
| Deferred Tax Liability arising on Account of Dividend Received - U/S 10(34) | 1,72,275            | 1,69,816             |
| <b>Total (C)</b>  | <b>1,72,275</b>     | <b>1,69,816</b>      |
| <b>Net Deferred Tax Liability (A-B+C)</b>                                   | <b>18,49,40,926</b> | <b>(2,84,46,295)</b> |
| Tax Impact  | 6,14,32,752         | (96,68,896)          |
| Amount brought forward from previous year                                   | 13,21,71,744        | 14,18,40,640         |
| <b>Total</b>  | <b>19,36,04,497</b> | <b>13,21,71,744</b>  |

## Schedules to the Balance Sheet as on 31st March 2011

(Amount in ₹)

| Schedule                    | VI          | FIXED ASSETS        |                |                   |                    |                     |                    |            |                |                     |                     |
|-----------------------------|-------------|---------------------|----------------|-------------------|--------------------|---------------------|--------------------|------------|----------------|---------------------|---------------------|
| Particulars                 | Rate of Dep | GROSS BLOCK         |                |                   |                    | DEPRECIATION        |                    |            |                | NET BLOCK           |                     |
|                             |             | As on<br>01.04.2010 | Additions      | Sale/<br>Transfer | Closing<br>Balance | As on<br>01.04.2010 | During<br>the Year | Adjustment | Total          | As on<br>31.03.2011 | As on<br>31.03.2010 |
| Land                        |             | 17,07,28,918        | 85,98,161      | –                 | 17,93,27,079       | –                   | –                  | –          | –              | 17,93,27,079        | 17,07,28,918        |
| Building                    | 3.34%       | 34,41,28,441        | 59,07,82,364   | –                 | 93,49,10,805       | 3,88,90,375         | 1,58,90,889        | –          | 5,47,81,264    | 88,01,29,540        | 30,52,38,066        |
| Plant & Machinery           | 10.34%      | 1,55,85,37,432      | 1,06,70,29,393 | –                 | 2,62,55,66,825     | 61,68,86,365        | 19,48,06,046       | –          | 81,16,92,412   | 1,81,38,74,413      | 94,16,51,068        |
| R & D Assets                | 4.75%       | 85,01,81,263        | 15,80,15,784   | –                 | 1,00,81,97,047     | 12,37,41,679        | 3,91,31,130        | –          | 16,28,72,809   | 84,53,24,238        | 72,64,39,583        |
| Misc Assets                 | 4.75%       | 6,88,84,362         | 2,77,72,348    | –                 | 9,66,56,710        | 2,64,58,579         | 33,65,729          | –          | 2,98,24,308    | 6,68,32,402         | 4,24,25,783         |
| Electricals & Fittings      | 4.75%       | 4,49,85,287         | 11,15,38,020   | –                 | 15,65,23,307       | 1,28,33,631         | 36,61,408          | –          | 1,64,95,039    | 14,00,28,268        | 3,21,51,657         |
| Computers                   | 16.21%      | 1,60,02,082         | 1,27,17,379    | –                 | 2,87,19,461        | 81,66,304           | 24,62,874          | –          | 1,06,29,178    | 1,80,90,283         | 78,35,777           |
| Pollution Control Equipment | 4.75%       | 4,16,42,504         | –              | –                 | 4,16,42,504        | 85,89,578           | 19,78,019          | –          | 1,05,67,597    | 3,10,74,907         | 3,30,52,925         |
| Furniture & Fixtures        | 6.33%       | 2,07,02,462         | 1,74,10,230    | –                 | 3,81,12,692        | 27,12,137           | 14,87,079          | –          | 41,99,216      | 3,39,13,476         | 1,79,90,325         |
| Motor Vehicle               | 9.50%       | 2,79,65,866         | 71,39,941      | –                 | 3,51,05,807        | 1,14,40,894         | 26,86,369          | –          | 1,41,27,263    | 2,09,78,544         | 1,65,24,972         |
| Capital Work In Progress    |             | 1,98,57,60,669      | 33,48,51,525   | –                 | 2,32,06,12,193     | –                   | –                  | –          | –              | 2,32,06,12,193      | 1,98,57,60,669      |
| Total                       |             | 5,12,95,19,286      | 2,33,58,55,144 | –                 | 7,46,53,74,432     | 84,97,19,543        | 26,54,69,543       | –          | 1,11,51,89,086 | 6,35,01,85,346      | 4,27,97,99,743      |
| Previous Year Figures       |             | 3,65,54,39,088      | 1,51,23,12,057 | 3,82,31,859       | 5,12,95,19,286     | 64,76,52,929        | 20,55,48,346       | 34,81,732  | 84,97,10,542   |                     |                     |

|   |  |                             |                             |
|---|--|-----------------------------|-----------------------------|
|   |  | <b>As on<br/>31.03.2011</b> | <b>As on<br/>31.03.2010</b> |
| <b>Schedule VII INVESTMENTS</b>   |  |                             |                             |
| <b>Quoted</b>   |  |                             |                             |
| a) 600 (600) Equity Shares of<br>Canara Bank of ₹10/- each Market Value ₹3,75,690 @ 626.15                  |  | 21,000                      | 21,000                      |
| b) GCDB Grindlay Cash Fund<br>Market Value of 14060.152 Units @ 10.5873 ₹1,48,859                           |  | 1,48,859                    | 1,42,048                    |
| c) 10,688 (10,688) Equity Shares of<br>Allahabad Bank of ₹10/- each Market Value ₹24,65,722 @ 230.70        |  | 8,76,416                    | 8,76,416                    |
| d) Mutual Fund-Tax Saver PNB<br>Market Value ₹13,29,028 @ 19.86 Units 66919.85                              |  | 10,00,000                   | 10,00,000                   |
| e) Mutual Fund-SBI<br>Market Value ₹5,00,00,000 @ 21.79 Units 2294630.56                                    |  | 5,00,00,000                 | –                           |
| <b>Unquoted</b>   |  |                             |                             |
| Surya Healthcare Ltd<br>37,50,000 Shares of 10/- each Share Premium-11,00,000 Shares @15/- & 8,50,000@ 25/- |  | 7,52,50,000                 | 1,80,00,000                 |
| Surya Eduquest Ltd<br>10,000 (10,000) Shares of 10/- each   |  | 1,00,000                    | 1,00,000                    |
| Surya Pharmaceutical Inc  |  | 22,18,229                   | 4,82,500                    |
| Surya Biopharma USA Inc   |  | 83,72,030                   | –                           |
| Surya Pharmaceutical (Singapore) Pte Ltd (Share Application Money Allotment Pending)                        |  | 3,51,05,880                 | –                           |
| Surya Healthcare Ltd. (Share Application Money Allotment Pending)   |  | 8,50,50,000                 | 3,43,30,930                 |
| <b>Total</b>  |  | <b>25,81,42,414</b>         | <b>5,49,52,894</b>          |

|                                  |                        |                       |
|----------------------------------|------------------------|-----------------------|
| <b>Schedule VIII INVENTORIES</b> |                        |                       |
| Raw Material                     | 3,01,30,02,624         | 1,92,52,82,222        |
| Work-In-Progress                 | 6,78,60,96,199         | 4,55,93,33,143        |
| Finished Goods                   | 55,58,06,039           | 4,99,60,686           |
| Stores & Spares                  | 5,14,20,174            | 3,80,08,106           |
| <b>Total</b>                     | <b>10,40,63,25,036</b> | <b>6,57,25,84,157</b> |



## Schedules to the Balance Sheet as on 31st March 2011

(Amount in ₹)

|   | As on<br>31.03.2011   | As on<br>31.03.2010   |
|---|-----------------------|-----------------------|
| <b>Schedule IX SUNDRY DEBTORS</b>   |                       |                       |
| (Unsecured, considered doubtful)  |                       |                       |
| Outstanding for a Period exceeding Six Months   | 28,38,629             | 25,85,423             |
| Less : Provision for Doubtful Debts   | –                     | –                     |
|   | 28,38,629             | 25,85,423             |
| (Unsecured, considered good)  |                       |                       |
| Outstanding for a Period exceeding Six Months   | 4,60,59,207           | 4,48,34,341           |
| Others  | 2,85,95,89,652        | 1,48,33,82,259        |
| <b>Total</b>  | <b>2,90,84,87,488</b> | <b>1,53,08,02,023</b> |
| <b>Schedule X CASH &amp; BANK BALANCES</b>  |                       |                       |
| Cash in Hand  | 21,19,648             | 23,30,601             |
| Balance in current A/c  |                       |                       |
| -With Scheduled banks   | 9,35,39,567           | 14,57,38,765          |
| Balance in Fixed Deposits   | 5,86,84,458           | 3,07,44,326           |
| SPL Dividend A/c IDBI   | 4,58,565              | 2,62,584              |
| <b>Total</b>  | <b>15,48,02,238</b>   | <b>17,90,76,275</b>   |
| <b>Schedule XI LOANS &amp; ADVANCES</b>   |                       |                       |
| (Unsecured, considered good)  | 85,29,81,709          | 65,00,35,326          |
| Advances recoverable in cash or in kind or for value to be received (Includes advances to Directors, Firms/Companies in which Directors are interested ₹ NIL (Previous year ₹ NIL) Max. Balance during the year ₹ NIL (Previous Year ₹ NIL) | –                     | –                     |
| Advances to Group Companies   | 5,10,35,110           | 1,14,35,011           |
| Security Deposits   | 89,15,988             | 80,94,002             |
| Export Incentives   | 26,63,21,358          | 30,67,38,366          |
| Excise Duty Balances  | 18,00,56,513          | 10,49,10,988          |
| VAT Recoverable   | 20,65,90,364          | 14,46,64,577          |
| Earnest Money   | 1,45,000              | 6,45,000              |
| <b>Total</b>  | <b>1,56,60,46,041</b> | <b>1,22,65,23,270</b> |
| <b>Schedule XII CURRENT LIABILITIES &amp; PROVISIONS</b>  |                       |                       |
| Sundry Creditors  | 3,92,02,40,002        | 2,61,81,46,455        |
| Other Liabilities on Capital A/c  | 44,64,77,239          | 61,61,37,152          |
| Advances from Customers   | 26,35,41,525          | 10,40,41,540          |
| Other Liabilities   | 41,92,59,373          | 25,91,77,439          |
| Proposed Dividend   | 2,89,12,857           | 2,17,02,507           |
| <b>Total</b>  | <b>5,07,84,30,996</b> | <b>3,61,92,05,093</b> |
| <b>Schedule XIII DEFERRED REVENUE EXPENSES</b>  |                       |                       |
| Opening Balance   | 2,06,19,320           | 84,11,995             |
| Addition during the year  | –                     | 1,81,60,338           |
|   | 2,06,19,320           | 2,65,72,333           |
| Less Amount written off   | 63,28,090             | 59,53,013             |
| <b>Closing Balance</b>  | <b>1,42,91,230</b>    | <b>2,06,19,320</b>    |

## Schedules to the Profit &amp; Loss Account for the year ending 31st March 2011

(Amount in ₹)

|  | Year ended<br>31.03.2011 | Year ended<br>31.03.2010 |
|--|--------------------------|--------------------------|
| <b>Schedule XIV OTHER INCOME</b>           |                          |                          |
| Interest on FDRs                           | 11,89,094                | 16,79,306                |
| Dividend Received                          | 1,72,275                 | 1,69,816                 |
| Freight Received from parties              | 6,23,13,883              | 7,52,09,737              |
| Claim Received                             | 1,30,86,213              | 58,81,667                |
| Miscellaneous Income                       | 52,15,707                | 12,25,434                |
| Profit on Sale of Fixed Assets             | –                        | 10,82,283                |
| Profit on Derivative Trading               | 70,64,405                | 1,97,33,319              |
| <b>Total</b>                               | <b>8,90,41,577</b>       | <b>10,49,81,562</b>      |
| <b>Schedule XV RAW MATERIAL CONSUMED</b>   |                          |                          |
| Opening Stock                              |                          |                          |
| - Raw Material                             | 1,92,52,82,222           | 1,26,81,70,085           |
| - Work in progress                         | 4,55,93,33,143           | 2,38,21,48,611           |
| Purchases                                  | 16,07,06,33,288          | 11,68,48,67,189          |
| <b>Total</b>                               | <b>22,55,52,48,653</b>   | <b>15,33,51,85,885</b>   |
| Less : Closing Stock                       |                          |                          |
| - Raw Material                             | 3,01,30,02,624           | 1,92,52,82,222           |
| - Work-in-progress                         | 6,78,60,96,199           | 4,55,93,33,143           |
| <b>Total</b>                               | <b>12,75,61,49,830</b>   | <b>8,85,05,70,520</b>    |
| <b>Schedule XVI MANUFACTURING EXPENSES</b> |                          |                          |
| Consumables Stores                         | 4,05,71,367              | 2,47,07,348              |
| Hire Charges                               | 26,25,069                | 16,89,733                |
| Insurance                                  | 1,76,67,009              | 1,55,75,450              |
| Job Charges Paid                           | 4,93,93,637              | 3,97,80,416              |
| Repair & Maintenance                       | 6,73,28,497              | 4,36,63,486              |
| Testing Charges                            | 3,36,825                 | 3,15,433                 |
| Electricity & Water Charges                | 5,97,25,580              | 4,64,45,974              |
| Fuel, Oil & Lubricants                     | 18,83,91,475             | 10,83,11,175             |
| Commission on Purchase                     | 4,74,390                 | 3,49,470                 |
| <b>Total</b>                               | <b>42,65,13,849</b>      | <b>28,08,38,485</b>      |
| <b>Schedule XVII PERSONNEL EXPENSES</b>    |                          |                          |
| Salary Directors                           | 8,38,86,438              | 6,26,52,026              |
| Staff salary                               | 30,18,25,779             | 21,42,52,903             |
| Staff Benefits                             | 1,63,24,133              | 1,14,27,341              |
| <b>Total</b>                               | <b>40,20,36,350</b>      | <b>28,83,32,270</b>      |

## Schedules to the Profit & Loss Account for the year ending 31st March 2011

(Amount in ₹)

|   | Year ended<br>31.03.2011 | Year ended<br>31.03.2010 |
|---|--------------------------|--------------------------|
| <b>Schedule XVIII ADMINISTRATIVE EXPENSES</b> |                          |                          |
| Audit Fee                                     | 2,00,000                 | 2,00,000                 |
| Books & Periodicals                           | 3,17,481                 | 3,74,489                 |
| Directors Sitting Fee                         | 1,60,000                 | 45,000                   |
| Donation                                      | 1,13,502                 | 13,21,201                |
| Legal & Professional Charges                  | 2,87,40,212              | 1,06,40,597              |
| Staff Welfare                                 | 15,62,578                | 10,87,342                |
| Miscellaneous Expenses                        | 1,32,94,976              | 89,91,722                |
| Telephone & Telegram                          | 67,60,692                | 38,51,036                |
| Postage                                       | 24,27,822                | 17,42,830                |
| Printing & Stationery                         | 57,65,938                | 44,96,095                |
| Rate, Fee & Taxes                             | 96,66,515                | 87,35,575                |
| Rent  | 2,88,12,574              | 2,88,16,179              |
| Subscription                                  | 18,62,402                | 16,05,687                |
| Travel & Conveyance                           | 4,40,61,525              | 1,87,69,999              |
| Vehicle Running & Maintenance                 | 25,20,024                | 22,58,682                |
| Ward & Watching Expenses                      | 32,30,679                | 28,69,774                |
| Loss on sale of Fixed Assets                  | –                        | 1,66,863                 |
| <b>Total</b>                                  | <b>14,94,96,921</b>      | <b>9,59,73,071</b>       |

|  |                       |                     |
|--|-----------------------|---------------------|
| <b>Schedule XIX FINANCIAL EXPENSES</b> |                       |                     |
| <b>Interest Paid</b>                   |                       |                     |
| - Term Loan                            | 18,45,24,474          | 9,36,61,027         |
| - Short Term Loan                      | 6,26,79,185           | 4,99,04,046         |
| - Working Capital                      | 72,54,70,599          | 41,02,93,118        |
| - Others                               | 51,32,274             | 11,98,526           |
| Bank Charges                           | 9,97,27,206           | 6,85,60,837         |
| <b>Total</b>                           | <b>1,07,75,33,738</b> | <b>62,36,17,554</b> |

|                                     |                     |                     |
|-------------------------------------|---------------------|---------------------|
| <b>Schedule XX SELLING EXPENSES</b> |                     |                     |
| Advertisement                       | 1,94,52,199         | 99,17,007           |
| Business Promotion                  | 1,95,14,581         | 60,90,401           |
| Discount Allowed                    | 64,800              | 4,85,183            |
| Export Commission                   | 2,45,89,220         | 2,66,88,020         |
| Export Expenses                     | 2,01,43,228         | 1,93,35,783         |
| Freight Outward                     | 5,43,22,817         | 4,26,79,736         |
| Packing Expenses                    | 5,95,98,415         | 4,24,52,896         |
| Sales Commission                    | 6,87,359            | 99,55,895           |
| <b>Total</b>                        | <b>19,83,72,619</b> | <b>15,76,04,921</b> |

### Schedule XXI NOTES ON ACCOUNTS

#### A. SIGNIFICANT ACCOUNTING POLICIES:

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

- The financial statements have been prepared under the historical cost convention in accordance with the Indian Generally Accepted Accounting Principles (GAAP), accounting Standards issued by The Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956 and on the basis of a going concern.
- All the Income & expenditure are recognised on accrual basis.
- Figures have been taken to nearest rupee.
- Previous year figures have been re-grouped and re-arranged wherever considered necessary.

##### 2. Fixed Assets

- Fixed Assets have been stated at original cost less depreciation.
- Depreciation has been provided during the year on straight line method at revised rates, vide Notification GSR No. 756 E Dated: 16.12.93, as non continuous process on triple shift basis as per schedule XIV to the Companies Act, 1956.

##### 3. Valuation of Inventories

Raw materials have been valued at cost or market price, whichever is less, Work in progress and other misc. Stocks have been valued on estimated basis, In respect of Finished Goods and Work in Progress, applicable manufacturing overheads and other cost incurred in bringing the items of inventory to their present location and condition are also include. Finished Goods have been valued at cost inclusive of the provision of excise duty thereon, in accordance with the guidance note on accounting treatment for excise duty issued by the Institute of Chartered Accountants of India & other professional pronouncements. However, the same has no effect on the profits for the year.

##### 4. Foreign Exchange Transactions

Monetary liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end rates. The resultant gain/loss, if any, is recognised in the Profit and Loss Account, except exchange differences on liabilities incurred for acquisition of fixed assets, which are adjusted to the carrying amounts of respective amounts of the respective assets. Non-monetary assets and liabilities related to foreign currency transactions are reported at the rate on the date of the transaction.

##### 5. Revenue Recognition

- Sales are stated net of returns, inclusive of excise duty, job work charges received, export incentives and Mercantile sales.
- Dividend income has been accounted for on receipt basis.
- Export benefits are accounted for on accrual basis.

##### 6. Employees Benefits

- The Contribution to the Provident Fund, under the defined contribution plans are charged to revenue.
- The accrued liability towards gratuity has been calculated by SBI Life insurance Co Ltd amounting to ₹150.75 lacs (₹148.90 lacs) and has been provided upto 31st March 2011.
- The leave encashment has been provided amounting to ₹96.19 lacs (₹64.56 lacs) upto 31st March 2011.

##### 7. Apportionment of Indirect Expenses

Indirect expenses incurred by the company have been apportioned amongst all the units, on the following basis:-  
Fixed Administrative Expenses - on the basis of sales value, Export expenses - on the basis of exports in value Other Expenses - on the basis of sales value.

##### 8. Miscellaneous Expenditure

Deferred Revenue expenses are written off over a period of 5 years.

#### B. BALANCE SHEET

##### 1. Secured Loans

###### Term loans

All Term Loans are secured by first pari passu Charge on all the fixed assets of the company and second pari-passu charge on the current assets of the Company.

###### Working Capital Limits

All Working Capital Limits both fund based & non fund based are secured by way of first pari passu charge on all the current assets of the Company and second pari passu charge on all the fixed assets of the Company.

##### 2. Unsecured Loans

All Short Term Loans are secured by way of subservient charge on the fixed assets & current assets of the Company and personal guarantee of the Managing Director and Executive Director of the Company.

## Schedule XXI NOTES ON ACCOUNTS (Contd...)

## 3. Fixed Assets

A sum of ₹1,580.15 lacs (₹897.47 Lacs) (includes revenue and capital expenditure has been capitalized under the head Research & Development Assets. The company has been regularly working on modernization and development of its existing technological system and development of new products & processes. In the opinion of management, the process will yield benefits in the coming years in the shape of improved yields, more demand in the international market as well as better price.

## 4. Investments

Investments considered long term are stated at cost.

## 5. Current Assets, Loans &amp; Advances

- The company has sent letters of balance confirmation to all the parties but only a few have responded so far. So the balance in the party accounts whether in debit or in credit are subject to reconciliation.
- Sundry debtors, Loans & Advances, Sundry creditor and Advances from customers are subject to confirmation, reconciliation and adjustments. Thus the impact of the same on the accounts of the company could not be ascertained.
- In the opinion of the directors of the Company, the current assets, loans and advances are approximately of the value as stated, if realized in the ordinary course of business.
- In the opinion of the directors of the Company, the Advance licenses/DEPB licenses are approximately of the value as stated, if realized/utilized in the ordinary course of business.
- Fixed Deposits of ₹586.84 lacs (₹307.44 lacs) as on 31.03.2011 are pledged as margin money against the bank guarantees, inland letter of credit and foreign letter of credit.
- The inventory of stocks, stores & spares has been taken, valued and certified by the management.
- Sundry Debtors are stated after making adequate provisions for doubtful debts.

## 6. Current Liabilities

- As regards compliance of provisions relating to dues to the Small Scale Industries in terms of the Companies (Amendment) Act, 1999, the Company has sent letters to the creditors to intimate whether they are Small Scale Industrial Units. The Company is yet to receive the required information from them. Hence, it is not possible to quantify the dues, if any, towards the Small Scale Units.

## ii) Contingent Liabilities

(₹ in lacs)

| Sr. No. | Particulars   | 31.03.2011  | 31.03.2010   |
|---------|---|---|--|
| i.      | Foreign/ Inland Letter of Credit  | 2,116.73  | 3,576.89   |
| ii.     | Bank Guarantees   | 1,413.89  | 88.92  |
| iii.    | Corporate Guarantee (Subsidiaries)  | 11,365.00   | 1,085.82   |
| iv.     | Bills Discounted (FOBN)   | 2,327.29  | 3,413.27   |
| v.      | Claims against the Company not acknowledged as debt as on 31.03.2011 in respect of:   |   |  |
|         | a. Income Tax matters, pending decisions on various appeals made by the company and by the department                               |   |  |
|         | i. Cases for A.Y. 2000-01,2001-02, 2003-04,2004-05 & 2005-06 are remanded back by ITAT to Assessing Officer for reframing the case. | No Demand<br>Pending  | No Demand<br>Pending   |
|         | ii. Cases for A.Y. 2006-07 are pending with Tribunal.   | Appeal Pending<br>at ITAT   | Demand Notice<br>89.72 Lacs  |
|         | iii. Case for A.Y. 2007-08 is under processing with ITAT.   | CIT(A) has allowed<br>our appeals and<br>company has applied<br>for appeal affect<br>asking for refund of<br>(₹555.61 Lacs) | Demand Notice<br>₹649.47 Lacs<br>(₹125 Lacs deposited<br>under protest, till<br>31-03-10.) with<br>(CIT A) |
|         | b. Excise matters, under dispute  | 734.52  | 1,591.48   |
|         | c. Sales Tax matters, under dispute   | —   | 155.82   |
|         | d. Service Tax, under dispute   | 173.94  | 24.87  |
|         | e. Customs Act  | 313.27  | 313.27   |

## Schedule XXI NOTES ON ACCOUNTS (Contd...)

- There was a search and seizure operation at various premises of the company and its employees on 17.09.2010. The necessary entries/adjustment in respect of the same, if any, will be made as an when assessment are completed under Chapter XIV of Income Tax Act, 1961 in pursuance of provision of Section 153A of the said Act.

## C. PROFIT &amp; LOSS ACCOUNT

- Payment has been made to Auditors for the year ended 31st March 2010, and provision has been made for the year ended 31st March 2011.

(Amount in ₹)

| Sr. No. | Particulars     | 31.03.2011 | 31.03.2010 |
|---------|-----------------|------------|------------|
| i)      | Statutory audit | 2,00,000   | 2,00,000   |
| ii)     | Tax Audit       | 1,00,000   | 1,00,000   |
| iii)    | Others          | 3,00,000   | 3,00,000   |
| iv)     | Service Tax     | 45,200     | 45,200     |

## ii) Director's Remuneration

- Details of Remuneration to Managing Director & Whole Time Directors: -  
Remuneration to Directors ₹312.00 lacs (₹264.66 Lacs) and Commission to directors ₹526.86 lacs (₹361.85 lacs).

- Calculations of profit in accordance with Section 198 of the Companies Act, 1956.

(₹ in lacs)

| Particulars   | Amount    |
|---|-----------|
| Profit before Tax as per Profit & Loss A/c  | 13,171.61 |
| Add: Director Remuneration  | 312.00    |
| Add: Commission to Directors  | 526.86    |
| Net Profit for the purpose of calculating Directors commission as per the provisions of the Companies Act, 1956 | 14,010.47 |
| Director Remuneration payable as per Company Act, 1956  | 1,401.05  |
| Remuneration Paid to Directors  | 312       |
| Commission paid to Directors  | 526.86    |

- Sales Tax Assessments for previous years are in progress. No provision has been made on account of sales tax liability and the same, if any, will be provided at the time of assessment.
- Provision for Income tax has been made as per Income-tax Act, 1961.
- During the year, company is writing off Deferred Revenue Expenditure for marketing of products, exhibitions etc. over a period of five years.
- Profit made in currency derivatives trading during the year is ₹70.64 lacs, (previous year ₹197.33 lacs) and exposure in sale is ₹6,765 lacs (₹6,367.93) as on 31.03.2011.
- Menthol incentive for Vishesh Krishi Gram Upaj Yojana is ₹449.02 lacs. and quantity exported under this scheme is 1274.93 MT

## D. EARNING PER SHARE

Basic earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares during the year. Diluted earning per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period assuming the conversion of diluted potential equity shares.

## E. SHARE CAPITAL

- The company has issued and allotted 47,00,000 Share Warrants at an exercise price of ₹70/- (inclusive of ₹10/- face value and ₹60/- premium) to the promoters, which are 25% paid up. The warrants shall be converted in equity shares at the option of allotted within eighteen months from the date of allotment of the warrants. Out of this during the year 9,50,000 convertible share warrants have been converted in share capital at face value of ₹1 per share (one share warrant comprises 10 equity share consequent to subdivision of face value from ₹10 to ₹1 per share). Further during the year 2011-12, the promoters have exercised another 10,00,000 share warrants and the paid up capital has increased to 20,27,52,380 number of shares.
- The Company has raised USD 25 million through issue of 3,85,690 GDRs at US \$ 64.819 in October 2010, 1 GDR comprises 10 equity shares, the proceeds of GDRs were used for setting up/acquisition of new manufacturing facility, upgradation/modernisation of existing facilities, investment in subsidiaries, augmenting long term working capital.



Schedule **XXI** NOTES ON ACCOUNTS (Contd...)

- 3) GDR issue expenses of ₹396.39 lacs has been adjusted against the Security premium accounts as permitted by Sec 78 (2) of Companies Act, 1956.

**F. SEGMENT REPORTING**

There is not more than one reportable segment; hence information as per AS 17 is not required to be disclosed.

**G. RELATED PARTY DISCLOSURES**

Related party disclosures as required under Accounting Standard on “Related Party Disclosures” issued by the Institute of Chartered Accountants of India are given below :-

**a) Relationship****i) Subsidiary Companies**

M/s. Surya Healthcare Ltd.  
M/s. Surya Pharmaceutical Inc.  
M/s. Surya Pharmaceutical (Singapore) Pte Ltd  
M/s. Surya Biopharma U.S.A Inc

**ii) Key Management Personnel (Director/Whole-time directors)**

Sh. Rajiv Goyal  
Smt. Alka Goyal

**Entities over which key management personnel/their relatives are able to exercise significant influence**

M/s. Surya Healthcare Ltd  
M/s. Surya Pharmaceutical Inc.  
M/s. Ess Ess Exim Pvt. Ltd.  
M/s. Surya Envirotech Ltd.  
M/s. Kala Infra Pvt. Ltd.  
M/s. Surya Pharmaceutical (Singapore) Pte Ltd  
M/s. Surya Biopharma U.S.A Inc

**b) The following transactions were carried out with related parties in the ordinary course of business.****i) Subsidiary Companies, Joint Ventures and associates of as follows:**

Rent paid to M/s Surya Envirotech Ltd. of ₹25.50 lacs.  
Rent paid to M/s Ess Ess Exim Pvt Ltd of ₹7.00 Lacs  
Rent paid to M/s Kala Infra Pvt. Ltd. of ₹97.00 Lacs  
Rent received from M/s Surya Healthcare Ltd of ₹10.32 Lacs

**Key Management Personnel and their relatives**

(₹ in lacs)

| Particulars                       | Amount |
|-----------------------------------|--------|
| i. Remuneration                   | 792    |
| ii. Purchase                      | –      |
| iii. Sales -                      |        |
| iv. Other Services (Rent)         | 35.84  |
| v. Balance at the end of the year |        |
| --Deposits Received               | –      |

*\*includes only payment to key personnel*

Other services includes rent paid to Mr. Rajiv Goyal and Mrs. Alka Goyal.

**H. IMPAIRMENT OF ASSETS**

- The indicators listed in paragraph 8 to 10 of Accounting Standard (AS) – 28 “Impairment of Assets” issued by Institute of Chartered Accountants of India have been examined and on such examination, it has been found that none of the indicators are present in the case of the Company. A formal estimate of the recoverable amount has not been made, as there is no indication of a potential impairment loss.
- During the year Company has received insurance claim of ₹672.50 lacs caused by fire in Banur Plant last year. Out of this ₹300 lacs has been accounted this year.

Schedule **XXI** NOTES ON ACCOUNTS (Contd...)**I. ADDITIONAL INFORMATION PURSUANT TO THE PROVISION OF PARAGRAPH 3,4C AND 4D OF PART II OF SCHEDULE VI OF COMPANIES ACT, 1956 ARE AS UNDER:**

|   | As on<br>31.03.2011 | As on<br>31.03.2010 |
|---|---------------------|---------------------|
| <b>Licensed and Installed Capacity and actual production</b>                    |                     |                     |
| 1. Licensed Capacity  | N.A.                | N.A.                |
| 2. Installed Capacity (As certified by the management being a technical matter) |                     |                     |
| a. Bulk Drug (MT)   | 2,886               | 2,340               |
| b. Formulation – Tablets & Capsules (No in Lacs)                                | 16,020              | 16,020              |
| c. Formulation - Dry Syrup (No in lacs)   | 180                 | 180                 |
| d. Menthol & Mint Derivatives (MT)  | 5,400               | 5,400               |
| e. Phyto Chemicals  | 900                 |                     |
| 3. Actual Production  |                     |                     |
| a. Bulk Drug (MT)   | 1,873.01            | 2,119.43            |
| b. Formulation – Tablets, Capsules & Dry Syrup (No in Lacs)                     | 2,527.48            | 1,438.41            |
| c. Menthol & Mint Derivatives (MT)  | 7,387.06            | 6,832.50            |
| d. Phyto Chemicals (MT)   | 5.99                | –                   |

**J. QUANTITATIVE DETAILS OF RAW MATERIAL CONSUMPTION**

| Sr. No. | Particulars       | Unit | 31.03.2011 | 31.03.2010 |
|---------|-------------------|------|------------|------------|
| 1.      | Drug Intermediate | MT   | 24,622.94  | 13,338.26  |
| 2.      | Menthol           | MT   | 7,425.45   | 7,990.98   |

**K. PARTICULARS IN RESPECT OF PRODUCTION AND SALES OF FINISHED GOODS**

| Sr. No. | Particulars  | Production             | Sales                  |
|---------|--|------------------------|------------------------|
| 1       | Bulk Drugs (MT's)  | 1,873.01<br>(2,137.49) | 1,873.01<br>(2,119.43) |
| 2       | Formulation – Tablets, Capsules & Dry Syrup (Nos. in Lacs) | 2,527.48<br>(1,438.41) | 2,527.48<br>(1,438.41) |
| 3       | Menthol & Mint Derivatives (MT's)                          | 7,387.06<br>(6,832.50) | 7,387.06<br>(6,832.50) |
| 4       | Phyto Chemicals (MT's)                                     | 5.99                   | 5.55                   |
| 5       | Merchant Exports of API's (MT's)                           | -                      | 158.75                 |

**PARTICULARS IN RESPECT OF PURCHASE AND SALES OF FORMULATION DIVISION**

| Sr. No. | Particulars     | Quantity (No in Lac) | Value (₹ in Lacs) |
|---------|-----------------|----------------------|-------------------|
| 1       | Opening Balance | 44.55                | 100.98            |
| 2       | Purchase        | 45.88                | 1,903.91          |
| 3       | Sales           | 70.14                | 1,486.21          |
| 4       | Closing Balance | 20.29                | 694.24            |

**Notes**

Figures in Brackets represent Previous year figures.

- L.** In compliance with Accounting Standard (AS-22) relating to “Accounting on Taxes on Income” issued by the Institute of Chartered Accountants of India, Deferred Tax Liability accruing during the period aggregating to ₹61.43 Lacs (₹96.69 lacs) has been recognised in the Profit & Loss Account.

## Schedule XXI NOTES ON ACCOUNTS (Contd...)

## M. RAW MATERIAL CONSUMED

| Sr. No. | Particulars | 2010-11           |        | 2009-10           |        |
|---------|-------------|-------------------|--------|-------------------|--------|
|         |             | Value (₹ in lacs) | (%age) | Value (₹ in lacs) | (%age) |
| 1.      | Imported    | 32,949.13         | 25.83% | 20,113.17         | 24.98% |
| 2.      | Indigenous  | 94,612.36         | 74.17% | 68,392.53         | 75.02% |

## N. CIF VALUE OF IMPORTS

(₹ in lacs)

| Sr. No. | Particulars   | 2010-11   | 2009-10   |
|---------|---------------|-----------|-----------|
| 1.      | Raw Material  | 32,958.63 | 20,998.06 |
| 2.      | Capital Items | 2,846.45  | 1,384.46  |

## O. EXPENDITURE IN FOREIGN CURRENCY

(₹ in lacs)

| Sr. No. | Particulars         | 2010-11 | 2009-10 |
|---------|---------------------|---------|---------|
| 1.      | Travelling Expenses | 55.47   | 32.04   |
| 2.      | Exhibition Expenses | 32.96   | 43.3    |
| 3.      | Export Commission   | 203.73  | 253.37  |
| 4.      | Salaries            | 4.25    | 10.02   |
| 5.      | Subscription        | 10.01   | 3.87    |

## P. REMITTANCES IN FOREIGN CURRENCY

(₹ in lacs)

| Sr. No. | Particulars   | 2010-11   | 2009-10   |
|---------|---------------|-----------|-----------|
| 1.      | Raw Material  | 20,975.23 | 19,867.78 |
| 2.      | Capital Items | 2,178.87  | 693.85    |

## Q. EARNINGS IN FOREIGN CURRENCY

(₹ in lacs)

| Sr. No. | Particulars | 2010-11   | 2009-10   |
|---------|-------------|-----------|-----------|
| 1.      | Exports     | 42,278.06 | 34,121.95 |

## R. FOREIGN ACQUISITION

During the year under review, the company through its 100% owned overseas subsidiary acquired one of the leading brands in US in tropical Analgesic category, i.e ActivOn and marketing operations thereof. Thus, Surya Pharmaceutical (Singapore) Pte Ltd. (SPSPL) acquired 100% shareholding of Amershire Investment Corp and Herkules Capital Management Ltd. The total envisaged Investment by SPSPL for this acquisition is USD 22 Million, out of which a sum of USD 10.92 Million had been incurred till 31st March, 2011.

## AUDITORS' REPORT

For and on behalf of the Board

As per our report of even date annexed

For AAD &amp; Associates

Chartered Accountants

Sd/-  
Rajiv Goyal  
Managing Director

Sd/-  
Alka Goyal  
Executive Director

Sd/-  
Rajansh Thukral  
Associate Director &  
Chief Co. Secretary

Sd/-  
Shamsher Singh  
Partner

Place: Chandigarh  
Date: 13.08.2011

## Balance Sheet Abstract

Information as required by Part IV of Schedule VI to the Companies Act, 1956

## Balance Sheet Abstract and Company's General Business Profile

## I. Registration Details

|                    |   |   |   |   |   |   |   |   |            |       |      |  |  |  |   |   |
|--------------------|---|---|---|---|---|---|---|---|------------|-------|------|--|--|--|---|---|
| Registration No.   |   |   |   | 2 | 3 | 8 | 6 | 1 | State code |       |      |  |  |  | 5 | 5 |
| Balance Sheet Date | 3 | 1 | 0 | 3 | 2 | 0 | 1 | 1 | Date       | Month | Year |  |  |  |   |   |

## II. Capital raised during the year (Amount in ₹ Thousand)

|              |  |   |   |   |   |   |   |   |              |                   |  |  |  |   |   |   |   |   |
|--------------|--|---|---|---|---|---|---|---|--------------|-------------------|--|--|--|---|---|---|---|---|
| Public issue |  | 1 | 1 | 1 | 8 | 5 | 0 | 1 | Rights issue |                   |  |  |  |   | N | I | L |   |
| Bonus issue  |  |   |   |   |   |   | N | I | L            | Private placement |  |  |  | 6 | 6 | 5 | 0 | 0 |

## III. Position of mobilisation and deployment of funds (Amount in ₹ Thousand)

|                             |   |   |   |   |   |   |   |   |                    |   |   |   |   |   |   |   |   |
|-----------------------------|---|---|---|---|---|---|---|---|--------------------|---|---|---|---|---|---|---|---|
| Total liabilities           | 1 | 6 | 5 | 7 | 9 | 8 | 4 | 9 | Total assets       | 1 | 6 | 5 | 7 | 9 | 8 | 4 | 9 |
| <b>Sources of funds</b>     |   |   |   |   |   |   |   |   |                    |   |   |   |   |   |   |   |   |
| Paid-up capital             |   |   | 1 | 9 | 2 | 7 | 5 | 2 | Application money  |   |   |   | 6 | 5 | 6 | 2 | 5 |
| Reserves and surplus        |   | 4 | 9 | 4 | 1 | 0 | 9 | 7 | Secured loans      |   | 9 | 6 | 3 | 0 | 8 | 2 | 5 |
| Unsecured loans             |   | 1 | 5 | 5 | 5 | 9 | 4 | 5 | Deferred tax       |   |   | 1 | 9 | 3 | 6 | 0 | 5 |
| <b>Application of funds</b> |   |   |   |   |   |   |   |   |                    |   |   |   |   |   |   |   |   |
| Net fixed assets            |   | 6 | 3 | 5 | 0 | 1 | 8 | 5 | Investments        |   |   | 2 | 5 | 8 | 1 | 4 | 3 |
| Net current assets          |   | 9 | 9 | 5 | 7 | 2 | 3 | 0 | Accumulated losses |   |   |   |   |   | N | I | L |
| Miscellaneous expenditure   |   |   |   |   | 1 | 4 | 2 | 9 | 1                  |   |   |   |   |   |   |   |   |

## IV. Performance of Company (Amount in ₹ Thousand)

|                              |   |   |   |   |   |   |   |   |                       |   |   |   |   |   |   |   |   |
|------------------------------|---|---|---|---|---|---|---|---|-----------------------|---|---|---|---|---|---|---|---|
| Turnover                     | 1 | 6 | 9 | 2 | 7 | 5 | 6 | 1 | Total expenditure     | 1 | 5 | 6 | 1 | 0 | 4 | 0 | 0 |
| Profit/loss before tax       |   | 1 | 6 | 1 | 7 | 1 | 6 | 0 | Profit/loss after tax |   | 1 | 0 | 0 | 1 | 5 | 7 | 9 |
| Basic earning per share in ₹ |   |   |   |   | 5 | . | 2 | 0 | Dividend rate %       |   |   |   |   |   | 1 | 5 | % |

## V. Generic names of three principal products / services of the Company (as per monetary terms)

| Item code no. (ITC code) | Product description    |
|--------------------------|------------------------|
| 2 9 4 1 1 0 - 0 2        | Ampicillin Trihydrate  |
| 2 9 4 1 1 0 - 0 3        | Amoxycillin Trihydrate |
| 2 9 4 1 1 0 - 0 4        | Cloxacillin Sodium     |

## AUDITORS' REPORT

For and on behalf of the Board

As per our report of even date annexed

For AAD &amp; Associates

Chartered Accountants

Sd/-  
Rajiv Goyal  
Managing Director

Sd/-  
Alka Goyal  
Executive Director

Sd/-  
Rajansh Thukral  
Associate Director &  
Chief Co. Secretary

Sd/-  
Shamsher Singh  
Partner

Place: Chandigarh  
Date: 13.08.2011

Cash Flow Statement for the year ending 31st March 2011

|   | (Amount in ₹)    |                  |
|---|------------------|------------------|
|   | As at 31.03.2011 | As at 31.03.2010 |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>              |                  |                  |
| Net profit before tax & extra ordinary items            | 1,31,71,60,939   | 90,46,34,098     |
| Adjustments for :                                       |                  |                  |
| Depreciation  | 26,54,69,543     | 20,55,48,346     |
| Miscellaneous Expenditure Written Off                   | 63,28,090        | 59,53,013        |
| Interest On Borrowings                                  | 1,07,75,33,738   | 62,36,17,554     |
| Interest / Dividend Received                            | (8,90,41,577)    | (10,49,81,562)   |
| Operating profit before working capital changes         | 2,57,74,50,733   | 1,63,47,71,449   |
| Adjustments for :                                       |                  |                  |
| (Increase)/Decrease in Current Assets                   | (5,55,09,49,115) | (2,94,24,17,434) |
| Increase/(Decrease) in Current Liabilities              | 1,34,32,02,710   | 1,49,53,62,659   |
| Working Capital Borrowings                              | 2,48,10,05,752   | 1,54,60,27,696   |
| Cash generated from operations                          | 85,07,10,080     | 1,73,37,44,370   |
| Interest Paid   |                  |                  |
| Direct Taxes Paid                                       | (16,14,01,197)   | (8,06,12,542)    |
| Cash generated before extra-ordinary items              | 68,93,08,883     | 1,65,31,31,828   |
| Cash flow from operating activities (A)                 | 68,93,08,883     | 1,6,531,31,828   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>              |                  |                  |
| Purchase of Fixed Assets                                | (2,33,58,55,144) | (1,51,23,12,057) |
| Sale of Fixed Assets                                    | –                | 3,47,50,127      |
| Purchase of Investments                                 | (20,31,89,520)   | (5,24,17,886)    |
| Miscellaneous Expenditure                               | –                | (1,81,60,338)    |
| Interest Received                                       | 11,89,094        | 16,79,306        |
| Dividend Received                                       | 1,72,275         | 1,69,816         |
| Insurance Claim Received                                | 1,30,86,213      | 58,81,667        |
| Freight Received from Parties                           | 6,23,13,883      | 7,52,09,737      |
| Miscellaneous Income                                    | 52,15,707        | 23,07,717        |
| Profit on Derivatives                                   | 70,64,405        | 1,97,33,319      |
| Cash used in investing activities (B)                   | (2,45,00,03,087) | (1,44,31,58,592) |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>              |                  |                  |
| Increase / (Decrease) in Share Premium                  | 1,09,72,92,972   | –                |
| Proceeds from Issue of Share Capital                    | 11,36,94,000     | –                |
| Proceeds from Long Term Borrowings                      | 1,62,46,69,439   | 52,77,90,289     |
| Interest Paid   | (1,07,75,33,738) | (62,36,17,554)   |
| Dividend Paid   | (2,17,02,507)    | (1,73,62,006)    |
| Cash paid in financing activities (C)                   | 1,73,64,20,166   | (11,31,89,271)   |
| Increase/ (decrease) in cash & cash equivalents (A+B+C) | (2,42,74,038)    | 9,67,83,965      |
| Cash & cash equivalents at the beginning of the period  | 17,90,76,276     | 8,22,92,310      |
| Cash & cash equivalents at the close of the period      | 15,48,02,238     | 17,90,76,276     |

For and on behalf of the Board

Sd/-  
Rajiv Goyal  
Managing Director

Sd/-  
Alka Goyal  
Executive Director

Sd/-  
Rajansh Thukral  
Associate Director &  
Chief Co. Secretary

Place: Chandigarh  
Date: 13.08.2011

Auditors Certificate

To The Board of Directors,  
Surya Pharmaceutical Limited  
Corporate Office : SCO 164-165,  
Sector 9-C, Madhya Marg,  
Chandigarh 160 009. India

We have examined the attached cash flow statement of Surya Pharmaceutical Limited for the period ended March 31, 2011.The statement has been prepared by the Company in accordance with the requirements of the Accounting Standard 3 and is based on and derived from the audited accounts of the Company for the period ended March 31, 2011.

AUDITORS' REPORT  
As per our report of even date annexed  
For AAD & Associates  
Chartered Accountants

Place: Chandigarh  
Date: 13.08.2011

Sd/-  
Shamsher Singh  
Partner



Information on Subsidiaries

| (₹ in Crore) |                        |                    |                           |                 |                                  |                    |              |                   |  |          |                        |                        |                       |                   |         |
|--------------|------------------------|--------------------|---------------------------|-----------------|----------------------------------|--------------------|--------------|-------------------|--|----------|------------------------|------------------------|-----------------------|-------------------|---------|
| Sr. No       | Name of the Subsidiary | Reporting Currency | Exchange Rate on 31.03.11 | Paid up Capital | Share Application Money Received | Reserves & Surplus | Total Assets | Total Liabilities | Investment Other Than Investment in Subsidiary | Turnover | Profit Before Taxation | Provision For Taxation | Profit after Taxation | Proposed Dividend | Country |
| 1            | Surya Healthcare Ltd   | INR                | 1.00                      | 6.50            | 9.61                             | 6.73               | 85.58        | 62.74             | –  | 50.32    | (5.14)                 | (1.56)                 | (3.58)                | –                 | India   |
| 2            | Surya Biopharma USA    | USD                | 45.10                     | 0.00            |                                  | –                  | 0.82         | 0.82              | –  | –        | –                      | –                      | –                     | –                 | USA     |
| 3            | Surya Pharma Inc       | USD                | 45.10                     | 0.05            |                                  | –                  | 0.22         | 0.17              | –  | –        | –                      | –                      | –                     | –                 | USA     |

Note: This table does not carry information of Surya Pharmaceutical Singapore Pte Ltd as it was incorporated on 30th September, 2010 and has not yet closed its financial year 2010-11.

For and on behalf of the Board

Sd/-  
**Rajiv Goyal**  
Managing Director  
  
Place: Chandigarh  
Date: 13.08.2011

Sd/-  
**Alka Goyal**  
Executive Director  
  
Sd/-  
**Rajansh Thukral**  
Associate Director &  
Chief Co. Secretary

Auditors' Report on the Consolidated Financial Statements

To the Board of Directors of  
Surya Pharmaceutical Limited

- 1 We have audited the attached Consolidated Balance Sheet of Pharmaceutical Limited and its Subsidiaries as at 31st March, 2011 and the consolidated Profit and Loss Account and the consolidated Cash flow statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 We have audited the financial Statement of subsidiary namely Surya Healthcare Limited .
- 4 We report that the consolidated financial statements have

been prepared by Group's management in accordance with the requirements of Accounting Standard 21 –Consolidated Financial Statements notified by the Companies (Accounting Standards) Rules 2006.

5 On the basis of the information and explanation given to us, we are opinion that the attached consolidated Financial Statement together with the notes thereon and attached thereto give, a true and fair view.

i) In the case of the Consolidated Balance Sheet of the State of affairs of the Group as at 31st March, 2011:

ii) In the case of the Consolidated Profit and Loss account, of the Consolidated profit of the group for the year ended on that date; and

iii) In case of Consolidated Cash flow statement, of the Consolidated cash flows for the year ended on that date.

For AAD & Associates  
Chartered Accountants

Place: Chandigarh  
Date: 13th August, 2011

Sd/-  
**Shamsher Singh**  
(Partner)  
M.NO. 083898  
FRN-020624N

Consolidated Balance Sheet as on 31st March 2011

| (Amount in ₹)                               |      |                 |                 |                |                 |
|---|------|-----------------|-----------------|----------------|-----------------|
| Schedules                                   |      | Current year    |                 | Previous year  |                 |
| SOURCES OF FUNDS                            |      |                 |                 |                |                 |
| 1. Shareholders Funds                       |      |                 |                 |                |                 |
| Share capital                               | I    | 22,02,52,440    |                 | 15,71,83,440   |                 |
| Share Application Money                     |      | 7,66,60,000     |                 | 3,80,35,000    |                 |
| Reserves & Surplus                          | II   | 4,88,38,27,774  | 5,18,07,40,214  | 2,86,16,54,711 | 3,05,68,73,151  |
| 2. Loan Funds                               |      |                 |                 |                |                 |
| Secured Loans                               | III  | 9,94,32,22,823  |                 | 6,91,36,73,107 |                 |
| Unsecured Loans                             | IV   | 1,58,95,86,165  | 11,53,28,08,988 | 27,60,03,562   | 7,18,96,76,669  |
| 3. Deferred Tax Liabilities (Net)           | V    |                 | 17,08,53,567    |                | 12,49,99,654    |
| 4. Minority Interest                        |      |                 | 3,33,77,211     |                | 95,11,917       |
|   |      |                 | 16,91,77,79,980 |                | 10,38,10,61,391 |
| APPLICATION OF FUNDS                        |      |                 |                 |                |                 |
| 1. Fixed Assets                             |      |                 |                 |                |                 |
| Gross Block                                 | VI   | 7,84,46,21,091  |                 | 5,22,60,93,354 |                 |
| Less : Depreciation                         |      | 1,13,60,50,643  |                 | 85,25,18,297   |                 |
| Net Block                                   |      |                 | 6,70,85,70,448  |                | 4,37,35,75,057  |
| Goodwill                                    |      |                 | 6,49,17,173     |                | –               |
| 2. Investments                              | VII  |                 | 8,72,52,155     |                | 21,39,464       |
| 3. Current Assets, Loans & Advances         |      |                 |                 |                |                 |
| Inventories                                 | VIII | 10,61,16,61,073 |                 | 6,62,85,84,417 |                 |
| Sundry Debtors                              | IX   | 3,04,21,75,587  |                 | 1,55,22,70,656 |                 |
| Cash & Bank Balances                        | X    | 16,09,11,101    |                 | 19,34,35,403   |                 |
| Loans & Advances                            | XI   | 1,60,98,01,840  |                 | 1,28,56,64,832 |                 |
|   |      | 15,42,45,49,601 |                 | 9,65,99,55,308 |                 |
| Less: Current Liabilities & Provisions      |      |                 |                 |                |                 |
| Liabilities & Provisions                    | XII  | 5,38,18,00,627  |                 | 3,67,67,25,553 |                 |
| Net Current Assets                          |      |                 | 10,04,27,48,974 |                | 5,98,32,29,755  |
| Miscellaneous Expenditure                   |      |                 |                 |                |                 |
| (To the extent not written off or adjusted) | XIII |                 | 1,42,91,230     |                | 2,21,17,115     |
|   |      |                 | 16,91,77,79,980 |                | 10,38,10,61,391 |
| Notes on Accounts                           | XXI  |                 |                 |                |                 |

AUDITORS' REPORT

For and on behalf of the Board

As per our report of even date annexed

For **AAD & Associates**

Chartered Accountants

Sd/-  
**Rajiv Goyal**  
Managing Director

Sd/-  
**Alka Goyal**  
Executive Director

Sd/-  
**Rajansh Thukral**  
Associate Director &  
Chief Co. Secretary

Sd/-  
**Shamsher Singh**  
Partner

Place: Chandigarh

Date: 13.08.2011

Consolidated Profit and Loss Account for the year ending 31st March 2011

| (Amount in ₹)   |                        |                        |
|---|------------------------|------------------------|
| Schedules   | Current year           | Previous year          |
| <b>INCOME</b>   |                        |                        |
| Sales & Job Charges   | 16,90,53,93,609        | 11,65,67,98,708        |
| Other IncomeXIV   | 10,46,75,580           | 10,57,01,932           |
| Increase/ Decrease in value of finished Goods                     | 50,58,45,353           | -87,87,284             |
|   | <b>17,51,59,14,542</b> | <b>11,75,37,13,356</b> |
| <b>EXPENDITURE</b>  |                        |                        |
| Raw Material ConsumedXV   | 12,75,61,49,830        | 8,85,05,70,520         |
| Cost of Goods Sold  | 49,03,21,057           | 6,83,43,812            |
| Manufacturing ExpensesXVI   | 43,48,69,769           | 28,27,03,435           |
| Excise Duty Consumed  | 32,84,98,587           | 23,39,63,258           |
| Personnel ExpensesXVII  | 47,98,05,337           | 30,45,68,549           |
| Administrative ExpensesXVIII                                      | 20,18,86,510           | 10,71,78,684           |
| Financial ExpensesXIX   | 1,08,71,38,995         | 62,52,51,959           |
| Selling ExpensesXX  | 21,38,02,717           | 16,09,36,912           |
| DepreciationVI  | 28,10,57,119           | 20,83,47,101           |
| Loss Due to Fire  | –                      | 2,44,73,135            |
| Preliminary & Deferred Revenue expenses written off               | 1,44,90,589            | 59,53,013              |
|   | <b>16,28,80,20,510</b> | <b>10,87,22,90,378</b> |
| <b>Profit/(Loss)before Tax</b>                                    | <b>1,22,78,94,031</b>  | <b>88,14,22,978</b>    |
| <b>Tax Provisions</b>   |                        |                        |
| Provision for Tax   | 26,25,10,175           | 15,36,97,333           |
| Provision for Deferred Tax (Net)                                  | 4,58,53,912            | (1,68,40,986)          |
| MAT Asset Appropriation   | (83,60,640)            | –                      |
| <b>Profit after tax</b>   | <b>92,78,90,584</b>    | <b>74,45,66,631</b>    |
| Less:-Minority Interest -SHL                                      | 3,33,77,211            | 95,11,917              |
| -Minority Interest-Medimart                                       | (3,63,32,163)          | –                      |
| Proposed Dividend   | 2,89,12,857            | 2,17,02,507            |
| Dividend Distribution Tax   | 36,04,515              | 29,50,673              |
| Income tax relating to previous years                             | 1,24,59,989            | 51,62,258              |
| <b>Balance transfer to General Reserve</b>                        | <b>88,58,68,175</b>    | <b>70,52,39,276</b>    |
| Basic Earning Per Equity Share of ₹1/- each (Previous Adjusted)   | 4.66                   | 5.04                   |
| Diluted Earning Per Equity Share of ₹1/- each (Previous Adjusted) | 4.56                   | 5.04                   |

AUDITORS' REPORT

For and on behalf of the Board

As per our report of even date annexed

For **AAD & Associates**

Chartered Accountants

Sd/-  
**Rajiv Goyal**  
Managing Director

Sd/-  
**Alka Goyal**  
Executive Director

Sd/-  
**Rajansh Thukral**  
Associate Director &  
Chief Co. Secretary

Sd/-  
**Shamsher Singh**  
Partner

Place: Chandigarh

Date: 13.08.2011

## Schedules to the Consolidated Balance Sheet as on 31st March 2011

(Amount in ₹)

|  | As on<br>31.03.2011 | As on<br>31.03.2010 |
|--|---------------------|---------------------|
| <b>Schedule I SHARE CAPITAL</b>  |                     |                     |
| <b>Authorised Capital</b>  |                     |                     |
| SPL-10,00,00,00,000 Equity Shares (Previous Year 5,00,00,000) of ₹1/- each   | 101,50,90,200       | 55,04,82,500        |
| SHL-1,50,000,00 Shares (Previous year ₹50,00,000) of ₹10/- each  |                     |                     |
| SPI -10,000 Shares of USD 1 per Share  |                     |                     |
| SBP -10,000 Shares of USD 1 per Share  |                     |                     |
| <b>Issued subscribed &amp; paid up capital</b>   |                     |                     |
| SPL-19,27,52,380 Equity Shares of ₹1/- each Fully paid up,out of which 67,50,000 shares @ ₹1/- each issued as bonus shares and 700 shares @ ₹1/- each issued for consideration other than cash | 22,02,52,440        | 15,71,83,440        |
| SHL-37,50,000 Equity Shares of ₹10/- each Fully paid up  |                     |                     |
| SPI-10,000 Shares of USD 1 per share   |                     |                     |
| SBP 15 Shares of USD 1 per Share   |                     |                     |
| <b>Total</b>   | <b>22,02,52,440</b> | <b>15,71,83,440</b> |

## Schedule II RESERVES &amp; SURPLUS

|  |                       |                       |
|--|-----------------------|-----------------------|
| <b>General Reserve</b>                 |                       |                       |
| Opening Balance                        | 2,45,51,34,638        | 1,72,43,44,415        |
| Transferred From Profit & Loss Account | 88,58,68,175          | 70,52,39,276          |
|  | 3,32,49,63,782        | 2,42,95,83,691        |
| <b>Share Premium</b>                   | 1,55,88,63,992        | 43,20,71,020          |
| <b>Total</b>                           | <b>4,88,38,27,774</b> | <b>2,86,16,54,711</b> |

Schedule III SECURED LOANS

|                        |                       |                       |
|------------------------|-----------------------|-----------------------|
| Term Loan              | 3,37,46,77,875        | 2,95,44,34,875        |
| Working Capital Limit  | 6,55,10,17,240        | 3,93,51,05,373        |
| Vehicle Loan           | 95,05,018             | 73,46,086             |
| Interest Accrued & Due | 80,22,690             | 1,67,86,773           |
| <b>Total</b>           | <b>9,94,32,22,823</b> | <b>6,91,36,73,107</b> |

**Schedule IV UNSECURED LOANS**

|                            |                       |                     |
|----------------------------|-----------------------|---------------------|
| Short Term loan from banks | 1,44,97,83,162        | 27,48,41,440        |
| Others                     | 13,98,03,003          | 11,62,122           |
| <b>Total</b>               | <b>1,58,95,86,165</b> | <b>27,60,03,562</b> |

## Schedule V DEFERRED TAX LIABILITIES

|   |                     |                      |
|---|---------------------|----------------------|
| Deferred Tax Liabilities Arising on Account of Depreciation | 21,92,15,660        | (8,06,977)           |
| <b>Total (A)</b>  | <b>21,92,15,660</b> | <b>(8,06,977)</b>    |
| Deferred Tax Assets Arising on Account of Provision For :   |                     |                      |
| Retirement Benefits   | 1,93,77,049         | 2,10,49,721          |
| Carried forward losses and Depreciation                     | –                   | 2,99,70,061          |
| <b>Total (B)</b>  | <b>1,93,77,049</b>  | <b>5,10,19,782</b>   |
| Deferred Tax Liability arising on Account of                |                     |                      |
| Dividend Received - U/S 10(34)                              | 1,72,275            | 1,69,816             |
| <b>Total (C)</b>  | <b>1,72,275</b>     | <b>1,69,816</b>      |
| <b>Net Deferred Tax Liability (A-B+C)</b>                   | <b>20,00,10,886</b> | <b>(5,16,56,943)</b> |
| Tax Impact  | 4,58,53,913         | (1,68,40,986)        |
| Amount Brought Forward from previous year                   | 12,49,99,654        | 14,18,40,640         |
|   | <b>17,08,53,567</b> | <b>12,49,99,654</b>  |

## Schedules to the Consolidated Balance Sheet as on 31st March 2011

(Amount in ₹)

## Schedule VI FIXED ASSETS

| Particulars                    | GROSS BLOCK           |                     |                       |                   |                 |                       | DEPRECIATION        |                     |                     |            |                       | NET BLOCK             |                       |
|--------------------------------|-----------------------|---------------------|-----------------------|-------------------|-----------------|-----------------------|---------------------|---------------------|---------------------|------------|-----------------------|-----------------------|-----------------------|
|                                | As on<br>01.04.2010   | Opening<br>Balance* | Additions             | Sale/<br>Transfer | Loss by<br>Fire | Closing<br>Balance    | As on<br>01.04.2010 | Opening<br>Balance* | During<br>the Year  | Adjustment | Total                 | As on<br>31.03.11     | As on<br>31.03.2010   |
| Land                           | 17,07,28,918          | –                   | 85,98,161             | –                 | –               | 17,93,27,079          | –                   | –                   | –                   | –          | –                     | 17,93,27,079          | 17,07,28,918          |
| Building                       | 34,41,28,441          | –                   | 59,07,82,364          | –                 | –               | 93,49,10,805          | 3,88,90,376         | –                   | 1,58,90,889         | –          | 5,47,81,265           | 88,01,29,540          | 30,52,38,064          |
| Leasehold Improvements         | 1,22,79,317           | 78,81,518           | 1,54,75,236           | –                 | –               | 3,56,36,071           | 3,93,777            | 3,97,944            | 25,18,629           | –          | 33,10,350             | 3,23,25,721           | 1,18,85,540           |
| Plant & Machinery              | 1,55,85,37,432        | –                   | 1,06,70,29,393        | –                 | –               | 2,62,55,66,825        | 61,68,86,363        | –                   | 19,48,06,046        | –          | 81,16,92,409          | 1,81,38,74,416        | 94,16,51,069          |
| R & D Assets                   | 85,01,81,263          | –                   | 15,80,15,784          | –                 | –               | 1,00,81,97,047        | 12,37,41,679        | –                   | 3,91,31,130         | –          | 16,28,72,809          | 84,53,24,238          | 72,64,39,584          |
| Misc Assets                    | 7,51,08,625           | –                   | 2,92,51,480           | –                 | –               | 10,43,60,105          | 2,65,84,622         | –                   | 33,65,729           | –          | 2,99,50,351           | 7,44,09,754           | 4,85,24,003           |
| Electricals & Fittings         | 4,49,85,287           | –                   | 1,11,53,820           | –                 | –               | 15,65,23,307          | 1,28,33,631         | –                   | 36,61,408           | –          | 1,64,95,039           | 14,00,28,268          | 3,21,51,657           |
| Computers                      | 2,70,00,744           | 35,57,809           | 2,09,43,084           | –                 | –               | 5,15,01,637           | 84,89,386           | 9,33,484            | 48,35,117           | –          | 1,42,57,987           | 3,72,43,650           | 1,85,11,357           |
| Pollution Control<br>Equipment | 4,16,42,504           | –                   | –                     | –                 | –               | 4,16,42,504           | 85,89,578           | –                   | 19,78,019           | –          | 1,05,67,597           | 3,10,74,907           | 3,30,52,926           |
| Furniture & Fixtures           | 7,40,18,414           | 1,12,06,998         | 13,76,38,327          | –                 | –               | 22,28,63,739          | 46,01,101           | 10,51,541           | 1,18,26,555         | –          | 1,74,79,197           | 20,53,84,542          | 6,94,17,313           |
| Motor Vehicle                  | 2,99,65,630           | 6,35,358            | 84,11,806             | 2,800             | –               | 3,90,09,994           | 1,15,07,783         | 93,250              | 30,43,597           | 992        | 1,46,43,638           | 2,43,66,356           | 1,84,57,847           |
| Capital Work In Progress       | 1,99,75,16,779        | –                   | 44,75,65,201          | –                 | –               | 2,44,50,81,980        | –                   | –                   | –                   | –          | –                     | 2,44,50,81,980        | 1,99,75,16,779        |
| <b>Total</b>                   | <b>5,22,60,93,354</b> | <b>2,32,81,683</b>  | <b>2,59,52,48,855</b> | <b>2,800</b>      | <b>–</b>        | <b>7,84,46,21,092</b> | <b>85,25,18,296</b> | <b>24,76,219</b>    | <b>28,10,57,119</b> | <b>992</b> | <b>1,13,60,50,642</b> | <b>6,70,85,70,450</b> | <b>4,37,35,75,057</b> |
| Previous Year Figures          | 3,65,54,39,088        | –                   | 1,59,85,92,714        | 14,81,448         | 2,64,57,000     | 5,22,60,93,354        | 64,76,52,929        | –                   | 20,83,47,101        | 34,81,732  | 85,25,18,297          |                       |                       |

\*Refer to Point H in Schedule XXI

|  | As on<br>31.03.2011 | As on<br>31.03.2010 |
|--|---------------------|---------------------|
| <b>Schedule VII INVESTMENTS</b>  |                     |                     |
| <b>Quoted</b>  |                     |                     |
| a) 600 (600) Equity Shares of<br>Canara Bank of ₹10/- Each Market Value ₹410.20 @ ₹2,46,120          | 21,000              | 21,000              |
| b) GCDB Grindlay Cash Fund<br>Market Value of 13416.813 Units @ 10.5873 ₹1,42,098                    | 1,48,859            | 1,42,048            |
| c) 10,688 (10,688) Equity Shares of<br>Allahabad Bank of ₹10/- Each Market Value ₹15,26,781 @ 142.85 | 8,76,416            | 8,76,416            |
| d) Mutual Fund-Tax Saver PNB<br>Market Value ₹12,88,207@ 19.25 Units 66,919.85                       | 10,00,000           | 10,00,000           |
| e) Mutual Fund-SBI<br>Market Value ₹5,00,00,000 @ 21.79 Units 22,94,630.56                           | 5,00,00,000         | –                   |
| <b>Unquoted</b>  |                     |                     |
| Surya Eduquest Ltd   | 1,00,000            | 1,00,000            |
| Surya Pharmaceutical Singapore Pte. Ltd. (Share Application Money Allotment Pending)                 | 3,51,05,880         | –                   |
| <b>Total</b>   | <b>8,72,52,155</b>  | <b>21,39,464</b>    |

## Schedule VIII INVENTORIES

|                                   |                        |                       |
|-----------------------------------|------------------------|-----------------------|
| Raw Material                      | 3,01,30,02,624         | 1,92,52,82,222        |
| Work-in-Progress                  | 6,78,60,96,199         | 4,55,93,33,143        |
| Finished Goods (Own Manufactured) | 55,58,06,039           | 4,99,60,686           |
| Finished Goods (Traded)           | 20,53,36,037           | 5,60,00,260           |
| Stores & Spares                   | 5,14,20,174            | 3,80,08,106           |
| <b>Total</b>                      | <b>10,61,16,61,073</b> | <b>6,62,85,84,417</b> |



## Schedules to the Consolidated Balance Sheet as on 31st March 2011

(Amount in ₹)

|   | As on<br>31.03.2011   | As on<br>31.03.2010   |
|---|-----------------------|-----------------------|
| <b>Schedule IX SUNDRY DEBTORS</b>             |                       |                       |
| (Unsecured, considered doubtful)              |                       |                       |
| Outstanding for a Period exceeding Six Months | 28,38,629             | 25,85,423             |
| Less : Provision For Doubtful Debts           | –                     | –                     |
|   | 28,38,629             | 25,85,423             |
| (Unsecured, considered good)                  |                       |                       |
| Outstanding for a Period exceeding Six Months | 6,49,81,847           | 4,48,34,341           |
| Others  | 2,97,43,55,112        | 1,50,48,50,892        |
| <b>Total</b>                                  | <b>3,04,21,75,587</b> | <b>1,55,22,70,656</b> |

|   |                     |                     |
|---|---------------------|---------------------|
| <b>Schedule X CASH &amp; BANK BALANCES</b>  |                     |                     |
| Cash in Hand                                | 28,16,304           | 30,78,288           |
| Balance in current A/c with Scheduled banks | 9,37,96,304         | 15,91,50,205        |
| Balance in Fixed Deposits                   | 6,38,39,928         | 3,09,44,326         |
| SPL Dividend                                | 4,58,565            | 2,62,584            |
| <b>Total</b>                                | <b>16,09,11,101</b> | <b>19,34,35,403</b> |

|   |                       |                       |
|---|-----------------------|-----------------------|
| <b>Schedule XI LOANS &amp; ADVANCES</b>   |                       |                       |
| (Unsecured, considered good)  | 90,88,42,553          | 71,06,01,164          |
| Advances recoverable in cash or in kind or For value to be received (Includes Advances to Directors, Firms/Companies In which Directors are interested ₹ NIL (Previous year ₹ NIL) Max. Balance during the year ₹ NIL (Previous Year ₹ NIL) | –                     | –                     |
| Advances to Group Companies   | 6,26,535              | 96,99,282             |
| Security Deposits   | 4,72,19,518           | 84,05,456             |
| Export Incentives   | 26,63,21,358          | 30,67,38,366          |
| Excise Duty Balances  | 18,00,56,513          | 10,49,10,988          |
| VAT Recoverable   | 20,65,90,364          | 14,46,64,577          |
| Earnest Money   | 1,45,000              | 6,45,000              |
| <b>Total</b>  | <b>1,60,98,01,840</b> | <b>1,28,56,64,832</b> |

|  |                       |                       |
|--|-----------------------|-----------------------|
| <b>Schedule XII CURRENT LIABILITIES &amp; PROVISIONS</b> |                       |                       |
| Sundry Creditors   | 3,92,02,40,002        | 2,65,51,16,419        |
| Other Liabilities on Capital A/c                         | 53,16,60,667          | 61,61,37,152          |
| Advances from Customers                                  | 26,35,41,525          | 10,40,41,540          |
| Other Liabilities  | 63,74,45,575          | 27,97,27,934          |
| Proposed Dividend  | 2,89,12,857           | 2,17,02,508           |
| <b>Total</b>   | <b>5,38,18,00,627</b> | <b>3,67,67,25,553</b> |

|  |                    |                    |
|--|--------------------|--------------------|
| <b>Schedule XIII DEFERRED REVENUE EXPENSES</b> |                    |                    |
| Opening Balance                                | 2,21,17,115        | 87,48,325          |
| Addition during the year *                     | (14,97,795)        | 1,93,21,803        |
|  | 2,06,19,320        | 2,80,70,128        |
| Less Amount written off                        | 63,28,090          | 59,53,013          |
| <b>Closing Balance</b>                         | <b>1,42,91,230</b> | <b>2,21,17,115</b> |

\*Refer to Point A. B. 2 in Schedule XXI

## Schedules to the Consolidated Profit &amp; Loss Account for the year ending 31st March 2011

(Amount in ₹)

|                                  | Year ending<br>31.03.2011 | Year ending<br>31.03.2010 |
|----------------------------------|---------------------------|---------------------------|
| <b>Schedule XIV OTHER INCOME</b> |                           |                           |
| Interest on FDRs                 | 11,89,094                 | 16,79,306                 |
| Dividend Received                | 1,72,275                  | 1,69,816                  |
| Freight Received from parties    | 6,23,13,883               | 7,52,09,737               |
| Claim Received                   | 1,30,86,213               | 58,81,667                 |
| Miscellaneous Income             | 2,08,49,709               | 19,45,804                 |
| Profit on Sale of Fixed Assets   | –                         | 10,82,283                 |
| Profit on Derivative Trading     | 70,64,405                 | 1,97,33,319               |
| <b>Total</b>                     | <b>10,46,75,580</b>       | <b>10,57,01,932</b>       |

|  |                        |                        |
|--|------------------------|------------------------|
| <b>Schedule XV RAW MATERIAL CONSUMED</b> |                        |                        |
| Opening Stock                            |                        |                        |
| - Raw Material                           | 1,92,52,82,222         | 1,26,81,70,085         |
| - Work in progress                       | 4,55,93,33,143         | 2,38,21,48,611         |
| Purchases                                | 16,07,06,33,288        | 11,68,48,67,189        |
| <b>Total</b>                             | <b>22,55,52,48,653</b> | <b>15,33,51,85,885</b> |
| Less : Closing Stock                     |                        |                        |
| - Raw Material                           | 3,01,30,02,624         | 1,92,52,82,222         |
| - Work-in-progress                       | 6,78,60,96,199         | 4,55,93,33,143         |
| <b>Total</b>                             | <b>12,75,61,49,830</b> | <b>8,85,05,70,520</b>  |

|  |                     |                     |
|--|---------------------|---------------------|
| <b>Schedule XVI MANUFACTURING EXPENSES</b> |                     |                     |
| Consumables Stores                         | 4,20,18,565         | 2,55,62,772         |
| Hire Charges                               | 26,25,069           | 16,89,733           |
| Insurance                                  | 1,81,78,255         | 1,56,24,658         |
| Job Charges Paid                           | 4,93,93,637         | 3,97,80,416         |
| Repair & Maintenance                       | 7,02,76,667         | 4,40,12,142         |
| Testing Charges                            | 3,36,825            | 3,15,433            |
| Electricity & Water Charges                | 6,31,74,886         | 4,70,57,636         |
| Fuel, Oil & Lubricants                     | 18,83,91,475        | 10,83,11,175        |
| Commission on Purchase                     | 4,74,390            | 3,49,470            |
| <b>Total</b>                               | <b>43,48,69,769</b> | <b>28,27,03,435</b> |

|   |                     |                     |
|---|---------------------|---------------------|
| <b>Schedule XVII PERSONNEL EXPENSES</b> |                     |                     |
| Salary Directors                        | 8,38,86,438         | 6,26,52,026         |
| Staff salary                            | 36,85,10,192        | 22,94,77,479        |
| Staff Benefits                          | 2,74,08,707         | 1,24,39,044         |
| <b>Total</b>                            | <b>47,98,05,337</b> | <b>30,45,68,549</b> |

## Schedules to the Consolidated Profit & Loss Account for the year ending 31st March 2011

(Amount in ₹)

|   | Year ended<br>31.03.2011 | Year ended<br>31.03.2010 |
|---|--------------------------|--------------------------|
| <b>Schedule XVIII ADMINISTRATIVE EXPENSES</b> |                          |                          |
| Audit Fee                                     | 4,29,559                 | 2,90,000                 |
| Books & Periodicals                           | 3,17,481                 | 3,74,489                 |
| Directors Sitting Fee                         | 1,60,000                 | 45,000                   |
| Donation                                      | 1,13,502                 | 13,21,201                |
| Legal & Professional Charges                  | 3,08,19,025              | 1,09,43,532              |
| Staff Welfare                                 | 15,62,578                | 10,87,342                |
| Miscellaneous Expenses                        | 2,17,46,378              | 1,12,36,777              |
| Telephone & Telegram                          | 1,17,00,731              | 46,61,193                |
| Postage                                       | 24,27,822                | 17,42,830                |
| Printing & Stationery                         | 80,98,179                | 49,64,548                |
| Rate, Fee & Taxes                             | 1,03,60,251              | 87,57,844                |
| Rent  | 5,92,70,374              | 3,51,08,859              |
| Subscription                                  | 18,62,402                | 16,05,687                |
| Travel & Conveyance                           | 4,72,67,526              | 1,97,44,063              |
| Vehicle Running & Maintenance                 | 25,20,024                | 22,58,682                |
| Ward & Watching Expenses                      | 32,30,679                | 28,69,774                |
| Loss on sale of Fixed Assets                  | –                        | 1,66,863                 |
| <b>Total</b>                                  | <b>20,18,86,510</b>      | <b>10,71,78,684</b>      |

|  |                       |                     |
|--|-----------------------|---------------------|
| <b>Schedule XIX FINANCIAL EXPENSES</b> |                       |                     |
| <b>Interest Paid</b>                   |                       |                     |
| - Term Loan                            | 18,76,70,015          | 9,48,48,470         |
| - Short Term Loan                      | 6,26,79,185           | 4,99,04,046         |
| - Working Capital                      | 72,97,59,032          | 41,02,93,118        |
| - Others                               | 51,32,274             | 11,98,526           |
| Bank Charges                           | 10,18,98,489          | 6,90,07,799         |
| <b>Total</b>                           | <b>1,08,71,38,995</b> | <b>62,52,51,959</b> |

|                                     |                     |                     |
|-------------------------------------|---------------------|---------------------|
| <b>Schedule XX SELLING EXPENSES</b> |                     |                     |
| Advertisement                       | 2,15,31,020         | 1,13,58,321         |
| Business Promotion                  | 1,95,14,581         | 60,90,401           |
| Discount Allowed                    | 1,17,91,612         | 21,40,403           |
| Export Commission                   | 2,45,89,220         | 2,66,88,020         |
| Export Expenses                     | 2,01,43,228         | 1,93,35,783         |
| Freight Outward                     | 5,57,77,466         | 4,29,15,193         |
| Packing Expenses                    | 5,97,68,229         | 4,24,52,896         |
| Sales Commission                    | 6,87,359            | 99,55,895           |
| <b>Total</b>                        | <b>21,38,02,717</b> | <b>16,09,36,912</b> |

### Schedule XXI NOTES ON ACCOUNTS

#### A. SIGNIFICANT ACCOUNTING POLICIES:

##### 1. Basis of consolidation:

The consolidated financial statement relate to Surya Pharmaceutical Limited (the company) and its subsidiaries (the group).

The consolidated financial statements have been prepared in accordance with Accounting standard 21 “consolidated financial statement” specified in the companies (accounting standard) rules, 2006 notified by the central government in the terms of section 211 (3C) of the Companies Act, 1956.

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

- The financial statements have been prepared under the historical cost convention in accordance with the Indian Generally Accepted Accounting Principles (GAAP), accounting Standards issued by The Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956 and on the basis of a going concern.
- All the Income & expenditure are recognised on accrual basis.
- Figures have been taken to nearest rupee.

##### B. Principle of Consolidation

- The Consolidated financial statements have been combined on a line by line basis by adding the book values of the like items of assets, liabilities, income and expenses of the subsidiary companies after eliminating intra group balance/ transaction and unrealized profits in full. The amounts shown in respect of reserve comprise the amount of the relevant reserves as per the balance sheet of the Parent Company and its share in the relevant reserves of consolidated entities.
- Excess of cost to the company of its investment in the subsidiaries companies is recognised in the financial accounts as goodwill, which is tested for impairment on every balance sheet date. The excess of company's share of equity and reserves of the subsidiary companies over the cost of Acquisition is treated as capital reserve. Due to goodwill creation for SHL, SPI & SBP, there is an adjustment of ₹14.98 lacs in Deferred Revenue Expenses (Schedule XIII).

The Consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Parent Company.

#### Other Significant Accounting Policies:

##### 1. Fixed Assets:

- Fixed Assets have been stated at original cost less depreciation.
- Depreciation in parent company has been provided during the year on straight line method at revised rates, vide Notification GSR No. 756 E Dated: 16.12.93, as non continuous process on triple shift basis as per schedule XIV to the Companies Act, 1956.
- Depreciation on fixed assets of SHL has been provided pro-rata to the period of use, on the straight-line method, using rates based on the management's assessment of economic useful lives of the assets. The useful lives of the assets are reviewed by the management periodically and in case the useful lives is revised, the unamortised depreciable amount is charged over the revised remaining useful lives. The useful lives of all assets currently has been estimated at 9 (nine) years.
- Retail shops of SHL are considered to be operated on test marketing basis for 6 months, thereafter retail shops are considered to be commercially operative and accordingly all expenses until the month of commencement of commercial operation are being capitalized.

##### 2. Valuation of Inventories

Raw materials have been valued at cost or market price, whichever is less, Work in progress and other misc. Stocks have been valued on estimated basis, In respect of Finished Goods and Work in Progress, applicable manufacturing overheads and other cost incurred in bringing the items of inventory to their present location and condition are also include. Finished Goods have been valued at cost inclusive of the provision of excise duty thereon, in accordance with the guidance note on accounting treatment for excise duty issued by the Institute of Chartered Accountants of India & other professional pronouncements. However, the same has no effect on the profits for the year.

##### 3. Foreign Exchange Transactions

Monetary liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end rates. The resultant gain/loss, if any, is recognised in the Profit and Loss Account, except exchange differences on liabilities incurred for acquisition of fixed assets, which are adjusted to the carrying amounts of respective amounts of the respective assets. Non-monetary assets and liabilities related to foreign currency transactions are reported at the rate on the date of the transaction.

##### 4. Revenue Recognition

- Sales are stated net of returns, inclusive of excise duty, job work charges received, export incentives and Mercantile sales.
- Dividend income has been accounted for on receipt basis.

**Schedule XXI NOTES ON ACCOUNTS (Contd...)**

iii. Export benefits are accounted for on accrual basis.

**5. Employees Benefits**

- The Contribution to the Provident Fund, under the defined contribution plans are charged to revenue.
- The accrued liability towards gratuity has been provided on the basis of actuarial valuation. Leave encashment has been provided on the basis of actual calculation as at balance sheet date.

**6. Apportionment of Indirect Expenses**

- Indirect expenses incurred by the company have been apportioned amongst all the units, on the following basis:-
- Fixed Administrative Expenses - on the basis of sales value, Export expenses - on the basis of exports in value Other Expenses - on the basis of sales value
- Lease payments under operating lease are recognised as expenses as per the tenure of the lease agreements.

**7. Miscellaneous Expenditure**

Deferred Revenue expenses are written off over a period of 5 years.

**8. Taxes on Income**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognised only if there is reasonable certainty of realization of such assets in future. However where there is Unabsorbed depreciation & carried forward losses, deferred tax assets are recognised only if there is virtual certainty of realization of such assets. Deferred Tax Assets are reviewed at each balance sheet date and are written down or written up to reflect the amount accordingly.

**B. BALANCE SHEET****1. Secured Loans****Term Loans**

All Term Loans are secured by First pari passu Charge on all the fixed assets of the company and second pari-passu charge on the current assets of the Company.

**Working Capital Limits**

All Working Capital Limits both fund based & non fund based are secured by way of first pari passu charge on all the current assets of the Company and second pari passu charge on all the fixed assets of the Company.

**2. Unsecured Loans**

All Short Term Loans are secured by way of subservient charge on the fixed assets of the Company and personal guarantee of the Managing Director and Executive Director of the Company.

Consolidated unsecured loan includes Share application money refundable to previous promoters of Medimart India Pvt. Ltd as per share purchase agreement, although the same has been shown as share application money in Medimart India Pvt. Ltd.

**3. Investments**

Investments considered long term are stated at cost.

**4. Current Assets, Loans & Advances**

- The company has sent letters of balance confirmation to all the parties but only a few have responded so far. So the balance in the party accounts whether in debit or in credit are subject to reconciliation.
- Sundry debtors, Loans & Advances, Sundry creditor and Advances from customers are subject to confirmation, reconciliation and adjustments. Thus the impact of the same on the accounts of the company could not be ascertained.
- In the opinion of the directors of the Company, the current assets, loans and advances are approximately of the value as stated, if realized in the ordinary course of business.
- In the opinion of the directors of the Company, the Advance licenses/DEPB licenses are approximately of the value as stated, if realized/utilized in the ordinary course of business.
- Fixed Deposits of ₹587.64 lacs (₹309.44 lacs) as on 31.03.2011 are pledged as margin money against the bank guarantees, inland letter of credit and foreign letter of credit.
- The inventory of stocks, stores & spares has been taken, valued and certified by the management.
- Sundry Debtors are stated after making adequate provisions for doubtful debts.

**5. Current Liabilities**

- As regards compliance of provisions relating to dues to the Small Scale Industries in terms of the Companies (Amendment) Act,

**Schedule XXI NOTES ON ACCOUNTS (Contd...)**

1999, the Company has sent letters to the creditors to intimate whether they are Small Scale Industrial Units. The Company is yet to receive the required information from them. Hence, it is not possible to quantify the dues, if any, towards the Small Scale Units.

**ii) Contingent Liabilities**

(₹ in lacs)

| Sr. No. | Particulars   | 31.03.2011   | 31.03.2010  |
|---------|---|--|---|
| i.      | Foreign/ Inland Letter of Credit  | 2,116.73   | 3,576.89  |
| ii.     | Bank Guarantees   | 1,417.89   | 90.92   |
| iii.    | Bills Discounted (FOBN)   | 2,327.29   | 3,413.27  |
| iv.     | Claims against the Company not acknowledged as debt as on 31.03.2011 in respect of:   |  |   |
|         | a. Income Tax matters, pending decisions on various appeals made by the company and by the department                               |  |   |
|         | i. Cases for A.Y. 2000-01,2001-02, 2003-04,2004-05 & 2005-06 are remanded back by ITAT to Assessing Officer for reframing the case. |  | No Demand Pending   |
|         | ii. Cases for A.Y. 2006-07 are pending with Tribunal.   | Appeal Pending at ITAT   | Demand Notice 89.72 Lacs  |
|         | iii. Case for A.Y. 2007-08 is under processing with CIT(A).   | CIT(A) has allowed our appeals and company has applied for appeal affect asking for refund of (₹555.61 Lacs) | Demand Notice ₹649.47 Lacs (₹125 Lacs deposited under protest, till 31-03-10.) with (CIT A) |
|         | b. Excise matters, under dispute  | 734.52   | 1,591.48  |
|         | c. Sales Tax matters, under dispute   | –  | 155.82  |
|         | d. Service Tax, under dispute   | 173.94   | 24.87   |
|         | e. Customs Act  | 313.27   | 313.27  |

iii) There was a search and seizure operation at various premises of the company and its employees on 17.09.2010. The necessary entries/adjustment in respect of the same, If any, will be made as an when assessment are completed under Chapter XIV of Income Tax Act, 1961 in pursuance of provision of Section 153A of the said Act.

**C. PROFIT & LOSS ACCOUNT**

- Payment has been made to Auditors for the year ended 31st March 2010, and provision has been made for the year ended 31st March 2011.

(Amount in ₹)

| Sr. No. | Particulars     | 31.03.2011 | 31.03.2010 |
|---------|-----------------|------------|------------|
| i)      | Statutory audit | 4,19,120   | 2,90,000   |
| ii)     | Tax Audit       | 1,00,000   | 1,00,000   |
| iii)    | Others          | 3,80,000   | 3,00,000   |
| iv)     | Service Tax     | 45,200     | 45,200     |

**ii) Director's Remuneration**

- Details of Remuneration to Managing Director & Whole Time Directors: -  
Remuneration to Directors ₹312.00 lacs (₹264.66 Lacs) and Commission to directors ₹526.86 lacs (₹361.85 lacs).

- Calculations of profit in accordance with Section 198 of the Companies Act, 1956.

(₹ in lacs)

| Particulars   | Amount    |
|---|-----------|
| Profit before Tax as per Profit & Loss A/c  | 13,171.61 |
| Add: Director Remuneration  | 312.00    |
| Add: Commission to Directors  | 526.86    |
| Net Profit for the purpose of calculating Directors commission as per the provisions of the Companies Act, 1956 | 14,010.47 |
| Director Remuneration payable as per Company Act, 1956  | 1,401.05  |
| Remuneration Paid to Directors  | 312       |
| Commission paid to Directors  | 526.86    |



Schedule **XXI** NOTES ON ACCOUNTS (Contd...)

- iii. Sales Tax Assessments for previous years are in progress. No provision has been made on account of sales tax liability and the same, if any, will be provided at the time of assessment.
- iv. Provision for Income tax has been made as per Income-tax Act, 1961.
- v. During the year, company is writing off Deferred Revenue Expenditure for marketing of products, exhibitions etc. over a period of five years.

**D. EARNING PER SHARE**

Basic earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares during the year. Diluted earning per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period assuming the conversion of diluted potential equity shares.

**E. SEGMENT REPORTING**

There is not more than one reportable segment; hence information as per AS 17 is not required to be disclosed.

**F. RELATED PARTY DISCLOSURES**

Related party disclosures as required under Accounting Standard on “Related Party Disclosures” issued by the Institute of Chartered Accountants of India are given below :-

**a) Relationship****i) Key Management Personnel (Director/Whole-time directors)**

Sh. Rajiv Goyal

Smt. Alka Goyal

**Entities over which key management personnel/their relatives are able to exercise significant influence**

M/s. Surya Healthcare Ltd

M/s. Surya Pharmaceutical Inc.

M/s. Ess Ess Exim Pvt. Ltd.

M/s. Surya Envirotech Ltd.

M/s. Kala Infra Pvt. Ltd.

M/s. Surya Pharmaceutical (Singapore) Pte Ltd

M/s. Surya Biopharma U.S.A Inc

M/s Shree Krishna Agent Pvt. Ltd

M/s Mediwell Healthcare Pvt. Ltd

M/s Surya Hitech Infrastructure Ltd

**b) The following transactions were carried out with related parties in the ordinary course of business.****i) Subsidiary Companies, Joint Ventures and associates**

Rent paid to M/s Surya Envirotech Ltd. of ₹25.50 lacs.

Rent paid to M/s Ess Ess Exim Pvt Ltd of ₹7.00 Lacs

Rent paid to M/s Kala Infra Pvt. Ltd. of ₹97.00 Lacs

Rent received from M/s Surya Healthcare Ltd of ₹10.32 Lacs

Advance to M/s Surya Hitech Infrastructure Ltd of ₹300 Lacs

Advance to M/s Mediwell Healthcare Pvt. Ltd of ₹54.26 lacs

Goods Purchase from M/s Shree Krishna Agents Pvt. Ltd of ₹263.02 lacs

Goods Sold to M/s Shree Krishna Agents Pvt. Ltd of ₹9.10 Lacs

Advance to M/s Shree Krishna Agents Pvt. Ltd of ₹24.97 Lacs

Security deposit (Rent) to M/s Kala Infra Pvt. Ltd of ₹38.50 Lacs

**ii) Key Management Personnel and their relatives**

(₹ in lacs)

| Particulars                       | Amount |
|-----------------------------------|--------|
| i. Remuneration                   | 792    |
| ii. Purchase                      | —      |
| iii. Sales                        | —      |
| iv. Other Services (Rent)         | 35.84  |
| v. Balance at the end of the year | —      |
| --Deposits Received               | —      |

\*includes only payment to key personnel

Other services includes rent paid to Mr. Rajiv Goyal and Mrs. Alka Goyal.

Schedule **XXI** NOTES ON ACCOUNTS (Contd...)**G. IMPAIRMENT OF ASSETS**

- 1) The indicators listed in paragraph 8 to 10 of Accounting Standard (AS) – 28 “Impairment of Assets” issued by Institute of Chartered Accountants of India have been examined and on such examination, it has been found that none of the indicators are present in the case of the Company. A formal estimate of the recoverable amount has not been made, as there is no indication of a potential impairment loss.
- 2) During the year Company has received insurance claim of ₹672.50 lacs caused by fire in Banur Plant last year. Out of this ₹300 lacs has been accounted this year.

**H. In compliance with Accounting Standard 21- “Consolidated Financial Statement” issued by the Institute of Chartered Accountants of India, Surya Pharmaceutical Ltd has prepared the accompanying consolidated financial statements, which include the financial statements of Surya Pharmaceutical Ltd and its subsidiaries.**

Detail of Subsidiaries are given below :-

| Name of Subsidiary       | Country of Incorporation | Percentage of ownership |
|--------------------------|--------------------------|-------------------------|
| Surya Healthcare Ltd     | India                    | 58%                     |
| Surya Pharmaceutical Inc | U.S.A.                   | 100%                    |
| Surya Biopharma Inc USA  | U.S.A.                   | 100%                    |

Medimart India Pvt. Ltd is a 51% subsidiary of Surya Healthcare Ltd, consequently the former is controlled by Surya Pharmaceutical Ltd. While consolidating the balance sheet of Medimart India Pvt Ltd in Surya Healthcare Ltd, the closing balances of fixed assets schedule of the Medimart as on 31/03/2010 has been incorporated as opening balance carried forward in fixed assets schedule of consolidated balance sheet of Surya Pharmaceutical Ltd. As this is the first year of closing off Surya Pharmaceutical (Singapore) Pte Ltd after incorporation on 30.09.2010, its statement of accounts including its subsidiaries has not been consolidated due to its financial year ending on 30.09.2011.

**I. In compliance with Accounting Standard (AS-22) relating to “Accounting on Taxes on Income” issued by the Institute of Chartered Accountants of India, Deferred Tax Assets accruing during the period aggregating to ₹458.53 Lacs has been recognised in the Profit & Loss Account.****AUDITORS' REPORT**

For and on behalf of the Board

As per our report of even date annexed

For **AAD & Associates**

Chartered Accountants

Sd/-

**Rajiv Goyal**

Managing Director

Sd/-

**Alka Goyal**

Executive Director

Sd/-

**Rajansh Thukral**

Associate Director &

Chief Co. Secretary

Sd/-

**Shamsher Singh**

Partner

Place: Chandigarh

Date: 13.08.2011

# **Consolidated Cash Flow Statement** for the year ending 31st March 2011

(Amount in ₹)

|  | As on 31.03.2011        | As on 31.03.2010        |
|--|-------------------------|-------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                             |                         |                         |
| Net profit before Tax & Extra Ordinary Items                           | 1,22,78,94,031          | 88,14,22,978            |
| Adjustments for :  |                         |                         |
| Depreciation   | 28,10,57,119            | 20,83,47,101            |
| Miscellaneous Expenditure written off                                  | 1,44,90,589             | 1,33,84,910             |
| Interest on Borrowings   | 1,08,71,38,995          | 62,52,51,959            |
| Provision for gratuity   | 40,72,842               | –                       |
| Interest / Dividend Received   | (10,46,75,580)          | (10,57,01,932)          |
| <b>Operating profit before working capital changes</b>                 | <b>2,50,99,77,997</b>   | <b>1,62,27,05,016</b>   |
| Adjustments for :  |                         |                         |
| (Increase)/Decrease in Current Assets                                  | (5,79,71,18,595)        | (3,05,29,58,836)        |
| Increase / (Decrease) in current Liabilities                           | 1,55,22,05,548          | 1,55,12,77,931          |
| Working capital borrowings   | 2,61,59,11,867          | 1,58,73,03,771          |
| <b>Cash generated from operations</b>                                  | <b>88,09,76,817</b>     | <b>1,70,83,27,882</b>   |
| Direct taxes paid  | (16,14,01,197)          | (8,06,12,542)           |
| <b>Net cash flow from operating activities (A)</b>                     | <b>71,95,75,620</b>     | <b>1,62,77,15,340</b>   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                             |                         |                         |
| Purchase of Fixed Assets   | (2,61,85,30,538)        | (1,59,36,83,296)        |
| Sale of Fixed Assets   | 1,808                   | 2,44,56,716             |
| Purchase of Investments  | (8,51,12,691)           | (1,04,456)              |
| Miscellaneous Expenditure  | –                       | (1,93,21,803)           |
| Interest Received  | 11,89,094               | 16,79,306               |
| Dividend Received  | 1,72,275                | 1,69,816                |
| Insurance Claim Received   | 1,30,86,213             | 58,81,667               |
| Freight Received from Parties  | 6,23,13,883             | 7,52,09,737             |
| Miscellaneous Income   | 2,08,49,709             | 30,28,087               |
| Profit on Derivatives  | 70,64,405               | 1,97,33,319             |
| <b>Net cash used in investing activities (B)</b>                       | <b>(2,59,89,65,843)</b> | <b>(1,48,29,50,908)</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                             |                         |                         |
| Increase / Decrease in Share Premium                                   | 1,12,67,92,972          | –                       |
| Proceeds from Issue of Share Capital                                   | 6,30,69,000             | 1,25,00,000             |
| Share Application Money Received                                       | 3,86,25,000             | (28,81,475)             |
| Proceeds from Long Term Borrowings                                     | 1,72,72,20,452          | 59,50,95,895            |
| Interest Paid  | (1,08,71,38,995)        | (62,52,51,959)          |
| Dividend Paid  | (2,17,02,507)           | (1,73,62,006)           |
| <b>Net cash paid in financing activities (C)</b>                       | <b>1,84,68,65,922</b>   | <b>(3,78,99,545)</b>    |
| <b>Net increase/ (decrease) in cash &amp; cash equivalents (A+B+C)</b> | <b>(3,25,24,301)</b>    | <b>10,68,64,887</b>     |
| Cash & cash equivalents at the beginning of the period                 | 19,34,35,402            | 8,65,70,515             |
| Cash & cash equivalents at the close of the period                     | 16,09,11,101            | 19,34,35,402            |

For and on behalf of the Board

Sd/-  
**Rajiv Goyal**  
Managing Director

Sd/-  
**Alka Goyal**  
Executive Director

Sd/-  
**Rajansh Thukral**  
Associate Director &  
Chief Co. Secretary

Place: Chandigarh  
Date: 13.08.2011

## **Auditor's Certificate**

To The Board of Directors,  
**Surya Pharmaceutical Limited**

We have examined the attached Consolidated cash flow statement of Surya Pharmaceutical Limited for the period ended March 31, 2011. The statement has been prepared by the Group's Company in accordance with the requirements of the Accounting Standard 3 and is based on and derived from the audited accounts of the Company for the period ended March 31, 2011.

### **AUDITORS' REPORT**

As per our report of even date annexed  
For **AAD & Associates**  
Chartered Accountants

Place: Chandigarh  
Date: 13.08.2011

Sd/-  
**Shamsher Singh**  
Partner