



Hester Biosciences Limited
Formerly Hester Pharmaceuticals Limited

22nd Annual Report 2008-2009



TEN YEAR FINANCIAL STATISTICS

	(Rs. In '000)									
YEAR ENDED ON 31ST MARCH	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Manufacturing Sales	22,994	30,529	37,705	42,841	73,183	157,942	196,545	216,011	322,406	297,842
Trading Sales	131	622	754	1,287	3,630	4,449	4,825	2,268	3,931	3,757
NET SALES	23,125	31,151	38,459	44,128	76,813	162,391	201,370	218,279	326,337	301,599
Other Income	265	84	257	508	36	397	302	2,632	2,751	917
TOTAL INCOME	23,390	31,235	38,716	44,636	76,849	162,788	201,672	220,911	329,088	302,516
Total Expenses	17,412	21,953	29,317	32,671	52,028	93,694	112,046	130,164	156,599	153,679
(a) (Increase)/decrease in Stock in trade	-735	-4,877	-357	-850	3,816	-9,293	-7,022	-22,542	-19,897	-41,360
(b) Trading Purchase	0	557	750	1,791	1,714	5,203	2,611	3,046	4,232	3,280
(c) Consumption of Raw material	4,470	9,013	8,212	8,220	13,224	43,296	45,256	70,937	62,817	71,305
(d) Manufacturing Expenses	2,943	3,944	4,666	5,730	8,471	18,275	26,878	22,210	34,498	36,513
(e) Staff Cost	4,081	5,865	5,829	7,573	9,038	13,863	15,164	19,640	29,940	36,660
(f) Selling, General & Admn. Expenses	6,653	7,451	10,217	10,207	15,765	22,350	29,159	36,873	45,009	47,281
Interest	4,191	5,204	1,531	2,737	2,633	2,439	2,573	6,977	26,549	28,877
Depreciation	2,184	2,295	2,489	2,535	2,695	3,198	3,538	4,409	36,846	38,437
Amortisation of Preliminary Exp.	1,118	1,118	1,118	0	0	0	0	0	0	0
PROFIT BEFORE EXTRA ORDINARY ITEM	-1,515	665	4,261	6,693	19,493	63,457	83,515	79,361	109,094	81,523
Extra Ordinary item	0	29	-7,439	12	087	0	14,873	0	0	0
PROFIT BEFORE TAX	-1,515	636	11,700	6,681	19,406	63,457	68,642	79,361	109,094	81,523
Provision for taxation	0	0	2,890	2,118	8,724	24,031	24,196	27,848	38,686	34,160
NET PROFIT	-1,515	636	8,810	4,563	10,682	39,426	44,446	51,513	70,408	47,363
BALANCE SHEET AS AT	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
SOURCES OF FUNDS :										
Paid-up Equity share capital	35,272	35,272	35,272	35,272	35,272	35,272	37,080	51,912	51,912	51,912
Preference Share Capital	14,053	14,053	14,053	14,053	14,053	14,053	0	0	0	0
General Reserve & Surplus	535	535	6,532	6,532	8,532	36,086	99,397	227,558	282,781	314,558
Loan Funds	26,539	31,157	26,018	23,368	17,016	16,114	16,909	223,577	201,426	187,662
TOTAL	76,399	81,017	81,875	79,225	74,873	101,525	153,386	503,047	536,119	554,132
APPLICATION OF FUNDS :										
Net Fixed Assets	41,570	42,895	41,260	39,897	40,605	45,586	46,469	348,788	409,044	405,308
Capital Work - in - Progress	0	0	0	0	0	0	24,011	5,546	0	0
Net Current Assets	9,333	14,379	23,333	28,260	39,246	64,908	91,648	165,523	146,046	174,710
Profit & Loss A/c	22,226	21,589	12,779	8,216	-466	0	0	0	0	0
Miscellaneous Exp.	3,270	2,154	1,036	776	516	0	0	0	0	0
Deferred Tax Assets / Liabilities	0	0	3,467	2,076	-5,028	-8,969	-8,742	-1,681	-18,971	-25,886
TOTAL	76,399	81,017	81,875	79,225	74,873	101,525	153,386	503,047	536,119	554,132
EQUITY DIVIDEND	—	—	—	—	—	12%	15%	20%	25%	25%

CORPORATE INFORMATION
BOARD OF DIRECTORS :

Dr. Bhupendra V. Gandhi *Chairman*
 Mr. Rajiv Gandhi *CEO & Managing Director*
 Mr. Sanjiv Gandhi
 Mr. Darayus Lakdawalla
 Mr. Ravin Gandhi
 Mr. Abhinava Shukla
 Mr. Praful Amin
 Mr. Vimal Ambani
 Dr. Parimal Tripathi *Alternate Director of Mr. Ravin Gandhi*

CHIEF FINANCIAL OFFICER :

Mr. Jigar Shah

COMPANY SECRETARY :

Mrs. Amala Parikh

REGISTERED OFFICE :

Village : Merda Adraj,
 Taluka : Kadi,
 District : Mehsana, Gujarat - 382 721.

CORPORATE OFFICE :

16/10, Devendra Society,
 Naranpura,
 Ahmedabad - 380 013.

MANUFACTURING UNIT :

Village : Merda Adraj,
 Taluka : Kadi,
 District : Mehsana, Gujarat - 382 721.

BANKERS :

Bank of India
 Navrangpura Branch,
 Ahmedabad - 380 009.

AUDIT COMMITTEE :

Mr. Praful Amin *Chairman*
 Mr. Vimal Ambani *Member*
 Mr. Abhinava Shukla *Member*

SHAREHOLDERS' GRIEVANCE COMMITTEE :

Mr. Darayus Lakdawalla *Chairman*
 Mr. Vimal Ambani *Member*
 Mr. Abhinava Shukla *Member*

REMUNERATION COMMITTEE :

Mr. Abhinava Shukla *Chairman*
 Mr. Vimal Ambani *Member*
 Mr. Praful Amin *Member*

AUDITORS :

M/s. Shah Narielwala & Co.
 Chartered Accountants
 608, 'Shitiratna', Panchvati, Ellisbridge,
 Ahmedabad - 380 006.

REGISTRAR & TRANSFER AGENTS :

M/s. Pinnacle Shares Registry Pvt. Ltd.
 Near Ashoka Mills, Naroda Road,
 Ahmedabad 380 025.

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DIRECTORS' REPORT
Dear Shareholder:

Your Directors are pleased to present the 22nd Annual Report with the Audited Accounts of the Company for the year ended 31.3.2009.

FINANCIAL RESULTS :

Particulars	Current Year	Previous Year
Total Income	302,516,397	329,087,388
Profit Before Depreciation & Tax	119,959,299	145,938,628
Less : Depreciation	38,436,890	36,845,920
Profit Before Tax	81,522,409	109,092,708
Less : Provision for Tax		
Deferred Tax	7,121,668	2,160,939
Current Tax	26,521,000	36,000,000
Fringe Benefit Tax	517,000	525,000
Net Profit After Tax	47,363,741	70,406,769
Balance of Profit & Loss Account	28,673,814	13,450,656
Profit available for appropriation	76,036,555	83,857,425
Dividend on equity shares	12,978,000	12,978,000
Dividend Tax	2,205,611	2,205,611
General Reserve	5,000,000	40,000,000
Balance carried to Balance sheet	55,852,944	28,673,814
Earnings per share (Basic/Diluted)	9.12	13.56

FINANCIAL HIGHLIGHTS:
Sales

Your company posted a turnover of Rs. 301.60 million compared to Rs. 326.30 million in the previous year.

Profitability

Your company's PBT for the year ended 31.3.2009 is recorded at Rs. 81.50 million, as compared to Rs. 109.10 million in the previous year.

Earning per share

EPS was at Rs.9.12 as on 31.3.2009 as against Rs.13.56 as on 31.3.2008.

Net Worth

The company's net worth as on 31.3.2009 was at Rs. 366.50 million as compared to Rs. 334.70 million as on 31.3.2008.

Dividend

Your Directors have recommended a dividend payment of Rs. 2.50 per equity share of Rs. 10 each for the financial year 2008-09. This dividend is subject to approval by the shareholders at the ensuing AGM.

REVIEW OF OPERATIONS:

The drop in sales was attributed to the temporary steep rise in commodity prices mid last year, which compelled the poultry companies to reduce their production by over 20%, thereby reducing their requirement for poultry vaccines. The poultry production in India is now back to being restored. Nonetheless, in that period of time, though the poultry population shrunk by over 20%, our sales dropped by only 7.57%, indicating that your company gained in terms of market share of poultry vaccines.

In December 2008, the company launched a new vaccine – A broad spectrum coryza disease vaccine for chicken. This is an import substitute product, having a market potential of approximately Rs. 8 crores.

Capacity utilisation

The company has reached 48% capacity utilisation as on 31.3.2009 by producing 2.29 billion doses.

GMP and ISO certification

We continue to be a GMP and an ISO 9001-2000 certified company.

Future Prospects

After a temporary de-growth in the poultry population last year, the industry is fast recovering. This will directly have a positive impact on our sales.

To increase market penetration, the company has expanded its marketing team as well as its distribution network. By the end of the third quarter, we would have covered all un-tapped areas within the country.

Product registrations are on-going in 10 countries.

The company has started the registration process for 5 large animal vaccines.

Energy Conservation

(Information under section 217(1)(e) of the Companies Act, 1956.)

The company has a continuous focus on energy conservation. Regular studies are conducted to analyses quantitative energy conservation patterns, and variances are rigorously scrutinised. The company regularly benchmarks its energy conservation levels and consistently works towards improving efficiencies, towards getting the cost of energy down for every unit produced.

Total energy consumption and energy consumption per unit of production :

Particulars		31-03-2009	31-03-2008
(A) Power and Fuel Consumption:			
Electricity:			
(a) Purchased			
Units	Kwh	2,130,135.00	1,820,985.00
Total Amount	Rs.	13,437,452.93	10,623,825.00
Rate/ Unit	Rs.	6.31	5.83
(b) Own Generation through Diesel Generator set			
Units	Kwh	52,500.00	13,926.00
Unit per liter of Diesel Oil	Kwh	3.08	2.85
Cost/Unit	Rs.	13.36	14.79
(B) Consumption per Unit of Production :			
Electricity consumed per vial (in units)		0.70	1.62

Research & Development and Technology absorption

1. R&D work is currently on-going towards developing 5 large animal vaccines.
2. Your company has tied-up with 2 universities in USA for technology transfer in the area of animal vaccines.
3. As always, we continue to work towards increasing our production yields as well as towards reducing cost of production.

FOREIGN EXCHANGE EARNINGS & OUTFLOW:

Foreign exchange earnings during the year were Rs. 6.70 million (Previous Rs. 7.00 million) towards sale of goods. Total outflow of foreign exchange towards purchase of materials, trading goods, travelling expenses, purchase of capital items during year was Rs. 27.63 million, as compared to Rs. 36.00 million during the previous year.

DIRECTORS:

In accordance with the provisions of the Articles of Association and of the Companies Act 1956, Mr. Darayus Lakdawalla and Mr. Sanjiv Gandhi, Directors of the Company, retiring by rotation at the ensuring Annual General Meeting and being eligible, offer themselves for re-appointment.

During the year Mr. Praful R. Amin was appointed as an Additional Director with effect from 2nd May, 2009.

PUBLIC DEPOSITS:

The company has not invited or accepted any deposits under Section 58A of the Companies Act, 1956, from the public, during the year.

FINANCE:

The working capital requirement was funded through enhanced bank limits. The capital expenditures were funded through the additional working capital & term loan from the bankers and internal accruals.

CORPORATE GOVERNANCE:

Pursuant to clause 49 of the Listing Agreement with the Stock Exchange, a separate section on Corporate Governance and certificate obtained from practicing Company Secretary confirming its compliance, is provided separately and forming part of this Report. The Board of Directors supports the basic principles of corporate governance. In addition to this, the board lays strong emphasis on transparency, accountability and integrity.

Report on Management Discussion and Analysis is provided in separate section and forming part of this report.

FORMATION OF VARIOUS COMMITTEES:

Details of various committees constituted by the Board of Directors are given in the Corporate Governance Report annexed which forms part of this report.

PARTICULARS OF EMPLOYEES:

In accordance with the provisions of Section 217(2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules, 1975, the particulars of employees of the Company are furnished in Annexure forming part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies Act, 1956 I would like to state the following:

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, at the end of the financial year ended on 31st March, 2009.

The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

The Directors have prepared the attached statements of accounts for the year ended 31st March, 2009 on a going concern basis.

AUDITORS & AUDITORS REPORT :

M/s. Shah Narielwala & Co.; Chartered Accountants, retire at the forthcoming Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed.

Notes forming part of the accounts are self explanatory and therefore, do not require any further comments.

ACKNOWLEDGEMENT:

The Directors express their appreciation to Bank of India, Hester's employees at all levels and customers for their sustained support.

Last but not the least, the directors convey their gratitude to the esteemed shareholders whose dauntless support has been the main source of inspiration.

By order of the Board

30th June 2009
Ahmedabad

Rajiv Gandhi
CEO & Managing Director

ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of Directors Report for the year ended on 31st March, 2009

(A) Employed throughout the year and was in receipt of remuneration which in the aggregate was not less than Rs. 2,400,000/- p.a.

Sr. No.	Name & Share Holding %	Age in Years	Qualification	Date of Commencement of Employment	Designation/ Nature of Duties	Experience In years	Gross Remuneration in million	Last Employment held with Designation
1	Mr. Rajiv Gandhi 9.70 %	47	B. Com Diploma in Marketing & Poultry Management	29.04.1987	CEO & Managing Director	25	2.85	—

(B) Employed for a part of the year and was in receipt of remuneration which in the aggregate was not less than Rs. 200,000/- p.m. Not Applicable

Notes:

- Gross Remuneration includes Salary, House Rent Allowance, House Rent Allowance, Extra Allowance Commission, Incentive And Superannuation fund but excludes Gratuity.
- The employment of person referred above is on contractual Basis

Outlook for the Industry

The poultry industry which got hit by rising commodity prices in mid 2008, has now stabilised and is back on the growth path. India continues to be a focus for international breeding companies as well as for poultry integrators.

The government policy towards poultry vaccines continues to be the same as what it was at the beginning of the financial year. Imports though permissible, are unable to make any major dent in the Indian market. With the Indian currency depreciating, imports have further become costly, thereby giving the Indian vaccine industry a distinct price advantage.

Avian Influenza disease (Bird Flu) in chicken is being effectively controlled by the Government of India to avoid recurrence or the spread of the disease.

With the past Avian Influenza experience, the industry has become more conscious towards disease monitoring, thereby increasing the potential for our poultry diagnostic kits.

Outlook for the Company

With the expanded capacity well in operation, your company is now looking at expanding its range from poultry to large animal and pet vaccines. We hope to register atleast 5 large animal vaccines in this financial year.

Registration activities, though slow, continue to progress in more than 10 countries.

With the WHO GMP certification, which we hope to get in this year, it will open bigger markets for your company.

Distribution channels have been recently strengthened. Company operated depots have been set up at 5 locations, covering most of the country. Distribution has now become more efficient than what it has ever been.

The marketing team has recently been increased by over 50% to increase market penetration.

With the first quarter of this financial year coming to a close, the growth trend for this financial year has been well set.

Internal Control Systems

The company has implemented an ERP solution. All depots are connected through leased data lines thereby ensuring one point control.

Budgetary controls are well in place.

Financial performance Vs Operational performance

The financial performance of the company for the year 2008-09 is described in the Director's report.

Human Resources

Human resources development continues to be a focus area for your company.

The total strength of the company is 260 motivated employees (permanent and contractual). Personnel turnover has been very negligible.

Training programs and safety drills for all employees are regularly embarked upon, besides educating the workers on social behaviors.

Industrial relations continued to remain cordial at all levels.

REPORT ON CORPORATE GOVERNANCE

The Securities and Exchange Board of India (SEBI) has stipulated Corporate Governance Standards for Listed Companies vide Clause 49 in the listing agreement with the Stock Exchanges.

Corporate Governance is Corporate discipline extended transparency, integrity and accountability towards all stakeholders. Corporate Governance helps to achieve excellence to enhance stakeholders value by focusing on long-term value creation without compromising on integrity, social obligations and regulatory compliances.

Company's Philosophy on Corporate Governance

Hester Biosciences Limited, has always been committed to the principal of sound Corporate Governance to promote the effective functioning of the Board and its Committee & to assist it in the exercise of its responsibility. Our Board exercises its fiduciary responsibilities in the widest sense of the term.

The Company's continued endeavor is to achieve good governance which ensures our performance rules with integrity whereby ensuring the truth, transparency accountability & responsibility in all our dealings with our employees, shareholders, consumers & the community at large. Apart from compliance with the Statutory provisions of Company Law, allied acts & Listing Agreements, our disclosure seeks to attend best practice in corporate governance. We believe that sound corporate governance is critical to enhance & retain stakeholders trust.

The Board of Directors represents the interest of the Company's stakeholders, for optimising long term value by way of providing necessary guidance and strategic vision to the Company. The Board also ensure that the Company's management and employees operate with highest degree of ethical standard. Corporate Governance is strongly driven by our values such as quality, commitment, customer orientation & integrity.

Board of Directors :

The Company's Board comprises of 8 Directors (excluding one alternate Director) with a mix of executive/non-executive and promoter/independent directors. The composition of Board complies with the requirements of the Corporate Governance code with more than 50% of the directors being non-executive directors and out of which 50% of the directors being independent directors.

The Board normally meets once in a quarter. Additional meetings are held as and when required. During the year under review, Board of Directors of Hester met 6 times, viz 24th April, 2008, 24th June, 2008, 22nd July, 2008 27th September, 2008, 24th October, 2008 & 20th January, 2009 and the 21st Annual General Meeting was held on 28th August, 2008. The gap between any two meetings did not exceed four months. The agenda papers along with notes and other supporting were circulated in advance of the Board Meeting with sufficient information as required under Clause 49 of the Listing Agreement.

The table below provides the composition of the Board, their attendance at Board meetings & AGM and number of other directorship, chairmanship/membership of other companies.

Name of the Director, Designation & Age	Category & Nature of Employment	Date of Appointment	No. of other Directorship held in public companies in India	No. of other Board committees of which Member(M)/Chairman (C)	Board meeting attended	Attendance at the last AGM	No. of Shares held & % holding (of the Company)
Mr. Bhupendra V Gandhi Chairman, 67 Years	Non Executive, Non Independent Director	03/12/1992	0	0	1	Yes	304,010 5.86%
Mr. Rajiv Gandhi CEO & Managing Director 47 Years	Executive Non Independent Director- Contractual Employment	29/04/1987	2	0	6	Yes	503,606 9.70%
Mr. Sanjiv Gandhi Director, 44 Years	Non Executive, Non Independent Director	29/04/1987	2	0	1	Yes	391,480 7.54%
Mr. DarayusLakdawalla Director, 48 Years	Non Executive Independent Director	01/03/1990	1	0	1	Yes	15,720 0.30%
Mr. Ravin Gandhi Director, 36 Years	Non Executive, Non Independent Director	22/04/1999	0	0	—	No	268,880 5.18%
Mr. Vimal Ambani Director, 48 Years	Non Executive Independent Director	01/02/2003	2	0	4	Yes	54,900 1.06%
Mr. Abhinava Shukla Director, 64 years	Non Executive Independent Director	01/02/2003	0	0	5	No	—
Dr. Parimal Tripathi 50 Years	Non Executive, Non Independent Director	27/06/2003	0	0	4	No	—
*Mr. Praful Amin Director, 74 Years	Non Executive Independent Director	02/05/2009	2	4 - as a Chairman	NA	NA	—

*Mr. Praful Amin was appointed as an Additional Director w.e.f 02.05.2009

Notes:

1. This number excludes the directorships/committee memberships held in private companies and also of the Company.
2. As required by the Companies Act, 1956 and Clause 49 of Listing Agreement, none of the directors hold directorship in more than 15 public companies & membership of board committees (audit/remuneration/investors grievance committees) in excess of 10 and chairmanship of board committees as aforesaid in excess of 5.

None of the Non-executive Directors has any pecuniary relationship, except Dr. Bhupendra V. Gandhi, Mr. Sanjiv Gandhi & Mr. Ravin Gandhi who are relative of Managing Director of the Company. Non-executive Directors have no transaction with the company, except receiving sitting fees for attending Board Meetings. The details of sitting fees, commission and remuneration paid to each director appear later under the disclosure relating to Remuneration to Directors.

DETAILS OF THE DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT IN FORTHCOMING ANNUAL GENERAL MEETING :

Name of Director	Mr. Praful Amin	Mr. Darayus Lakdawalla	Mr. Sanjiv Gandhi	Mr. Rajiv Gandhi
Date of Birth	09.05.1935	18.02.1961	15.03.1965	11.07.1962
Date of appointment	02.05.2009	01.03.1990	29.04.1987	29.04.1987
Qualifications	C.A.	F.G.A (London) B. Com	Graduate of Arts in inter disciplinary Science (U.S.A.)	B.Com Diploma in Marketing Management & Poultry Management
Expertise in specific functional areas	Accounting, Financial & Taxation	Financial Marketing	General Management	General Management
List of Co. in which Directorship held	1. Mafatlal Industries Ltd. 2. Mafatlal Denim Ltd.	1. Hester Coatings Ltd.	1. Hester Coatings Ltd. 2. Biolink Healthcare Ltd. 3. Hester Diagnostics Private Ltd.	1. Hester Coatings Ltd. 2. Biolink Healthcare Ltd. 3. Hester Diagnostics Private Ltd. 4. Sinsui India Pvt. Ltd. 5. Caffil Private Ltd.
Chairman/ Member of the Committees of the Board of Directors of the Co.	Audit Committee- Chairman Remuneration Committee- Member	Shareholder Grievance Committee – Chairman	NIL	NIL
Chairman/ Member of the committees of Directors of other Co	1. Mafatlal Industries Ltd. Chairman of Audit, Shareholders Grievance & Remuneration Committee 2. Mafatlal Denim Ltd. Chairman of Audit Committee	NIL	NIL	NIL

CODE OF CONDUCT

The Board of Directors has adopted the Code of Business Conduct and Ethics for the Directors and Senior Management. The said Code has been communicated to the Directors and the Members of the senior Management. All Board Member and Senior Managerial Personnel have affirmed compliance with the code of conduct for the year ended on 31st March 2009. A declaration to this effect duly signed by CEO of the Company is attached herewith and forms part of Corporate Governance Report.

AUDIT COMMITTEE :

The Audit Committee comprises of 3 members, Mr. Darayus Lakdawalla as the Chairman of the Committee and Mr. Vimal Ambani & Mr. Sanjiv Gandhi as the Members. The Committee was reconstituted as on 2nd May, 2009, in which Mr. Darayus Lakdawalla & Mr. Sanjiv Gandhi have resigned, while Mr. Praful Amin was appointed as the Chairman & Mr. Abhinava Shukla as a Member of the Committee. With this, the present constitution of the Audit Committee comprises of Mr. Praful Amin as a Chairman & Mr. Vimal Ambani and Mr. Abhinava Shukla as the Members of the Committee. All members are Non-Executive Independent Directors.

The above composition meets all the requirements of Clause 49 of Listing Agreement and Section 292A of the Companies Act, 1956. The Manager (Finance) acts as the Secretary of the Audit Committee.

During the year under review, 4 meeting were held on 24th June, 2008, 22nd July, 2008, 23rd October, 2008 and 20th January, 2009. The chairman of Audit Committee had attended last Annual General Meeting of the company held on 28th August, 2008. The Audit Committee at its Meeting held on 24th June, 2008, reviewed the Annual Accounts for the year 2007-08 and recommended the accounts for approvals by the Board of Directors. The Audit Committee at its meeting held on 22nd July, 2008, 23rd October, 2008 and 20th January, 2009, reviewed the unaudited financial results for the quarter ended on June 30, 2008, September 30, 2008 and December 31, 2008.

Details of attendance of members of the Audit Committee is as under:

Name	Designation	Attendance
*Mr. Darayus Lakdawalla	Ex-Chairman	4
*Mr. Sanjiv Gandhi	Member	4
Mr. Vimal Ambani	Member	—
\$Mr. Abhinava Shukla	Member	N.A.
\$Mr. Praful Amin	Chairman	N.A.

*Resigned w.e.f. 02.05.2009

\$Appointed w.e.f. 02.05.2009

Mr. Jigar Shah, CFO is a regular invitee and also acting as Secretary to the Audit Committee. Statutory Auditors are invited as and when required.

Broad Terms of Reference

The broad terms of reference of the Committee as approved by the Board includes overseeing of the Company's financial reporting process, the appointment of statutory auditors and internal auditors, reviewing the quarterly and annual financial statements before submission to the Board for approval, compliance with listing and other legal requirements relating to financial statements, reviewing adequacy of the internal and internal audit function, etc.

In addition to the above, the Committee shall have such functions/role/powers as may be specified in the Companies Act, Listing Agreement with stock exchanges or any other applicable law.

The Audit Committee has reviewed the Management Discussion and Analysis of financial condition and results of operations forming part of this Annual Report and other information as mentioned in Clause 49 (II)(E) of the Listing Agreement.

SHAREHOLDERS' GRIEVANCE COMMITTEE :

The Shareholders Grievance Committee as a committee of the Board has been constituted mainly to focus on the redressal of Shareholders / Investors Grievances, if any, like Transfer / Transmission / Demat of Shares; Loss of Share Certificates; Non-receipt of Annual Report; Dividend Warrants; etc. The Shareholder Grievance Committee comprises of 2 members, Mr. Darayus Lakdawalla as the Chairman of the Committee & Mr. Sanjiv Gandhi as the Member. The Committee was reconstituted as on 2nd May, 2009, in which Mr. Sanjiv Gandhi has resigned, while Mr. Vimal Ambani & Mr. Abhinava Shukla were appointed as Members of the Committee. With this, the present constitution of the Shareholders Grievance Committee comprises of Mr. Darayus Lakdawalla as a Chairman & Mr. Vimal Ambani and Mr. Abhinava Shukla as the Members of the Committee. All members are Non-Executive Independent Directors.

During the year, 4 meetings were held on 24th June, 2008, 22nd July, 2008, 23rd October, 2008 and 20th January, 2009. Both of them have attended all the meetings. The Company had received 11 complaints from the Shareholders, all of them have been resolved and no complaint was pending as on 31st March, 2009.

Mr. Jigar Shah, CFO provides secretarial support to the Committee and is also the designated Compliance Officer for such matters. The Company has appointed Mrs. Amala Parikh as a Company Secretary w.e.f. 1st April, 2009. She has been appointed as a designated Compliance officer.

The equity shares of the Company are compulsorily traded in electronic form on the stock exchanges and hence the handling of physical transfer of shares is minimal. The Board has delegated powers for approving transfer and transmission of shares and issue of duplicate shares to Share Transfer Committee. The Share Transfer Committee met 20 times during the year. The Company has no transfers pending at the close of the financial year.

The following table summarises the status of investor complaints received during the period. These were attended within a reasonable period of time

Sr. No.	Nature of Complaints / Requests	Received	Resolved	Pending as on 31-03-2009
1.	Non-receipt of Dividend warrant	7	7	-
2.	Non-receipt of Annual Reports	1	1	-
3.	Non-receipt of shares after transfer / Rights Shares	-	-	-
4.	Letters received from SEBI / ROC / Stock Exchanges	2	2	-
5.	Others – Demat Credit	1	1	-
Total		11	11	-

REMUNERATION COMMITTEE

The Remuneration Committee as a committee of the Board has been constituted mainly to determine and recommend to Board, the company's policies on remuneration packages for executive and non- executive directors. The Remuneration Committee comprises of 3 members, Mr. Darayus Lakdawalla as the Chairman of the Committee & Mr. Vimal Ambani & Dr. Parimal Tripathi as the Members. The Committee was reconstituted as on 2nd May, 2009, in which Mr. Darayus Lakdawalla & Dr. Parimal Tripathi have resigned, while Mr. Abhinava Shukla was appointed as Chairman of the Committee & Mr. Praful Amin as the Member. With this,

the present constitution of the Remuneration Committee comprises of Mr Abhinava Shukla as a Chairman & Mr. Vimal Ambani and Mr. Praful Amin as the Members of the Committee. All members are Non-Executive Independent Directors.

One meeting was held as on 20th January,2009, in which re-appointment of Mr. Rajiv Gandhi with revised terms and condition was recommended for Board's approval. Mr. Darayus Lakdawalla was not present in this meeting, while other two members were present.

The Company pays remuneration to its Managing Director by way of Salary, perquisites and allowances, as approved by the members in general meeting. Non- executive Directors have no transaction with the Company, except receiving sitting fees for attending Board Meetings. The Company does not pay any severance fees. The details of remuneration paid to directors are provided below in this report under the head Remuneration to Directors.

REMUNERATION TO DIRECTORS :

Name of Director	Designation	Remuneration (including perquisites) Paid Rs.	Sitting Fees paid Rs.	Commission paid Rs.	Total Remuneration Rs.
Dr. Bhupendra V. Gandhi	Chairman	NIL	NIL	NIL	NIL
Mr. Rajiv Gandhi	CEO & Managing Director	2,853,167	NIL	NIL	2,853,167
Mr. Sanjiv Gandhi	Director	NIL	NIL	NIL	NIL
Mr. Darayus Lakdawalla	Director	NIL	NIL	NIL	NIL
Mr. Ravin Gandhi	Director	NIL	NIL	NIL	NIL
Mr. Vimal Ambani	Director	NIL	8,000	NIL	8,000
Mr. Abhinava Shukla	Director	NIL	10,000	NIL	10,000
Dr Parimal Tripathi	Alternate Director	NIL	8,000	NIL	8,000
Mr. Praful Amin	Director	NIL	NIL	NIL	NIL
Total		2,853,167	26,000	NIL	2,879,167

SUBSIDIARY COMPANY :

The Company does not have any subsidiary Company.

OTHER COMPLINACES :

The Company has no materially significant related party transactions with its promoters, the directors or the management or relatives etc. that may have potential conflicts with the interests of the Company at large.

For details about related parties transactions, see Note No. 10 of Notes on Accounts under Schedule 15 balance sheet of the Company.

There were no instances of non-compliance or Penalties, imposed on the Company by the Stock Exchange/(s) or SEBI or any statutory authority, on any matter related to Capital Markets, during the last three years.

In preparation of the financial statements, the Company has followed the Accounting Standards issued by ICAI. The significant accounting policies which are consistently applied have been set out in the Notes to the Accounts.

Business risk evaluation and management is an ongoing process within the Organisation. During the period under review, a detailed exercise on the Business Risk Management was carried out covering all aspects of business operations.

The Company has already appointed Mr. Rajiv Gandhi, as CEO & Managing Director and Mr. Jigar Shah, as CFO of the Company. Certification from the both was placed as a part of good Corporate Governance practice in the Annual Accounts of FY 2008-09.

General Body Meetings :

Details of the last three Annual General Meetings are as under :

AGM	Date	Time	Venue	No. of special Resolutions passed
19th AGM	14th July, 2006	11.00 a.m.	Village : Merda Adraj Taluka : Kadi Dist : Mehsana Gujarat 382 721	1 (One)
20th AGM	11th Sept., 2007	11.00 a.m.	Village : Merda Adraj Taluka : Kadi Dist : Mehsana Gujarat 382 721	1 (One)
21st AGM	28th August, 2008	11.00 a.m.	Village : Merda Adraj Taluka : Kadi Dist : Mehsana Gujarat 382 721	0

At the AGM held on 14th July, 2006, special resolution was passed for re-appointment of Mr. Rajiv Gandhi, as CEO & Managing Director of the Company as per section 198,269 and other application provisions of the Act. At the AGM held on 11th September,2007, special resolution was passed for alteration of some of the Articles of Association of the Company under section 31 of the Act.

The special resolutions indicated above were passed by show of hands.

POSTAL BALLOT :

The Company has not passed any resolution through postal ballot during the year under reference. None of the resolutions proposed for the ensuing Annual General meeting need to be passed through Postal Ballot.

CEO/CFO Certification :

The Company is duly placing a certificate to the Board from the CEO & Managing Director and Chief Financial Officer in accordance with the provisions of Clause 49(V) of the Listing Agreement. The aforesaid certificate duly signed by the CEO & Managing Director and Chief Financial Officer in respect of the financial year ended 31st March, 2009 has been placed before the Board and given elsewhere in this Annual Report.

Means of Communication :

During the year, quarterly, half-yearly and annual financial results of the Company were submitted to the stock exchanges immediately after the conclusion of the Board meetings and were also published in any two newspapers out of Business Standard (English), Financial Express (Gujarati). These results are also put on the Company's website : www.hesterbiosciences.co.in.

The Company also informs by way of intimation to the stock exchanges all price sensitive matters or such other matters which in its opinion are material and of relevance to the shareholders and subsequently issues a Press Release on the said matters.

SHAREHOLDERS' INFORMATION :

Registered office	:	Village : Merda Adraj Taluka : Kadi Dist : Mehsana Gujarat 382 721
Corporate Office	:	16/10, Devendra Society, Naranpura, Ahmedabad 380 013. Phone : 079 - 27680476, Fax : 079 - 27682250 E-mail : mail@hesterbiosciences.co.in , Website : http://www.hesterbiosciences.co.in
Branches	:	No. 14, 4th Main, 4th Block, 1st Stage, HBR Layout Bangalore 560 043 DSS 25 Sector - 12, Panchkula, Haryana Shop No L-7, Lower Ground Floor, Majestic Plaza, Kharadi, Pune 411 014 # 18, Ashok Layout, Civil Aerodrome Post, Coimbtore 641 014

Date, Time, Venue of Annual General Meeting

The 22nd Annual General Meeting of the members of the company is scheduled to be held on Tuesday the 18th August, 2009 at 11.00 a.m. at its Registered Office of the company at Village : Merda Adraj, Taluka: Kadi, District : Mehsana, Gujarat 382 721. All the members are invited to attend the meeting.

The Members / Proxies who intend to attend the meeting are requested to bring the Attendance slip sent herewith duly filed in to the meeting.

Financial calendar

Financial year 2008-09 (April 1, 2008 to March 31, 2009)

Results were announced on	-	22th July 2008	-	first quarter
	-	23rd October 2008	-	half year
	-	20th January 2009	-	third quarter
	-	30th June 2009	-	fourth quarter and annual (audited)

Financial year 2009-10 (April 1, 2009 to March 31, 2010)

Results will be announced on	-	Second week of July 2009	-	first quarter
	-	Last week of October 2009	-	half year
	-	Last week of January 2010	-	third quarter
	-	Third week of June 2010	-	fourth quarter and annual (audited)

Book closure : Saturday the 15th August, 2009 to Tuesday the 18th August, 2009 (both days inclusive)

Annual General Meeting : Tuesday the 18th August, 2009 at 11.00 a.m.

Details of Shares Types of shares : Equity Shares

No. of paid up shares : 5,191,200

Market lot of shares : 1 share

Stock code : Name of Stock Exchange Code no.
Mumbai Stock Exchange 524669

Listing

The Company's shares are listed and traded on the Stock Exchanges at Mumbai. The Company has paid listing fees to Mumbai Stock Exchange for financial year 2009-2010.

STOCK DATA

Monthly share price data on BSE for the financial year 2008-09 is as under.

Month	High Rs.	Low Rs.	Average Rs.	Volumes (No. of Shares)
April '08	175.00	116.10	145.55	28,705
May '08	186.00	126.10	156.05	23,348
June '08	155.00	100.50	127.75	57,919
July '08	118.00	90.00	104.00	19,375
August '08	126.90	101.50	114.20	24,135
September '08	123.00	82.50	102.75	26,796
October '08	114.90	45.00	79.95	41,119
November '08	61.90	43.00	52.45	37,834
December '08	76.00	53.00	64.50	12,556
January '09	83.90	65.00	74.45	13,628
February '09	85.00	68.00	76.50	62,602
March '09	79.20	63.10	71.15	134,741

SHARES HELD IN PHYSICAL AND DEMATERIALIZED FORM:

The Company's shares are compulsorily traded in dematerialised mode. As on 31st March 2009, 84.38% shares were held in dematerialised form and balance 15.62% shares were held in physical form. Those shareholders whose shares are held in physical form are requested to dematerialised the same at the earliest in their own interest. The demat security code (**ISIN**) for the equity shares is **INE782E01017**

DISTRIBUTION OF SHAREHOLDING (AS ON MARCH 31, 2009)
a. On the basis of Shares held

No. of Equity Shares held (Range)	No. of share-holders	Percentage to total share-holders	No. of Shares held	Percentage to total shares held
Up to 500	3,186	88.63	399,526	7.70
501 - 1000	142	3.95	113,622	2.19
1001 - 2000	91	2.53	134,261	2.59
2001 - 3000	30	0.83	77,173	1.49
3001 - 4000	32	0.89	115,437	2.22
4001 - 5000	14	0.39	67,191	1.29
5001 - 10000	30	0.83	217,173	4.18
Above 10000	70	1.95	4,066,817	78.34
TOTAL	3,595	100.00	5,191,200	100.00

b. On the basis of Category

Description	No. of members		No. of shares	
	Nos.	%	Nos.	%
a. Promoters Holding				
Directors & Relatives	27	0.75	2,290,076	44.11
Promoters' Companies	4	0.11	201,892	3.89
b. Non Promoters Holding				
Resident Individual (incl. HUF)	3,450	95.97	1,968,649	37.92
Non Resident Individual	36	1.00	514,093	9.91
Mutual Fund, Nationalised Bank etc.	3	0.08	9,000	0.17
Domestic Companies	75	2.09	207,490	4.00
Total:	3,595	100.00	5,191,200	100.00

SHARE TRANSFER SYSTEM :

Applications for transfer of shares in physical form are processed by the Company's Registrar & Transfer Agent M/s. Pinnacle Shares Registry Pvt. Ltd. The Share Transfer Committee constituted for transfer / transmission of shares, issue of duplicate shares and allied matters considers and approves the share transfer once in fortnight subject to transfer instrument being valid and complete in all respects.

The Company has obtained half yearly certificates from Company Secretary in Practice for compliance of share transfer formalities as per the requirement of Clause 47(c) of the Listing Agreement with Stock Exchange. The Company has also carried out quarterly Secretarial Audit for the reconciliation of Share Capital as required under SEBI circular no. 16 dated 31st December 2002.

PAN REQUIREMENT FOR TRANSFER OF SHARES IN PHYSICAL FORM

The Securities & Exchange Board of India (SEBI) has mandated the submission Permanent Account Number (PAN) for securities market transactions & off market/private transactions involving Transfer of Shares in Physical Form of Listed Companies. Therefore it shall be mandatory for the transferee(s) to furnish a copy of the PAN Card to the Company/Registrar & Share Transfer Agents for Registration of such transfers. Members/Investors are therefore requested to make note of the same & submit their PAN Card copy to the Company/ Registrar & Share Transfer Agents.

DETAILS OF DIVIDEND

The Board of Directors has recommended Dividend @ Rs.2.50 per share for financial year 2008-2009, as compared to @ Rs.2.50 per share for last year. The payment of Dividend as recommended by the Directors if approved at the Meeting, will be made:

- (i) to those members whose names are on the Register of Members on 14th August, 2009 or to their mandates.
- (ii) in respect of shares held in electronic form, to those "deemed members" whose names appears of the statement of beneficiary ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd.(CDSL) at the end of business hours on 14th August, 2009

DETAILS OF UNPAID DIVIDEND

As the Company has not paid any dividend , prior to the last four year's dividend and so there is no unpaid dividend amount. All members, who have not claimed any dividend amount in last four years, are requested to revalidate their dividend warrants.

OUTSTANDING GDRS/ADRS/WARRANTS/ANY OTHER CONVERTIBLE INSTRUMENTS

The Company does not have any outstanding instruments of the captioned type.

NOMINATION FACILITY

It is in the interest of the shareholders to appoint nominee for their investments in the Company. Those members who are holding shares in physical mode and has not appointed nominee or want to change the nomination, are requested to send us nomination form duly filed in and signed by all the joint holders.

APPOINTMENT OF REGISTRAR & TRANSFER AGENT

In terms of SEBI circular D&CC/FITTC/CIR-15/2002 dated December 27, 2002, the company has appointed M/s. Pinnacle Shares Registry Pvt. Ltd. of Ahmedabad (details as mentioned below) as our Share Transfer Agent (R&T Agent) effective from April 1, 2003 for physical as well as dematerialised shares.

CHANGE IN SHAREHOLDERS DETAILS

In case you are holding your shares in dematerialised form (e.g. in electronic mode), communication regarding change in address, bank account details, change in nomination, dematerialisation of your share certificates or other inquiries should be addressed to your DP where you have opened your Demat Account, quoting your client ID number. In case of physical holding of shares, any communication for change of any details should be addressed to our R&T agent of the company M/s. Pinnacle Shares Registry Pvt. Ltd., as per address mentioned below.

INVESTORS COMMUNICATION

Share Transfers / Dematerialisation or other queries relating to Shares of the Company should be addressed to :

M/s. Pinnacle Shares Registry Pvt. Ltd.

Unit : Hester Biosciences Limited

Near Asoka Mills, Naroda Road, Ahmedabad 380 025

Ph. 079 – 22204226 /22200591 Fax : 079 – 2220 2963 e-mail:investor.service@psrpl.com

DECLARATION UNDER CODE OF CONDUCT

As required under Clause 49(I)(D) of the Listing Agreement, it is hereby affirmed that all the Board Members and Senior Management Personnel have complied with Code of Conduct of the Company. The Company has obtained confirmation for the compliance of Code of Conduct from the Board Members and Senior Management Personnel on an annual basis

Ahmedabad
30th June, 2009

Rajiv Gandhi
CEO & Managing Director

CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

We, Mr. Rajiv Gandhi, Chief Executive Officer & Managing Director and Mr. Jigar Shah, Chief Financial Officer of Hester Biosciences Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the balance sheet and profit and Loss account, its schedule and notes to the accounts and cash flow statements for the year ended 31st March, 2009 and that to the best of our knowledge and belief:
 - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. these statement together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards , applicable laws and regulations.
2. We also certify that based on our knowledge and information provided to us, there are no transactions entered into by the Company during the year which are fraudulent , illegal or violate the company's code of conduct.
3. We accept the responsibilities for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps taken or propose to take to rectify these deficiencies.
4. We have indicated to the Auditors and the Audit Committee
 - a. significant change in internal control over financial reporting during the year.
 - b. significant changes in accounting policies during the year and that the same have been disclosed in notes to the financial statements; and
 - c. instances of significant fraud of which we have become aware and involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Ahmedabad
30th June, 2009

Rajiv Gandhi
Chief Executive officer

Jigar Shah
Chief Financial Officer

Corporate Governance Compliance Certificate

Registration No. : L99999GJ1987PLC022333

Nominal Capital : Rs.65,000,000/-

To,
The Members of
HESTER BIOSCIENCES LIMITED

In accordance with Clause 49 of the Listing Agreement entered into by **Hester Biosciences Limited** (formerly known as Hester Pharmaceuticals Limited) with the Stock Ex change, I have examined all the relevant records of the Company relating to its compliance of conditions of Corporate Governance as stipulated in revised Clause 49, for the financial year ended on March 31, 2009.

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

In my opinion and to the best of my information and according to the explanations given to me and the re-presentations made by the Directors and the Management, I certify that the Company has complied with the mandatory conditions of Corporate Governance as stipulated in abovementioned Listing Agreement, except that :

- the formal Risk Management Policy should be adopted by the Board, covering detail area of risk involved in the organisation
- the Code of Conduct are yet to be placed on website of the Company.
- in all the Audit Committee meetings held during the year, two Directors were present, out of which one was Independent Director.

As per the records maintained by the Company and information given to me, I have to state that there were no investor grievance remaining unattended/ pending for a period exceeding one month as on March 31, 2009.

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

Place : Ahmedabad
Date : 30th June, 2009

Name of Company Secretary **Tapan Shah**
Membership No. : FCS4476
C. P. Number 2839

AUDITORS' REPORT

To,
The Members,
HESTER BIOSCIENCES LIMITED.
(Formerly Hester Pharmaceuticals Ltd.)

We have audited the attached Balance Sheet of **Hester Biosciences Ltd.** (Formerly **Hester Pharmaceuticals Ltd.**) as at **31st March, 2009** and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) Order, 2003 issued by the Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

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

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
- iii. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- iv. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report have been prepared, in all material respects, in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.
- v. On the basis of written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts gives the information required by the Companies Act, 1956, in the manner so required and given a true and fair view in conformity with the accounting principles generally accepted in India;
 - a. in the case of the Balance sheet, of the state of affairs of the Company as at 31st March, 2009 :

- b. in the case of the Profit and Loss Account, of the profit for the year ended on that date and
- c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

for Shah Nariealwala & Co
Chartered Accountants

D.R. Shah
Partner

Place : Ahmedabad
Date : 30.06.2009

Member ship No: 36805

Annexure to the Auditors' Report referred to in Paragraph-3 of our report of even date

As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government under section 227(4A) of the Companies Act, 1956 and in terms of the information and explanations given to us and also on the basis of such checks as we considered appropriate, we further report that:

- (1) (i) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (ii) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (iii) In our opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- (2) (i) The inventory has been physically verified during the year by management. In our opinion, the frequency of verification is reasonable.
 - (ii) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (iii) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (3) (i) The Company has granted loans to Companies listed in the register maintained under Section 301 of the Companies Act, 1956. Outstanding balance of loans granted at the year end was Rs. 3,865,015. Maximum outstanding during the year of loans granted was Rs. 3,865,015.
 - (ii) In our opinion and according to the information and explanations given to us, the rates of interest and other terms and conditions on which loans have been granted from companies/ other parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.

- (iii) The loans granted by the Company are at call and no stipulations have been made regarding payment of interest.
- (iv) The Company has not taken any loan, secured or unsecured from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and hence we have nothing to comment thereon.
- (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 purchase of inventory, fixed assets and with regard to the sale of goods. We have not noted any continuing failure to correct major weakness in the internal controls during the course of audit.
- (5) (i) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (ii) In our opinion and according to the information and explanations given to us, there are no transactions, which are made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and are exceeding the value of rupees five lakhs in respect of any party during the year.
- (6) The Company has not accepted any deposits from the public.
- (7) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (8) We have broadly reviewed the books of accounts, relating to materials and other items of cost maintained by the company in respect of product where pursuant to the rules made by the Central Government, the maintenance of Cost Records has been prescribed under section 209(1)(d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been maintained and are being made up. The same have been examined and audited by an independent cost accountant.
- (9) (i) According to the records of the company, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, cess and other statutory dues applicable to it.
- (ii) According to the information and explanations given to us, no undisputed amounts payable in respect of wealth-tax, sales-tax, customs duty and excise duty were outstanding, as at 31st March, 2009 for a period of more than six months from the date they became payable. However income tax undisputed income tax liability outstanding for more than six month as on 31st March 2009 amounted to Rs. 10,400,080.
- (ii) According to the information and explanations given to us, there are no dues in respect of income tax, excise duty, sales tax, wealth tax, service tax or cess that have not been deposited with appropriate authority on account of dispute.
- (10) The accumulated losses of the company are not more than fifty percent of its net worth. The company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (11) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (12) In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- (13) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- (14) The company is not dealing or trading in shares, securities, debentures and other investments.
- (15) The Company has not given any guarantee for loans taken by others from bank or financial institution.
- (16) As informed to us, the term loans have been applied for the purpose for which they were raised.
- (17) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except core (permanent) working capital.
- (18) Based on our examination of records and the information provided to us by management we report that the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (19) During the period covered by our audit report, the company has not issued any debentures.
- (20) According to the information and explanations given to us, During the year, the company has not raised money by public issue. Accordingly clause 4(xx) of the order is not applicable.
- (21) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

for Shah Nariealwala & Co
Chartered Accountants

D.R. Shah
Partner

Place : Ahmedabad
Date : 30.06.2009

Member ship No: 36805

BALANCE SHEET AS AT 31ST MARCH, 2009

Particulars	Schedule	Current Year		Previous Year	
		Rs.	Rs.	Rs.	Rs.
A. SOURCES OF FUNDS					
1 SHAREHOLDERS' FUNDS					
a) Share Capital	1	51,912,000		51,912,000	
b) Reserve & Surplus	2	314,557,871		282,780,918	
			366,469,871		334,692,918
2 LOAN FUNDS					
a) Secured Loans	3		187,662,436		201,426,009
TOTAL			554,132,307		536,118,927
B. APPLICATION OF FUNDS					
1 Fixed Assets					
a) Gross Block		507,871,593		473,171,204	
b) Less: Depreciation		102,564,049		64,127,159	
c) Net Block			405,307,544		409,044,045
2 Current Assets, Loans & Advances					
Less:-					
Current Liabilities & Provisions.	6	191,336,413		150,301,073	
Net Current Assets			174,710,509		146,046,051
3 Deferred Tax					
Assets		273,191		—	
Liabilities		26,158,937	(25,885,746)	(18,971,169)	(18,971,169)
TOTAL			554,132,307		536,118,927
Notes on Accounts	15				

As per our Report of even date attached

for **Shah Narielwala & Co**
Chartered Accountants

D. R. Shah
Partner

Ahmedabad, 30th June, 2009

for and on behalf of the Board

Rajiv Gandhi

CEO & Managing Director

Sanjiv Gandhi

Director

Amala Parikh

Company Secretary

Ahmedabad, 30th June, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2009

Particulars	Schedule	Current Year		Previous Year	
		Rs.	Rs.	Rs.	Rs.
A. INCOME					
Sales (Net)	7		301,599,589		326,336,510
Other Income	8		916,808		2,750,878
Change in Inventories	9		41,360,578		19,896,932
TOTAL			343,876,975		348,984,320
B. EXPENDITURE					
Trading Purchases			3,279,786		4,232,369
Raw material Consumed	10		71,305,371		62,817,346
Manufacturing Expenses	11		36,513,249		34,497,606
Personnel Cost	12		36,659,922		29,940,304
Selling, General & Adm. Expenses	13		47,281,898		45,008,847
TOTAL			195,040,226		176,496,472
OPERATING PROFIT			148,836,749		172,487,848
Interest & Finance Charges	14		28,877,450		26,549,220
PROFIT BEFORE DEP. AND TAX			119,959,299		145,938,628
Less : Depreciation			38,436,890		36,845,920
PROFIT BEFORE TAX			81,522,409		109,092,708
Less : Provision For Taxation					
Current Tax		26,521,000		36,000,000	
Deferred Tax		7,121,668		2,160,939	
Fringe benefit Tax		517,000		525,000	
			34,159,668		38,685,939
PROFIT AFTER TAX			47,362,741		70,406,769
BALANCE BROUGHT FORWARD			28,673,814		13,450,656
PROFIT AVAILABLE FOR APPROPRIATION			76,036,555		83,857,425
Less :					
Proposed Dividend (Equity Shares)			12,978,000		12,978,000
Dividend Tax			2,205,611		2,205,611
Transferred to General Reserve			5,000,000		40,000,000
BALANCE CARRIED TO BALANCE SHEET			55,852,944		28,673,814
Earning per Share (Basic/Diluted)			9.12		13.56
Notes on Accounts	15				

As per our Report of even date attached

for **Shah Narielwala & Co**
Chartered Accountants

D. R. Shah
Partner

Ahmedabad, 30th June, 2009

for and on behalf of the Board

Rajiv Gandhi

CEO & Managing Director

Sanjiv Gandhi

Director

Amala Parikh

Company Secretary

Ahmedabad, 30th June, 2009

SCHEDULES 1 TO 14 FORMING PART OF ACCOUNTS AS AT 31ST MARCH, 2009

Particulars	31.03. 2009		31.03 2008	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - 1 : SHARE CAPITAL				
Authorised Share Capital				
6,500,000 Equity Shares of Rs.10/- each (Prev. Yr. 6,500,000 shares)		65,000,000		65,000,000
		<u>65,000,000</u>		<u>65,000,000</u>
Issued, Subscribed and Paid up Capital				
5,191,200 Equity Shares of Rs.10/- each fully Paid-up (Prev. Yr. 5,191,200 Shares)		51,912,000		51,912,000
		<u>51,912,000</u>		<u>51,912,000</u>
TOTAL		51,912,000		51,912,000
SCHEDULE - 2 : RESERVES & SURPLUS				
a) General Reserve				
Opening Balance	140,000,000		100,000,000	
Add: Transferred during the year	5,000,000		40,000,000	
Less : Gratuity Liability (Refer Note No. 15)	402,178		—	
		<u>144,597,822</u>		<u>140,000,000</u>
b) Securities Premium		114,107,105		114,107,105
c) Profit and Loss account		55,852,944		28,673,813
		<u>314,557,871</u>		<u>282,780,918</u>
TOTAL		314,557,871		282,780,918
SCHEDULE - 3 : SECURED LOANS				
1. BANK OF INDIA				
a. Cash credit		78,291,669		63,349,466
b. Term Loan		106,049,433		134,314,878
		<u>184,341,102</u>		<u>197,664,344</u>
(Above loans are Secured by Hypo. of Stock book Debts and other Current assets further secured by first charge on Company's factory land, building, Plant & Machineries & Other Assets)				
2. HP Loan :				
ICICI Finance Ltd.		1,535,918		2,536,552
Kotak Mahindra Bank Ltd.		1,634,125		637,016
HDFC Car Loan		151,291		588,097
		<u>3,321,334</u>		<u>3,761,665</u>
(secured by hypo. of specific Vehicles / Cars)				
TOTAL		187,662,436		201,426,009

SCHEDULE - 4 : FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	Balance as on 01.04.2008	Addition during the year	Deduction during the year	Balance as on 31.03.2009	Provided Upto 31.03.2008	Provided during the year	Adjustment during the year	Balance as on 31.03.2009	As on 31.03.2009	As on 31.03.2008
ASSETS										
Land & Site Development	1,660,844	—	—	1,660,844	—	—	—	—	1,660,844	1,660,844
Factory Building	12,094,768	—	—	12,094,768	4,575,701	403,965	—	4,979,666	7,115,102	7,519,067
Plant & Machineries										
— Imported	4,552,524	—	—	4,552,524	2,094,635	216,245	—	2,310,880	2,241,644	2,457,889
— Indigenous	33,325,896	164,211	—	33,490,107	14,158,787	1,589,009	—	15,747,797	17,742,311	19,167,109
Electrical Installation	3,088,718	—	—	3,088,718	1,583,304	146,714	—	1,730,018	1,358,700	1,505,413
Utilities	3,365,753	—	—	3,365,753	1,811,150	159,873	—	1,971,024	1,394,729	1,554,603
Furniture & Fixtures	1,245,262	—	—	1,245,262	612,691	78,825	—	691,516	553,746	632,571
Office Equipments	1,048,165	—	—	1,048,165	385,570	49,788	—	435,358	612,807	662,594
Vehicles	8,783,728	—	—	8,783,728	3,591,320	805,229	—	4,396,548	4,387,180	5,192,408
Computers	1,564,121	—	—	1,564,121	1,369,167	194,954	—	1,564,121	0	194,954
Dead Stock	169,064	—	—	169,064	91,965	10,702	—	102,666	66,398	77,099
Storage Equipment	431,276	—	—	431,276	93,726	20,486	—	114,212	317,064	337,550
Scooters	25,083	—	—	25,083	24,258	—	—	24,258	825	825
Dead Stock Canteen	32,598	—	—	32,598	25,840	2,063	—	27,903	4,695	6,758
Total(A)	71,387,800	164,211	—	71,552,013	30,418,116	3,677,853	—	34,095,969	37,456,044	40,969,684
Previous Year's Figures(A)	71,980,590	396,550	989,340	71,387,800	27,243,900	3,780,830	606,614	30,418,116	40,969,684	44,736,690

FIXED ASSETS -New Project (Contd...)

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	Balance as on 01.04.2008	Addition during the year	Deduction during the year	Balance as on 31.03.2009	Provided Upto 31.03.2008	Provided during the year	Adjustment during the year	Balance as on 31.03.2009	As on 31.03.2009	As on 31.03.2008
ASSETS										
Land & Site Development	11,216,400	1,120,000	—	12,336,400	—	—	—	—	12,336,400	11,216,400
Factory Building	199,863,938	7,116,058	—	206,979,996	9,774,649	9,625,887	—	19,400,536	187,579,460	190,089,289
Plant & Machineries										
— Imported	12,656,450	940,730	—	13,597,180	1,770,960	1,587,486	—	3,358,446	10,238,734	10,885,490
— Indigenous	96,318,167	9,821,704	—	106,139,871	12,227,511	12,449,793	—	24,677,304	81,462,567	84,090,656
Electrical Installation	30,301,163	2,186,952	—	32,488,115	3,982,017	3,705,671	—	7,687,688	24,800,427	26,319,146
Utilities	29,875,989	323,503	—	30,199,492	3,937,580	3,636,170	—	7,573,750	22,625,742	25,938,409
Furniture & Fixtures	13,283,296	2,902,512	—	16,185,808	1,226,362	1,916,741	—	3,143,103	13,042,705	12,056,934
Office Equipments	2,129,910	2,168,183	—	4,298,093	180,182	398,291	—	578,473	3,719,620	1,949,728
Computer	577,971	5,607,522	—	6,185,493	33,417	558,198	—	591,615	5,593,878	544,554
Storage Equipment	1,993,304	538,696	—	2,532,000	150,685	289,817	—	440,502	2,091,498	1,842,619
Vehicles	3,566,817	1,810,316	—	5,377,133	425,680	590,983	—	1,016,663	4,360,470	3,141,137
Total (B)	401,783,404	34,536,176	—	436,319,580	33,709,043	34,759,037	—	68,468,080	367,851,500	368,074,361
Previous Year's Figures (B)	304,695,355	97,088,050	—	401,783,404	643,953	33,065,090	—	33,709,043	368,074,361	304,051,401
Total (A)+(B)	473,171,206	34,700,387	—	507,871,593	64,127,158	38,436,890	—	102,564,049	405,307,544	409,044,047
Prev. Yr. (A) + (B)	376,675,945	97,484,600	989,340	473,171,206	27,887,853	36,845,920	606,614	64,127,159	409,044,047	348,788,091

Particulars	31.03.2009 Rs.	31.03 2008 Rs.
SCHEDULE - 5 : CURRENT ASSETS, LOANS & ADVANCES		
a) INVENTORIES (As taken, valued & certified by the management)		
- Raw materials	3,693,054	1,446,796
- Semi - Finished Goods	71,229,385	41,638,868
- Packing Materials	3,553,996	2,047,469
- Finished Goods	36,542,051	24,771,990
- Stock of Consumable	2,106,315	148,338
TOTAL	117,124,801	70,053,461
b) SUNDRY DEBTORS (Unsecured, Considered Good)		
- Outstanding for more than six months	45,025,795	34,137,463
- Others	78,328,441	71,789,691
TOTAL	123,354,236	105,927,154
c) CASH & BANK BALANCE		
Cash on hand	871,961	103,119
Balance with Scheduled bank		
- Current Account	3,321,567	4,440,893
- Fixed Deposit	2,308,689	1,989,484
TOTAL	6,502,217	6,533,495
d) LOANS, ADVANCES & DEPOSITS (Unsecured, Considered Good)		
1 Advances recoverable in cash or kind or for value received	15,734,876	13,092,865
2 Deposits	4,383,095	3,928,964
3. Advance to Group Company / Relative	3,865,015	3,817,728
4 Loan to others	4,353,397	2,328,397
5 Advance Income Tax	90,729,285	90,665,061
TOTAL	119,065,668	113,833,014
GRAND TOTAL (a+b+c+d)	366,046,922	296,347,124
SCHEDULE - 6 : CURRENT LIABILITIES & PROVISIONS		
a) CURRENT LIABILITIES		
Creditors for Goods	26,147,708	14,888,540
Creditors for Expenses	6,028,457	5,234,387
Other Liabilities	7,515,159	6,168,291
Creditors for Capital Exp.	9,593,478	8,996,245
	49,284,802	35,287,462
b) PROVISIONS		
Provision for Taxation	126,868,000	99,830,000
Provision for Taxation (Dividend)	2,205,611	2,205,611
Proposed Dividend (Equity Share)	12,978,000	12,978,000
	142,051,611	115,013,611
TOTAL (A+B)	191,336,413	150,301,073

Particulars	31.03.2009 Rs.	31.03 2008 Rs.
SCHEDULE - 7 : SALES		
Local Sales	294,929,510	318,466,379
Export Sales	6,670,079	7,870,131
TOTAL	301,599,589	326,336,510
SCHEDULE - 8 : OTHER INCOME		
Interest on Bank deposits	388,476	1,447,815
Miscellaneous Income	196,636	90,117
Exchange Profit & Loss (Net)	—	1,212,946
Bad Debts written off / creditors written back	331,696	—
TOTAL	916,808	2,750,878
SCHEDULE - 9 : CHANGE IN INVENTORY		
Closing Stock		
- Finished Goods	36,542,051	24,771,990
- Semi - Finished Goods	71,229,385	41,638,868
	107,771,436	66,410,858
Opening Stock		
- Finished Goods	24,771,990	30,782,535
- Work-in-process	41,638,868	15,731,391
	66,410,858	46,513,926
Increase / (Decrease) TOTAL	41,360,578	19,896,932
SCHEDULE - 10 : RAWMATERIAL CONSUMED		
Opening Stock	1,446,796	1,854,935
Add: Purchases	73,551,628	62,409,207
	74,998,424	64,264,142
Less: Closing stock	3,693,053	1,446,796
TOTAL	71,305,371	62,817,346
SCHEDULE - 11 : MANUFACTURING EXPENSES		
Power & Fuel	16,694,938	12,260,392
Consumables & Stores	209,032	1,751,988
Packing Expenses	9,014,560	10,820,983
Quality control & Testing Exp.	3,904,231	2,819,579
Other production expenses	6,690,488	6,844,664
TOTAL	36,513,249	34,497,606
SCHEDULE - 12 : PERSONNEL COST		
Directors' Remuneration	2,590,626	2,423,888
Contribution to Provident Fund / Gratuity Fund	1,615,003	1,266,388
Salaries & Wages	31,435,796	25,612,445
Staff Welfare	1,018,524	637,583
TOTAL	36,659,922	29,940,304

Particulars	31.03.2009 Rs.	31.03 2008 Rs.
SCHEDULE - 13 : OFFICE, ADMINISTRATION & SELLING EXPENSES		
Postage, Telephone & Telegram Expense	2,085,108	1,869,025
Insurance Expenses	1,015,357	1,328,223
Legal, Professional & Consultancy	2,476,326	1,506,877
Auditors Remuneration	382,531	291,416
Printing & Stationery	1,278,534	1,066,564
Travelling & Conveyance Expenses	2,397,279	2,776,424
Directors' Travelling	2,704,220	1,392,817
Travelling	1,987,546	1,277,762
Rent, Rates & Taxes	1,408,244	1,811,357
Repair & Maintenance	139,656	89,536
Vehicle & Petrol Expenses	2,085,368	1,690,100
Electric Charges	339,941	286,878
Selling Expenses	3,367,909	1,515,236
Conference & Seminar Exp.	323,296	1,259,544
Carriage Outward	8,024,709	7,427,553
Sales Promotion	1,611,206	1,604,781
Commission on Sales	3,237,625	3,151,127
Sales Tax Exp.	10,383,189	12,058,775
Bad Debts written off / creditors written back	—	200,862
AGM, Board meeting & Share transfer Exp.	104,193	105,061
Loss on Sale of Fixed Asset	—	371,940
Donations	80,000	95,000
Exchange Profit & Loss (Net)	96,582	—
Miscellaneous Expenses	1,753,079	1,831,989
TOTAL	47,281,898	45,008,847
SCHEDULE - 14 : INTEREST & FINANCE CHARGES		
<u>Bank Interest</u>		
- Term Loan Interest	15,748,261	16,563,931
- Interest on working Capital	10,738,809	8,305,185
Bank Commission & Charges	1,953,916	1,258,498
HP Finance Charges	436,464	421,606
TOTAL	28,877,450	26,549,220

SCHEDULE – 15 NOTES FORMING PART OF ACCOUNTS AS AT 31-03-2009
1. SIGNIFICANT ACCOUNTING POLICIES:
Accounting Convention:

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India ("ICAI"), the provisions of the Companies Act, 1956.

a) USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires the management to make estimates and assumption that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future period.

b) REVENUE AND EXPENDITURE RECOGNITION:

Revenue and expenditure are recognised on accrual basis.

c) FIXED ASSETS & DEPRECIATION:

All Fixed Assets are stated at historical cost less depreciation. Depreciation on all assets has been provided at rates and manner prescribed in Schedule XIV to the Companies Act, 1956.

Depreciation on assets acquired and used in old project is being calculated on Straight Line method basis and on assets acquired for new project (commissioned during March'2007) is calculated on Written Down Value Method basis.

d) INVENTORIES:

Inventories are valued at lower of cost or market value.

Cost of work –in-progress and finished goods is ascertained considering direct costs plus a share of manufacturing overheads. Cost of raw materials and packing materials is arrived at, by using FIFO Method.

f) BORROWING COSTS:

Cost of borrowed funds for the project has been capitalised and included in the cost of fixed assets till commencement of production. Other borrowing costs are recognised as expenses in the period in which they are incurred.

g) FOREIGN CURRENCY TRANSACTIONS:

Expenditure/Income in foreign currencies are translated into Indian rupees at the rates prevailing on the date of occurrence of the transaction. At the year end all monetary foreign currency assets and liabilities are related to closing exchange rates. Gains or losses on settlement of foreign currency transactions during the period and from the year end restatement referred to above are recognised in the Revenue account.

h) IMPAIRMENT OF ASSET:

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment of the carrying amount of the Company's assets. If any indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised wherever the carrying amount of the assets exceeds its recoverable amount.

i) RESEARCH AND DEVELOPMENT:

Revenue expenditure on Research and Development is charged against the Profit for the year in which it is incurred. Capital expenditure on Research and Development is shown as an addition to the fixed assets and is depreciated on the same basis as other fixed assets.

j) PROVISION FOR RETIREMENT BENEFITS:

Post- employment benefit plans

(i) Defined Contribution Plan: Contribution for provident fund are accrued in accordance with applicable Statutes and deposited with the Regional Provident Fund Commissioner.

(ii) Defined Benefit Plan: The liabilities in respect of gratuity and leave encashment are determined Using Projected Unit Credit Method with actuarial valuation carried out as at Balance Sheet date. Actuarial gains and losses are recognised in full in the Profit & loss Account for the period in which they occur.

Contributions in respect of gratuity are made to the Group Gratuity Scheme with Life Insurance Corporation of India. Employee benefits recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for Unrecognised past service cost and as reduced by the fair value of respective fund.

k) TAXATION :
i. Current Tax:

Provision for Income Tax is determined in accordance with the provisions of Income Tax Act, 1961.

ii. Deferred Tax Provision:

Deferred Tax charge or credit is recognised on timing differences, being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. It is calculated using the applicable tax rates and tax laws that have been enacted by the balance sheet date. The deferred tax assets is recognised and carried forward only to the extent that there is reasonable certainty that the asset will be realised in future. At each Balance-sheet date, recognised and unrecognised Deferred Tax Assets are reviewed.

iii. Fringe Benefit Tax:

Tax on Fringe Benefits is measured as the specified rates on the value of Fringe Benefits in accordance with the provisions of the Section 115WC of the Income Tax Act, 1961. Accounting for Fringe Benefit Tax is done as per the Guidance note issued by ICAI.

2. PROVISION AND CONTINGENCIES

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.

CONTINGENT LIABILITIES & COMMITMENTS:

- a. Claims against the Company not acknowledgement as debts. Rs. Nil (Previous year Nil)
- b. Estimated amount of contracts remaining to be executed on capital account and not provided for (net-off advances) Rs. 3.49 million (Previous year 5.13 million).
3. Figures are rounded off to nearest rupee and previous year's figures have been regrouped wherever necessary.
4. In the opinion of the Board of directors, loans and advances are of the value stated in the Balance Sheet, to be realised in the normal course of business and provision for all known liabilities have been made in the books of accounts which are adequate and not in excess of the amount reasonably required.
5. The management of the company has during the year carried out technical evaluation for identification of impairment of assets, if any in accordance with the Accounting Standard (AS) 28, issued by the Institute of Chartered Accountants of India. Based on the judgment of the management and as certified by the directors, no provision for impairment of the asset is considered necessary in respect of any of the assets of the company.
6. The amount of loans and advances include Rs. 3,865,015 (P.Y. Rs. 3,817,728) loans to companies, Firms and persons as listed in the register maintained under Section 301 of the Companies act, 1956. Maximum outstanding during the year was Rs.3,865,015 (P.Y. Rs. 3,817,728)
7. Balance of Debtors, Creditors and loans and advances are as per books and subject to confirmation from respective parties.
8. The company has not received information from vendors regarding their status under micro, small and medium Enterprise Development Act, 2006 and hence disclosure relating to amount unpaid as at year end together with interest paid / payable under this account have not been given.

9. Deferred taxation:

The net deferred tax liabilities at the end of the year comprise of tax effect of following timing differences:

Particulars	2008-09	2007-08
Deferred tax Assets		
Gratuity Payable	207,090	—
Leave encashment dis allow(43B)	66,100	
Deferred tax liability		
- Excess of Net block over Written Down value as per provisions of I.T. Act	(26,158,937)	18,971,169
	(25,885,747)	(18,971,169)

10. Related Party Disclosures :
(i) List of Related Parties :

Related parties with whom transactions have taken place during the year.

(a) Group Companies/Associates / Individual Relatives :

1. Hester Coatings Pvt. Ltd.
2. Sinsui (India) Pvt .Ltd.

(b) Key Management Personnel :

Rajiv Gandhi – CEO & Managing Director

- (ii) During the year following transactions were carried out with related parties in the ordinary course of business and at arms length:

Sr. No.	Nature of Transactions	Associates		Key Management Personnel	
		Individual	Relatives		
		31.03.2009	31.03.2008	31.03.2009	31.03.2008
1.	Advance Given	47,287	16,865	Nil	Nil
2.	Outstanding Balance Included in Loans & Advances	3,865,015	3,817,728	Nil	Nil
3.	Director's Remuneration	Nil	Nil	2,550,000	2,400,000
4.	Rent- MD's Residence	285,000	180,000	Nil	Nil
5.	Loan Taken	Nil	Nil	2,100,000	Nil
6.	Loan Repaid	Nil	Nil	2,100,000	Nil

Note : Disclosure is made of only those related parties with whom transactions have taken place during the year or there is balance at the end of the year.

11. Auditor' remuneration includes: (Amount in Rs.)

Sr. No.	Particulars	31.03.2009	31.03.2008
a.	Audit fees	240,000	200,000
b.	Tax Audit and Taxation matters	100,000	80,000
c.	Other (Inclusive of Sales Tax)	42,531	11,416

12. Additional Information as required under Para 3, 4C an 4D of part II Schedule VI of the Companies Act, 1956 are as under:

- A. Installed capacity of Poultry Vaccines: (in million doses)

	31.03.2009	31.03.2008
Installed	4,800	4,800
Actual Production	2,293.51	1,583.43

Note: Actual Production comprises of 111,091 (Prev.Yr. 109,843) Bottles of Killed Vaccines and 1,320,817 (Prev. Yr. 1,104,956) Vials of Live Vaccines.

- B. Quantity (Net of returns) and Sales Value of each class of goods dealt with by the Company.

Class of Goods	U.O.M	31. 03.2009		31.03.2008	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
(i) Manufacturing					
Killed Vaccines	Bottles	109,644	118,149,255	104,034	110,133,036
Live Vaccines	Vials	1,007,928	179,692,904	1,153,866	212,272,502
TOTAL		1,117,572	297,842,159	1,257,900	322,405,538
(ii) Trading					
Kits	Nos.	117	3,644,630	131	3,846,773
Selfeed CF	Bag	126	112,800	94	84,200
TOTAL		243	3,757,430	225	3,930,973

- C. Value and Quantitative break-up in respect of opening and closing stock of each class of goods traded.

Class of Goods	U.O.M	Opening Stock				Closing Stock			
		Quantity		Value (Rs.)		Quantity		Value (Rs.)	
		31.03.09	31.03.08	31.03.09	31.03.08	31.03.09	31.03.08	31.03.09	31.03.08
(i) Manufacturing									
Killed Vaccines	Bottles	12,648	7,395	7,882,010	4,045,412	12,975	12,648	8,559,368	7,882,010
Live Vaccines	Vials	85,205	151,938	13,031,242	24,867,097	375,370	85,205	22,688,628	13,031,242
Diluents	Vials	394,847	110,132	2,030,466	322,386	584,001	394,847	3,269,994	2,030,466
(ii) Trading									
Kits	Nos.	45	13	829,451	217,205	50	45	1,204,006	829,451
Selfeed CF	Bag	704	799	998,821	1,330,435	578	799	820,055	998,821

Note: 12 Kits are used for own in house consumption. (P.Y : 44 Kits)

D. Value and Quantitative break-up of purchase of goods traded in:

Class of Goods	U.O.M	31. 03.2009		31.03.2008	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Kits	Nos	134	3,279,786	207	4,232,368
Vaccines	Bottle	—	—	—	—
Selfeed-CF	Bags	—	—	—	—

E. Raw Material Consumption:

Class of Goods	U.O.M	31. 03.2009		31.03.2008	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Growth Media	Nos	2,661,180	41,152,233	1,839,480	30,158,391
Other Chemicals		—	8,588,353	—	7,520,025
Concentrate		—	21,564,786	—	25,138,930
Total			71,305,372		62,817,346

F. CIF value of Import of Goods/Raw Materials Rs.25,603,465 (Previous Year Rs. 32,994,290)
G. Raw Material Consumption:

	31. 03.2009		31.03.2008	
	Percentage	Value (Rs.)	Percentage	Value (Rs.)
a. Imported	44.78	31,932,433	49.43	31,048,578
b. Indigenous	55.22	39,372,939	50.57	31,768,768

13. Expenditure in Foreign Currency for (Amount In Rs.)

Particulars	31.3.2009	31.3.2008
Purchase/Materials/Trading goods/ Packing (including payment to creditors)	25,603,465	29,927,452
Travelling	544,827	386,440
Exhibition Expenses	15,981	94,332
Capital Expenditure(Furniture & Machinery)	706,208	4,605,401
Membership Fee	90,238	166,080
Technical Know-how Fees	472,460	834,951
Consultancy & Professional Fees	196,322	—

14. F.O.B. value of exports Rs.6,670,079 (Previous Yr. Rs. 6,992,799)
15. Disclosure as per As-15 (Revised) on " Employee Benefit " for the year ended 31st March,2009
a) Defined Contribution Plans

The company made contribution towards provident fund to defined contribution retirement benefit plans for qualifying employees. The provident fund plan is operated by the regional provident fund commissioner, the company required to contribute a specified percentage of payroll cost to the retirement benefit scheme to fund the benefit.

The company recognised Rs. 1.04 milli on (P.Y 0.69 milli on) for provident fund contribution in the profit and loss account. The contribution payable to this plan by the company are at rates specified in the rules of the scheme.

b) Defined benefit Plan

The company made annual contribution to the employee's Group Gratuity Cash Accumulation Scheme of the Life Insurance Corporation of India, a funded benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or a part thereof in excess of six months. Vesting occurs upon completion of five years of service.

The present value of defined benefit obligation and the related current service cost were measured using the projected unit credit method as per actuarial valuation carried out at balance sheet date.

The following table sets out the funded status of the gratuity plan and the amount recognised by the company's financial statement as at 31st March 2009.

i) Change in benefit obligations:		
Projected benefit obligations at beginning of the year		2,115,445
Service Cost		398,001
Interest Cost		169,236
Actuarial Gain		99,791
Benefits Paid		(179,136)
Projected benefit obligations at the end of year		2,603,337
ii) Change in plan Asset:		
Fair value of plan assets at the beginning of the period		1,506,177
Expected return on plan assets		120,494
Contribution		479,875
Benefit paid		(179,136)
Actuarial Gain/(Loss) on plan asset		6,983
Fair value of plan assets at the end of the period		1,934,393
Total actuarial gain/(loss) to be recognised		(92,890)
iii) Expenses recognised in income statement:		
Current service cost		398,001
Interest Cost		169,236
Expected return on plan asset		(120,494)
Net Actuarial Gain/(Loss) to be recognised		92,809
Expense recognised in P/L		539,551
iv) Assumptions used in accounting for the Gratuity plan:		
Discount rate previous period		8.00%
Discount rate current period		7.75%
Rate of return on plan asset previous period		8.00%
Rate of return on plan asset current period		7.75%
Salary escalation previous period		6.00%
Salary escalation current period		6.00%
v) Amount recognised in the Balance sheet:		
Liability at the end of the period		2,603,337
Fair value of the plan assets at the end of the period		1,934,393
Difference		668,944
Amount recognised in the balance sheet		668,944
vi) Transitional Liability:		
As per AS 15 transitional liability as on 01/04/2008		
Obligation as on 01/04/2008		2,115,445
Less value of plan asset as on 01/04/2008		1,506,177
Balance transitional gratuity liability as on 01/04/2008		609,268
Charged to general reserve.		402,178

16. Earnings per Share:

Calculation of Net Profit available for Equity Shareholders:

	31-03-2009	31-03-2008
A. Net Profit After Tax	47,362,741	70,406,769
Profit available to Equity shareholders	47,362,741	70,406,769
B. Weighted Average No. of Eq. Shares of Rs. 10/- each	5,191,200	5,191,200
C. Basic and diluted Earning per share	9.12	13.56

17. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
I. Registration Details

Registration No.

L	9	9	9	9	9	G	J	1	9	8	7	P	L	C	0	2	2	3	3	3
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Balance Sheet Date

3	1
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0	3
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2	0	0	9
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 State Code

						0	4
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Date Month Year

II. Capital Raised during the year (Rs. in thousands)

Private Placement

				N	I	L
--	--	--	--	---	---	---

III. Position of Mobilisation and Deployment of Funds (Rs. in thousands)

Total Liabilities

	5	5	4	1	3	2
--	---	---	---	---	---	---

 Total Assets

	5	5	4	1	3	2
--	---	---	---	---	---	---

Sources of Funds

Paid-up Capital

		5	1	9	1	2
--	--	---	---	---	---	---

 Reserves & Surplus

	3	1	4	5	5	8
--	---	---	---	---	---	---

Secured Loans

	1	8	7	6	6	2
--	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

	4	0	5	3	0	7
--	---	---	---	---	---	---

 Net Current Assets

	1	7	4	7	1	1
--	---	---	---	---	---	---

Deferred tax

		(2	5	8	8	6)
--	--	----	---	---	---	----

IV. Performance of Company (Rs. in thousands)

Total Turnover <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>3</td><td>0</td><td>1</td><td>6</td><td>0</td><td>0</td></tr></table>		3	0	1	6	0	0	Other Income <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td>9</td><td>1</td><td>7</td></tr></table>					9	1	7	Total Expenditure <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>2</td><td>6</td><td>2</td><td>3</td><td>5</td><td>4</td></tr></table>		2	6	2	3	5	4
	3	0	1	6	0	0																	
				9	1	7																	
	2	6	2	3	5	4																	
Profit before Tax <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>8</td><td>1</td><td>5</td><td>2</td><td>2</td></tr></table>			8	1	5	2	2		Profit after tax <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>4</td><td>7</td><td>3</td><td>6</td><td>3</td></tr></table>			4	7	3	6	3							
		8	1	5	2	2																	
		4	7	3	6	3																	
Earning per share in Rs. <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>9</td><td>.</td><td>1</td><td>2</td></tr></table>			9	.	1	2		Dividend Rate <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td>2</td><td>5</td><td>%</td></tr></table>					2	5	%								
		9	.	1	2																		
				2	5	%																	

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

Product Description : Item Code No. (ITC Code)

(a) Veterinary Vaccines

3	0	0	2	3	9	0	0
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18. Schedule 1 to 15 are attached to and form part of accounts for the year ended on 31st March, 2009.

Signatures to Schedules 1 to 15

As per our Report of even date attached for Shah Narielwala & Co <i>Chartered Accountants</i> D. R. Shah <i>Partner</i> Ahmedabad, 30th June, 2009	for and on behalf of the Board Rajiv Gandhi <i>CEO & Managing Director</i> Sanjiv Gandhi <i>Director</i> Amala Parikh <i>Company Secretary</i> Ahmedabad, 30th June, 2009
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CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

	31/03/2009		31/03/2008	
	Amount Rs.	Amount Rs.	Amount Rs.	Amount Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit/(Loss) before tax and extraordinary items		110,399,859		135,641,928
Adjustments for :				
Loss on sale of asset		—		371,940
Depreciation		38,436,890		36,845,920
Interest and other income		(916,808)		(1,537,932)
		<u>37,520,082</u>		<u>35,679,928</u>
Operating Profit/(Loss) before Working Capital Charge		147,919,941		171,321,856
Adjustment for :				
Trade & Other Receivables		(17,427,082)		(9,209,177)
Inventories		(47,071,340)		(20,138,569)
Trade Payables		13,388,070		(24,601,724)
Loans & Advances		(5,168,430)		4,866,744
Bank borrowings for working capital		14,942,203		2,840,023
		<u>(41,336,579)</u>		<u>(46,242,703)</u>
Cash Generated from operating Activity		106,583,362		125,079,153
Interest Paid		(28,877,450)		(26,549,220)
Net Cash from operating Activity		<u>77,705,912</u>		<u>98,529,933</u>
B. CASH FLOW FROM INVESTMENT ACTIVITIES				
Purchase of Fixed Assets		(34,700,387)		(97,484,600)
Purchase of Fixed Assets (Capital WIP)		—		5,545,823
Sales of Fixed Assets		—		10,786
Interest and other income		916,808		1,537,932
Net Cash Used in Investing Activities		<u>(33,783,579)</u>		<u>(90,390,058)</u>
C. CASH FLOW FROM FINANCING ACTIVITY				
Proceeds from Long Term Borrowings		(27,268,336)		35,411,540
Repayment of Long Term Financing		(1,437,441)		(60,402,468)
Payment of Taxes		(2,269,835)		(35,231,036)
Dividend		(12,978,000)		(10,382,400)
Net Cash Flow from Financing Activity		<u>(43,953,611)</u>		<u>(70,604,364)</u>
Net Increase in Cash & Cash Equivalents		<u>(31,278)</u>		<u>(62,464,490)</u>
Cash & Cash Equivalent as at (Op. Balance)		6,533,495		68,997,985
Cash & Cash Equivalent as at (Cl. Balance)		<u>6,502,217</u>		<u>6,533,495</u>

As per our Report of even date attached

for **Shah Narielwala & Co**
Chartered Accountants

D. R. Shah
Partner

Ahmedabad, 30th June, 2009

for and on behalf of the Board

Rajiv Gandhi

Sanjiv Gandhi

Amala Parikh

CEO & Managing Director

Director

Company Secretary

Ahmedabad, 30th June, 2009

NOTICE

NOTICE is hereby given that **22nd** Annual General Meeting of the Members of Hester Biosciences Limited, will be held on **Tuesday the 18th August, 2009 at 11.00 am** at Registered office of the Company at Village : Merda – Adraj, Taluka : Kadi, District : Mehsana, Gujarat 382 721 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2009 and Profit & Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To declare dividend on Equity shares.
3. To appoint a Director in place of Mr. Darayus Lakdawalla, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Sanjiv Gandhi, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors of the Company and fix their remuneration.

SPECIAL BUSINESS :

6. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.
“**RESOLVED THAT** pursuant to the provisions of Section 257 and all other applicable provisions, if any of the Companies Act, 1956, Mr. Praful R. Amin, who was appointed as an Additional Director of the Company by the Board of Directors in their meeting held on 2nd May, 2009 in terms of Section 260 of the Companies Act, 1956, be and is hereby appointed as Director of the Company, liable to retire by rotations in terms of the provisions of the Articles of Association of the Company .”
7. To re-appoint Mr. Rajiv Gandhi, CEO and Managing Director of the Company

To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution :-

“**RESOLVED THAT** pursuant to Section 198, 269,309,310 and other applicable provisions, if any of the Companies Act,1956, read with and in accordance with the conditions specified in Schedule XIII of the said Act and as recommended by the Remuneration Committee, the consent of the Company be and is hereby accorded for the re-appointment of Mr. Rajiv Gandhi as a CEO & Managing Director of the Company with effect from 1st January,2009 for a period of 3 years or till the CEO & Managing Director resigns from the office of Directorship, as set out in the explanatory Statement annexed hereto”.

“**FURTHER RESOLVED THAT** in the event of any statutory amendment or modification under the Companies Act, 1956, Board of Directors be and is hereby authorised to vary, enlarge, increase and modify the remuneration including salary, commission, perquisites, allowances, etc. within such prescribed limit or ceiling and aforesaid remuneration draft agreement between the Company Mr. Rajiv Gandhi, be suitably amended to give effect to such modification, relaxation or variation without any further reference to the Company in General meeting.

“**FURTHER RESOLVED THAT** Board of Directors be and are hereby authorised to take such steps as may be necessary to give effect to this Resolution.”

Date : 30.6.2009
Registered Office :
Village : Merda Adraj
Taluka : Kadi
District : Mehsana,
Gujarat - 382 721.

For Hester Biosciences Limited

Rajiv Gandhi
CEO & Managing Director

Note

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the company. Under the provisions of Companies Act, 1956, voting is by show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one-tenth of the total shares entitled to vote on the resolution or by those holding paid-up capital of at least Rs. 50,000/-.
- Explanatory Statement under section 173(2) of the Companies Act,1956 is enclosed.
- The Proxies should be deposited at the Registered office of the Company not less than 48 hours before the commencement of the meeting.
- The Register of Members and Share Transfer Books of the Company shall remain closed from Saturday the 15th August, 2009 to Tuesday the 18th August, 2009 (both days inclusive).
- The payment of Dividend as recommended by the Directors if approved at the Meeting, will be made:
(i) to those members whose names are on the Register of Members on Friday the 14th August, 2009 or to their mandates.

- (ii) in respect of shares held in electronic form, to those “deemed members” whose names appears of the statement of beneficiary ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd.(CDSL) at the end of business hours on Friday the 14th August, 2009.
- Members are requested to note the following :
 - The Company has appointed M/s. Pinnacle Shares Registry Pvt. Ltd. as R&T agent for both Demat & Physical share transfer work, hence any documents for share transfer, transmission, transposition, change of bank account details, nomination and other communication regarding shareholding in the company should be addressed to R&T agent, as per following address.
 M/s. Pinnacle Shares Registry Pvt. Ltd.
 Unit : Hester Biosciences Limited
 Near Asoka Mills, Naroda Road, Ahmedabad 380 025 Gujarat
 Ph. 079 – 2220 4226 / 2220 0582
 Fax : 079 – 2220 2963
 e-mail: investor.service@psrpl.com
 - To quote folio no. / DP ID & CL. ID for any communication for their shareholding.
 - To bring the copy of Annual Report at the meeting.
 - At the ensuing Annual General Meeting, Mr. Darayus Lakdawalla & Mr. Sanjiv Gandhi, retire by rotation and being eligible offer themselves for re-appointment. Mr. Rajiv Gandhi also proposed to be re-appointed as CEO & Managing Director of the Company. The information or details pertaining to them to be provided in terms of clause 49 of the Listing Agreement with the Stock Exchanges is furnished in the statement of Corporate Governance published elsewhere in this Annual Report.
 - Members wishing to claim their unclaimed dividend for the FY. 2004-05, 2005-06, 2006-07 & 2007-08, are requested to correspond with the Secretarial Department or the Registrar of the Company.
 - **The Company has made transport arrangement for attending the Annual General Meeting for the shareholders from the Corporate Office of the Company. The Shareholders who intend to avail the facility may write to the company quoting their folio number / DP ID & CL ID and such requisition should reach the company on or before Friday the 14th August, 2009.**
 - The Company’s shares are listed at Mumbai Stock Exchanges. The Company has paid listing fees to Mumbai Stock Exchange for financial year 2009-2010.

EXPLANATORY STATEMENT

[pursuant to Section 173(2) of the Companies Act, 1956]

ITEM NO. 6

Mr. Praful R. Amin, was appointed as an Additional Director of the Company with effect from 2nd May, 2009, pursuant to Articles of Association of the Company read with Section 260 of the Companies Act, 1956. Accordingly, his term expire at the ensuing Annual General Meeting.

The Company has received Notice under Section 257 of the Act from a member of the Company, in respect of the above candidate, proposing his appointment as Director of the Company liable to retire by rotation along with requisite deposit.

A brief resume of the Director, nature of his expertise in specific functional areas, names of companies in which he hold Directorships and Memberships / chairmanship of Board Committees are provided else where in this report .

Your Directors considered that it is in the interest of the Company to have above experience Director in the Board. Hence your Directors recommend his appointment.

None of the Directors of the Company is concerned or interested in the Resolution, except Mr. Praful R. Amin, himself.

Item No.7

Mr. Rajiv Gandhi, CEO & Managing Director was appointed by the Company and his terms expired on 31st December, 2008. The Board of Directors, on the recommendation of the Remuneration Committee, at their meeting held on 20th January, 2009 has decided to re-appoint him for a further period of 3 years, on the terms and conditions, as mentioned in the Remuneration draft agreement , with effect from 1st January, 2009, subject to approval of the shareholders. The appointment and terms of remuneration payable to Mr. Rajiv Gandhi as a CEO & Managing Director of the Company, as mentioned below, are within the permissible limits under schedule XIII of the Companies Act, 1956. The remuneration package will be as follows:

(a) **Salary:** Rs. 250,000.00 p.m.

(b) **Perquisites :** In addition to the salary, the following perquisites shall be allowed to the Managing Director and the total value of perquisites shall be restricted to an amount equal to the annual salary.

CATEGORY - “A”

i) Housing:

The Company shall provide furnished accommodation to the Managing Director. If the Managing Director is having his own accommodation, the Company shall pay house rent allowance at the rate of Rs. 50,000.00 per month, subject to a limit of 20 % of his salary.

The Company shall provide equipments and appliances, furniture, fixtures and furnishing, including maintenance of all, at the residence of the Managing Director at the entire cost of the Company.

The Company shall reimburse the expenses of gas, electricity, water etc. The expenditure on these, valued in accordance with the Income-tax Rules, shall not exceed 10% of the salary.

ii) Medical Reimbursement:

Medical Expenses actually incurred for self and family shall be reimbursed by the Company under the Medclaim Policy.

iii) Leave Travel Concession:

The Company shall provide leave travel fare for the Managing Director and his family once in a year.

iv) Personal Accident Insurance:

The Company shall pay Personal Accident Insurance upto Rs.10,000 per annum.

v) Club Fee :

The Company shall pay and / or Reimburse Fees and Expenses (excluding admission and Life membership fees) of clubs, subject to a maximum of two clubs.

CATEGORY - "B"

i) The Company shall contribute towards Provident Fund/Superannuation Fund/Annuity Fund provided that such contributions either singly or put together shall not exceed the tax free limit prescribed under the Income-tax Act.

ii) The Company shall pay Gratuity at the rate not exceeding half month's salary for each completed year of service.

iii) Leave on full pay and allowances, as per rules of the Company, but not more than one month's leave for every eleven months of service. However, the leave accumulated but not availed of will be allowed to be encashed at the end of the term as per rules of the Company.

The perquisite under this Category shall not be included in the computation of ceiling on remuneration.

CATEGORY - "C"

1. The Company shall provide a Car with Driver at the entire cost of the Company for use for the business of the Company. Use of Car for personal purposes shall be billed by the Company.

2. The Company shall provide telephone including mobile phone at the residence of the Managing Director at the entire cost of the Company. Personal long-distance calls shall be billed by the Company.

3. The Managing Director shall not be entitled to sitting fees for attending meetings of the Board of Directors or Committees thereof. He shall, however, be reimbursed the actual traveling, lodging and boarding expenses incurred by him for attending meetings of the Board of Directors and/or committees thereof.

4. The remuneration referred to above is subject to the limit of 5% of the annual net profits of the Company and subject further to the overall limit of 10% of the annual net profits of the Company on the remuneration of the Managing Director and other Executive Directors of the Company taken together. Provided, however, that in the event of absence or inadequacy of profit, the Managing Director shall be entitled to remuneration mentioned under (a) above and perquisites as above within the minimum remuneration specified in Schedule XIII to the Companies Act, 1956.

5. In the event of cessation of office during any financial year, a ratable proportion of the aforesaid remuneration shall be payable by the Company.

6. The Managing Director shall be entitled to reimbursement of all expenses incurred in connection with the business of the Company.

7. "Family" means the spouse, dependent children and dependent parents of Managing Director.

8. Reimbursement of entertainment expenses actually and properly incurred in the course of business of the Company shall be allowed.

Any and All expenditure actually and properly incurred on Company's business shall be reimbursed to the Managing Director. He shall however not be entitled to any Sitting Fees.

The Board recommends the resolution for approval of Shareholders. Except Mr. Rajiv Gandhi, himself and Mr. Sanjiv Gandhi, Mr. Ravin Gandhi and Dr. Bhupendra Gandhi, relatives of him, none of the other Directors are interested or concerned in this resolution.

Date : 30.6.2009
Registered Office :
Village : Merda Adraj
Taluka : Kadi
District : Mehsana,
Gujarat - 382 721.

For Hester Biosciences Limited

Rajiv Gandhi
CEO & Managing Director

Management Team



Rajiv Gandhi
CEO & Managing Director



Jigar Shah
CFO



Dr. J.K. Paul
Vice President – R & D



Dr. H.J. Singh
Vice President- Sales & Marketing



Dr. U. K. Jani
Vice President – Q.A.



V. C. Joshi
Vice President – Commercial



Kajal Patel
Vice President – Production



Manish Bhatt
Vice President- Engineering



Dr. K. Jayaraman
Vice President – Technical Services



Hester Biosciences Limited

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Fax 079 2768 2250

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