

LACTOSE (INDIA) LIMITED



18th
ANNUAL REPORT 2008 - 2009

LACTOSE (INDIA) LIMITED

BOARD OF DIRECTORS

Shri. S. M. Maheshwari

Chairman & Managing Director

Shri. Atul Maheshwari

Executive Director

Shri. O. P. Singhi

Director

Shri. Abhijit Periwai

Director

Shri .G. K. Sarda

Director

AUDITORS

Singrodia Goyal & Co.

Chartered Accountants

201, 204 Rajeshri Accord,

Telly Cross Lane, S. N. Road,

Andheri (East),

Mumbai - 400 069

BANKERS

Oriental Bank of Commerce

Prabhadevi Branch, Aman Chambers,

1st Floor, Veer Savarkar Marg,

(Opp. New Passport Office),

Prabhadevi, Mumbai - 400 025.

REGISTERED OFFICE & WORKS

Survey No. 6,

Village Poicha (Rania),

Savli, Dist. Vadodara,

Gujarat - 391 780.

CORPORATE OFFICE

211, Laxmi Plaza, Laxmi Industrial Estate,

New Link Road, Andheri (West),

Mumbai - 400 053.

REGISTRAR & SHARE TRANSFER AGENT

Big Share Services Pvt. Ltd.

E 2/3, Ansa Industrial Estate,

Saki vihar Road, Saki Naka,

Andheri (East), Mumbai - 400 072.

ISIN No. - INE 058I013

BSE Scrip Code - 524202

CONTENTS

| | |
|-------------------------------|----|
| Notice | 1 |
| Directors' Report..... | 3 |
| Auditors Report..... | 8 |
| Balance Sheet | 10 |
| Profit and Loss Account | 11 |
| Schedules | 12 |
| Balance Sheet Abstract | 24 |
| Cash Flow..... | 25 |

NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Members of **LACTOSE (INDIA) LIMITED** will be held at the Registered office of the Company, at Village Poicha (Rania), Survey No. 6, Savli, District Vadodara – 391 780 on **Wednesday the 30th day of September, 2009** at 3.00 p. m. to transact the following Business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended on that date together with the Report of Directors and Auditors thereon.
2. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

3. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary Resolution:

“RESOLVED THAT in accordance with the provisions of Section 260 of the Companies Act, 1956, Mr. G. K. Sarda holds office only up to the date of this meeting, and in respect of whom the Company has received a notice in writing along with a deposit of Rs. 500/- under Section 257 of the said Act from a member signifying his intention to propose Mr. G. K. Sarda as a candidate for the office of director be and is hereby appointed as a Director of the Company, who shall be liable to retire by rotation.”

4. 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 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or reenactment thereof for the time being in force) Mr. S. M. Maheshwari be and is hereby re-appointed as a Managing Director of the Company, not liable to retire by rotation, for a further tenure of 5 years effective from 30th September 2009 on remuneration and perquisites set out in the explanatory statement annexed to the notice convening this meeting with liberty and powers to the Board of Directors to alter and vary the terms and conditions and remuneration in such manner as the Board may deem fit and is acceptable to Mr. S. M. Maheshwari, within the limits specified in Schedule XIII to the Companies Act, 1956 (‘the Act’) or any amendments thereto.”

“RESOLVED FURTHER THAT in the event of loss or inadequacy in profits in any financial year during the currency of tenure of Managing Director, the Company will pay Mr. S. M. Maheshwari remuneration and perquisites referred above as minimum remuneration subject to Schedule XIII of the Companies Act, 1956.”

5. 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 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or reenactment thereof for the time being in force) Mr. Atul Maheshwari be and is hereby re-

appointed as an Executive Director of the Company, not liable to retire by rotation, for a further tenure of 5 years effective from 1st October 2009 on remuneration and perquisites set out in the explanatory statement annexed to the notice convening this meeting with liberty and powers to the Board of Directors to alter and vary the terms and conditions and remuneration in such manner as the Board may deem fit and is acceptable to Mr. Atul Maheshwari, within the limits specified in Schedule XIII to the Companies Act, 1956 (‘the Act’) or any amendments thereto.”

“RESOLVED FURTHER THAT in the event of loss or inadequacy in profits in any financial year during the currency of tenure of Executive Director, the Company will pay Mr. Atul Maheshwari remuneration and perquisites referred above as minimum remuneration subject to Schedule XIII of the Companies Act, 1956.”

6. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

“RESOLVED THAT, subject to the provision of Section 314 (1) of the Companies Act, 1956 and other applicable provisions, if any, the approval of the shareholders be & is hereby given to Mrs. Sangita Maheshwari, a relative of Managing Director as well as Executive director, who holds an office of profit under the Company, for holding & continuing to hold an office or place of profit as Commercial Manager at a remuneration of Rs. 45,000/- per month together with the usual allowances, benefits & other perquisites within the limit of Section 314 (1) and Section 314 (1B) of the Companies Act, 1956.”

“RESOLVED FURTHER THAT this resolution shall be deemed to confer the necessary authority to the Board of Directors to sanction at their discretion and with the approval of the Central Government, where necessary, increments and to promote her to higher grade or position at their discretion and in due course as they may deem fit & proper.”

7. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

“RESOLVED THAT in supersession of the ordinary resolution passed by the Company, consent of the Company pursuant to the provisions of section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956, be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time such sum or sums of money as it may consider fit for the purpose of the business of the Company notwithstanding that the money to be borrowed together with the money already borrowed by the Company may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided, however, that the total amount so borrowed by the Board of Directors and outstanding at any one time shall not exceed the sum of Rs. 100 Crores.”

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. THE PROXIES IN ORDER TO BE EFFECTIVE MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCE-

MENT OF THE MEETING.

2. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the special business at item no. 3 to 7 is annexed hereto and it is forming a part of the notice.
3. The register of members and share transfer books shall remain closed from Monday, 28th September, 2009 to Wednesday 30th September, 2009 both days inclusive.
4. The instrument of proxy for use at the meeting must be lodged at the Registered Office of the Company, not less than forty-eight hours before the commencement of the meeting.
5. Members/ Proxies are requested to bring their Attendance Slip duly filled in along with their copy of Annual Report to the Meeting.
6. Members are requested to address all the documents, transfer deeds, demat requests, and other communications with respect to shares in physical mode to the Registrar & Share Transfer Agents of the Company, M/s. Big Share Services Private Limited, directly quoting their full name, Folio No. and Name of the Company.
7. Members are also requested to note that the Company has entered into Tri-partite Agreement with NSDL and CDSL towards Dematerialization of shares. Members are requested to send all their requests towards Dematerialization to their respective DP's.
8. Members are requested to advise immediately about any change of address:
 - a) To their Depository Participants (DPs) in respect of their electronic share accounts.
 - b) To the Company's Registrar & Share Transfer Agents M/s. Big Share Services Private Limited in respect of their physical share folios if, any.

ANNEXURE TO NOTICE**EXPLANATORY STATEMENTS PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956****Item No. 3.**

Mr. G. K. Sarda was appointed as an Additional Director w. e. f. 10.09.2008. As per Section 260 of the Companies Act, 1956 he holds office upto the date of Annual General Meeting. Hence this resolution.

None of the Directors except Mr. G. K. Sarda are concerned or interested in the aforesaid resolution.

The Directors recommend this Resolution for your approval.

Item No. 4.

The Board of Directors has reappointed Mr. S. M. Maheshwari as Managing Director for a further period of 5 years with effect from 30.09.2009. The Board has approved the following terms at its meeting held on 31st August 2009, pursuant to the recommendations of the remuneration committee of the Board.

- i) Remuneration: Upto a limit of Rs.2,50,000 per month, as may be decided by the Board depending on Company's performance.
- ii) Such benefits, perquisites and allowances as may be determined by the Board from time to time.

In the event of loss or inadequacy of profits in any financial year during the period effective from 30.09.2009, the Company will pay Mr. S. M. Maheshwari remuneration, perquisites, benefits and amenities not exceeding the ceiling laid down in section II of part II of Schedule XIII of the Companies Act, 1956 or as may be

decided by the Board of Directors.

Mr. S. M. Maheshwari and Mr. Atul Maheshwari, are to be considered as interested in the aforesaid resolution.

The above statements may be regarded as an abstract of the terms of appointment and memorandum of interest pursuant to section 302 of the companies Act, 1956.

The Directors recommend this Resolution for your approval.

Item No. 5.

The Board of Directors has reappointed Mr. Atul Maheshwari as an Executive Director for a further period of 5 years with effect from 01.10.2009. The Board has approved the following terms at its meeting held on 31st August 2009, pursuant to the recommendations of the remuneration committee of the Board.

- i) Remuneration: Upto a limit of Rs.2,50,000 per month, as may be decided by the Board depending on Company's performance.
- ii) Such benefits, perquisites and allowances as may be determined by the Board from time to time.

In the event of loss or inadequacy of profits in any financial year during the period effective from 01.10.2009, the Company will pay Mr. S. M. Maheshwari remuneration, perquisites, benefits and amenities not exceeding the ceiling laid down in section II of part II of Schedule XIII of the Companies Act, 1956 or as may be decided by the Board of Directors.

Mr. Atul Maheshwari and Mr. S. M. Maheshwari, are to be considered as interested in the aforesaid resolution.

The above statements may be regarded as an abstract of the terms of appointment and memorandum of interest pursuant to section 302 of the companies Act, 1956.

The Directors recommend this Resolution for your approval.

Item No. 6.

Under Section 314 (1) of the Companies Act, 1956 a Special Resolution is required for enabling any relative of a Director of the Company holding office or a place of profit to hold any office or place of profit under the Company. Mrs. Sangita Maheshwari is holding the position as Commercial Manager of the Company. Accordingly, in terms of Section 314 (1) of the Companies Act, 1956, the members are requested to grant their approval to Mrs. Sangita Maheshwari holding & continue to hold an office or place of profit under a contract of Service with the Company on the terms & conditions set out in the aforesaid resolution. The members are also requested to authorize the Board to sanction in due course promotion of Mrs. Sangita Maheshwari to higher grade or position together with the usual allowances & benefits.

Mr. S. M. Maheshwari and Mr. Atul Maheshwari, are to be considered as interested in the aforesaid resolution.

The Directors recommend this Resolution for your approval.

Item No. 7.

In view of growing business opportunities, it may become necessary to raise finance from banks / financial institutions. The Company is likely to need increased working finance; as also finance for implementing ongoing and new projects. Hence it is proposed to increase the borrowing powers to Rs. 100 Crores. Hence this resolution is put up to the shareholders as an enabling resolution.

The Board recommends with or without modification, the passing of this resolution as an ordinary resolution.

None of the Directors are interested or concerned in the above resolution.

Registered Office:

SURVEY NO. 6,
VILLAGE POICHA (RANIA),
SAVLI,
DIST. VADODARA – 391 780.

**By order of the Board of
Lactose (India) Limited**

Managing Director

Place: Mumbai

Date: 31.08.2009

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting the Eighteenth Annual Report of the Company together with the Audited Statement of the Accounts for the year ended on 31st March, 2009.

FINANCIAL STATEMENT: Rs. In Lacs)

| | 2008-2009 | 2007-2008 |
|------------------------------------|------------------|------------------|
| Operating Income | 2180.20 | 2842.80 |
| Expenditure | (2020.95) | (2706.26) |
| Profit before Depreciation and Tax | 159.25 | 136.54 |
| Depreciation | 138.23 | 91.20 |
| Profit before Tax | 21.02 | 45.34 |
| Prior period Items | 0.00 | 0.54 |
| Profit before Tax | 21.02 | 44.80 |
| Provision for Current Tax | (5.33) | (5.14) |
| Deferred Tax | (7.27) | (25.67) |
| FBT | (3.25) | (3.48) |
| Taxation of Earlier Years | (0.63) | (4.77) |
| Profit After Tax | 4.55 | 5.74 |

DIVIDENDS:

To conserve the resources for future expansion of business your Directors do not recommend any dividend on Equity Shares for the financial year under review.

REVIEW OF OPERATIONS:

During the year under review the Company has earned a profit of Rs. 4.55 Lacs, compared to last year's profit of Rs. 5.74 Lacs. The decline in profit during the year under review is mainly due to huge increase in raw material price not commensurate with sales realization and thus reducing the profit margin substantially. Also the cost of utilities went high due to Increase in International prices of OIL, then by increased pricing of Furnance Oil (FO) for the Boiler, & also Electricity cost has gone up. In order to improve the profit margin the company has undertaken major expansion programme at its existing production site for manufacturing of value added product "LACTULOSE" which is a forward integration of its existing product "LACTOSE". Your directors expect a better result in coming years from the new product as well as existing product.

CORPORATE GOVERNANCE:

The Company has in place a system of Corporate Governance. A separate report on Corporate Governance forms part of this Annual Report and the Management's Discussion and Analysis report forms part of this report.

A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is annexed to the report on Corporate Governance.

DELISTING OF SHARES:

The Company had made an application for delisting of shares from Vadodara Stock Exchange Limited and Ahmedabad Stock Exchange Limited under the SEBI (Delisting of Securities) Guidelines, 2003. The Company had already received an approval from the Ahmedabad Stock Exchange Limited with effect from 28th February, 2007, vide their letter dated 27th February, 2007 and from the Vadodara Stock Exchange Limited vide their letter VSE/MD/Listing/42/2008 date 21.08.08. Hence now the company's shares are only listed at Mumbai Stock Exchange.

PREFERENTIAL ISSUE OF CONVERTIBLE WARRANTS

The Company had passed a special resolution under Section 81 (1A) of the Companies Act, 1956 for the preferential issue of 9,85,000 Convertible Warrants at Rs. 10/- each for cash at par convertible at the option of the holder into one Equity share of Rs. 10/- each at its extra ordinary general meeting held on 18.12.2008. The necessary in-principle approval was obtained from the Mumbai Stock Exchange and the Company has allotted 9,85,000 Convertible Warrants of Rs. 10/- each for cash at par at its Board Meeting held on 06.01.2009. Thereafter the Company also converted 3,12,000 Convertible warrants into 3,12,000 equity shares on 06.03.2009.

DIRECTORS' RESPONSIBILITY STATEMENT:

In compliance with Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that -

- In the preparation of the annual accounts, the applicable accounting standards have been followed.
- The accounting policies selected and applied on a consistently basis give a true and fair view of the state of affairs of the Company and of the profit for the financial year;
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the aforesaid Act for safeguarding the assets of the Company and for prevention and detection of fraud and other irregularities;
- The annual accounts have been prepared for the financial year ended 31st March 2009 on an ongoing concern basis.

CASH FLOW STATEMENT:

The cash flow statement for the year 2008 – 2009 is attached to the Balance Sheet.

DIRECTORS:

During the year Mr. Anand Sharma resigned as a Director and Mr. G. K. Sarda was appointed as an additional Director of the Company. Except this there are no changes in the directors of the Company.

FIXED-DEPOSITS:

Your Company has not accepted any Fixed Deposits under Section 58A of the Companies Act, 1956 during the year under review.

PERSONNEL:

During the year under report, the company has not employed any person who was in receipt of remuneration in excess of the limits specified under section 217(2A) of the Companies Act, 1956 read with companies (Particulars of Employees) Rules, 1975.

AUDITORS:

M/s. Singrodia Goyal & Co., Chartered Accountants, Mumbai the Statutory Auditors of the Company would retire at the ensuing Annual General Meeting; however, they have shown their willingness to continue as the auditors of the Company. Hence the Company proposes to re-appoint M/s. Singrodia Goyal & Co. Chartered Accountants, Mumbai as the Statutory Auditors of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREGIN EXCHANGE EARNINGS AND OUTFLOW:

(A) CONSERVATION OF ENERGY:

Except for the consumption of power & fuel oil, the company does not consume any other source of energy. There are sufficient controls to prevent waste of Power / fuel consumption. Information on conservation of energy pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 set out in the Annexure 'A' to the Report.)

(B) TECHNOLOGY ABSORPTION:

The Company has not incurred any expenditure of either capital or of recurring nature on Research and Development.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

The company has earned Rs.555.94 Laes foreign exchange and has incurred an expenditure of Rs.593.15 Laes on foreign travel, Commission, import of Crude Lactose and others.

(D) POLLUTION AND ENVIRONMENTAL CONTROL:

The Company has taken adequate steps regarding the disposal of effluent requiring Pollution or Environment control.

APPRECIATION:

Your Directors take this opportunity to convey their deep sense of gratitude for valuable assistance and Co-operation extended to the Company by all valued customers and bankers viz. Oriental Bank of Commerce.

Your Directors also wish to place on record their sincere appreciation for the valued contribution, unstinted efforts by the employees at all levels which contributed, in no small measure, to the progress and the high performance of the Company during the year under review.

For and on Behalf of the Board

PLACE : MUMBAI

DATE : 31.08.2009

(CHAIRMAN)

ANNEXURE TO DIRECTOR'S REPORT

ANNEXURE - 'A'

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.

A. Power & Fuel Consumption:-

| | 2008-09 | 2007-08 |
|--------------------------------|----------|---------|
| 1. Electricity | | |
| Purchase Unit (KWH) | 1697046 | 1211598 |
| Total Amount (Rs.) | 10006300 | 6096947 |
| Average Rate Per Unit(Rs.) | 5.90 | 5.03 |
| 2. Furnance Oil and LSHS | | |
| Quantity K. Ltrs/ Mt. (KL) | 318.06 | 268.90 |
| Total Amount (Rs.) | 9267229 | 6119445 |
| Average Rate / L. of Oil (Rs.) | 29.14 | 22.76 |

REPORT ON CORPORATE GOVERNANCE:

The detailed report on Corporate Governance as per the format prescribed by SEBI and incorporated in Clause 49 of the listing agreement is set out below:

1. Statement on Company's Philosophy on code of governance:

The Company's philosophy on Corporate Governance is to attain high level of transparency and accountability in the functioning of the Company and in its relationship with employees, shareholders, creditors, consumers, dealers, lenders and ensuring high degree of regulatory compliances.

The company also believes that its systems and procedure will enhance corporate performance and maximize shareholder value in the long term.

2. Board Of Directors:

a) Composition and Category of Directors.

The Present Board comprises of 5 members consisting of 2 Executive Director and 3 Non-Executive Directors. All the Non-Executive Directors are also independent Directors. The name and category of each Director is given below:

Name of the Director

| | |
|-------------------------|------------------------------|
| 1. Mr. S.M. Maheshwari | Chairman & Managing Director |
| 2. Mr. Atul Maheshwari | Executive Director |
| 3. Mr. Omprakash Singhi | Non - Executive Director |
| 4. Mr. Abhijeet Periwal | Non - Executive Director |
| 5. Mr. G. K. Sarda ** | Non - Executive Director |

** Mr. G. K. Sarda was appointed as an additional Director effective from 10.09.2008.

b) Attendance of each Director at the Board Meetings and the Last Annual General Meeting (AGM)

| Name of the Director | No. of Board Meetings held | No. of Board Meetings Attended | Attendance at last AGM |
|-------------------------|----------------------------|--------------------------------|------------------------|
| 1. Mr. S. M. Maheshwari | 11 | 11 | Yes |
| 2. Mr. Atul Maheshwari | 11 | 11 | Yes |
| 3. Mr. Omprakash Singhi | 11 | 11 | No |
| 4. Mr. Anand Sharma * | 1 | 1 | No |
| 5. Mr. Abhijeet Periwal | 11 | 10 | No |
| 6. Mr. G. K. Sarda** | 5 | 2 | N. A. |

*Mr. Anand Sharma resigned from the post of Director with effect from 30.04.2008

** Mr. G. K. Sarda was appointed as an additional Director effective from 10.09.2008.

c) Number of other Directorship and Chairmanship / Membership of committees of each Director

| Name of Director | No. of other Directorship in other Companies | No. of Chairmanship / Membership in other Board Committees |
|-------------------------|--|--|
| 1. Mr. S. M. Maheshwari | Nil | Nil |
| 2. Mr. Atul Maheshwari | Nil | Nil |
| 3. Mr. Omprakash Singhi | Nil | Nil |
| 4. Mr. Abhijeet Periwal | 1 | Nil |
| 5. Mr. G. K. Sarda | 1 | Nil |

d) Number of Board Meetings held and the dates of the Board Meeting

| Number of Board Meeting held during financial year 2008-2009 | | | |
|--|-----------------------|--------|-----------------------|
| Sr. No | Date of Board Meeting | Sr. No | Date of Board Meeting |
| 01 | 30.04.2008 | 07 | 31.10.2008 |
| 02 | 10.05.2008 | 08 | 18.11.2008 |
| 03 | 13.05.2008 | 09 | 06.01.2009 |
| 04 | 30.06.2008 | 10 | 31.01.2009 |
| 05 | 31.07.2008 | 11 | 07.03.2009 |
| 06 | 10.09.2008 | | |

The gap between two board meetings did not exceed four months.

1. Audit Committee Meetings and attendance during the year
Composition of Audit Committee, meetings held and attended during the financial year ended on 31st March, 2009 are as follows:

| Member | No. of Board Meetings held | No. of Meetings attended |
|-------------------------|----------------------------|--------------------------|
| 1. Mr. Omprakash Singhi | 5 | 5 |
| 2. Mr. Abhijeet Periwal | 5 | 5 |
| 3. Mr. G. K. Sarda ** | 2 | 2 |

** Mr. G. K. Sarda was appointed as an additional Director effective from 10.09.2008. After his appointment he was inducted as a member in the Audit Committee.

5 meetings of the Committee were held during the year ended 31st March, 2009. The dates on which the meetings were held are as follows:

30.04.2008, 30.06.2009, 31.07.2008, 31.10.2008 and 31.01.2009

The terms reference to the Audit Committee are broadly as under:

- Overall assessment of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment of external auditor, fixation of audit fee and also approval for payment for any other service rendered by the Auditors.
- Reviewing with management the annual financial statement before submission to the board, focusing primarily on:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause 2(AA) of Section 217 of the Companies Act, 1956.
 - Changes if any, in accounting policies and practice.
 - Major accounting entries based on exercise of judgment by management.
 - Observations if any, in draft audit report.
 - Significant changes/amendments, if any, arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Qualification in the draft audit report.
 - Compliance with stock exchange and legal requirements concerning financial statement.
- Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of company at large.
- Review of Quarterly /Half Yearly unaudited financial results before submission to the auditors and the Board.
- Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
- Reviewing the adequacy of internal audit functions, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant finding and follow up thereon.
- Reviewing the findings, if any, of any internal investigation by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of material nature and reporting the matter to the Board.
- Discussions with external auditors before the audit commence nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- Reviewing the company's financial and risk management policies.
- To look into the reasons for substantial defaults, if any, in the payment to the shareholders (in case of non-payment of declared dividends) and creditors.

1. Financial Statements and Investments made by subsidiaries.

The Audit Committee also reviews:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory Auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

1. Investor Grievance/Relations Committee:

Investor Grievance/ Relation Committee of the Board of Directors of the Company was reconstituted during the year. Composition of Investor Grievance/ Relation Committee, meetings held and attended during the financial year ended on 31st March, 2009 are as follows:

30.04.2008, 31.07.2008, 31.10.2008, 31.01.2009

Composition, Meetings and attendance during the year:

| Members | Designation | Meetings held | Meeting Attended |
|----------------------|-------------|---------------|------------------|
| Mr. Omprakash Singhi | Chairman | 4 | 4 |
| Mr. S. M. Maheshwari | Member | 4 | 4 |
| Mr. Atul Maheshwari | Member | 4 | 4 |

5. Queries/Request received during the year ended 31st March 2009

| Nature of Queries/request | Received | Cleared |
|---|-----------|-----------|
| Non receipt of shares after transfer | 2 | 2 |
| Non receipt of Exchange Share certificate | 1 | 1 |
| Non receipt of annual reports | 13 | 13 |
| SEBI | 1 | 1 |
| Non Receipt Of Demat Credit | 3 | 3 |
| Non Receipt Of Demat rejected S/C's | 5 | 5 |
| Total : | 25 | 25 |

Outstanding Complaints as on 31st March, 2009 were NIL

Mr. Ashish Bhatia, employee of the Company is appointed as Compliance Officer of the Company as per the requirements under the listing Agreement.

6. REMUNERATION COMMITTEE

The company has not set up any remuneration committee till date as the said is not mandatory under Clause 49 of the Listing Agreement. The remuneration paid to the Directors for the year ended 31st March, 2009 is given below:

A) Remuneration to Directors

| | |
|---|------------------------|
| a) Executive Directors. | Mr. S. M. Maheshwari |
| Salary, contribution to PF, and perquisites | Rs. 6, 00, 000/- p. a. |
| Sitting Fees | Nil |
| Total | Rs. 6,00, 000/- |

| | |
|---|-------------------------|
| b) Executive Director | Mr. Atul Maheshwari. |
| Salary, contribution to PF, and perquisites | Rs. 7, 20, 000/- p. a. |
| Sitting Fees | Nil |
| Total | Rs. 7, 20, 000/- |

7. General Body Meetings:

| Annual General Meeting_Location | Date | Time | No. of Special Resolutions |
|---|------------|-----------|----------------------------|
| Survey no: 6, Village Poicha (Rania), Savli, Dist: Vadodara – 397 080. | 10.08.2006 | 3.00 p.m. | 1 |
| Survey no: 6, Village Poicha (Rania), Savli, Dist: Vadodara – 397 080. | 16.07.2007 | 3.00 p.m. | 4 |
| Survey no: 6, Village Poicha (Rania), Savli, Dist: Vadodara – 397 080. | 20.08.2008 | 3.00 p.m. | 1 |

8. DISCLOSURES:

- 1 Disclosure on materially significant related party transactions, i.e. transaction of the Company of materially nature with its promoters, Directors, relatives, subsidiary is that may have potential conflict with the interest of the Co at large.

Ans: None

- 2 Details of non compliance by the Company i.e. penalties And Strictures Imposed On The Company By Stock Exchange or SEBI or any statutory Authority related to Capital Market during last 3 years

Ans: None

- 3 The Company has complied with all mandatory requirement as stated in clause 49 of Listing Agreement and the non-mandatory requirement have been complied with to the extent feasible.

1. MEANS OF COMMUNICATION:

| | |
|-------------------|--|
| Quarterly results | Published in the newspaper in Free Press Journal & Navshakti |
|-------------------|--|

Whether the Management Discussions and Analysis is a part of Annual report

Yes

1. General Shareholder Information :

- i) Date, Time, Venue of AGM: 30th September, 2009, at 3.00 P.M on Wednesday, at the Registered Office of the Company.
- ii) Financial calendar:

| Particulars | Date |
|---------------------------------|---|
| 1 st Quarter results | on or before 31 st July 2009 |
| 2 nd Quarter results | on or before 31 st October 2009 |
| 3 rd Quarter results | on or before 31 st January, 2010 |
| 4 th Quarter results | on or before 30 th April, 2010 |
- i) **Date of Book Closure:** 28th September, 2009 to 30th September, 2009.
- ii) **Stock Code:** 524202
- iii) **Registrar and Share Transfer Agents:** Bigshare Services Pvt. Ltd.

iv) Plant Location :
Survey No 6, Village Poicha (Rania), Taluka Savli,
Dist: Vadodara,
Gujarat – 391 780.

v) Address for Correspondence:
211, Laxmi Plaza, Laxmi Industrial Estate, New Link
Road, Andheri (West), Mumbai – 400 053.

vi) Distribution Schedule:

| Category | No. of Holders | %age | No. of Shares | %age |
|-----------------|-------------------|----------|------------------|----------|
| 1-5000 | 17,509 | 95.51579 | 3082060 | 46.61313 |
| 5000-10000 | 534 | 2.91310 | 422935 | 6.39648 |
| 10001-20000 | 188 | 1.02559 | 278499 | 4.21202 |
| 20001-30000 | 35 | 0.19093 | 90466 | 1.36821 |
| 30001-40000 | 13 | 0.07092 | 46227 | 0.69914 |
| 40001-50000 | 08 | 0.04364 | 35474 | 0.53651 |
| 50001-100000 | 24 | 0.13093 | 178147 | 2.69430 |
| 100001-99999999 | 20 | 0.10910 | 2478192 | 37.48022 |
| Total : | 18,331 | | 6612000 | |

Categories of shareholding as on 31st March 2009

| CATEGORY | NO. OF SHARE HELD | %OF SHARES HOLDING |
|---|-------------------------|--------------------------|
| A PROMOTER (S) HOLDING | | |
| 1.PROMOTER (S) | | |
| -INDIAN PROMOTERS | 1416582 | 21.42 |
| -FOREIGN PROMOTERS | - | - |
| 2.PERSONS ACTING IN CONCERT | - | - |
| SUB-TOTAL | 1416582 | 21.42 |
| B NON-PROMOTERS HOLDING | | |
| 3.INSTITUTIONAL INVESTORS | - | - |
| A.MUTUAL FUNDS AND UTI | - | - |
| B.BANKS, FINANCIAL INST. INSURANCE COMPANY (CENTRAL / STATE GOVT. INST / NON- GOVERNMENT INST) | 80420 | 1.22 |
| C.FII (S) | - | - |
| SUB-TOTAL | 80420 | 1.22 |
| 4.OTHERS | | |
| A.PRIVATE CORPORATE BODIES | 126539 | 1.91 |
| B.INDIAN PUBLIC | 4206059 | 63.61 |
| C.NRIS/OCBS | 782400 | 11.83 |
| D.ANY OTHER (FOREIGN COMPANIES) CLEARING MEMBERS | - | - |
| SUB-TOTAL | 5114998 | 77.36 |
| GRAND TOTAL | 6612000 | 100% |

i) Listing on the Stock Exchange:

The Equity Shares of the Company is listed on Bombay Stock Exchange Limited. The Annual Listing fees for the year 2009-10 are paid. The Company had come out with the Preferential Issue of 9,85,000 Convertible warrants of Rs. 10/- for cash at par each convertible at the option of the holder into one Equity share of Rs. 10/- each & the same was allotted on 06.01.2009. The Company has received In principle approval from Bombay Stock exchange. The Company then converted 3,12,000 Convertible warrants on 3,12,000 Equity shares on 07.03.2009. The said shares were also listed effective from 16.04.2009.

ii) Secretarial Audit

A qualified practicing Company Secretary carried out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued capital. These audits

confirm that the total issued/paid-up capital of the Company is in agreement with the total number of the shares in Physical form and the total number of the dematerialized shares held with NSDL and CDSL. The same is also placed before the Board of Directors.

Auditor's Certificate on Compliance with the Corporate Governance under clause 49 of the listing Agreement

To the Members of Lactose (India) limited

We have examined the compliance of conditions of corporate governance by Lactose (India) Limited ("the Company") for the year ended on 31st March 2009 as stipulated in clause 49 of the listing agreement of the company with the stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of the corporate governance as stipulated in the abovementioned listing agreement.

We have been explained that no investor's grievance are pending for a period of exceeding one month as on 31st March 2009, against the Company as per the records maintained by the company.

We 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.

For Singrodia Goyal & Co.
Chartered Accountant

Place: Mumbai
Date: 31.08.2009

K. M. Tulsian
Partner
Membership No. 38430

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Industry Structure and Development:

The Indian Government's decision to allow 100 percent foreign direct investment into the drugs and pharmaceutical industry is expected to aid the growth of contract manufacturing and research within the country. The pharmaceutical sector grew at a healthy 12% last year and the Indian pharmaceutical industry is getting increasingly USFDA/Canadian FDA and UKMHRA compliant to harness the growth opportunities in areas of contract manufacturing and research. A healthy competitive structure and international approved facilities have served to encourage the growth of pharmaceutical industry.

Opportunities and Threats:

Your Company has started manufacturing of Liquid Formulations. Existing products have been moved on to the International market arena and the Company has received an excellent response to its product line.

Outlook:

Your Company has decided to focus on products and markets of higher profitability only. The change in marketing strategy and exposure in the world market will enable us to become a global force to reckon with.

Risk and Concerns:

The rising cost of fuel and electricity are the major concerns for the company. The addition to the cost of production due to this is alarming. For this, Briquettes Fired Boiler for steam generation is under installation in place of Furnance Oil Fired Boiler.

Internal Control System and their adequacy:

Being a pharma company and ISO Certified the process parameters are fully documented and are in place. The role and responsibilities of various people are fully defined in all the functional level. There is continuously flow of information at all level and effective internal audit and internal checks are done at regular interval to ensure their adequacy and efficiency.

Additionally, the following measures are taken to ensure proper control:

- Budgets are prepared for all the operational levels.
- Any material variance from budget has to be approved by the Executive director.
- Any major policy change is approved by the managing director.
- Any deficiency in not achieving target is reviewed at management meetings.

Human Resource development / Industrial relations:

The company has made a plan to recruit best talents of industry by providing them long term growth plan and various facilities. Proper job evaluation, merit rating and allocating right job to right person is the basis of our HR policy.

Harmonious industrial relations continued to prevail throughout the year.

AUDITORS' REPORT

To the Members of **Lactose (India) Limited,**

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

- 1 We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
- 2 As required by the Companies (Auditors Report) Order, 2003 and amendments thereto issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in the paragraphs 4 and 5 of the said Order.
- 3 Further to our comments in the Annexure referred to in paragraph 2 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from

our examination of those books.

- c) The Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
- d) In our opinion and to the best of our information and according to the explanation given to us, the said Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956. Except, Accounting Standard 15 (AS -15) relating to Accounting of Employee Benefits of as referred to in note no. II (1) of Schedule "19."
- e) On the basis of written representations received from the directors as on 31st March, 2009 and taken on record by the Board, we report that none of the director is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with notes appearing thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009,
 - ii) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date, and
 - iii) In the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For Singrodia Goyal & Co.
Chartered Accountants

K.M.Tulsian
Partner

Place : Mumbai

Date : 31st August, 2009.

Mem. No. : 38430

ANNEXURE TO AUDITORS REPORT

Annexure referred to in Paragraph 2 of the Auditors Report for the year ended 31st March 2009. As required by the Companies (Auditors Report) Order, 2003 and amendments thereto and according to the information and explanations given to us during the course of the audit and on the basis of such checks of the books and records as were considered appropriate we report that:

- (i)
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) All the assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion is reasonable, considering the size and the nature of business. The frequency of verification is reasonable and no material discrepancy noticed on physical verification.
 - c) During the year, there is no disposal of fixed assets.
- (ii)
 - a) The inventories have been physically verified by the management during the year at reasonable intervals.
 - b) The procedures of physical verification of the inventories followed by the management are reasonable and adequate

in relation to the size of the Company and the nature of its business.

- c) The Company has maintained proper records of its inventories. No material discrepancies were noticed on physical verification as compared to book records.
- (iii) a) The Company has not granted unsecured loans to any parties covered in the register maintained under section 301 of the Companies Act, 1956.
- b) In view of above, Para 4 (iii) (b), (c) and (d) of the said Order are not applicable to the Company.
- c) The Company has taken unsecured loans from two parties covered in the register maintained under Section 301 of the Companies Act, 1956 on call basis. The maximum amount outstanding during the year was Rs. 25.23 lacs and the year-end balance was Rs. 24.49 lacs.
- d) In our opinion, the rate of interest and other terms & conditions of such loans have been taken *prima facie*, not prejudicial to the interest of the Company.
- e) In view of our comments in Para (iii) (c) and (d) above, clause 4 (iii) (g) of the said Order is not applicable to the Company.
- (iv) There are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control systems.
- (v) a) Based on the audit procedures performed by us, we are of the opinion that particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained in that section.
- b) The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) The Company has an adequate internal audit system commensurate with its size and nature of its business.
- (viii) The Central Government has not prescribed for maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for the Company.
- (ix) a) Accordingly to the records of the Company, the undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess have generally been regularly deposited with the appropriate authorities. There are no undisputed amount payable in respect of such statutory dues which have remained outstanding as at 31st March, 2009 for a period more than six months from the date they became payable.
- b) According to the information & explanations given to us, the dues in respect of Income Tax has not been fully deposited with the appropriate authorities on account of dispute and the forum where dispute is pending as on 31st March, 2009 is as follows :

| Name of Statute | Amount Disputed (Rs. In lacs) | Amount Paid (Rs. In lacs) | Period to which it relates | Forum where dispute is pending |
|----------------------|-------------------------------|---------------------------|----------------------------|--------------------------------|
| Income Tax Act, 1961 | 111.15 | 55.10 | A.Y.2005-06 | ITAT |

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses during the financial year and in the immediately preceding financial year.
- (xi) According to the information & explanations given to us the Company has not defaulted in repayment of dues to banks & financial institutions.
- (xii) The Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xii) of the order are not applicable to the company.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. The Company has invested temporary surplus funds in marketable securities and mutual funds. Proper records have been maintained of the transactions and contracts and timely entries have been made therein. The marketable securities and mutual funds have been held by the Company, in its own name.
- (xv) The Company has not given any guarantee for the loans taken by others from banks or financial institutions. However, the Company has given guarantee on behalf of other Company to the Central Excise Department at the terms & conditions which are not prejudicial to the interest of the Company.
- (xvi) The Company has applied the term loans during the year for the purpose they were obtained.
- (xvii) 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 investments.
- (xviii) The Company has made preferential allotment of shares warrants to parties covered in the register maintained under section 301 of the Act. The same has been in conformity with the guidelines issued by the Securities and Exchange Board of India relating to such preferential allotment and on that basis not prejudicial to the interest of the Company. Part of the Convertible Share warrants have been converted into Equity shares at the predetermined as per SEBI guidelines.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised money through a public issue during the year.
- (xxi) There were no frauds on or by the Company noticed or reported during the course of our audit during the year.

For Singrodia Goyal & Co.
Chartered Accountants

Place : Mumbai
Date : 31st August, 2009.

K.M.Tulsian
Partner
Mem. No. : 38430

BALANCE SHEET ASAT 31ST MARCH, 2009

| PARTICULARS | SECHEDULE | AS AT 31/03/2009 AMOUNT(RS.) | AS AT 31/03/2008 AMOUNT(RS.) |
|--|-----------|------------------------------------|------------------------------------|
| | | | |
| I SOURCES OF FUNDS | | | |
| SHARE HOLDERS FUNDS | | | |
| Share Capital | 1 | 66,120,000 | 55,200,000 |
| Share Warrants | 1A | 673,000 | - |
| Reserves and Surplus | 2 | 32,431,669 | 31,976,797 |
| LOAN FUNDS | | | |
| Secured Loans | 3 | 66,800,099 | 77,920,566 |
| Unsecured Loans | 4 | 8,299,491 | 11,428,210 |
| DEFERRED TAX LIABILITY (net) (Refer Note 11 (ii) of Schudule 19) | | 10,187,629 | 9,460,405 |
| | | 184,511,887 | 185,985,978 |
| II APPLICATION OF FUNDS | | | |
| FIXED ASSETS : | 5 | | |
| Gross Block | | 223,598,180 | 213,357,103 |
| Less: Depreciation | | 95,963,568 | 82,140,366 |
| Net Block | | 127,634,612 | 131,216,737 |
| Capital work in progress | | 3,590,233 | - |
| | | 131,224,845 | 131,216,737 |
| INVESTMENTS | 6 | 3,151,895 | 2,151,895 |
| CURRENT ASSETS, LOANS & ADVANCES | | | |
| Inventories | 7 | 17,359,010 | 22,536,902 |
| Sundry Debtors | 8 | 27,666,623 | 40,611,395 |
| Cash & Bank Balances | 9 | 3,814,762 | 2,829,316 |
| Loans & Advances | 10 | 67,356,341 | 45,064,851 |
| | | 116,196,737 | 111,042,464 |
| LESS: CURRENT LIABILITIES & PROVISION | 11 | 66,061,590 | 58,425,117 |
| Net Current Assets | | 50,135,147 | 52,617,347 |
| | | 184,511,887 | 185,985,978 |
| SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS | 19 | | |

As per our attached report of even date

For **SINGRODI AGOYAL & CO.**
Chartered Accountants

K. M. Tulsian
(Partner)
Mem. No. 38430

Place : Mumbai,
Date : 31st August, 2009.

For and on behalf of The Board

S.M. MAHESHWARI
(Chairman & Managing Director)

OM PRAKASH SINGHI
(Director)

Place : Mumbai,
Date : 31st August, 2009.

ATUL MAHESHWARI
(Executive Director)

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

| PARTICULARS | SCHEDULE | YEARENDED 31-03-09 AMOUNT (RS.) | YEAR ENDED 31-03-08 AMOUNT (RS.) |
|---|-----------------|--|---|
| A. INCOME | | | |
| Income from Operations | 12 | 215,435,497 | 279,370,013 |
| Other Income | 13 | 1,388,374 | 4,983,902 |
| Increase/(Decrease) In Stock | 14 | 1,196,938 | (73,682) |
| | | <u>218,020,809</u> | <u>284,280,234</u> |
| B. EXPENDITURE | | | |
| Cost of Goods Consumed / Sold | 15 | 104,954,010 | 187,196,488 |
| Manufacturing & Other Expenses | 16 | 73,708,478 | 60,660,352 |
| Excise Duty & Sales Tax | 17 | 13,067,313 | 15,573,401 |
| Interest & Finance Charges | 18 | 10,365,079 | 7,159,408 |
| Depreciation | | 13,823,202 | 9,120,352 |
| | | <u>215,918,082</u> | <u>279,746,000</u> |
| PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS | | 2,102,728 | 4,534,234 |
| LESS: PRIOR PERIOD ADJUSTMENTS (NET) | | - | 54,337 |
| PROFIT BEFORE TAX | | 2,102,728 | 4,479,896 |
| Provision For Taxation | | | |
| Current Tax | | 532,632 | 513,729 |
| Deferred Tax Liability (Assets) | | 727,224 | 2,567,553 |
| Fringe Benefit Tax | | 325,000 | 348,000 |
| Taxation of earlier year | | 63,000 | 476,797 |
| PROFIT AFTER TAX | | 454,872 | 573,817 |
| Add : Balance as per last year | | <u>25,473,019</u> | <u>24,899,202</u> |
| Balance Carried to Balance Sheet | | <u>25,927,891</u> | <u>25,473,019</u> |
| Earning Per Share of Rs. 10/- each | | | |
| Basic | | 0.07 | 0.10 |
| Diluted | | 0.07 | 0.10 |

Significant Accounting Policies and Notes to Accounts 19
AS PER OUR ATTACHED REPORT OF EVEN DATE

For **SINGRODIA GOYAL & CO.**
Chartered Accountants

For and on behalf of The Board

K. M Tulsian
(Partner)
Mem. No. 38430

S.M. MAHESHWARI
(Chairman & Managing Director)
ATUL MAHESHWARI
(Executive Director)

OM PRAKASH SINGHI
(Director)

Place : Mumbai,
Date : 31st August, 2009.

Place : Mumbai,
Date : 31st August, 2009.

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2009

| Particulars | As at 31.03.2009 (Rs.) | As at 31.03.2008 (Rs.) |
|---|------------------------------|------------------------------|
| Schedule "1" Share Capital | | |
| Authorized | 100,000,000 | 100,000,000 |
| 10,000,000 Equity Shares of Rs.10/- each | <u>100,000,000</u> | <u>100,000,000</u> |
| Issued Subscribed & Paid up Capital | | |
| 6,612,000 (P.Y. 5,520,000) Equity Shares of Rs.10/- each fully paid up. | 66,120,000 | 55,200,000 |
| | <u>66,120,000</u> | <u>55,200,000</u> |
| schedule "1A" :- Share Warrants | | |
| 673,000 Warrants of Rupee 1/- each paid up. | 673,000 | - |
| (Each Warrant carry option / entitlement to subscribe to one equity share of Rs.10/- each at a price of Rs.10/- per equity share) | | |
| | <u>673,000</u> | <u>-</u> |
| Schedule "2" :- Reserves & Surplus | | |
| State Subsidy Reserve | 2,500,000 | 2,500,000 |
| Securities Premium | 4,003,778 | 4,003,778 |
| Profit & Loss Account | 25,927,891 | 25,473,019 |
| | <u>32,431,669</u> | <u>31,976,797</u> |
| Schedule "3" :- Secured Loans (Refer Note 5 of Schedule '19') | | |
| Term Loans From Banks | 19,688,838 | 23,972,809 |
| Working Capital Loans From Banks | 42,855,805 | 48,365,157 |
| Vehicle Loans | 4,255,456 | 5,582,601 |
| | <u>66,800,099</u> | <u>77,920,567</u> |
| Schedule "4" :- Unsecured Loans | | |
| Inter Corporate Deposits | 5,850,925 | 9,488,494 |
| From Directors | 2,448,566 | 1,939,716 |
| | <u>8,299,491</u> | <u>11,428,210</u> |

SCHEDULE 5
FIXED ASSETS (AT COST LESS DEPRECIATION)
Amount in (Rs)

| FIXED ASSETS (AT COST LESS DEPRECIATION) | | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|--|--------------------------|---------------------|---------------------------------|--------------------------------------|---------------------|--------------------|-----------------------------|----------------------------------|--------------------|---------------------|---------------------|
| SR NO | ASSETS | AS AT 01.04.2008 | ADDITIONS During the year | DEDUCTIONS During the the year | AS AT 31-03-2009 | UPTO 31-03-2008 | PROVIDER FOR THE YEAR | ADJUSTMENT During the year | UPTO 31-03-2009 | AS AT 31.03.2009 | AS AT 31.03.2008 |
| 1 | FREEHOLD LAND | 4,911,525 | - | - | 4,911,525 | - | - | - | - | 4,911,525 | 4,911,525 |
| 2 | FACTORY BUILDING | 59,701,610 | 2,472,254 | - | 62,173,864 | 12,629,499 | 2,042,427 | - | 14,671,926 | 47,501,938 | 47,072,111 |
| 3. | OFFICE BUILDING | 1,281,075 | - | - | 1,281,075 | 171,151 | 42,788 | - | 213,939 | 1,067,136 | 1,109,924 |
| 4 | PLANT & MACHINERY | 119,935,670 | 5,128,580 | - | 125,064,250 | 57,080,084 | 9,193,914 | - | 66,273,998 | 58,790,252 | 62,855,586 |
| 5 | ELECTRICAL INSTALLATIONS | 3,113,192 | 531,296 | - | 3,644,488 | 4,457 | 245,857 | - | 250,314 | 3,394,174 | 3,108,735 |
| 6 | LABORATORY EQUIPMENT | 8,889,315 | 226,644 | - | 9,115,959 | 6,476,789 | 672,085 | - | 7,148,874 | 1,967,085 | 2,412,526 |
| 7 | COMPUTERS | 2,026,722 | 544,067 | - | 2,570,789 | 1,459,826 | 394,775 | - | 1,854,601 | 716,188 | 566,896 |
| 8 | FURNITURE & FIXTURE | 3,062,442 | 1,338,236 | - | 4,400,678 | 1,158,389 | 242,695 | - | 1,401,084 | 2,999,594 | 1,904,052 |
| 9 | VEHICLES | 10,435,552 | - | - | 10,435,552 | 3,160,171 | 988,661 | - | 4,148,832 | 6,286,720 | 7,275,380 |
| | TOTAL | 213,357,103 | 10,241,077 | - | 223,598,180 | 82,140,366 | 13,823,202 | - | 95,963,568 | 127,634,612 | 131,216,736 |
| | PREVIOUS YEAR | 136,523,920 | 80,473,569 | 3,640,386 | 213,357,103 | 74,967,698 | 9,120,352 | 1,947,684 | 82,140,366 | 131,216,736 | 61,556,222 |

| Particulars | As at 31.03.2009 (Rs.) | As at 31.03.2008 (Rs.) |
|---|------------------------------|------------------------------|
| Schedule "6" :- Investments | | |
| Long Term Investments | | |
| (a) Non Trade, Unquoted | | |
| Eurolife Healthcare Private Limited | | |
| 160,000 Equity shares of Rs.10/- each fully paid up | 1,600,000 | 1,600,000 |
| (b) Non Trade, Quoted | | |
| i) Shardul Securities Limited | | |
| 12800 Equity Shares of Rs.10/- each fully paid up | 384,000 | 384,000 |
| (ii) Ojas Technochem Limited | | |
| 5000 Equity Shares of Rs.10/- each fully paid up | 123,915 | 123,915 |
| (iii) Clio Infotech Limited | | |
| 1000 Equity Shares of Rs.10/- each fully paid up | 43,980 | 43,980 |
| (c) Investments in Mutual Funds | | |
| 30657.919 units of | | |
| Kotak Opportunities - | | |
| Growth Option Plan of Kotak | | |
| Mutul Fund | 1,000,000 | |
| (NAV as on 31.03.09 is Rs.686124) | | |
| | 3,151,895 | 2,151,895 |
| Note: | | |
| Market Value of Quoted Investments | 400,900 | 522,750 |
| Aggregate Value of Quoted Investments | 551,895 | 551,895 |
| Aggregate Value of Unquoted Investments | 1,600,000 | 1,600,000 |
| Schedule "7" :- Inventories | | |
| (As taken, valued and certified by the management) | | |
| Raw Materials | 14,104,918 | 20,364,232 |
| Finished Goods | 2,044,489 | 847,551 |
| Packing Materials | 395,023 | 543,804 |
| Stores & Spares | 814,580 | 781,314 |
| | 17,359,010 | 22,536,902 |
| Schedule "8" :- Sundry Debtors | | |
| (Unsecured) | | |
| Debts outstanding for a period exceeding six months | | |
| Considered Good | 1,976,100 | 7,085,813 |
| Considered Doubtful | 2,189,600 | 2,189,600 |
| | 4,165,700 | 9,275,413 |
| Less: Provision for doubtful debts | 2,189,600 | 2,189,600 |
| | 1,976,100 | 7,085,813 |
| Other Debts (Considered Good) | 25,690,523 | 33,525,583 |
| | 27,666,623 | 40,611,395 |

| Particulars | As at 31.03.2009 (Rs.) | As at 31.03.2008 (Rs.) |
|--|------------------------------|------------------------------|
| Schedule " 9 " :- Cash and Bank Balances | | |
| Cash in Hand | 1,864,630 | 1,967,338 |
| Balance with Scheduled Banks | | |
| In Current Account | 815,190 | 227,536 |
| In Fixed Deposits | 1,134,942 | 634,442 |
| | 3,814,762 | 2,829,316 |
| Schedule " 10 " :- Loans and Advances | | |
| Advance recoverable in cash or in kind or for value to be received | 19,389,633 | 2,409,297 |
| Balance with Excise Department | 30,481,171 | 17,624,964 |
| Other Advances | 5,384,312 | 6,374,461 |
| Deposits | 983,899 | 10,872,814 |
| Advance Tax & TDS | 11,117,326 | 7,783,315 |
| | 67,356,341 | 45,064,851 |
| Schedule " 11 " :- Current Liabilities and Provisions | | |
| Current Liabilities | | |
| Sundry Creditors | | |
| (a) Due to Micro & Small & Medium Enterprises (Refer Note 9 of Schedule 19) | - | - |
| (b) Due to Others | 37,671,119 | 38,737,638 |
| Other Liabilities | 24,739,686 | 16,546,326 |
| | 62,410,805 | 55,283,964 |
| Provisions | | |
| Provision for Taxation | 3,650,785 | 3,141,153 |
| | 66,061,590 | 58,425,117 |
| Schedule " 12 " :- Income from Operations | | |
| Sales | 180,278,928 | 254,594,997 |
| Conversion Charges (TDS-Rs.691876/-) (Previous year Rs. 606614/-) | 34,534,767 | 24,487,921 |
| Scrap Sales | 621,802 | 287,095 |
| | 215,435,497 | 279,370,013 |
| Schedule " 13 " :- Other Income | | |
| Interest Income (TDS Rs. 153593/-) (P.Y. Rs.222597/-) | | |
| 810,386 | 2,697,214 | |
| Dividend Received | 12,800 | 12,800 |
| Foreign Exchange Fluctuation (Net) | 565,188 | 2,145,153 |
| Miscellaneous Income | - | 128,736 |
| | 1,388,374 | 4,983,903 |
| Schedule " 14 " :- Increase / (Decrease) In Stocks | | |
| Finished Goods | | |
| Closing Stocks | 2,044,489 | 847,551 |
| Less: Opening Stocks | 847,551 | 921,233 |
| | 1,196,938 | (73,682) |
| Schedule " 15 " :- Cost of Goods Consumed / Sold | | |
| Opening Stocks | 20,364,232 | 14,778,157 |
| Purchases | 98,694,695 | 192,782,563 |
| | 119,058,927 | 207,560,720 |
| Less : Closing Stocks | 14,104,918 | 20,364,232 |
| | 104,954,010 | 187,196,488 |

| Particulars | As at 31.03.2009 (Rs.) | As at 31.03.2008 (Rs.) |
|--|------------------------------|------------------------------|
| Schedule " 16 " :- Manufacturing and Other Expenses | | |
| 1. Payment to & Provision for Employees | | |
| Wages and Bonus | 12,072,156 | 9,186,002 |
| Labour Charges | 5,640,088 | 2,468,198 |
| Contribution to Provident & Other Funds | 633,785 | 537,617 |
| Director Remuneration | 1,320,000 | 1,349,935 |
| Staff Welfare Expenses | 186,079 | 145,936 |
| | 19,852,108 | 13,687,688 |
| 2. Operating Expenses | | |
| Power & Fuel Consumed | 19,329,278 | 12,331,385 |
| Stores & Spares Consumed | 4,518,277 | 4,932,131 |
| Packing Materials Consumed | 6,034,916 | 2,343,381 |
| Laboratory Materials Consumed | 314,892 | 393,092 |
| Carriage Inwards | 2,163,741 | 1,825,907 |
| ETP Plant Expenses | 156,600 | 134,100 |
| Job Charges | - | 45,637 |
| Repairs & Maintenance (Plant & Machinery) | 1,009,182 | 1,190,571 |
| Quality Claim Loss | 721,183 | - |
| Factory Expenses | 59,844 | 168,064 |
| | 34,307,913 | 23,364,268 |
| 3. Other Expenses | | |
| Rent | 852,023 | 830,801 |
| Communication Costs | 842,026 | 1,039,832 |
| Printing & Stationery | 435,051 | 370,471 |
| Traveling & Conveyance | 1,942,127 | 2,697,439 |
| Insurance | 1,472,532 | 1,091,343 |
| Electricity Charges | 165,908 | 153,613 |
| Repairs to Buildings | 244,987 | 542,416 |
| Repairs to Others | 70,590 | - |
| Legal & Professional Charges | 2,190,792 | 2,218,766 |
| Vehicle Expenses | 759,722 | 694,113 |
| Freight Outward | 4,510,403 | 6,093,678 |
| Commission and Discount | 2,962,779 | 1,846,461 |
| Sales Promotion Expenses | 634,916 | 1,318,069 |
| Bad Debts Written Off | - | 859,156 |
| Auditors Remuneration | 125,000 | 140,450 |
| Interest from debtors not receivable | - | 2,154,600 |
| Donations | 506,800 | - |
| Loss on Sale of Fixed Assets | - | 411,702 |
| Preliminary Expenses Written Off | - | 175,000 |
| Shares issue Expenses | 636,644 | - |
| Miscellaneous Expenses | 1,196,159 | 970,488 |
| | 19,548,458 | 23,608,397 |
| | 73,708,478 | 60,660,352 |

| Particulars | As at 31.03.2009 (Rs.) | As at 31.03.2008 (Rs.) |
|-------------|------------------------------|------------------------------|
|-------------|------------------------------|------------------------------|

Schedule “ 17 “ :- Excise Duty, Service Tax and Sales Tax

| | | |
|-------------|-------------------|-------------------|
| Excise Duty | 10,120,959 | 11,103,273 |
| Service Tax | 19,936 | 3,598 |
| Sales Tax | 2,926,418 | 4,466,530 |
| | 13,067,313 | 15,573,401 |

Schedule “ 18 “ :- Interest and Financial Charges

| | | |
|-------------------------|-------------------|------------------|
| Interest on Fixed Loans | 8,451,433 | 5,036,018 |
| Interest on Other Loans | 1,011,656 | 680,667 |
| Bank Charges | 901,990 | 1,478,722 |
| | 10,365,079 | 7,195,408 |

Schedule “19”: Significant Accounting Policies & Notes on Accounts
I Significant Accounting Policies
1. Basis of Accounting:

- The Financial Statements have been prepared in compliance with the Accounting Standards notified by Companies (Accounting Standard) Rules 2006 and the relevant provisions of the Companies Act, 1956 in all material aspects.
- Financial Statements are based on historical cost convention and are prepared on accrual basis.

2. Revenue Recognition:

- Revenue is recognized when it is earned and no significant uncertainty exists as to its realization or collection.
- Revenue in respect of export sales is recognised on shipment of products.
- Interest is recognised on a time proportion basis taking in to account the amount outstanding and the rate applicable.
- Dividend income is recognised on actual realisation.
- Conversion charges revenue is recognised on completion of work basis.

3. Purchases are stated net of discounts, returns, VAT and rate differences.
4. Sales are inclusive of sales tax and are stated net of discounts, returns and rebates.
5. Fixed Assets:

Fixed Assets are stated at actual cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

6. Impairment of Fixed Assets:

At the end of each year, the Company determines whether a provision should be made for impairment loss on fixed assets by considering the indication that an impairment loss may have occurred in accordance with Accounting Standard 28 on “Impairment of Assets”. Where the recoverable amount of any fixed assets is lower than its carrying amount, a provision for impairment loss on fixed assets is made for the difference.

7. Depreciation:

- No depreciation is provided for on Land.
- Depreciation on Fixed Assets has been provided on ‘Straight Line Method’ as per the rates and in the manner prescribed in the Schedule XIV of the Companies Act, 1956.

8. Inventories:

Inventories are valued as follows:

- i) Finished Goods are valued at lower of cost or net realisable value.
- ii) Raw Materials, Stores, Spares & Tools are valued at lower of cost or net realisable value.
- iii) Work-in-Process is valued at lower of the cost or net realisable value.
- iv) Accessories and Packing Materials are valued at lower of cost or net realisable value.

9. Investments:

Investments that is intended to be held for more than a year from the date of acquisition are classified as long term investments and are carried at cost less any provision for permanent diminution in value. Investments other than long term investments being current investments are valued at cost or fair market value whichever is lower.

10. Employee Benefits:

Company's contribution to Provident Fund and other Funds for the year is accounted on accrual basis and charged to the Profit & Loss Account for the year.

- i) **Liability for leave encashment benefits and retirement benefits in the form of Gratuity has been recorded on cash basis.**

1. Provisions and Contingent Liabilities:

The Company recognizes a provision when there is a 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 the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, requires an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

2. Use of Estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the financial statements and the reported amounts of revenues and expenses during the reporting period.

Difference between actual results and estimates are recognized in the periods in which the results are known/ materialize.

3. Foreign Currency Transactions:

- i) The transactions in foreign currencies on revenue accounts are stated at the rate of exchange prevailing on the date of transactions.
- ii) The difference on account of fluctuation in the rate of exchange, prevailing on the date of transaction and the date of realisation is charged to the Profit & Loss Account.
- iii) Differences on translation of Current Assets and Current Liabilities remaining unsettled at the year-end are recognised in the Profit and Loss Account.

4. Accounting for Taxation of Income :**Current Taxes**

Provision for current income-tax is recognized in accordance with the provisions of Indian Income- tax Act, 1961 and is made annually based on the tax liability after taking credit for tax allowances and exemptions.

Deferred Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantially enacted at the Balance Sheet date. Deferred tax assets are recognized only to the extent there is reasonable

certainly that the assets can be realized in the future. Deferred tax assets are reviewed as at each Balance Sheet date.

Fringe Benefits Tax

Provisions for Fringe Benefits Tax (FBT) have been made in accordance with the applicable income tax laws prevailing for the relevant assessment years.

II. Notes to Accounts

1. Liabilities in respect of Gratuities and Leave Encashment are accounted for on cash basis which is not in conformity with Accounting Standard (AS) 15 (Revised 2005) on Employee Benefits as notified by the Companies (Accounting Standards) Rules, 2006 which requires that Gratuity and Leave Encashment be accounted for on accrual basis.
2. **Contingent Liabilities not provided for :**
 - i) Guarantee given by Banks on behalf of the Company Rs. 1.21 lacs. (Previous year Rs. 6.50 lacs)
 - ii) Estimated amount of contracts remaining to be executed on capital account Rs.58.75 lacs. (Previous year Rs.NIL)
 - iii) Income Tax Demands which are under dispute and is being contested by the Company by the way of appeal with ITAT Rs.111.15 Lacs (Previous year Rs.111.75 Lacs). Amount Paid Rs.55.10 Lacs (Previous year Rs.55.10 Lacs)
 - iv) Guarantee upto Rs.100 Lacs to Assistant Commissioner of Central Excise on behalf of other Company. (Previous year Rs.100 Lacs)
3. **In the opinion of the Board the Current Assets, Loans & Advances are approximately of the value stated and are realisable in the ordinary course of business except for those which are considered doubtful and provided for. The provisions for all known liabilities are adequate and not in excess of the amount reasonably necessary.**
4. **Prior Period Adjustments:**
Prior Period Items Rs. NIL (Previous Year Rs 0.55 Lacs).
5. **Secured Loans:**
 - i) Term Loans from Banks:
Term Loan I - Rs.34.09 Lacs ** (Previous year Rs. NIL) is secured by Equitable Mortgage of Plant & Machinery, Furniture & Fixtures and Other Fixed Assets.
Term Loan II - Rs.162.80 Lacs ** (Previous year Rs. 239.73 Lacs) is secured by Equitable Mortgage of Plant & Machinery, Furniture & Fixtures and Other Fixed Assets.
 - ii) Working Capital Loans from Banks:
 - a) Cash Credit Loan**:
Rs.400.66 Lacs (Previous year Rs. 446.16 lacs) is secured by hypothecation of Stocks and Book Debts.
 - b) Packing Credit Loan:
Rs.27.90 Lacs (Previous year Rs. 37.50 lacs) is secured by hypothecation of Stocks and Book Debts of export division and the personal guarantee of promoter directors.
 - iii) Vehicle Loans (Hire Purchase Loan):
Rs.42.55 Lacs (Previous year Rs. 55.83 lacs) is secured by specific assets financed.

**** Term Loans and Cash Credit Loans are further collaterally secured by:**

- Equitable Mortgage over Factory Land.
- Hypothecation of all Movable Assets of the Company.
- Personal Guarantee of Directors of the Company.

6. Directors' Remuneration:

(Rs. In lacs)

| Particular | 31st March 2009 | 31st March 2008 |
|------------------------|-----------------|-----------------|
| Directors Remuneration | 13.20 | 13.50 |
| Total | 13.20 | 13.50 |

7. Auditor's Remuneration:

(Rs. In lacs)

| Particular | 31st March 2009 | 31st March 2008 |
|--------------------|-----------------|-----------------|
| Audit Fees | 1.00 | 0.75 |
| Tax Audit Fees | 0.25 | 0.25 |
| Income Tax Matters | 0.75 | 0.25 |
| Other Services | — | 0.15 |
| Total | 2.00 | 1.40 |

8. Additional Information Pursuant to the Provisions of Part II of the Schedule VI of the Companies Act 1956.
i) Quantitative Information
INSTALLED CAPACITY 2500 MT
ii) OPENING STOCK, PRODUCTION, SALES AND CLOSING STOCK OF FINISHED GOODS:-

| Item | Opening Stock | | Production/Purchase | | Sales \ Wastage | | Closing Stock | |
|---------------------------------|---------------------|-----------------|-------------------------|----------------|------------------------|------------------------|------------------------|-----------------|
| | Qty | Amt. | Qty | Amt. | Qty | Amt. | Qty | Amt. |
| Lactose (In MT) | 4.12 (5.00) | 4.43 (5.52) | 1,747.93 (1,662.50) | - - | 1,746.88 (1,663.38) | 1,746.83 (2,505.53) | 5.17 (4.12) | 5.44 (4.43) |
| Liquid Formulation (Ltrs) | 1,005,000 (Nil) | 1.39 (Nil) | Nil (1,405,000) | - (Nil) | 1,005,000 (400,000) | 1.39 (0.58) | Nil (1,005,000) | Nil (1.39) |
| Lactulose (Ltrs) | 2,948.00 (Nil) | 2.65 (Nil) | 87,980.00 (2,948.00) | 96.31 (Nil) | 78,638.00 (Nil) | 86.68 (Nil) | 12,290.0 (2,948.00) | 12.28 (2.65) |
| Nergys Sachets (Nos.) | (Nil) (957.00) | (Nil) (0.43) | (Nil) (2,089.00) | (Nil) (Nil) | (Nil) (3,046.00) | (Nil) (1.52) | (Nil) (Nil) | (Nil) (Nil) |
| Strength Plus Sachets (Nos.) | (Nil) (2,774.00) | (Nil) (3.26) | (Nil) (4,071.00) | (Nil) (Nil) | (Nil) (6,845.00) | (Nil) (4.19) | (Nil) (Nil) | (Nil) (Nil) |

Note: - 1. Figures in brackets are pertaining to the previous year.

iii) Raw Material Consumed/ Sold

Rs in Lacs

| Particulars | Crude Lactose | | Raw Material Glutex & C-Pac | | Packing Materials & Others | | Whey - 80 % | |
|---------------|------------------------|----------------------|-----------------------------|-----------------|----------------------------|--------------------|----------------|---------------|
| | Qty. (MT) | Value Rs. | Qty. (kgs) | Value Rs. | Qty. (kgs) | Value Rs. | Qty. (kgs) | Value Rs. |
| Opening Stock | 318.73 (197.63) | 203.50 (146.72) | Nil (Nil) | Nil (Nil) | - (11.60) | - (11.60) | 70.68 (Nil) | 0.05 (Nil) |
| Purchases | 2,335.23 (2,116.66) | 888.49 (1,927.27) | Nil (Nil) | 98.46 (Nil) | - (139.97) | 199.77 (139.97) | Nil (Nil) | Nil (Nil) |
| Closing Stock | 285.75 (318.73) | 113.91 (203.50) | Nil (Nil) | 25.85 (Nil) | - (13.25) | 12.10 (13.25) | Nil (70.68) | Nil (0.05) |
| Consumption | 2,256.31 (1,938.36) | 978.08 (1,870.49) | Nil (Nil) | 72.60 (Nil) | - (138.32) | 187.67 (138.32) | 70.68 (Nil) | 0.05 (Nil) |
| Sales | 111.90 (57.20) | 54.57 (34.13) | Nil (Nil) | 137.42 (Nil) | - (Nil) | Nil (Nil) | Nil (Nil) | Nil (Nil) |

Previous year figures are re grouped wherever necessary.

* Closing Stock & Purchases include Material in Transit of 228.50MT (Previous year 205.67). Closing Stock also includes WIP 38.353 MT (Previous Year 17.520 MT)

** Consumption Quantity signifies quantity used in production of lactose and value signifies the value of quantity consumed in production of lactose.

*** Sales signify the quantity and sales value of edible lactose traded.

iv. Value of Imported and Indigenous Raw Materials and Stores consumed during the year (Rs. In lacs)

| Description | 31st March 2009 | | 31st March 2008 | |
|----------------------------|-----------------|----------------|-----------------|----------------|
| | In % | In Rs. | In % | In Rs. |
| Raw Materials | | | | |
| Manufacturing – Imported | 67.90 | 712.63 | 70.99 | 1328.87 |
| - Indigenous | 29.77 | 312.41 | 27.69 | 518.31 |
| Trading - Imported | - | - | - | - |
| - Indigenous | 2.33 | 24.50 | 1.32 | 24.80 |
| Total | 100.00 | 1049.54 | 100.00 | 1871.96 |
| Stores & Spares | | | | |
| - Imported | - | - | - | - |
| - Indigenous | 100.00 | 45.18 | 100.00 | 49.32 |
| Total | 100.00 | 45.18 | 100.00 | 49.32 |

v) C.I.F. Value of Imports and Expenditure in Foreign Exchange

(Rs. in lacs)

| Particulars | 31st March 2009 | 31st March 2008 |
|--|-----------------|-----------------|
| C.I.F. Value of Imports | | |
| Raw Materials | 570.91 | 1197.99 |
| Expenditure in Foreign Exchange | | |
| Travelling Expenses | 8.22 | 13.88 |
| Commission | 14.02 | 8.14 |

NOTES:

- 1) Licensed capacity is not applicable
- 2) All capacities are expressed on triple shift basis
- 3) The installed capacities are as per the certificate given by the Executive Director on which the Auditors have relied, being a technical matter.

9.Amounts due to Micro, Small and Medium Enterprises:

The name of the Micro, Small and Medium Enterprises suppliers defined under "The Micro, Small and Medium Enterprises Development Act 2006" could not be identified, as necessary evidence is not in the possession of the Company.

10.Earning Per Share:

In accordance with Accounting Standard 20- Earning Per Share, the computation of earning per share is set below:

| Sr.No.Particulars | 31st March 2009 | 31st March 2008 |
|--|-----------------|-----------------|
| i) Weighted average number of Equity Shares of Rs. 10 each | | |
| a) Number of shares at the beginning of the year of Rs 10 each | 55,20,000 | 55,20,000 |
| b) Number of shares at the end of the period of Rs 10 each | 66,12,000 | 55,20,000 |
| c) Weighted average number of shares outstanding during the year of Rs 10 each | 62,44,569 | 55,20,000 |
| ii) Net Profit after tax available for equity shareholders (Rs. In lacs) | 4.55 | 5.74 |
| iii) Basic Earning Per Share (In Rs.) | 0.07 | 0.10 |
| iv) Diluted Earning Per Share (In Rs.) | 0.07 | 0.10 |

Note:

The Basic EPS is calculated by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year.

11. Taxation:

- i) Provision for taxation for the year has been made in accordance with the provisions of the Income Tax Act, 1961.
- ii) In terms of Accounting Standard 22 on "Accounting for Taxes on Income", the Company has recognised Deferred Tax Liabilities amounting to Rs.7.28 lacs for the year ended 31st March 2009 in the Profit & Loss Account.

The accumulated balance in Net Deferred Tax Liability / (Assets) comprises of:

| (Rs. in lacs) | | |
|--|-----------------|-----------------|
| Particulars | 31st March 2009 | 31st March 2008 |
| Depreciation | 103.22 | 97.91 |
| Tax Disallowances | (4.65) | (1.49) |
| Carry Forward Losses | NIL | (1.82) |
| Previous Years disallowances | 1.49 | — |
| Previous Years b/f Depreciation Loss | 1.82 | — |
| Deferred Tax Liability / (Assets) | 101.88 | 94.60 |

12. Segmental Information:
i) Primary (Business) Segment:

In accordance with the requirements of Accounting Standard 17 "Segment Reporting", the Company's business consists of one reportable business segment i.e., "Manufacturing & Trading of Pharmaceutical Products", hence no separate disclosures pertaining to attributable Revenues, Profits, Assets, Liabilities, Capital Employed are given.

ii) Secondary (Geographical) Segment:

Secondary segment reporting is on the basis of geographical location of the customers. The operation of the Company comprises local sales and export sales. The management views the Indian market and Export market as distinct geographical segments. The following is the distribution of the Company's sales by geographical markets:

(Rs. in lacs)

| Sales | 31st March 2009 | 31st March 2008 |
|--------------|-----------------|-----------------|
| India | 1461.00 | 1154.52 |
| Export | 693.36 | 1639.18 |
| Total | 2154.36 | 2793.70 |

The following is the carrying amount of segment assets and additions to fixed assets by geographical area in which the assets are located:

| (Rs. in lacs) | | |
|-----------------------------------|-----------------|-----------------|
| Carrying Amount of Segment Assets | 31st March 2009 | 31st March 2008 |
| India | 1815.25 | 1761.70 |
| Outside India* | 29.87 | 98.16 |
| Total | 1845.12 | 1859.86 |

*Carrying amount of Segment assets outside India represents receivables from Export Sales.

13. Advances realisable in cash or in kind includes advance paid for Office Premises to a relative of the Directors amounting to Rs. 131.91 Lacs.

14. Related Party Disclosures:

As required under Accounting Standard 18 "Related Party Disclosure", following are the details of transactions during the year with the related parties of the Company as defined in AS 18:

For the year ended 31st March, 2009

a) Key Management Personnel

Mr. S. M. Maheshwari

Director

Mr. Atul Maheshwari

Director

Mr. Anand Sharma

Director (Upto 04.04.2008)

b) **Relative of Director and Name of the enterprises having same Key Management Personnel and / or their relatives as the reporting enterprise with whom the Company has entered into transactions during the year.**

Mrs. Sangita Maheshwari
Madhusa Projects Private Limited

(Rs. in lacs)

| Nature of Transactions | In relation to (a) above | In relation to (b) above |
|--|--------------------------|--------------------------|
| Rent Paid | Nil | 7.20 |
| Directors Remuneration | 13.20 | Nil |
| Salaries | Nil | 4.88 |
| Unsecured Loans received | 10.09 | 50.00 |
| Interest Paid on Unsecured Loans | 2.88 | 1.00 |
| Repayment of Loans Taken | 2.12 | 50.00 |
| Equity Contribution | Nil | 31.20 |
| Share Warrants | Nil | 6.37 |
| Amount outstanding as on 31st March 2009 | | |
| Loans Payable | 24.49 | Nil |
| Advance for Office Premises | Nil | 131.91 |

Note: Related Parties are as disclosed by the Management and relied upon by the Auditors.

i) For the year ended 31st March, 2008

a) **Key Management Personnel**

| | |
|----------------------|----------|
| Mr. S. M. Maheshwari | Director |
| Mr. Atul Maheshwari | Director |
| Mr. Anand Sharma | Director |

b) **Name of the enterprises having same Key Management Personnel and / or their relatives as the reporting enterprise with whom the Company has entered into transactions during the year.**

Mrs. Sangita Maheshwari

(Rs. in lacs)

| Nature of Transactions | In relation to (a) above | In relation to (b) above |
|--|--------------------------|--------------------------|
| Rent Paid | Nil | 4.20 |
| Directors Remuneration | 13.50 | Nil |
| Salary Payment | Nil | 4.28 |
| Unsecured Loans received | 3.43 | Nil |
| Interest Paid on Unsecured Loans | 3.06 | Nil |
| Repayment of Loans Taken | 13.78 | Nil |
| Amount outstanding as on 31st March 2008 | | |
| Unsecured Loans Payable | 19.40 | Nil |
| Receivables (Office Deposit) | Nil | 5.00 |
| Other Receivables (Deposit against Property on Rent) | 93.91 | Nil |

Note: Related Parties are as disclosed by the Management and relied upon by the Auditors

15. i) The Company has, during the year made a Preferential Issue of 7, 80,000 Equity shares of Rs.10/- each at Par per Share in accordance with SEBI guidelines. The Company has received an amount aggregating to Rs.78.00 lacs against allotment of Equity shares. The Company has fully utilised the above proceeds for meeting working capital purpose.
- ii) The Company has, during the year made a Preferential Issue of 9, 85,000 Convertible Share Warrants of Rs.10 each at par per Warrant in accordance with the SEBI guidelines. The Company has received an amount aggregating to Rs.9.85 lacs as 10% upfront money against allotment of Convertible Warrants. Out of the above the Company has during the year, converted 3, 12,000 Warrants into Equity shares, upon receipt of the balance amount of Rs.28.08 lacs. The Company has utilised an amount of Rs.31.20 Lacs out of total Rs.37.93 lacs for the working capital purpose and the balance of Rs.6.73 lacs has been invested into Fixed Deposit with Banks.
2. Figures of the previous year have been regrouped, reclassified and/or rearranged wherever necessary.
As per our report of even date attached

As per our attached report of even date
For **SINGRODIAGOYAL & CO.**
Chartered Accountants

For and on behalf of The Board

K. M. Tulsian
(Partner)
Mem. No. 38430

S.M. MAHESHWARI **ATUL MAHESHWARI**
(Chairman & Managing Director) (Executive Director)

OMPRAKASH SINGHVI
(Director)

Place : Mumbai,
Date : 31ST August, 2009.

SCHEDULE : 18
INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
I. Registration Details

| | | | |
|--------------------|-----------------|------------|-----|
| Registration No. | 0 4 - 1 5 1 8 6 | State Code | 0 4 |
| Balance Sheet Date | 3 1 - 0 3 - 0 9 | | |
| | Date Month Year | | |

II. Capital raised during the year (Rs. in Lakhs)

| | | | |
|----------------------|-------|------------------------------|-------|
| Public Issue | N I L | Rights Issue | N I L |
| Bonus Issue | N I L | Private Placement/Promoter's | 11593 |
| Call Unpaid Received | N I L | Contribution | |

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

| | | | |
|------------------------|--------|---------------------|--------|
| Total Liabilities | 184512 | Total Assets | 184512 |
| Source of Funds | | Reserve and Surplus | 32432 |
| Paid-up Capital | 66120 | | |
| Secured Loans | 66800 | Unsecured Loans | 8299 |
| Share Warrants | 673 | | |
| Deferred Tax Liability | 10188 | | |
| Application of Funds | 131225 | | |
| Net Fixed Assets | | | |
| Net Current Assets | 50135 | Investments | 3152 |

IV. Performance of Company. (Rs. in Lakhs)

| | | | |
|---|--------|-------------------------|--------|
| Turnover and Income | 218021 | Total Expenditure | 215918 |
| + -- Profit/Loss Before Tax | 2103 | Profit/Loss After Tax + | 455 |
| (Please tick appropriate box, + Profit, - for Loss) | | | |
| Basic Earning Per Share in (Rs) | 0.07 | Dividend Rate % | N I L |
| Diluted Earning Per Share in (Rs.) | 0.07 | | |

V. Generic Names of Three Principal Products/Services of Company (As Per Monetary Terms)

| | | |
|--------------------------|-----------------|------------------------------|
| Item Code No. (ITC Code) | 1 7 0 2 1 1 0 0 | PRODUCTION OF LACTOSE POWDER |
|--------------------------|-----------------|------------------------------|

For **SINGRODIAGOYAL & CO.**
Chartered Accountants

K. M. TULSIAN
(Partner)
Mem. No. 038430

Place : Mumbai,
Date : 31st August, 2009

For and on behalf of The Board

ATULMAHESHWARI
(Executive Director)

OM PRAKASH SINGHI
(Director)

S. M. MAHESHWARI
(Chairman & Managing Director)

Place : Mumbai,
Date : 31st August, 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

| | (Rs. in lacs) | |
|---|---------------------|---------------------|
| | 2008-09 | 2007-2008 |
| Cash Flow from Existing Activities | | |
| Net Profit before Tax & Extraordinary Items | 2,102,728 | 4,534,233 |
| Depreciation | 13,823,202 | 9,120,352 |
| Prior Period Adjustment | - | (54,337) |
| (Profit)/Loss on sale of Fixed Assets | - | 411,702 |
| Dividend Received | 12,800 | 12,800 |
| Interest Income | (835,986) | (1,030,254) |
| Interest Paid | 9,463,089 | 5,716,685 |
| Operating Profit before Working Capital Changes | 24,565,832 | 18,711,182 |
| Adjusted for : | | |
| (Increase)/Decrease in Sundry Debtors | 12,944,772 | 22,912,990 |
| (Increase)/Decrease in Inventories | 5,177,892 | (5,677,262) |
| (Increase)/Decrease in Loans & Advances | (18,957,479) | 1,665,419 |
| Increase/(Decrease) in Current Liabilities | 7,126,841 | 7,843,345 |
| Direct Tax Paid | (3,745,012) | (4,977,563) |
| Net Cash from Operating Activities | 27,112,845 | 40,478,111 |
| Cash Flow from Investing Activity | | |
| Addition to Fixed Assets (Including Capital Work in Progress) | (13,831,310) | (65,989,490) |
| Proceeds from sales of Fixed Assets | - | 1,281,000 |
| Purchase of Investments | (1,000,000) | - |
| Dividend/Interest Received | 823,186 | 1,017,454 |
| Net Cash used in Investing Activities | (14,008,124) | (63,691,036) |
| Cash Flow from Financing Activities | | |
| Proceeds from issue of shares | 11,593,000 | - |
| Proceeds from borrowings | (14,249,187) | 26,846,488 |
| Interest Paid | (9,463,089) | (5,716,685) |
| Net cash from Financing Activities | (12,119,275) | 21,129,803 |
| Net cash flow during the year (A + B + C) | 985,446 | (2,083,122) |
| Cash & Cash Equivalents (Opening Balance) | 2,829,316 | 4,912,438 |
| Cash & Cash Equivalents (Closing Balance) | 3,814,762 | 2,829,316 |

Note:

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement notified by Companies (Accounting Standard) Rules, 2006 and relevant provisions of the Companies Act, 1956 in all

2. Cash and Cash Equivalent at the end of the year consist of Cash In hand and Balances with banks as follows:

| 3. Particulars | As at 31.03.2009 | As at 31.03.2008 |
|------------------------------------|---------------------|---------------------|
| Cash in hand | 1,864,630 | 1,967,338 |
| Balance with Schedule Banks | | |
| In Current Account | 815,190 | 227,536 |
| In Fixed Deposits | 1,134,942 | 634,442 |
| | 3,814,762 | 2,829,316 |

4. The Previous year's figures have been regrouped, rearranged wherever necessary in order to conform to current year's presentation.

5. Figures in brackets reflect cash outflow.

As per our report of even date attached.

For **SINGRODIA GOYAL & CO.**

Chartered Accountants

K. M Tulsian

(Partner)

Mem. No. 38430

Place : Mumbai,

Date : 31ST August, 2009.

For and on behalf of The Board

S. M. MAHESHWARI

(Chairman & Managing Director)

ATUL MAHESHWARI

(Executive Director)

OM PRAKASH SINGHI

(Director)

Place : Mumbai,

Date : 31ST August, 2009.

LACTOSE (INDIA) LIMITED**REGISTERED OFFICE :: VILLAGE POICHA (RANIA), SURVEY NO. 6, SAVLI, DIST. VADODARA – 391 780****ATTENDANCE SLIP**

Shareholders attending the Meeting in persons or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

I hereby record my presence at the **ANNUAL GENERAL MEETING** of the Company at Village Poicha (Rania), Survey no. 6, Savli, Dist. Vadodara – 391 780 on Wednesday the 30th September 2009 at 3.00 P. M. and at any adjournment thereof.

Full name of the Shareholder

Signature of Shareholder

(in block capitals)

Folio No _____

Full Name of proxy

Signature of Proxy

(in block capitals)

LACTOSE (INDIA) LIMITED**REGISTERED OFFICE :: VILLAGE POICHA (RANIA), SURVEY NO. 6, SAVLI, DIST. VADODARA – 391 780****PROXY FORM**

Folio No.

I/We _____ of _____

name being a member of above Company, hereby appoint Shri/ Smt./ Kum _____ of

_____ in the district of _____

or failing him/her Shri/ Smt./ Kum _____ in the district of _____

for me or us on my/our behalf at the **ANNUAL GENERAL MEETING** of the Company, to be held on Wednesday the 30th September 2009 at 3.00 P. M. and at any adjournment thereof.

Signed this _____ day of _____

[Affix
| 1 Rupee |
| Revenue |
| Stamp |]

This proxy form duly completed must be received at the Company's Registered Office at least 48 hours before the meeting.

BOOK - POST

If undelivered, please return to :

LACTOSE (INDIA) LIMITED

Survey No. : 06

Village Poicha (Rania),

Savli, Dist. Vadodara,

Gujarat - 391 780.

SAMSON PRINTERS : ☎ 2265 2643