

**The big story
of the year is
not the 30%
growth in
operations and
the 16% growth
in profits we
registered.**

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CONSOLIDATED

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Forward-looking statements

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

STRIDES ARCOLAB LIMITED

Registered office : 201, Devavrata, Sector-17, Vashi, Navi Mumbai- 400705.

Corp Office : 'Strides House', Bilekahalli, Bannerghatta Road, Bangalore – 560076.



NOTICE is hereby given that the Nineteenth Annual General Meeting of Strides Arcolab Limited will be held on Monday, May 31, 2010 at 11.30 a.m. at The Regenza By Tunga, Plot no. 37, Sector 30–A, Vashi, Navi Mumbai - 400703 to transact the following business.

ORDINARY BUSINESS

1. To consider and adopt the Profit and Loss account for the year ended December 31, 2009, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To elect a Director in place of Mr. K.R Ravishankar, who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in place of Dr. Ronald Ling, who retires by rotation and being eligible, offers himself for re-election.
5. To appoint Deloitte Haskins & Sells, Chartered Accountants, Bangalore as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to authorize the Board of Directors / Audit Committee to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass the following resolution, as a Special Resolution:

RESOLVED THAT Mr. V.S Iyer, who was appointed as an Additional Director by the Board of Directors of the Company on January 19, 2010 pursuant to Article 114 of the Articles of Association of the Company and who holds office upto the date of ensuing Annual General Meeting of the Company under section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the Office of Director, be and is hereby appointed as Executive Director of the Company for a period of 5 years with effect from 19-01-2010 on terms and conditions of appointment including remuneration as stated hereunder:-

- Annual salary of Rs.2.25 Crores (cost to company (CTC)) including all allowances and perquisites.
- Bonus / Performance evaluation payment of upto 50% of CTC as may be recommended / approved by the Remuneration Committee / Board of Directors.
- Shall be eligible for annual increment in CTC every year as may be recommended / approved by the Remuneration Committee / Board of Directors.

Provision for use of Company's car for official duties and telephone at residence (including payment for local calls / long distance calls / broadband services) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the aforesaid period, the payment of the salary, perquisites and other allowances shall be governed by the limits prescribed under Section II, Part II of Schedule XIII of the Companies Act, 1956 or any amendment thereof.

RESOLVED FURTHER THAT the Board of Directors of the Company is be and hereby authorized to do all such acts, deeds, matters and things necessary to carry on the terms of this resolution.

By order of the Board
for Strides Arcolab Limited

Kannan. N
Company Secretary

Bangalore
Dated: April 22, 2010

- a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. Proxies, in order to be effective, must be received at the Registered Office / Corporate Office of the Company not less than FORTY EIGHT HOURS before the AGM.
- b) Members / Proxies should bring the enclosed Attendance Slip duly filled in for attending the Meeting.
- c) The Register of Members and share transfer books of the Company will remain closed from May 25, 2010 to May 31, 2010 (both days inclusive).
- d) Members holding shares in physical mode are requested to notify any change in their address to the Registrars of the Company.
- e) In compliance with Sections 205A and 205C unclaimed dividend for the year 2001-2002 has been transferred to the "Investor Education and Protection Fund" established by the Central Government. Members shall not be able to register their claim in respect of their un-cashed dividend with regard to the said dividend. Claims on unclaimed dividend, if any, for the succeeding financial years can be made to the Company or share transfer agents.
- f) Members are requested to apply for consolidation of folios, in case their holdings are maintained in multiple folios.

Explanatory Statement Under Section 173 of the Companies Act, 1956

Item No. 6

The Board of directors of the Company in their meeting held on January 19, 2010 had appointed Mr. V.S Iyer as an Executive Director for a period of 5 years with effect from 19th January 2010 at a remuneration detailed in the resolution. Mr. V.S Iyer was serving as CEO – India Operations as on the date of his appointment to the Board.

In terms of Section 260 of the Companies Act, 1956 and Article 114 of the Articles of Association of the Company, Mr. Iyer holds office as a Director upto the date of ensuing Annual General Meeting of the Company and is eligible for reappointment as a Director.

The Company has received a Notice under section 257 of the Companies Act, 1956 along with a deposit of Rs.500 from a member proposing the candidature of Mr. V.S Iyer for the office of the Director.

Mr. V. S Iyer has confirmed that he is not disqualified from being appointed as Director under Section 274(1) (g) of the Act.

Mr. V.S Iyer has also intimated the Company in terms of Clause 49 (IV) (E) (v) of the Listing Agreement that he holds 500 shares of the Company (both in his own name and on a beneficial basis by / for other persons).

Information as required under Schedule XIII of the Companies Act, 1956 and clause 49 of the Listing Agreements is given below:

I. GENERAL INFORMATION

1. Nature of Industry: Pharmaceutical Industry
2. Date or expected date of commencement of commercial production: Not applicable (Company is an existing Company)
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not applicable
4. Financial performance based on given indicators

Particulars	Rs. in Million		
	FY2009	FY2008	FY2007
Total Revenue	7,847.44	6,621.33	4,312.48
Total Expense	7,176.66	5,921.86	4,729.26
Profit/Loss After Tax	1,055.14	61.35	(1,152.14)
Dividend Rate	15%	Nil	Nil

Annual report for the year 2009 is attached with this notice.

5. Export performance and net foreign exchange collaborations:
Foreign Exchange Earnings on FOB basis amounted to Rs.6,299.45 Million as against Foreign Exchange Outgo of Rs.1,969.01 Million for the financial year ending December 31, 2009.
6. Foreign investments or collaborators, if any:
The Company is listed and as on March 31, 2010, the foreign holdings in the Company were 36.56%. There are no foreign collaborators.

II. INFORMATION ABOUT THE APPOINTEE

1. Back ground details

Mr. V. S. Iyer has a Masters in Science (Chemistry) and has a Diploma in Business Management. Mr. Iyer has been working with Strides Arcolab Limited since 1999 and has over 28 years of experience in the field of pharmaceuticals business. Before his induction into the Board, Mr. Iyer was serving in Strides in the position of CEO – India Operations.

2. Past remuneration, recognition or rewards, job profile and his suitability

Mr. V.S Iyer was drawing a remuneration of Rs.1.75 Crores (Cost to the Company) per annum during his term as CEO – India Operations.

Mr. Iyer's expertise in managing the operations of the Company and his understanding of the Pharmaceutical Industry as a whole has contributed significantly to the growth of the Company.

3. Remuneration proposed

As stipulated in the resolution.

4. Comparative remuneration Profile with respect to industry, size of the Company, profile of the position and person

Mr. V.S Iyer has held key positions in the Company ever since his employment in the year 1999. His technical expertise has helped the Company strategically, resulting in the Company to expand rapidly and benefit from key opportunities in the Indian and Overseas markets. Mr. Iyer is a Chairperson of the Scientific Advisory Board constituted by the Company consisting of eminent scientists and key opinion leaders in their respective domains.

His skill set and his experience places him in a correspondingly equal position to major pharmaceutical companies in India. Considering the general industry and the specific company profile, the proposed remuneration is in line with the industry levels and that of comparatively placed companies in India.

5. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any Mr. V.S Iyer has pecuniary relationship with the Company in his capacity as a Whole Time Director. He is not related to any of the managerial personnel in the Company.

III. Other information

Reasons for loss or inadequate profits, steps taken or proposed to be taken for improvement and expected increase in productivity and profits in measurable terms: Not applicable

This disclosure is only an enabling disclosure for payment of remuneration in the unlikely scenario of loss / inadequacy of profits.

The shareholders are also requested to refer to the Directors' Report and Management Discussion and Analysis Report, which forms part of the Annual Report for the year 2009, which is sent with this notice, for a detailed analysis on the Company's performance and outlook for future.

IV. Disclosures

The proposed remuneration package of the Managerial Personnel is detailed in the resolution. The Corporate Governance report which forms part of the Directors' Report contains details of remuneration paid to all Directors.

ADDITIONAL DISCLOSURE AS REQUIRED UNDER CLAUSE 49 IV (G) OF THE LISTING AGREEMENT WITH NSE/BSE ARE AS UNDER:

- 1) **A brief resume of the director and nature of his expertise in specific functional areas:** As given under Section II above.
- 2) **Shareholding of the director in the Company:** Mr. V.S Iyer holds 500 equity shares in the Company.
- 3) **Companies in which directorships and committee memberships held:** Mr. V.S Iyer holds directorship in Higher Pharmatech Private Limited, Onco Therapies Limited and Strides Specialties Private Limited. He does not hold membership in any committee.

The Board considers that his association as a Director will be beneficial to and in the interest of the Company.

The Board recommends the resolution for approval of the shareholders.

None of the Directors except Mr. V.S Iyer is concerned or interested in this resolution.

By order of the Board
for Strides Arcolab Limited

STRIDES ARCOLAB LIMITED

Registered office : 201, Devavrata, Sector-17, Vashi, Navi Mumbai- 400705.

Corp Office : 'Strides House', Bilekahalli, Bannerghatta Road, Bangalore – 560076.



ATTENDANCE SLIP

Please complete this Attendance Slip and hand over at the entrance of the Meeting Hall.

Folio / DP & Client ID No :
No. of shares held:

Name of the attending member/Proxy
(In BLOCK Letters)

I hereby record my presence at the NINETEENTH ANNUAL GENERAL MEETING of the Company, held at The Regenza By Tunga, Plot no. 37, Sector 30–A, Vashi, Navi Mumbai - 400703 on Monday, the Thirty-first day of May 2010 at 11.30 a.m.

Signature of the shareholder/proxy

CUT HERE

CUT HERE

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Corp Office : 'Strides House', Bilekahalli, Bannerghatta Road, Bangalore – 560076.



PROXY FORM

Folio / DP & Client ID No. :
No. of shares held:

I/ We _____ of _____ being a member/ members of the above named company, hereby appoint _____ of _____ or failing him _____ of _____ as my /our proxy to attend and vote for me / us and on my /our behalf at the NINETEENTH ANNUAL GENERAL MEETING of the Company, held at The Regenza By Tunga, Plot no. 37, Sector 30–A, Vashi, Navi Mumbai - 400703 on Monday, the Thirty-first day of May 2010 at 11.30 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2010

Signed by the said _____

Affix Re.1
Revenue
Stamp

Note : The proxy to be effective, should be deposited at the Registered Office / Corporate Office of the Company not less than 48 hours before the commencement of the Meeting.

The big story is that we reorganised, with an enhanced focus on Specialty Pharmaceuticals and moved nearer to becoming a global pharmaceutical company.

Highlights

We could write reams about the achievements and progress Strides Arcolab Limited made in 2009 but we prefer to let our numbers do the talking.

We reorganised our business into three divisions focused on Specialties, Pharmaceuticals and Branded Generics. We are on the cusp of accelerated growth with Specialty Pharmaceuticals as the core business, supported by one of the largest Specialty manufacturing capacities in the world.

23%

increase in total income to Rs.13,283 Million in FY2009 from Rs.10,799 Million in FY2008

62%

rise in operational EBIDTA to Rs.2,105 Million in FY2009 from Rs.1,296 Million in FY2008.

16%

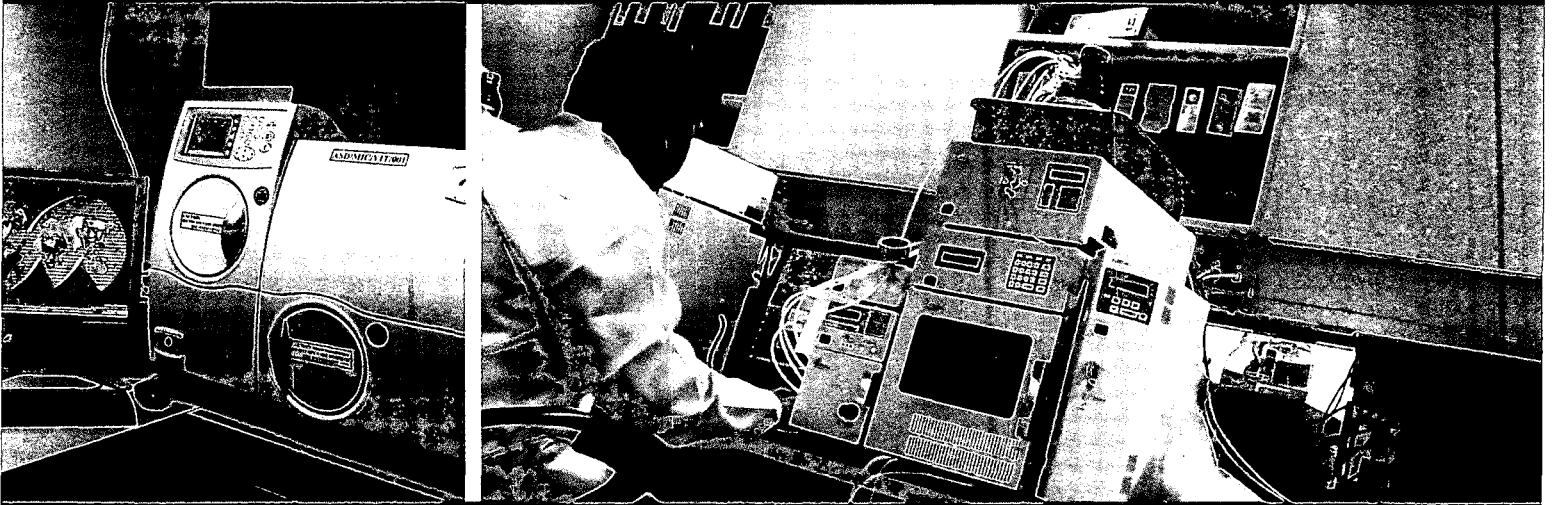
growth in PAT to Rs.1,210 Million in FY2009 from Rs.1,041 Million in FY2008.

400

basis points surge in EBIDTA margin to 16% in FY2009 from 12% in FY2008.

9%

hike in Research and Development expenditure to Rs.581 Million in FY2009 from Rs.533 Million in FY2008.



22

new formulations
introduced in FY2009

51

new ANDAs
FY2009

5

new geographies

75

18

new clients added
during FY2009; taking
total clientele to 69

965

fresh recruitments during
FY2009; takes total
employee strength
to over 2,700

Highlights

continued

Highlights, 2009

Record ANDA filings - 51 filings against a guidance of 40.

Bought back FCCBs worth face value of USD 26 Million.

Commenced commercial supplies of Oseltamivir capsules for treatment of Influenza-A (H1N1) and received a bulk order from the Ministry of Health (MOH), Government of India.

Realigned global operations into three separate businesses - Specialties, Pharmaceuticals and Branded Generics.

Launched 'Ray of Life' - critical care division in the Branded Generics space in India.

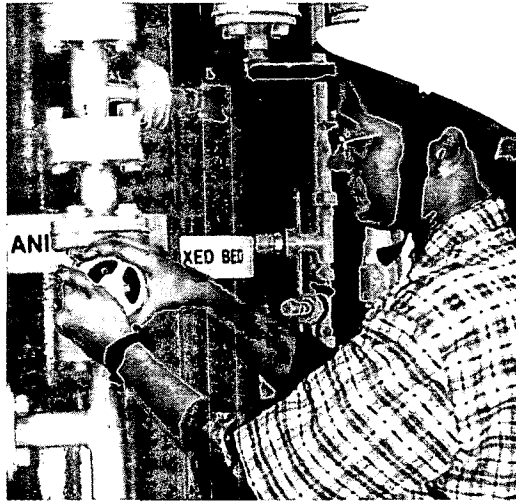
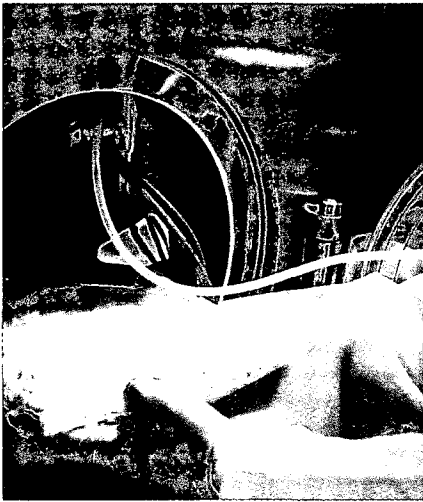
Post balance sheet developments

Restructured Oncology arrangements with Aspen - Strides Arcolab Limited to acquire 100% interest in Oncology Joint Ventures.

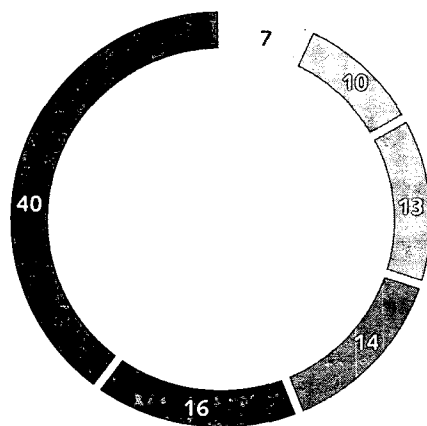
Received USFDA approval for 6 more Specialty products taking the total to 23.

Entered into partnership with Pfizer for licensing of Specialty sterile injectables for US markets.

To acquire Penems and Penicillins facility at Campos, Brazil from Aspen.



Revenue from regions in FY2009 (%)



- North America
- Latin America
- India/Rest of World
- Europe
- Africa
- Australasia

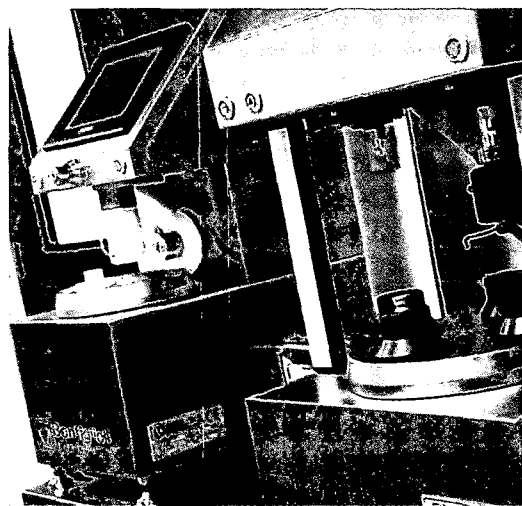
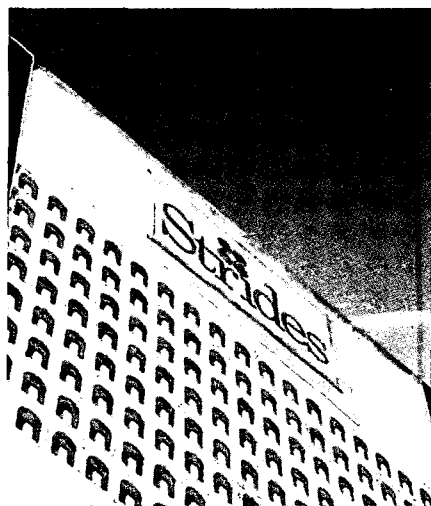
Does not include Rs.2,213 Million sales in ATM division (AIDS, TB and Malaria) supplies to multilateral agencies such as UNICEF, USAID, USPEPFAR and WHO.

Corporate Identity

Strides Arcolab Limited has emerged as one of India's fastest growing manufacturers and exporters of branded and generic finished pharmaceutical dosage forms and Specialty Pharmaceuticals; with manufacturing facilities in 6 global locations and a presence in over 75 countries.

Vision

To be a profitable provider of high quality pharmaceutical products and solutions that create strategic value for our partners and to provide a rewarding workplace for our employees.



Incorporated in 1990

Collaboration with 5 of the top 10 global pharmaceutical players

Presence in over 75 countries

100+ products under development

14 state-of-the-art manufacturing facilities across six countries

Embedded **Research and Development** offers end-to-end solutions from concept to delivery

Among the top 5 soft gelatin capsule manufacturers in the world

174 product registrations

Annual installed capacity of steriles up by 5X for lyophilisation units and 10X for liquid units

333 filings in regulated markets in the last three years

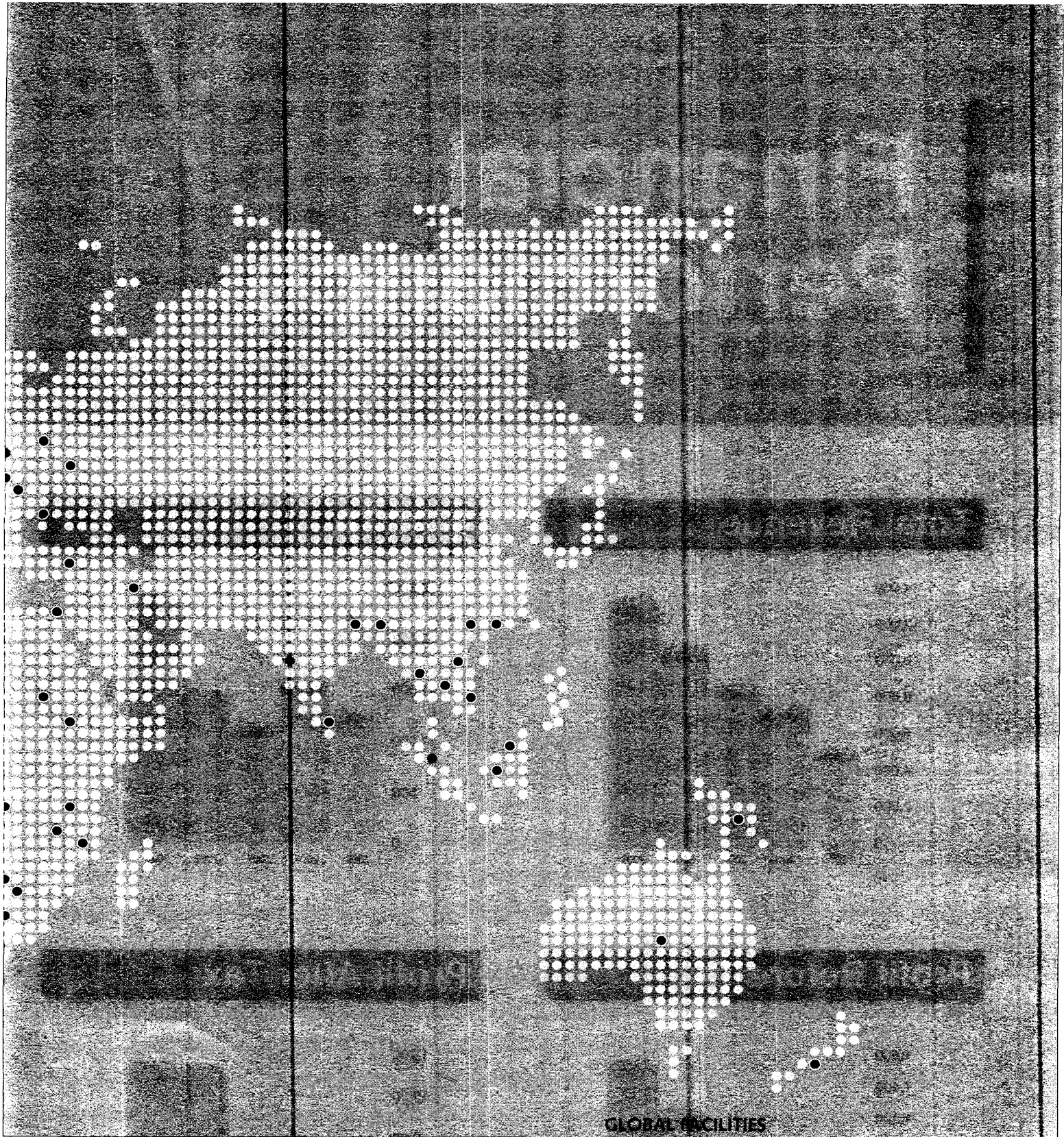
Intellectual capital of over 2,700 people

Our Presence



PRESENCE

- | | | | |
|----------------------|---|-----------------|----------------------|
| 1. Australia | 13. Costa Rica | 24. Haiti | 36. Mali |
| 2. Bangladesh | 14. Cuba | 25. Honduras | 37. Mexico |
| 3. Belarus | 15. Czech Republic | 26. Hong Kong | 38. Mozambique |
| 4. Republic of Benin | 16. Denmark | 27. Iceland | 39. Myanmar |
| 5. Botswana | 17. Democratic Republic
of the Congo | 28. India | 40. Namibia |
| 6. Brunei | 18. El Salvador | 29. Iraq | 41. Netherlands |
| 7. Burkina Faso | 19. Ethiopia | 30. Israel | 42. New Zealand |
| 8. Cameroon | 20. Gabonese Republic | 31. Ivory Coast | 43. Norway |
| 9. Cambodia | 21. Germany | 32. Jamaica | 44. Panama |
| 10. Canada | 22. Ghana | 33. Kenya | 45. Papua New Guinea |
| 11. Chile | 23. Guatemala | 34. Malawi | 46. Peru |
| 12. Colombia | | 35. Malaysia | 47. Philippines |



GLOBAL FACILITIES

- 48. Portugal
- 49. Republic of Chad
- 50. Republic of the Congo
- 51. Senegal
- 52. Serbia
- 53. Slovakia
- 54. South Africa
- 55. Spain
- 56. Sri Lanka
- 57. Sudan
- 58. Sweden
- 59. Tanzania

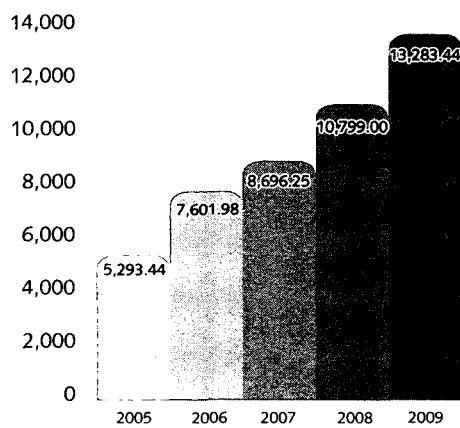
- 60. Thailand
- 61. Trinidad and Tobago
- 62. Turkey
- 63. United Kingdom
- 64. United States of America
- 65. Uganda
- 66. Ukraine
- 67. Venezuela
- 68. Vietnam
- 69. Zambia
- 70. Zimbabwe

- 1. Campo, Brazil
- 2. Lagos, Nigeria
- 3. Bangalore, Mysur and Mumbai, India
- 4. Milan, Italy
- 5. Warsaw, Poland
- 6. Jurong, Singapore

Financial Performance

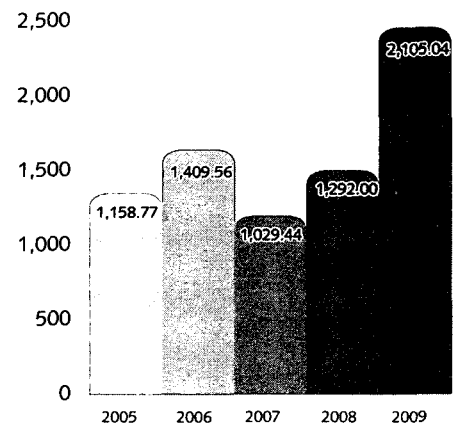
Total Revenue

(Rs. in Million)



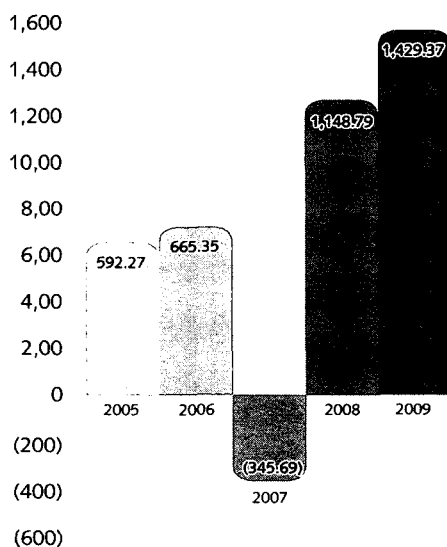
EBIDTA

(Rs. in Million)



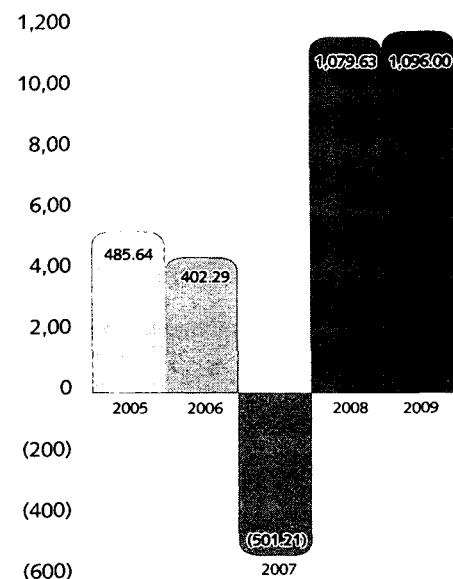
Profit Before Tax

(Rs. in Million)



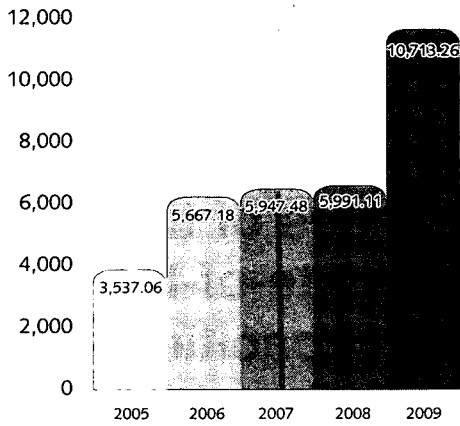
Profit After Tax

(Rs. in Million)



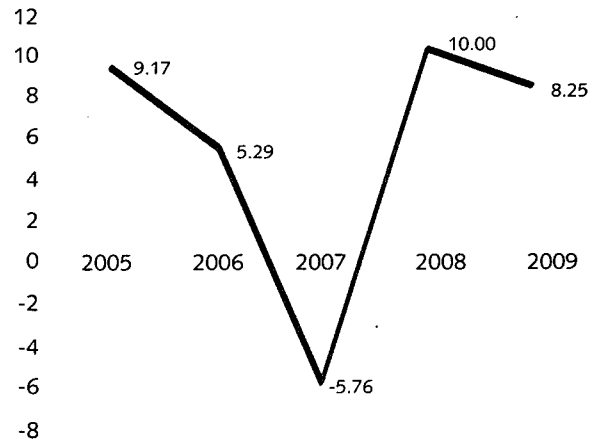
Gross Block

(Rs. in Million)



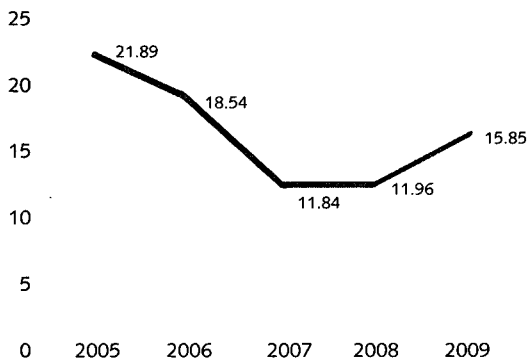
PAT Margin

%



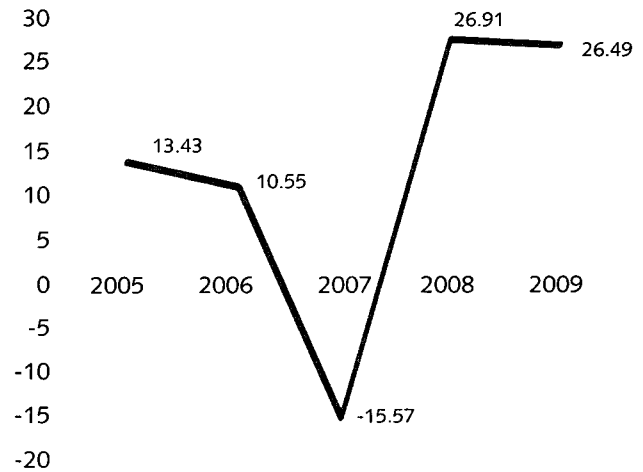
EBIDTA Margin

%

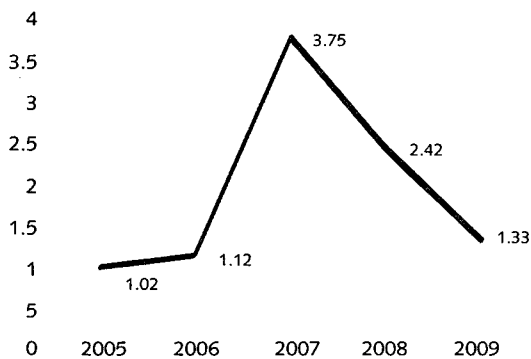


Earning Per Share

(Rs.)



Debt-Equity Ratio



CEO's Message

Leading pharmaceutical companies of the world partner with us because of our state-of-the-art manufacturing facilities, global capacities, requisite regulatory approvals and a wide portfolio of products. Our presence in different geographies also works to our partners' benefit by way of near sourcing.

Dear stakeholders,

It has been an eventful year in many ways. We have fundamentally reorganised our business to better address market opportunities; and fortuitously enough, the global market itself has taken an upturn. The impact of the slowdown has ebbed and there is resurgence in many economies. This opens up new opportunities, renders investment accessible and creates a business climate favourable for expansion and growth.

STRONG OPERATIONAL METRICS

- Revenues from continued operations grew at 33% from Rs.9,977 Million to Rs.13,283 Million.
- Total Revenues grew at 23%
- Operational EBIDTA grew at 63% to Rs.2,105 Million
- EBIDTA margin increased by 400 bps to 16%
- PAT (before minority) grew at 16% to Rs.1,210 Million

BUSINESS RESTRUCTURING

We have restructured our global operations into three divisions - Specialties, Pharmaceuticals and Branded Generics. The new structure will refocus our efforts, unlock embedded value and result in accelerated growth on all the three fronts.

SPECIALTIES BUSINESS

Our Specialties business recorded 27% growth, with turnover increasing to Rs.3,743 Million as against Rs.2,955 Million last year. This resulted in an enhanced EBIDTA of approximately 54%. The main contributors to this accelerated growth were our scale of operations, regulatory approvals, expanded product portfolio, and enhanced value addition. Research and

Development has been our source of competitive advantage by creating a pipeline of new products that will accelerate our growth in the future.

The Oncology business is the largest segment in the Specialties division. We have one of the largest Oncology portfolios with 40 products in Phase I testing and 16 products in Phase II testing. We have tie ups with Pfizer for the US market, as well as with GSK and Aspen for the emerging markets. We also intend to market our products ourselves in select territories.

PHARMACEUTICALS BUSINESS

Our Pharmaceuticals business recorded 11% growth taking our turnover to Rs.4,448 Million from Rs.4,009 Million last year. The highlight of the year was our tie-up with the Ministry of Health, Government of India to supply Oseltamivir capsules to counter the Influenza epidemic.

BRANDED GENERICS BUSINESS

In the Branded Generics business, our strategy of inorganic growth resulted in a significant 74% increase in turnover which touched Rs.5,905 Million as against Rs.3,397 Million in the last year. We achieved this level of growth on account of enhanced focus on the regions of Australasia, Africa and India. We seek to enter new areas in emerging markets to expand our Branded Generics business.

NEW FACILITY

Our new state of the art sterile plant at Bangalore commenced operations during the year. The plant was set up with an investment of Rs.1,750 Million and it houses a unit dedicated to the manufacture of Oncology products. The plant received



most of the regulatory approvals in a record time of less than a year. The USFDA approval is expected in May, 2010.

COLLABORATION WITH PFIZER

Strides Arcolab Limited entered into a collaboration agreement with Pfizer that will significantly increase the generics business of the world's largest pharmaceutical company. The product license is specifically for the United States where sterile injectables command a market of USD 11 billion. These products will be supplied by Strides Arcolab Limited and our Joint Venture with Aspen – Onco Therapies. Pfizer plans to commercialise 40 off-patent oncology injectables to healthcare providers and patients in USA. The first products to be commercialised under this agreement are expected to be launched in 2010.

MOVING AHEAD

Our competitive advantage will be shaped in future by a clearly defined strategic roadmap, which encompasses:

- An endeavour to grow top line by 35-37%; and EBIDTA by over 70%, with EBIDTA margins in the range of 20-21%.
- A strong focus on the sterile business.
- Continue partnerships with the world's biggest pharmaceutical companies.
- Leading regulatory filings in the Research and Development space.
- Rejig our Research and Development portfolio to move up the value chain.

- Significant top and bottom line growth in Specialties business.
- Optimising capacity utilisation.
- Enhance accuracy in quality control through real time monitoring.
- Optimise use of working capital.
- Build and invest in intellectual capabilities.

I would like to sincerely thank members of our Board for diligently representing the interests of our shareholders.

I also take this opportunity to express my appreciation to all our shareholders for their trust in us.

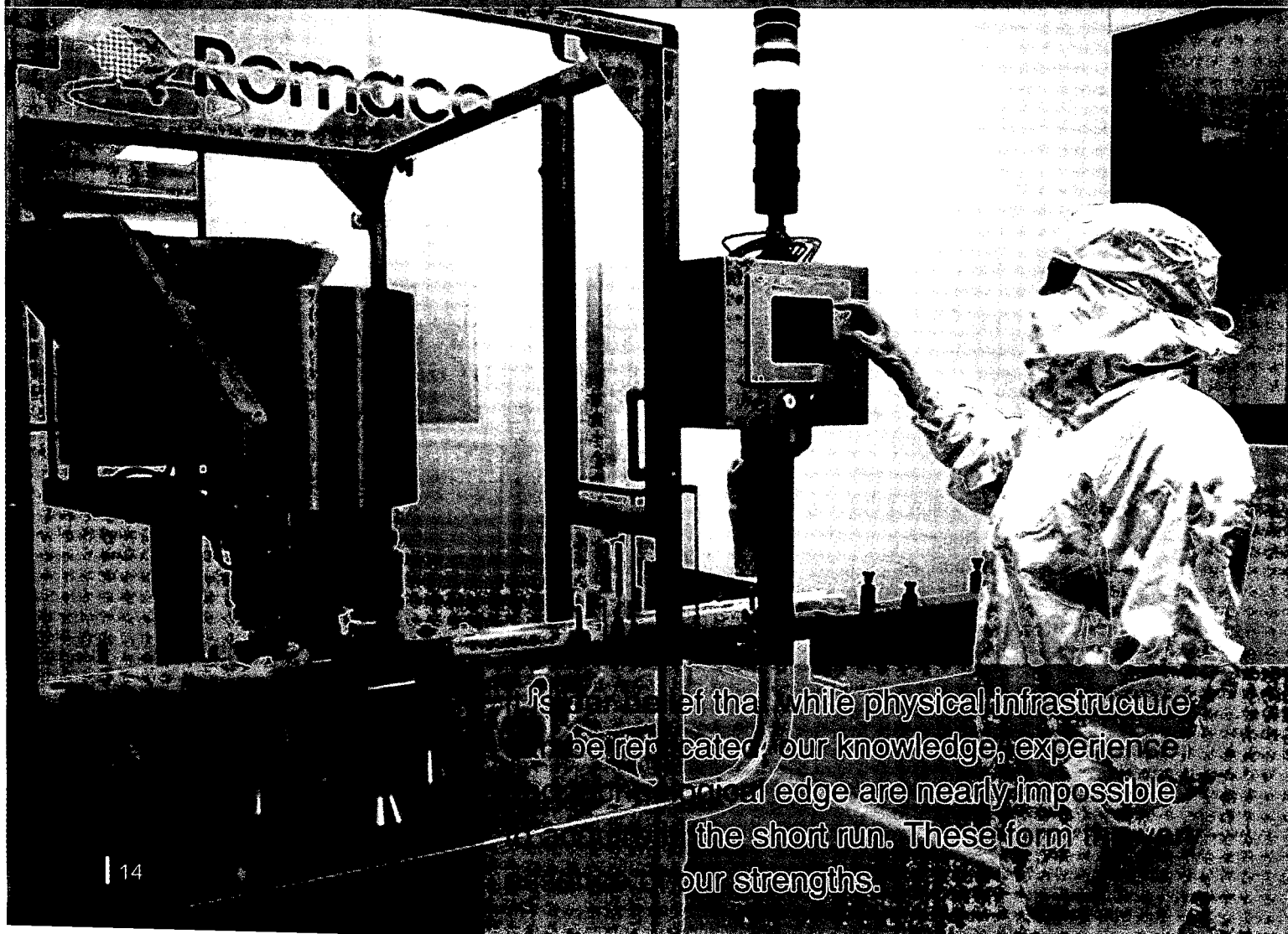
We work with the attitude to maximise returns on the investments you have made in Strides Arcolab Limited. In a world that is hungry for optimism and good news, I am proud to state that we are indeed making a positive difference.

The various growth engines we have put into motion will gather momentum and deliver returns at a pace we have not experienced in the past. This will enable us to create wealth and enhance shareholder value exponentially.

Arun

Corporate Strengths

High quality products, state-of-the-art manufacturing capabilities across therapeutic categories and dosage forms, regulatory approvals, product accreditations, research edge, manufacturing facilities across geographies and intellectual capital are our major corporate strengths.



Research and development, while physical infrastructure can be replicated, our knowledge, experience, and research edge are nearly impossible to replicate in the short run. These form our strengths.

EXPERIENCE

Possess a rich experience in research, development and manufacture of pharmaceutical products.

LEADERSHIP THROUGH PARTNERING

We partner 5 of the top 10 global pharmaceutical majors in Australia, South Africa, Europe and USA. A significant portion of our order book (as on December 31, 2009) is comprised of repeat orders from longstanding clients.

DIVERSITY

We have reorganised our business to address three diverse fields –Specialties, Pharmaceuticals and Branded Generics.

PRODUCT PORTFOLIO

Our diverse portfolio of products includes Orals, Semi Solids and Specialty injectables including Beta-lactam, Cephalosporin, Oncolytics and Penems; addressing a wide variety of therapeutic needs.

GLOBAL VISIBILITY

Our portfolio of products is exported to over 75 countries across the world, validating their wide acceptance.

MODERNISED TECHNOLOGY

Our practice of investing in modern technology has helped us reduce conversion costs, optimise batch changeover time, and achieve lower rejection levels, resulting in increased flexibility in production, high quality products, improved input-output ratio and better asset utilisation.

RESEARCH DRIVEN

Our Research and Development team consisting of over 350 highly qualified personnel offers concept to delivery solutions. The team has created a ready to market pipeline of products across all dosage forms that are free from any patent infringements.

QUALITY

All our manufacturing units follow globally benchmarked quality protocols.

TALENT POOL

Possess a pool of about 2,700 people with decades of rich industry experience.

FINANCIAL

We have a consolidated reserve and surplus of Rs.7,240.92 Million and a balance sheet size of more than Rs.25,000 Million, as on December 31, 2009.

FACILITIES

We have 14 state-of-the-art manufacturing facilities in India, Singapore, Brazil, Nigeria, Poland and Italy offering our partners the advantage of choosing their preferred location to source our products.

SCALE

We have one of the largest Specialty, lyophilisation (freeze drying) and Softgel capacities in the world.

Business Divisions

Corporate division strategies, policies and future plans are generally shrouded in secrecy. So, here is a comprehensive discussion on all of it.

Several business divisions and geographies contribute to our expanding top and bottom line. We analysed each of these as individual ventures and set targets for these divisions.

Specialty

Revenue from division	Rs 3,743 Million
% of total revenue	27%
% growth over FY2008	27%
EBIDTA	Rs 928 Million
EBIDTA margin	25%

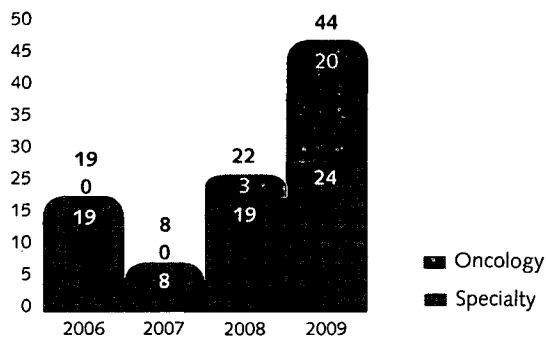
OVERVIEW

- Our Specialties business division has one of the world's most competitive Specialty plant having the largest lyophilisation (Freeze drying) capacity. It is also India's largest Specialty complex.
- Operates through seven world class manufacturing facilities, with products marketed globally.
- Develops and manufactures steriles across therapeutic areas and formats (Anti-infectives, Oncology, CNS, GI) for global pharmaceutical companies.
- Research and Development capacity to develop over 120 products per annum translating to 40+ filings in a year.
- Sustainable and high growth business model based on partnership with global pharmaceutical companies, while capitalising on opportunities in select markets.

DIVISION STRATEGY

- Build global manufacturing capabilities.
- Build strong Research and Development, regulatory capabilities – through co-development with customers.
- Initial market focus on niche, and opportunistic products.
- Further consolidate manufacturing.
- Filings for large value molecules.
- Sales focus on North America and Europe.

NUMBER OF ANDA FILINGS



HIGHLIGHTS, FY2009

- Our new Specialty complex (amongst largest global plants) went on stream commercially in November, 2009 with EU/PIC approvals.
- Received USFDA inspection approval status for its steriles injectable complex at Bilekahalli, Bangalore with "Zero 483's Status."

OUTLOOK

Moving ahead, our plans to grow its specialty pharmaceutical business by over 50% with an EBIDTA margin of 30% on account of multiple product launches from new capacities and strong licensing income.

Pharmaceuticals

Revenue from division	Rs. 4,448 Million
% of total revenue	31%
% growth over FY2008	11%
EBIDTA	Rs. 642 Million
EBIDTA margin	14%

OVERVIEW

- Manufacturing facilities in India and Milan, Italy with strong presence in therapeutic divisions of ARV's / TB / Malaria.
- Intellectual property led manufacturing partnerships in the US, the UK, Australia, New Zealand and South Africa.
- High value Contract Manufacturing Organisation (CMO) business.

Business Divisions

continued

- One of the largest softgel capacities in the world (the facility includes oral dosage form facility approved by all regulatory bodies) in Bangalore, India.
- EU approved semi solids facility in Milan, Italy.
- Amongst the most competitive provider of oral products to regulated market across the world.
- Possesses a branded portfolio of Orals across therapeutic formats – Immunosuppressants, Softgel caps, Orals in tablets, capsules, and semi solids.
- Proficient Research and Development framework capable of developing and filing products in all regulated markets. It has the capacity to develop over 20 products per annum with full CTD dossiers.
- Significant player in AIDS, Tuberculosis and Malarials business with contractual arrangement with renowned global aid and charitable organisations like UNICEF, PEPFAR, and the Clinton Foundation. We have also entered into a joint venture with Sandoz for manufacture of Tuberculosis drugs.

DIVISION STRATEGY

- Strengthen business model by enhancing portfolio of global partnerships.
- Enhance portfolio of value-added products delivering higher margins.
- Realign operations in India and abroad to attain greater efficiency and customer focused operations.
- Generate repeat business from existing clients.
- Increase product portfolio to cater to a wider range of consumers and patients.

OUTLOOK

Moving ahead, we hope to increase the pharmaceuticals business by 10-11% through superior focus on core competencies.

Branded Generics

Revenue from division	Rs 5,905 Million
% of total revenue	42%
% growth over FY2008	74%
EBIDTA	Rs 758 Million
EBIDTA margin	13%

OVERVIEW

- We are a leading player in the Branded Generics division; operating through Ascent Pharma in the Australasia region. It is among the top five generic companies in Australasia and No.1 generic company in Singapore.
- In the Africa region, we are a leading Indian player in pharmaceutical and nutraceutical division.
- In India we are emerging as a niche player.

DIVISION STRATEGY

- Grow the international business by expanding into new geographies.
- Leverage operational synergies in areas such as raw material, quality control, and product placement among others.
- Establish long term contracts with customers for sustainable revenue growth and margins over the next few years.
- Back the business units with a strong and independent Research and Development company.
- Enter niche divisions that offer attractive margins.
- Use prudent recruitment to strengthen our intellectual capital.
- Optimise the use of equipment, people, materials and funds.

COUNTRIES IN FOCUS FOR BRANDED GENERICS**INDIA**

- Grandix integration process on with Strides Arcolab Limited.
- Launched our critical care facility called Ray of Life (ROL) in December, 2009 to address the demand for quality critical care in India. This venture will benefit from the range of products of our specialty division.

AFRICA

- We manufacture and market quality Branded Generic pharmaceutical products in the region with a footprint that spans West Africa, French Africa, and other parts of Africa.
- Operate three dedicated manufacturing units.
- Possess over 300 product registrations.
- Primary focus on volume driven generics and margins driven brands business.
- Future plans for regional capital expansion to help enhance and sustain growing business.

AUSTRALASIA

- We operate as Ascent Pharmahealth in the Australasia region. It is a leading generic, pharmaceutical, and consumer health company, listed on the Australia Securities Exchange (ASX) and operating in Australia and Singapore. It has a growing presence in 5 other emerging South-East Asian markets. It has a manufacturing facility in Jurong, Singapore.
- Over 60 generic products registered in Australia and over 400 registered prescription and OTC products registered in eight South-East Asian markets.
- Sustainable business model driven by customer focus and catering to a broad cross section of medical requirements.
- Entered into an agreement with Pfizer to sell and promote the company's off-patent products in Australia.
- A future pipeline of generic pharmaceuticals undergoing development and registration. This pipeline includes all major products whose patents expire by 2014.

OUTLOOK

Moving ahead, we plan to enhance our Branded Generics business by 15 -16% through stringent focus on improved efficiencies.

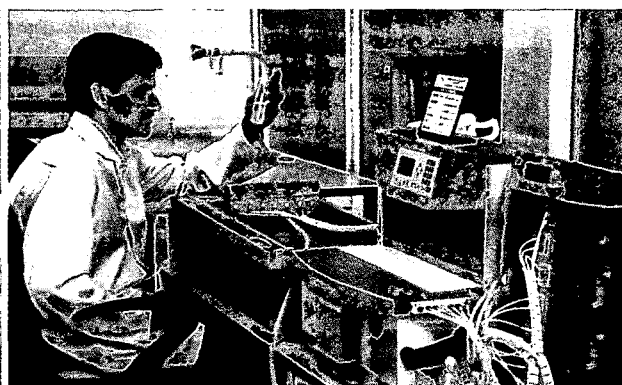
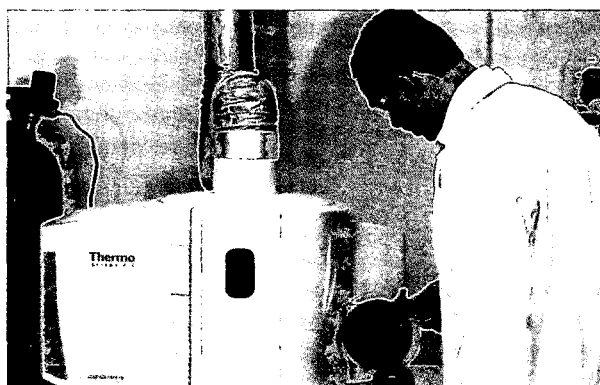
Research and Development

We leverage the India advantage in undertaking pharmaceutical research with our domain expertise in successfully developing and filing products in regulated markets to the advantage of the company and our partners.

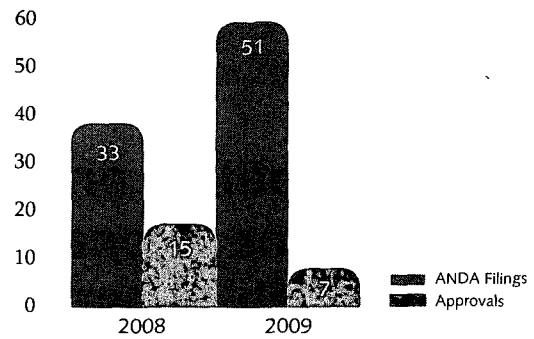
Strides Technology and Research (STAR) is our global pharmaceutical research centre. Its key activities include identification and characterisation of the reference drug, information on drug product, patent and regulatory review, pre-formulation studies, formulation development, analytical method development, analytical method validation, packaging development, scale up from laboratory, stability studies, bioequivalence studies, preparation and submission of technical dossier.

STAR has capabilities to work on a variety of dosage forms including oncolytics, peptides, penems, suspension injection, tablets and softgel oncolytics, ophthalmics and mini bags.

Location	Bangalore, India
Revenue from Research and Development	Rs.1,011 Million
Research and Development expenditure	Rs.581 Million
% growth over FY2008	9%
No. of researchers	350+
No. of products under development	100+
Key focus	<ul style="list-style-type: none"> • Clinical supplies manufacturing • Process development • Analytical services • Packaging development • Microbiological testing

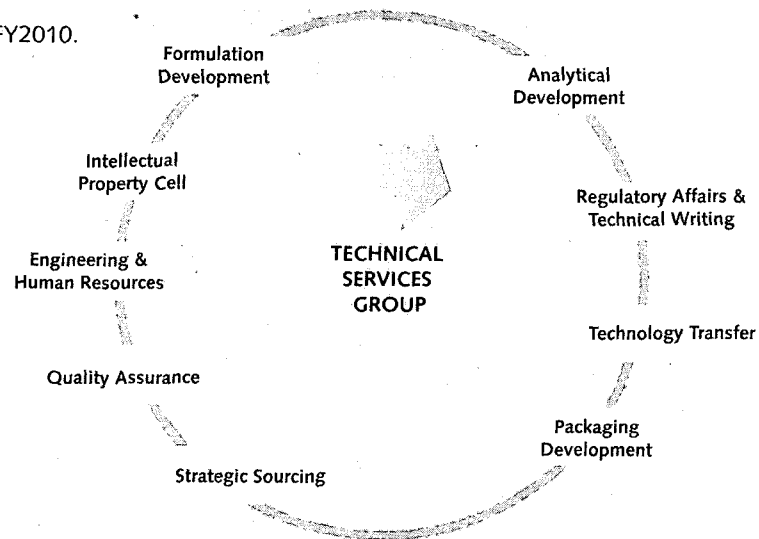


NUMBER OF ANDA FILINGS VS APPROVALS

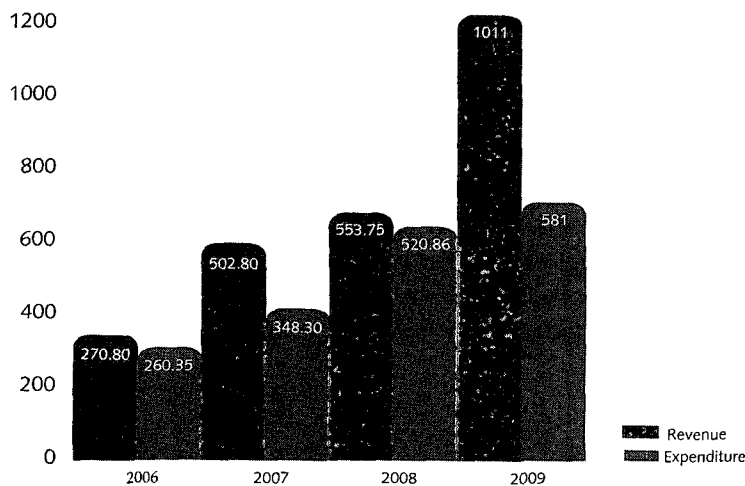


HIGHLIGHTS, FY2009

- Record 51 ANDAs filings. (44 filings in Specialty)
- 125 ANDAs filed with US FDA since 2006 resulting in 33 approvals and 92 pending approvals.
- Guidance of 40 dossiers in FY2010.



RESEARCH AND DEVELOPMENT EXPENDITURE AND REVENUE



Intellectual Capital

In a competitive and knowledge intensive industry, the successful company is inevitably the one with superior skills and competencies.

Our people and their technical, commercial acumen and leadership capabilities are at the core of our intellectual capital. We follow a policy of recruiting the best, and offering them a conducive work environment, in a learning focused organisation that recognises talent and rewards achievement.

At Strides Arcolab Limited, human resource management is the key to our existence and growth. We approach HR as a strategic partner to drive growth. Building leadership capacity and capability in people is at the core of all our HR initiatives. All our policies are geared towards attracting, retaining and empowering talented professionals to reach their full potential in terms of productivity.

The process is transparent and uniform. We employ about 2,700 employees as on December 31, 2009, out of which over 500 are on our global sites, representing our multi-cultural work environment.

CAPACITY BUILDING

Our recruitment plans are made on the basis of the requirements of individual departments, who access their need for additional staff, in line with their business targets. For the first time, this year, we recruited management trainees from reputed campuses, while continuing our lateral hiring from industry; for our vacancies in the middle and senior

level. We also completed recruitments for our new Specialty and Oncology facility in Bangalore.

During the FY2009, we added 965 new members and going ahead, we have plans to hire selectively, while concurrently investing in capabilities improvement to drive organic growth.

CAPABILITY BUILDING

New recruits in the Company undergo both induction and on the job training. Permanent employees undergo extensive training in technical and non technical topics for skill enhancement. We have a policy to screen and identify emerging leaders. The selected people are then given superior training to enhance their technical and soft skills before taking up key managerial roles.



PERFORMANCE APPRAISAL

We implemented the Balanced Scorecard system and instituted a robust review mechanism. We seek to inculcate an organization wide performance mechanism based on the "Commit and Deliver" credo.

Every year, employees in the category of team leaders and above participate in a minimum of three reviews. Apart from the fixed pay, employees are entitled to attractive variable pay related to their performance as per their Balanced Scorecard.

RETENTION STRATEGIES

The ESOP scheme for the middle and senior management level has enhanced emotional and financial ownership. Our attrition rate during the year was considerably below the industry average.

The formalisation of the HR process will lead to efficient management of our multi-lingual and multi-cultural employee base.

Corporate Citizenship

It is assumed that corporate social responsibility is consequent to growth. We believe it is concurrent to our existence.

Corporate social responsibility and sustainability is as central to our business as pharmaceuticals. We pursue both with equal passion and we contribute to the development of regions where we operate.

PARIVARTAN

We endeavor to make a positive contribution to the underprivileged sections of the society. The CSR initiatives at Strides Arcolab Limited are run under the newly launched banner "Parivartan".

EDUCATION

- We seek to help underprivileged students develop a strong educational foundation, and a deep sense of self esteem. To achieve this goal, we adopted 250 underprivileged children of the Government High School, Gotigerre, Bannerghatta Road. The School was chosen keeping in mind its strategic location which made it easy for our employees to engage and contribute. We created five teams and leaders to focus on Academic Programme Excellence (APEX), Big Buddy (BB), Parents Improvement Programme (PIP), Development of Vocational Skills (DOVS) and Teachers Training (T2) at the Gottigere Government School. Over 100 employees have volunteered to be mentors and trainers for these children.

Some of the activities carried out include

- Life skills training to the children from 4th to 7th class.
- Short events like sapling plantations, Independence Day painting competitions, cricket and throw ball matches with various other Government schools.
- APEX and Big Buddy programs are very successful and several employees are actively engaged.

Our employee volunteers have been involved in these activities in a sustained manner, and the company seeks more worthwhile causes to encourage their continued involvement. The involvement of our employees in the CSR activities of the Company has enabled them to contribute positively to society while learning and imbibing leadership traits.

Other activities

- Installing street lights in the villages in and around Jigani facility.
- Regular medical camps.
- "Running for a cause" events.
- Creating opportunities to donate funds.



OUR EFFORTS IN COMBATING GLOBAL PANDEMICS ATM (HIV/AIDS, TUBERCULOSIS AND MALARIA)

We have developed generic drugs for the treatment of three global pandemics - HIV/AIDS, tuberculosis and malaria. Several products have been granted tentative approval by the US FDA under the PEPFAR scheme and have received WHO pre-qualification.

We work closely with global procurement agencies which cater to most endemic disease prone regions in Africa, Asia and Latin America and are a key supplier to programmes funded by PEPFAR, UNITAID and the Global Fund to fight HIV/AIDS/TB/Malaria. The Company is also a Clinton Foundation partner.

"Influenza – A (H1N1)" is another global pandemic that has had a global impact. We are one of the select few that were fully equipped to handle any emergency since the outbreak of the epidemic and we partner the Ministry of Health (MOH), Government of India in its efforts to contain the epidemic.



Risk Management

Our goal in Risk Management is to improve predictability in our business.

At Strides Arcolab Limited, de-risking our business and mitigating impact of the uncertain future is part of our integrated approach to enhance sustainability and improve stakeholder returns.

Risk identification	Risk definition	Risk relevance	Risk mitigation
Regulatory risk	Strides Arcolab Limited may not possess the necessary regulatory approvals for its manufacturing facilities, thus limiting its capability to undertake contract manufacturing.	Filed a series of applications for approvals of drugs in various categories.	<ul style="list-style-type: none"> Successfully completed 9 major audits during FY2009. One of the few global companies to receive regulatory approvals from major regulatory agencies like US FDA, Australian TGA, ANVISA, Health Canada and MHRA among others. Strides Arcolab Limited has been serving several clients in regulated markets.
Operations risk	Strides Arcolab Limited may have inadequate operational facilities, impacting production.	Operates 14 state-of-the-art manufacturing facilities in 6 regions of the world.	<ul style="list-style-type: none"> Globally benchmarked manufacturing facilities, certified by the top world regulatory authorities cater to the need of leading pharmaceutical players. Ensures preventive maintenance at all facilities, thus minimising breakdowns, and enhancing uninterrupted operation. Strict and stringent quality management system is adhered through the manufacturing processes. Continuous review mechanism to enhance optimum utilisation of operational facilities. Has in place a real-time SCADA system which enables one point control of the manufacturing process.

Risk identification	Risk definition	Risk relevance	Risk mitigation
Raw material risk	Inability to procure quality raw material at the right time and price might impact its profitability.	Around 39% of raw material requirement is imported.	<ul style="list-style-type: none"> Entered into long-term contracts with approved vendors, establishing Strides Arcolab Limited as a preferred buyer. Conducted vendor rating to minimise supply interruptions. Substitute expensive material with easily available economical alternatives without compromising the quality of the end-product.
Marketing risk	Improper marketing could hamper product visibility and brand.	Strides Arcolab Limited enjoys an extensive geographic presence (in over 75 countries)	<ul style="list-style-type: none"> Marketing department closely monitors relationships with customers to ensure repeat business. Established superior communication networks with major pharmaceutical agencies around the globe for business development. Monitors global pharmaceutical trends and supplies critical inputs for the Research and Development department to work on. Works closely with the markets to identify new areas for penetration. Dedicated key account managers work closely with institutional clients, to address all their requirements. Each geographical region is led by an expert team experienced in overcoming regional challenges, and capitalising on opportunities.
Partnership risk	Inability to reinforce Strides Arcolab Limited as the preferred partner among global major pharmaceutical players may stagger its growth strategy.	Strides Arcolab Limited is a preferred supplier to 5 leading pharmaceutical majors around the globe.	<ul style="list-style-type: none"> Entered into a partnership with Pfizer for manufacturing of specialty sterile injectables for the US markets. Entered into an agreement with Pfizer to sell and promote the company's off-patent products in Australia. Continuously on the lookout for partnering opportunities with big pharmaceutical companies. Consistently investing towards increasing facilities and getting the requisite approvals from major regulatory authorities, with an aim to partner big pharmaceutical companies.

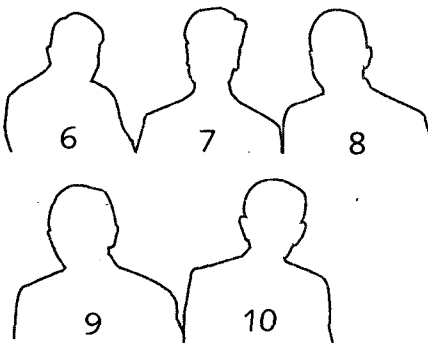
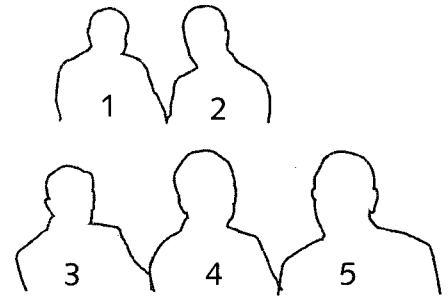
Risk Management

continued

Risk identification	Risk definition	Risk relevance	Risk mitigation
Product portfolio risk	A limited product portfolio may not be able to cater to wider customer demands, endangering business prospects.	Operates in several categories including Oral dosage, Specialty, Beta-lactam, Cephalosporin and Semi Solids.	<ul style="list-style-type: none"> • Wide portfolio of products caters to a variety of customer segments. • Focus on manufacturing value-added products to enhance margins. • Strategically optimising the portfolio by producing those molecules that will drive both volumes and margins.
Research and development risk	Significant investments in Research and Development could impact bottom-line.	Strides Arcolab Limited invested Rs.580.54 Million in research and development in FY2009.	<ul style="list-style-type: none"> • STAR (Strides Technology and Research) is the global pharmaceutical research centre of the Strides Group. • Leverages India's advantages – innovative skill sets in developing formulations as well as its low and competitive development costs. • A proficient Research and Development enabled Strides Arcolab Limited to file a record 51 ANDAs in FY2009. • Works continuously to improve productivity and reduce production costs. • Achieved a capability to execute complex projects and have developed a robust pipeline of products.
Quality risk	Inconsistency in product quality could lead to client attrition.	Strides Arcolab Limited offers its products to domestic and international pharmaceutical majors, and this in itself is a testimony of its quality standards.	<ul style="list-style-type: none"> • Strides Arcolab Limited has a robust system and has instituted checks for incoming raw materials, in-process products and end products. • Proactively invested in quality equipments to raise the bar on quality. • Instituted a training regimen that covers both induction training and regular training for quality and compliance. • Automated real time monitoring system for stringent quality control.

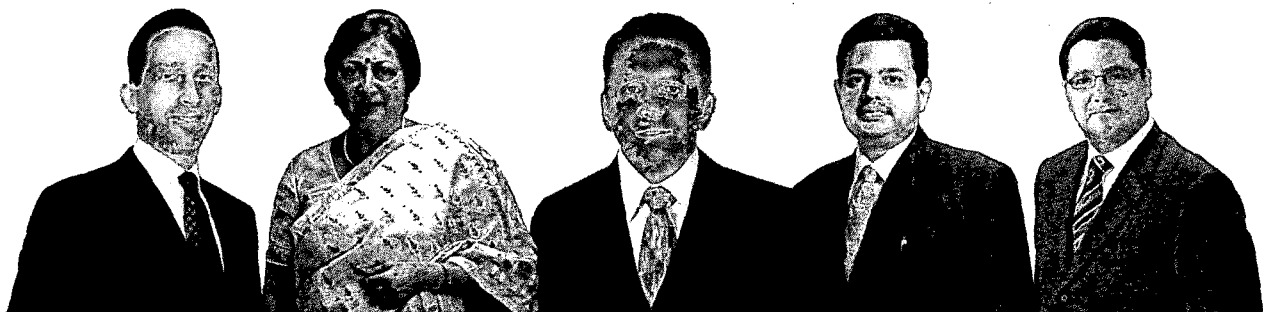
Risk identification	Risk definition	Risk relevance	Risk mitigation
Working capital management risk	Improper working capital management may affect daily operations.	Strides Arcolab Limited is scaling up operations both in terms of enhanced capacity and increased product portfolio.	<ul style="list-style-type: none"> Closely monitors debtor repayment trends and regulates supplies accordingly. Proactive steps taken to optimise use of working capital.
Environment risk	Untreated effluent release could lead to environmental degradation and consequent closure.	Pharmaceuticals business warrants compliance to demanding environment norms.	<ul style="list-style-type: none"> All the plants enjoy zero discharge status. There is consistent training for employees to inculcate environmental friendly practices. Made proactive investments in effluent treatment systems. Uses re-cycled water source for gardening and other works.

Board of Directors



- 1 **DEEPAK VAIDYA**
Deepak Vaidya was appointed as a Board member in January 1998 and became the Chairman of the Board in December, 2005. In his previous stint, Deepak was the country head of Schroder Capital Partners (Asia) Pte. Ltd., for over 12 years. Deepak is currently the Chairman of Arc Advisory Services Pvt. Ltd. He has immense experience in the corporate financial services Industry in India and abroad.
- 2 **ARUN KUMAR**
Founder and Promoter Director of Strides Arcolab Limited, Arun Kumar is on the Board as Managing Director since inception. In his earlier stint he was the General Manager of British Pharmaceuticals Limited. He has rich experience and deep knowledge of the pharmaceutical industry.
- 3 **K.R RAVISHANKAR**
K.R Ravishankar has been a Board member since March, 1994. He was an entrepreneur before he joined the Board and brings with himself nearly two decades of experience in the pharmaceutical industry.
- 4 **VENKAT S IYER**
Venkat Iyer has over 28 years of experience in the field of formulations, natural products, nutraceuticals, herbal extracts and natural drugs. His previous assignments were with companies like Ranbaxy, Kancor Flavors and Extracts, GSK India and Searle India. Venkat is with Strides Arcolab Limited since 1999. He is Master of Science [Chemistry] and has Diploma in Business Management.
- 5 **VIRTANES SAATCI**
Virtanes Saatci has served as Director since February, 1995. He brings with him over four decades of experience in pharmaceutical industry. Virtanes has made significant contributions in developing the overseas market of the Company.
- 6 **M.R UMARJI**
M.R Umarji is a consummate banking professional. In his earlier stints, he held key positions at the Reserve Bank of India, Corporation Bank and Dena Bank. He is the Chief Legal Advisor to the Indian Banks Association, and also a Director of UTI Advisory Services Limited.
- 7 **DR. RONALD LING**
Dr. Ronald Ling is a nominee of Symphony Capital Partners (Asia) Pte Ltd. (previously known as Schroder Capital Partners (Asia) Pte. Ltd.). He is a Management Consultant with more than 16 years of rich experience in the pharma and healthcare industries. Ronald has been associated with Symphony since 2001. In his earlier stints, he has also held leadership positions at Eastman Kodak Company, Singapore, McKinsey & Company, F. Hoffmann - La-Roche AG, Switzerland.
- 8 **JOHN MATHEW**
John Mathew is Chief General Manager and Head of Corporate Banking, Structured Finance and Overseas Investment at Export-Import Bank of India [Exim Bank] and is part of the Bank's top management team responsible for the Bank's All-India Credit Operations. He joined Exim Bank in January 1990 and has over 20 years of banking experience, mainly in the area of Corporate Banking. John's experience in Corporate Banking at Exim Bank, inter alia, includes Business Development, Product Development, Loan Syndications, Overseas Investment, Film Financing and Structured Financing. Exim Bank has been very active in financing Corporate India's acquisition spree over the past four years and John had led this initiative of Exim Bank. He was the head of Exim Bank's European Union Office in Italy during the period 1994 to 1998. Before joining Exim Bank, John was working with FEDO, a Fertiliser & Chemical Turnkey Consultancy Company as Project Manager for over five years.
- 9 **A.K NAIR**
A.K Nair is an Engineer by profession and a Management Graduate from Cochin University. He is a Director of Kerala Chemicals and Proteins Limited, a joint venture of KSIDC and Nitta Gelatin Inc. & Mitsubishi Corporation, Japan. In his earlier stints, he was the Executive Director & Managing Director of KSIDC and was also Managing Director of Kerala Chemicals and Proteins Limited.
- 10 **P.M THAMPI**
P.M Thampi has over 43 years of working experience in the Indian chemical industry. He worked in ICI India for 29 years, before assuming the position of Chairman and Managing Director with BASF India for 14 years. Currently, Thampi is the Chairman of Pioneer Balloon India Pvt. Limited and Director of several leading companies including HDFC Asset Management Company Limited. He is an active member of Indo German Chamber of Commerce, and he has served as its Vice President and President.

Management Team



ADAM LEVITT
GEO
 Americas Operations

Adam Levitt has over 27 years of rich and wide ranging experience in the pharmaceutical industry. In his last assignment, Adam was Executive Vice President and General Manager for Perrigo's Pharmaceutical Business. Prior to Perrigo, Adam was the Executive Vice President, Pharmaceutical Business at Dr. Reddy's. Adam holds a B.S. in Pharmacy from Massachusetts College of Pharmacy, and a Masters Degree in Management from Johns Hopkins University. He is a former member of the Board of Directors for the GPHA (Generic Pharmaceutical Association).

ALOKA SENGUPTA
PRESIDENT
 Business Development
 India Operations

Aloka Sengupta has a Masters Degree in Clinical Biochemistry from the University of Birmingham, UK. She then worked with Charing Cross Hospitals, University of London before returning to India to join the pharmaceutical industry. Aloka has more than 25 years experience in pharmaceutical marketing and business development. She is currently in charge of our initiatives in the AIDS / TB / Malaria segment and also handles key manufacturing partnerships.

DENNIS BASTAS
FOUNDER
MANAGING DIRECTOR
AND CEO
 Ascent Pharmahealth
 Limited

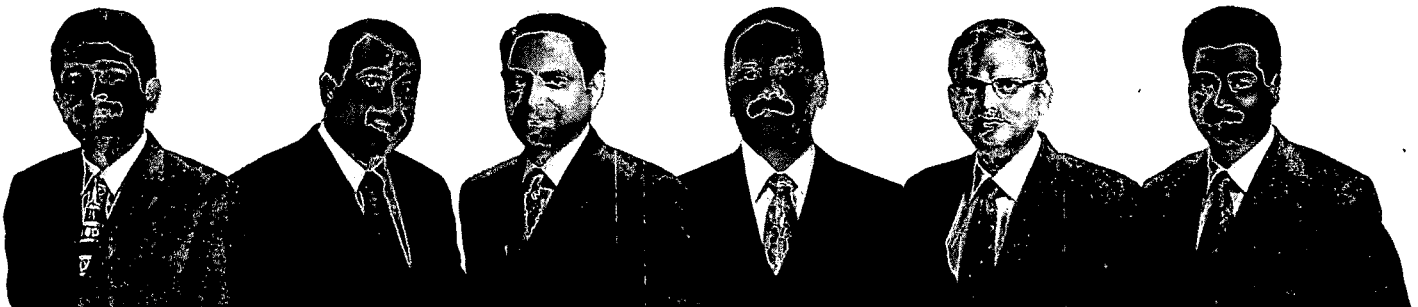
Dennis Bastas was the founding force behind the initial strategy that led to the formation of the Company. He has extensive senior management experience in business development, retail services and supply chain management with companies including Coles Myer Limited, Mannesmann AG and Village Roadshow Limited.

M.S. MOHAN
CHIEF SCIENTIFIC
OFFICER

M.S. Mohan has a Masters Degree in Pharmaceutical Technology. He brings with him a rich experience of 20+ years in the Research and Development function of Pharmaceutical companies like Lupin, Astra Zeneca, Ranbaxy and Dr.Reddys. His previous assignment was with Dr. Reddy's as Vice-President responsible for the research activities of products in the Regulated Markets. Mohan is a professional member of the American Association of Pharmaceutical Scientists and the Indian Pharmaceutical Association.

MARK BISSET
CEO
 Europe

Mark Bisset qualified as a Pharmacist in 1981 in Melbourne, Australia. He worked for a number of years in hospital and retail pharmacy in Australia and the UK. Mark joined Bristol-Myers Squibb Australia in 1989 and AMRAD Pharmaceuticals. In 1999, he joined Mayne Pharmaceuticals where he held a number of global Business Development and Management positions. Mark also holds a postgraduate business degree from Monash University (David Syme School of Business) and is a member of a number of professional Pharmaceutical Societies.



N BALACHANDAR
CHIEF HUMAN
RESOURCES OFFICER

NITIN GHADIYAR
PRESIDENT

RAVI SETH
CEO
International
Operations

**SINHUE B
NORONHA**
CEO
Africa

SRIDHAR S RAO
PRESIDENT
Quality Assurance

T.S RANGAN
GROUP CFO

N. Balachandar brings with him over 20 years of HR experience with global exposure. In his previous assignment, Balachandar was the Executive Vice President, Human Resources at GE Money, Asia based in Tokyo. In his role of Chief Human Resources Officer, he leads all Human Resource functions across Strides globally. Balachandar holds a M.S. in Industrial Management from IIT Chennai and he has pursued his post graduate studies at Loyola College, Chennai.

Nitin Ghadiyar is a graduate in Economics and Statistics from St. Xavier's College, Mumbai and has a Master's Degree in Management from the Jamnalal Bajaj Institute, Mumbai with specialisation in Marketing. He has over 30 years of experience working with and leading top notch pharmaceutical and consumer product companies like Glaxo, Colgate Palmolive, Parke-Davis, Reckitt Piramal, Johnson & Johnson and Dabur. Nitin brings to Strides Arcolab Limited a vast background of multitasking and delivering significant results for the companies he has worked earlier.

Ravi Seth is a Chartered Accountant. During his career, he worked in a number of industries including Hospitality, Financial Services, Real Estate, Media and Pharmaceuticals. Ravi joined Strides Arcolab Limited in May, 2006 as Group CFO. In March, 2008, Ravi became CEO - International Operations of Strides Arcolab Limited with responsibility for International Operations.

Sinhue Noronha comes to Strides Arcolab Limited with a rich pharmaceutical industry experience of almost 28 years, out of which 8 years have been in domestic marketing (companies like Lupin, Concept and Indchemie) and the balance in international marketing. A large portion of his business management experience has been in the Africa continent. He also possesses good domain knowledge in procurement, manufacturing and supply chain management. Sinhue will be driving the business of SAL in the African continent. He is a BSC from Mumbai University and holds an MBA from NMIMS.

Sridhar S Rao has over 29 years of experience in Quality Control and Quality Assurance in the field of pharmaceuticals and nutritionals. His previous assignments were with companies like Nicholas Piramal, FDC, Glenmark and Blue Cross Labs. Sridhar is with Strides Arcolab Limited for over 10 years and is currently responsible for its Quality function. On the academic front, he is a graduate in Pharmacy from Bombay College of Pharmacy, and a Masters in Pharmaceutical Operations and Management from BITS Pilani. Sridhar has also completed an advance Management Program at IIM, Bangalore.

T.S Rangan has over 20 years of experience in NYSE listed companies like Xerox India, P&G India, Astra Zeneca, Dr. Reddy's Labs etc. His Previous assignment was with PI Industries, a large diversified conglomerate as President & CFO. On the academic front, Rangan is M Phil, MS and MBA and also carried out Research on Corporate Governance as part of Doctoral Programme.

Directors' Report

Dear Shareholders,

We are pleased to present the Nineteenth Annual Report together with the Audited Accounts for the year ended December 31, 2009.

1. Financials

(Figures in Million)

	Year ended December 31, 2009		Year ended December 31, 2008	
	Rupees	USD *	Rupees	USD *
1.1 Financial Results				
Income	7,847.44	168.69	6,621.33	135.99
Operating Profit (EBIDTA)	1,290.33	27.74	1,353.74	27.80
Cash Profit / (Loss)	1,244.92	26.76	229.12	4.71
Net Profit / (Loss)	1,055.14	22.68	61.35	1.26
Retained Earnings	780.60	16.78	61.35	1.26
1.2 Profits				
Operating Profit (EBIDTA)	1,290.33	27.74	1,353.74	27.80
Less : Interest	619.55	13.32	654.27	13.44
Depreciation and Amortisation	226.85	4.88	188.77	3.88
Exceptional Items incl. AS 30	721.61	15.51	466.33	9.58
Profit Before Tax	1,165.54	25.05	44.37	0.91
Less : Provision for Tax				
Current	164.10	3.53	14.00	0.29
Deferred	(57.05)	1.23	(21.00)	(0.43)
Fringe Benefit Tax	3.35	0.07	4.02	0.08
Mat Credit Entitlement	Nil		(14.00)	(0.29)
Profit / (Loss) After Tax	1,055.14	22.68	61.35	1.26
Add : Balance in Profit and Loss Account	(47.68)	(1.02)	(109.03)	(2.24)
Available for Appropriation	1,007.46	21.66	(47.68)	(0.98)
1.3 Appropriations				
Dividend				
on Equity Shares (proposed)	60.32	1.30	Nil	Nil
on Preference Shares	88.49	1.90	Nil	Nil
Dividend Tax	25.29	0.54	Nil	Nil
Transfer to General Reserve	52.76	1.13	Nil	Nil
Balance carried to Balance Sheet	780.60	16.78	(47.68)	(0.98)

Note : *1 USD = Rs.46.52 (Exchange Rate as on December 31, 2009).

*1 USD = Rs.48.69 (Exchange Rate as on December 31, 2008).

Previous year figures have been regrouped/ restated wherever necessary to make them comparable with those of the current year.

2. Turnover and Profits

The total income during the year under review was Rs.7,847.44 Million as against Rs.6,621.33 Million in the previous year, an increase of approximately 18.5%. The Company has posted a net profit of Rs.1,055.14 Million for the year ended December 31, 2009 as against a net profit of Rs.61.35 Million for the year ended December 31, 2008.

On a consolidated basis, the income stood at Rs.13,283.41 Million against Rs.13,312.46 Million; revenue from operations grew by 23% (revenue from continuing operations grew by 33%).

Detailed analysis on financial performance is given in the Management Discussion and Analysis Report which forms part of this Directors' Report.

3. Dividend

The Board is pleased to recommend a dividend of 15% (i.e., Rs.1.50 per equity share of Rs.10/- each) for the year ended December 31, 2009.

4. Capital

Authorised Share Capital

Pursuant to the approval of the Composite Scheme of Arrangement (the Scheme) for amalgamation of Global Remedies Limited, Grandix Pharmaceuticals Limited, Grandix Laboratories Limited and Quantum Remedies Private Limited with and into Strides Arcolab Limited, the Authorised Share Capital of the Company stands enhanced to Rs.1,517,500,000 divided into 89,750,000 equity shares of Rs.10/- each and 620,000 - 6% Cumulative Redeemable Preference shares of Rs.1,000/- each.

Issued and Paid-up share capital

The Company allotted

- 165,600 equity shares of Rs.10/- each fully paid up under its Employee Stock Option Plans.
- 13,524 equity shares of Rs.10/- each fully paid up to the erstwhile shareholders of Grandix Pharmaceuticals Limited and Grandix Laboratories Limited in terms of the Composite Scheme of Arrangement for amalgamation of Global Remedies Limited, Grandix Pharmaceuticals Limited, Grandix Laboratories Limited and Quantum Remedies Private Limited with and into the Company.
- 2,980,000 equity shares of Rs.10/- each were allotted to the Promoter Group on conversion of equivalent numbers of warrants.

Consequent to the above allotments, the issued, subscribed and paid up share capital of the Company is Rs.923,697,380 constituting 43,209,138 equity shares of Rs.10/- each and Rs.491,606 - 6% Cumulative Redeemable Preference share of Rs.1000/- each.

5. Business and Outlook

The Company has delivered a strong performance in the year 2009 with significant increase in Research and Development filings and business development activities including a transformational deal with Pfizer Inc., USA for Specialty Sterile injectables.

The Company also successfully completed the reorganisation of various businesses resulting in well articulated business divisions.

The reorganisation involved hiving off its Specialties Pharmaceuticals and Research and Development Business to Strides Specialties Private Limited, a wholly owned subsidiary, to attain greater efficiency.

The Company through a scheme of arrangement merged four of its subsidiaries, i.e., Global Remedies Limited, Grandix Pharmaceuticals Limited, Grandix Laboratories Limited and Quantum Remedies Private Limited with and into the Company.

The Company now operates under the following three business divisions:

- Specialties
- Pharmaceuticals
- Branded Generics

Pfizer transaction

The Company entered into a collaboration with Pfizer Inc. USA for generic products. Under the agreement, Pfizer Inc. to commercialise 40 off-patent products – primarily injectable cancer medicines to healthcare providers and patients in the United States. Products will be licensed / supplied by the Company and its subsidiary Onco Therapies Limited. First products are expected to be launched in the year 2010.

Restructure of Oncology arrangements

The Company has restructured its Oncology arrangements with Aspen to acquire 100% interest in the Oncology JVs viz., Onco Therapies Limited ("OTL"), India and Onco Laboratories Limited ("OLL"), for a consideration of USD 117 Million. As part of the arrangement, Strides will license the existing and future oncology products to Pharmicare Limited, an Aspen Group company, for certain territories.

Acquisition of Penicillin and penems facility at Campos, Brazil from Aspen

The Company entered into an understanding with Aspen to acquire Penems and Penicillins Facility in Campos, Brazil with related products and IPs. Penems is a key domain for Strides for a consideration of approx USD 75 Million. The acquisition to be completed subject to obtaining regulatory approvals as may be required.

6. Acquisitions / Investments / Joint Ventures

Investments

During the year, the Company made additional investment of Rs.97.86 Million in the share capital of Onco Therapies Limited, a subsidiary of the Company. This investment was made by way of transfer of assets pertaining to Oncology plant which was under construction.

Joint Ventures

Strides Arcolab International Limited, a wholly owned subsidiary of the Company exited from a 50:50 joint venture shareholding interest in Laboratories Domac. S.L in Spain by sale of its entire holding to its Joint Venture partner Invent Pharma S.L.

Strides Arcolab International Limited increased its stake from 70% to 96.57% in Beltapharm S.p.A, Italy.

Strides Arcolab International Limited also acquired the residual 50% stake in Plus Farma ehf, Iceland making Plus Farma ehf a wholly owned subsidiary of the Company.

7. Subsidiaries

During the year under review, the following companies became subsidiaries of the Company: Farma Plus AS, Norway, Green Cross Pharma Pte Limited, Singapore [merged with Drug Houses of Australia (Asia) Pte Limited, Singapore], Plus Farma ehf, Iceland, Pharmasava Australia Pty Limited, Australia, Strides Specialties (Holdings) Cyprus Limited, Cyprus, Strides Technology and Research Private Limited, India, Strides Specialties (Holdings) Limited, Mauritius, Strides Specialty (Cyprus) Limited, Cyprus, Strides Pharma (Cyprus) Limited, Cyprus.

8. Research and Development

Detailed write-up on Research and Development activity forms part of the annexure to the Directors' Report.

9. Consolidated financials

In accordance with Accounting Standard 21 on consolidated financial statements read with Accounting Standard 27 on Accounting for Joint Ventures, the audited consolidated financial statements are provided in this Annual report.

In terms of the Central Government approval under Section 212(8) of the Companies Act, 1956, the audited Financial Statements of the Company's subsidiaries have not been attached to this Report. The Financial Statements of the said subsidiaries will be kept for inspection during business hours by any investor at the registered office and at the corporate office of your Company and will also be displayed on the Company's website www.stridesarco.com. The Company will also make available the audited annual accounts and related information of the subsidiary companies, upon request by any investor of the Company.

10. Corporate Governance

The Company has complied with all the mandatory requirements of Corporate Governance specified by the Securities and Exchange Board of India through clause 49 of the Listing Agreement. As required by the said clause, a separate Report on Corporate Governance forms part of the Annual Report of the Company. A certificate from the Statutory Auditors of the Company regarding compliance with the conditions of Corporate Governance also forms part of this Report.

11. Management Discussion and Analysis

Pursuant to clause 49 of the Listing Agreement entered into with the Stock Exchanges, Management Discussion and Analysis Report forms part of this Report.

12. Fixed deposits

The Company has not accepted any fixed deposits and accordingly no amount is outstanding as on the balance sheet date.

13. Employee Stock Option Scheme

The Company has granted ESOPs to few eligible employees and Directors under the Strides Arcolab ESOP 2006, Strides Arcolab ESOP 2008 and Strides Arcolab ESOP 2008 (Directors) Schemes, particulars of which are provided in the Corporate Governance Report forming part of this Report. Further, Statement giving additional information in terms of Regulation 12 of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme)

Guidelines, 1999 is annexed to this Directors' Report.

Consequent to the approval by the shareholders through postal ballot on June 23, 2009, the Company has re-priced 1,295,000 outstanding stock options to be granted at Rs.105.75/-

14. Board of Directors

Mr. K.R Ravishankar and Dr. Ronald Ling are the Directors who retire by rotation and being eligible, offer themselves for reappointment.

Mr. V.S Iyer was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on January 19, 2010 in accordance with Section 260 of the Companies Act, 1956. Mr. V.S Iyer would hold office till the conclusion of the ensuing Annual General Meeting of the Company. The requisite notices together with necessary deposits have been received from a member pursuant to Section 257 of the Companies Act, 1956 proposing the election of Mr. V.S Iyer as a Director of the Company.

The Export Import Bank of India appointed Mr. John Mathew as the nominee Director in place of Mr. D.G Prasad w.e.f July 1, 2009.

15. Personnel

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 will be provided on request.

16. Directors' Responsibility Statement

In terms of Section 217 (2AA) of the Companies Act 1956, the Directors state that they have:

- a) followed the applicable accounting standards in the preparation of annual accounts. However, the deviation on the accounting standard has been carried out with reference to the scheme of arrangement explained earlier, which is as per the court approved scheme. Refer Notes to Accounts for details of the same.
- b) selected such accounting policies and applied them consistently and made adjustments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit / loss of the Company for that period.
- c) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956

for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and

- d) prepared the annual accounts on a going concern basis.

17. Conservation of energy, R&D, technology absorption and foreign exchange earning / outgo

The particulars as prescribed under 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 are set out in the Annexure to the Directors' Report.

18. Statutory Auditors

The Statutory Auditors viz., Deloitte Haskins & Sells, Chartered Accountants, Bangalore retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. Your Directors recommend their reappointment.

19. Depository System

As the Members are aware, your Company's shares are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories, i.e., National Securities Depository Limited and Central Depository Services (India) Limited. In view of the numerous advantages offered by the Depository system, members are requested to avail the facility of dematerialisation of the Company's shares on either of the Depositories as aforesaid.

20. Acknowledgement

Your Directors place on record their sincere appreciation for the significant contribution made by the employees through their dedication, hard work and commitment and the trust and confidence reposed on us by the medical profession and trade.

We also acknowledge the support and wise counsel extended to us by the bankers, financial institutions, Government agencies, analysts, shareholders and investors at large.

For and on behalf of the Board of Directors
Arun Kumar – Vice Chairman and Managing Director
K.R. Ravishankar – Director

Place: Bangalore, India.

Date: April 22, 2010

ANNEXURE TO THE DIRECTORS' REPORT

Particulars required by the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 forming part of the Directors' Report for the year ended December 31, 2009.

1. Conservation of Energy

a) Measures taken during the period for conservation of energy

Pharma

- Sustained the monthly average PF as 0.99 at Oral Dosage Form (ODF) facility.
- Reduction of plant water consumption by 9% by introducing many conservation methods
- Timer based activation of Air Handling Units in packing to save energy
- Replacement of Ammonia based air conditioning chilling system with more efficient screw chillers to achieve power savings and heat recovery
- Reduction in Aluminum foil waste generation by introduction of online printing of Aluminum foil in strip packing machine

Specialties

- Usage of Chlorinated raw water for toilets and canteen in place of Reverse Osmosis (RO) water.
- Recovery of Multi Effects Distillation System reject water in addition to steam condensate recovery and being used as in-feed for boiler to reduce consumption of potable water.
- Use of common compressed air header for pre-treatment plant in place of dedicated compressor.
- Critical DG running hours was reduced by installation of 160 KVA x 3 nos. UPS, around 1.2 lacs ltrs of HSD saved in 5 months in Specialty Products Division 1.

b) Plans for the future for conservation of energy

Pharma

- Replacement of incandescent lamps with either CFL or LED Lamps to save energy
- High recovery Reverse Osmosis system to replace the existing low efficient Reverse Osmosis systems

Specialties

- Water Recovery from both Onco Therapies Limited and Specialty Formulation Facility to the extent of 1.0 Lac/day.
- Proposal being prepared and evaluated for optimisation of Heating Ventilation Air Conditioning operation.
- RO reject water recovery planned in Beta-lactam Division.
- Condensate recovery system planned in Specialties block.

2. Research and Development Activities

Areas of Research and Development Activities

Research and Development at Strides Arcolab Limited continues to focus primarily on development of various dosage forms like tablets, capsules, ointment, oral liquids and injectables for both regulated and emerging markets.

However, from being a contract developer of generics products, with maturing capabilities, Research and Development centre's extension of its focus beyond generics development, has now started taking shape towards being a value added growth engine.

With a sound internal processes and streamlined measurement methods in place, 2009 has been a year of reckoning and pride. This is an endorsement of improved processes and controls of the Research and Development activities with a focused and planned deliverable.

The Research and Development centre has surpassed the revenue projections, hit the execution targets and successfully completed 110 filings in the regulated market space for the year 2009, of which 51 filings are made with FDA, which in itself is a likely benchmark in the industry. Cumulatively, the centre has crossed the milestone of 100 US filings in the year 2009.

It has also received 60 approvals in 2009 from the regulated markets, of which 7 are NDA/ANDAs. With a total of 31 NDA/ANDA approvals, Strides Arcolab Limited reaches 123 cumulative US filings.

The "Value R & D" initiatives that were started in 2008 are shaping up with creation of specialised teams, infrastructure to handle these kinds of projects. Year 2009 has also been a year of commencing Patent challenging filing and peptides filing. European filings that were not as aggressively pursued as US filings, is now being aggressively viewed. A firm EU filing plan, supported with a strong business case is already in place and 2010 is likely to see a fresh chapter in the EU filings.

For Research and Development centre, 2009 has been a year of yet another significant initiative towards establishment of products in the domestic markets. Year 2010 will be a key year for Research and Development to put this initiative on track, which is likely to drive the growth of domestic business in the forthcoming years.

The focus on the differentiated delivery formats, sustainable generic business and end-to-end customer support for their business needs, continue to be the other key areas of Research and Development throughput.

Looking forward, Research and Development will be focusing on the geography oriented domain based strategy and the recent transaction with Pfizer on the Oncology domain adds support to the current approach in the pharmaceutical development space.

With a substantial value created in terms of dossier approvals and capacities, Research and Development continues to remain the growth engine for the organisation.

Key Benefits derived out of Research and Development activities

- Increased business opportunities in the form of approvals.
- Enhanced valuation of the organisation.
- Continued creation of intellectual property.
- Employment of newer and better technology to manufacture various dosage forms.
- Improved throughput due to streamlined Research and Development metrics.
- Continued customer acceptance and satisfaction.
- Expansion of business in the domestic markets with niche product basket.

The future plan is to:

- Continued focus on niche areas to build the business by creating "Value R&D" pipeline.
- Creation of domain based skill sets to drive business growth.
- Maintain a pipeline of product domains, for sustainable growth.
- Defend and grow the existing business by innovative approaches and differentiated strategies.
- To transform Research and Development into a self sustaining growth engine for the organisation.

Expenditure on Research and Development

(Rupees in Million)		
Particulars	Year Ended Dec 31, 2009	Year Ended Dec 31, 2008
Capital	16.54	11.58
Revenue	564.00	520.86
Total	580.54	532.44
% to Turnover	7.5%	8.9%

FORM A

Form of Disclosure of Particulars with respect to Conversation of Energy

A. Power and Fuel Consumption	December 31, 2009	December 31, 2008
1. Electricity		
(a) Purchased		
Units	17,208,665	14,651,140
Total Amount (Rs. in Million)	84.62	72.15
Rate / Unit (Rs.)	4.92	4.92
(b) Own Generation		
(i) Through Diesel Generator		
Units	2,199,479	2,642,923
Diesel Consumed in litres	669,750	815,328
Unit per litre of diesel oil	3.28	3.24
Cost / Unit (Rs.)	9.29	10.12
(ii) Through Steam Turbine / Generator		
Units	-	-
Unit per litre of fuel oil / gas	-	-
Cost / Unit (Rs.)	-	-
A. Power and Fuel Consumption	December 31, 2009	December 31, 2008
2. Coal (specify quality and where used)		
Quantity	-	-
Total Cost	-	-
Average Rate	-	-
3. Furnace Oil		
Quantity (in K. ltrs)	475.14	446.06
Total Amount (Rs. in Million)	10.61	13.84
Average Rate	22.32	31.02
4. Others (Diesel)		
Quantity (in K. ltrs)	-	-
Total Amount (Rs. in Million)	-	-

B. Consumption per unit of production (with details)	December 31, 2009	December 31, 2008
a) Softgel & Tablets Division		
Electricity Units per Million	3,467	4,610
Furnace Oil units per Million	-	-
Diesel units per Million	506	595
b) Sterile Products Division		
Electricity Units per Million	123,127	114,236
Furnace Oil units per Million	-	-
Diesel units per Million	19,720	28,952
c) Antibiotics Division		
Electricity Units per Million	9,568	3,752
Furnace Oil units per Million	-	-
Diesel units per Million	2,636	2,204

FORM B

Form of Disclosure of Particulars with respect to absorption

1. Technology Absorption, Adaptation and Innovation and Benefits derived as a result of the above efforts

Pharma

- High speed sachet filling machine commissioned to enhance the capacity to 6 Million/ month
- High speed softgel printing machine commissioned.

Specialties

- Lyophiliser-3 installed, commissioned and validated in stipulated time schedule to enhance the production capacity of Specialty Products Division 1 block.
- Dry Powder Parenterals line of Beta-lactam block upgraded with new line where Manual interventions have been substantial reduced.
- Glove port incorporation done in both Lines of Specialties and Beta-lactam block for better c-GMP compliance.
- Load scheduling system developed and implemented in-house to avoid interruption of power during tripping of generator due to mechanical failure or overload.

These initiatives have led to increase in capacity, handling of difficult to manufacture products and much higher level of quality assurance in our products.

2. Pollution Control Measures

The Company accords utmost priority to ensure a clean and pollution free environment in all its operations. The Company's manufacturing activities do not result in any significant release of pollution in the environment. The steps taken by the Company proactively to augment and improve Effluent Treatment Plant at Bilekahalli has been appreciated and we are today providing treated effluent to IIM, Bangalore campus for their horticulture needs. Our Oral Dosage Form facility has once again been given ISO14001 Certification for this year for maintaining high standards of Environment Health Safety compliance.

3. Foreign Exchange earnings and outgo

Foreign exchange earned on FOB basis	Rs.6,299.45 Million
Foreign exchange used	Rs.1,969.01 Million

ANNEXURE TO THE DIRECTORS' REPORT

Details as per SEBI (Employees Stock Options Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 forming part of the Directors' Report for the year ended December 31, 2009

SL. No.	Description	Strides Arcolab ESOP 2006	Strides Arcolab ESOP 2008	Strides Arcolab ESOP 2008 - Director
A	Options granted as on December 31, 2009	1,000,000	1,007,500	300,000
B	The pricing formula	Decided by the Compensation Committee from time to time, which shall not be less than 85% of the Market Price of the shares on the date of grant of option.		
C	Options vested	240,000	221,000	NIL
D	Options exercised	60,000	105,600	NIL
E	The total number of shares arising as a result of exercise of options	60,000	105,600	NIL
F	Options lapsed / surrendered	180,000	115,400	NIL
G	Variation of terms of options	<p>Repricing of 12,95,000 unexercised stock options issued under Strides Arcolab ESOP 2006 and Strides Arcolab ESOP 2008 Schemes at a price Rs.105.75.</p> <p>Introduction of Surrender Clause in the Stock Option Scheme 2006 and Stock Option Scheme 2008 to enable an employee to surrender his vested / unvested options at any time during his employment with the Company.</p>		
H	Money realised by exercise of options	Rs.6,345,000	Rs.11,167,200	NIL
I	Total number of options in force at the end of the year	680,000	786,500	300,000
J	Employee-wise details of options granted during the year to			
	(i) Directors			
	Deepak Vaidya			50,000
	M R Umarji			50,000
	A K Nair			50,000
	P M Thampi			50,000
	Virtanes Saatci			50,000
	Ronald Ling			50,000
	(ii) Senior Managerial Personnel			
	N Balachandar		100,000	
	Dennis Bastas		100,000	
	Nitin Ghadiyar		50,000	
	(iii) Others Identified Employees		92,500	
	(iv) Any other employee who receives a grant in any one year of option amount to 5% or more of options granted during that year.	NONE	NONE	NONE
	(iv) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversion) of the Company at the time of grant	NONE	NONE	NONE

ANNEXURE TO THE DIRECTORS' REPORT contd.

Sl. No.	Description	Strides Arcolab ESOP 2006	Strides Arcolab ESOP 2008	Strides Arcolab ESOP 2008 - Director
K	Diluted Earnings Per Share (DEPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard 20 'Earnings Per Share'.		Refer Note Below	None of the options were exercised
L	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed. The impact of the difference on profits and EPS of the Company shall also be disclosed		Refer Note Below	None of the options were exercised
M	Weighted average exercise prices of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Rs.105.75	Rs.105.75	None of the options were exercised
N	Weighted average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.		Refer Note Below	None of the options were exercised
		Dec 31, 2009	Dec 31, 2008	
O	A description of the method and significant assumptions used during the year to estimate the fair value of options, including the following weighted average information: (i) risk free interest rate (ii) expected life (iii) expected annual volatility of shares (iv) expected dividend / yield (v) the price of the underlying share in market at the time of option grant	Base : Black Scholes Model 8% p.a 3 Years 57% 0.51% Rs.214.45 per share	Base : Black Scholes Model 7.25% p.a 3 Years 48% 0.59% Rs.143.70 per share	None of the options were exercised

Note: As per the Scheme approved by the Honorable High Courts of Judicature, expense relating to ESOP is permitted to be recorded in the BRR. Accordingly, there would be no impact on EPS if the options were accounted at fair values instead of intrinsic values.

Corporate Governance Report

For the year ended December 31, 2009 (pursuant to Clause 49 of Listing Agreement with Stock Exchanges)

1. Company's philosophy on Corporate Governance

Corporate Governance at Strides is not just the adherence to mandatory rules and guidelines. The Company has been committed to the highest standards of corporate governance practices right from its inception. The Company believes that good governance is a *sine qua non* to healthy business growth and a robust and vibrant capital market, besides being an important instrument of investor protection.

The Board represents a mix of professionalism, knowledge and experience. All the directors on the Board are highly experienced professionals in their respective fields and known personalities in the corporate world.

Number of Board Meetings:

During the year ended December 31, 2009, 5 Board Meetings were held. These were held on February 25, 2009, April 13, 2009, April 24, 2009, July 30, 2009 and October 30, 2009

2. Board of Directors

Composition of Board of Directors:

The Board currently comprises of 10 Directors, out of which 2 are Executive Directors and 8 are Non-Executive Directors. Out of the 8 Non-Executive Directors, 5 are Independent Directors.

Directors' attendance record and directorship held:

Name	Category of Directorship*	Board meetings attended during the year	Whether attended last AGM	No. of other Directorships held	No. of other Committees of which Chairman / Member
Mr. Deepak Vaidya (Chairman)	NED and ID	5	Y	6	3 (Chairman of 2)
Mr. Arun Kumar (Vice Chairman and Managing Director)	P and ED	5	Y	8	1
Mr. K.R Ravishankar	P and NED	4	Y	9	1
Mr. Virtanes Saatci	NED	2	Y	NIL	NIL
Dr. Ronald Ling	NED	5^	N	NIL	NIL
Mr. D.G Prasad** #	NED and ID	1	N	-	-
Mr. John Mathew **	NED and ID	2	N	2	1 (Chairman of 1)
Mr. M.R Umarji	NED and ID	4	Y	4	NIL
Mr. A.K Nair	NED and ID	4	Y	9	1
Mr. P.M Thampi	NED and ID	4	Y	3	2
Mr. V.S Iyer ***	ED	NIL	NIL	4	NIL

* P = Promoter; NED = Non Executive Director; ED = Executive Director; ID = Independent Director

** = Nominee Director of Export Import Bank of India appointed on July 01, 2009

*** = Appointed on January 19, 2010

= Ceased to be a Director w.e.f July 01, 2009

^ = includes one meeting attended through conference call

Note :

- For the purpose of considering the limit of directorship, foreign companies have been excluded. Further, for the purpose of considering limit of Committee membership, private limited companies, foreign companies and companies under section 25 of the Companies Act, 1956 have been excluded.
- None of the Directors is related to any other Director.

3. Audit Committee

i) Brief description of terms of reference:

The Audit Committee has been constituted in accordance with the requirements of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 and the terms of reference of the Audit Committee include:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- 5A. Reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.) the statement of funds utilised for purposes other than those stated in the offer document / prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issues, and making appropriate recommendations to the Board to take up steps in this matter.
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
14. To investigate any activity within its terms of reference.

15. To seek information from any employee.
16. To obtain outside legal or other professional advice.
17. To secure attendance of outsiders with relevant expertise, if it considers necessary.

ii) Composition and attendance details:

The Audit Committee comprises of Mr. M.R. Umarji as the Chairman and Mr. John Mathew, Mr. A.K. Nair, Mr. P.M. Thampi, Mr. Deepak Vaidya and Dr. Ronald Ling as Members.

The Audit Committee met 4 times during the year, i.e., on February 25, 2009, April 24, 2009, July 30, 2009 and October 30, 2009.

The details of attendance at the Audit Committee:

Sl. No.	Name	Designation and Category	Meetings attended
1	Mr. M.R. Umarji	Chairman and Member (NED and ID)	3
2	Mr. D.G. Prasad	Member (NED and ID)	-
3	Mr. John Mathew	Member (NED and ID)	2
4	Mr. A.K. Nair	Member (NED and ID)	4
5	Mr. P.M. Thampi	Member (NED and ID)	4
6	Mr. Deepak Vaidya	Member (NED)	4
7	Dr. Ronald Ling	Member (NED)	4

Mr. Kannan. N, the Company Secretary is the Secretary of the Committee.

4. Remuneration Committee

i) Brief description of terms of reference

The Company has constituted a Remuneration Committee. The terms of reference of the Committee is to recommend the remuneration by way of salary, perquisites, allowances and commission for executive directors including pension rights and any compensation payment.

The Committee also functions as the Compensation Committee as prescribed under SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999.

ii) Composition

The Remuneration Committee comprises of Mr. M.R Umarji as the Chairman and Mr. Deepak Vaidya, Mr. P.M Thampi and Mr. A.K Nair as Members.

The Remuneration Committee met once during the year, i.e., on April 24, 2009, when all the members were present.

iii) Remuneration Policy

The remuneration of the employees consists of fixed pay i.e., basic pay, allowances, perquisites etc. and a variable pay and varies with different grades and is related to the industry pattern, qualification, experience and responsibilities handled by the employee etc. The objectives of the remuneration policy are to motivate employees and recognise their contribution, reward merit and to attract and retain talent in the organisation.

iv) Details of remuneration to all directors

Details of Remuneration paid / payable to directors for the year ended December 31, 2009 are as follows:

Name of the Director	Position	Sitting fee	Salary and Perquisites	Bonus	No. of Stock Options #	Total (Rs.)
Mr. Deepak Vaidya	Chairman	1,80,000	Nil	Nil	50,000	1,80,000
Mr. Arun Kumar	Vice Chairman and Managing Director	Nil	23,960,595	13,000,000	Nil	36,960,595
Mr. K.R Ravishankar	Director	80,000	Nil	Nil	Nil	80,000
Mr. Virtanes Saatci	Director	40,000	Nil	Nil	50,000	40,000
Dr. Ronald Ling	Director	160,000	Nil	Nil	50,000	160,000
Mr. D.G Prasad	Director	20,000	Nil	Nil	Nil	20,000
Mr. John Mathew	Director	80,000	Nil	Nil	Nil	80,000
Mr. M.R. Umarji	Director	140,000	Nil	Nil	50,000	140,000
Mr. A.K. Nair	Director	160,000	Nil	Nil	50,000	160,000
Mr. P.M. Thampi	Director	160,000	Nil	Nil	50,000	160,000

50,000 options granted under the Strides Arcolab ESOP 2008 (Directors) Scheme on March 17, 2009 at an exercise price of Rs.59 per share, which is not less than 85% of the Market Price (closing price on March 16, 2009 at the National Stock Exchange of India Limited - which had the highest trading volume on that day). Vesting period will commence on the expiry of one year from the date of grant of options and will be in the graduated scale over a period of three years in tranches of 20%, 30% and 50% respectively, as provided in the ESOP Scheme of the Company.

5. Shareholders' / Investors' Grievances Committee

(i) Composition

The Shareholders' / Investors' Grievances Committee has been constituted to operate in terms of the provisions related thereto in the Listing Agreements with the Stock Exchanges and comprises of Mr. Deepak Vaidya as the Chairman, and Mr. M.R Umarji and Mr. K.R Ravishankar as Members.

The Shareholders' / Investors' Grievance Committee met three times during the year, February 25, 2009, April 24, 2009 and July 30, 2009. All the members were present during the meetings.

Mr. Kannan. N, the Company Secretary acts as the Compliance Officer.

(ii) Investor / Shareholder Complaints

During the year ended December 31, 2009, there were 38 complaints from shareholders, all of which were resolved to the satisfaction of the shareholders.

(iii) Secretarial Audit

The Company conducts a secretarial audit on a quarterly basis in accordance with requirements of Securities and Exchange Board of India (Depositories and Participants) Regulations 1996 and SEBI Circular No. D & CC/FITTC/CIR-16/2002 dated December 31, 2002.

The Secretarial Audit Report obtained from a Company Secretary in Wholtime Practice, which has been submitted to the Stock Exchanges within the stipulated period, certifies that the equity shares of the Company held in the dematerialised form and in the physical form confirms to the issued and paid up equity share capital of the Company.

(iv) Secretarial Compliance Certificate

As per provisions of the clause 47(c) of the Listing Agreement entered with the National Stock Exchange of India Limited and Bombay Stock Exchange Limited by the Company, the Company has obtained the Secretarial Compliance Certificate on half yearly basis from a Company Secretary in Wholtime Practice to the effect that all transfer of shares are effected within stipulated time. The certificate has been submitted to the Stock Exchanges within the prescribed time limit.

6. General Body Meetings

The venue, date and time of the Annual General Meetings held during last three years are as follows:

Meeting / Date /Time	Venue	Special Resolutions passed
16th Annual General Meeting June 20, 2007 at 11.00 a.m.	Hotel Tunga Regency, Plot No. 37, Sector 30-A, Vashi, Navi, Mumbai 400 703	None
17th Annual General Meeting June 27, 2008 at 11.00 a.m.	Hotel Tunga Regency, Plot No. 37, Sector 30-A, Vashi, Navi, Mumbai 400 703	1
18th Annual General Meeting April 24, 2009 at 11.00 a.m.	Hotel Tunga Regency, Plot No. 37, Sector 30-A, Vashi, Navi, Mumbai 400 703	None

During the year, 4 special resolutions were passed by the shareholders through Postal Ballot on June 23, 2009. Voting pattern for these resolutions are as under:

SL No.	Item	No. of valid votes polled	Votes Cast	
			For	Against
1	Approval for repricing of unexercised options issued under Strides Arcolab ESOP 2006 and Strides Arcolab ESOP 2008 Schemes	27,996,295	27,986,429 (representing 99.962% of total net valid votes pooled)	9,866 (representing 0.035% of total net valid votes pooled)
2	Approval for amendment of Strides Arcolab ESOP 2006 Scheme for inclusion of 'surrender clause'	27,996,296	27,986,469 (representing 99.962% of total net valid votes pooled)	9,827 (representing 0.0351% of total net valid votes pooled)
3	Approval for amendment of Strides Arcolab ESOP 2008 Scheme for inclusion of 'surrender clause'	27,996,295	27,986,326 (representing 99.962% of total net valid votes pooled)	9,969 (representing 0.0356% of total net valid votes pooled)
4	Approval for reappointment of Mr. Arun Kumar as Managing Director upon existing terms and conditions for a further period of 5 years effective from May 24, 2009	27,996,295	27,995,705 (representing 99.995% of total net valid votes pooled)	590 (representing 0.0015% of total net valid votes pooled)

Mr. Giji Joseph K.J, Company Secretary in Wholetime Practice was appointed as Scrutinizer for overseeing the postal ballot process. The resolutions were passed with requisite majority.

The Company has complied with the procedures for the postal ballot in terms of the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 and the amendments thereto.

7. Disclosures

- i) There are no materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

Transactions with the related parties are disclosed in Note B.20 of Schedule P to the financial statements in the Annual Report.

As per the Composite Scheme of Arrangement ("the Scheme") under Sections 391 – 394 of the Companies Act, 1956 for amalgamation of Global Remedies Limited, Grandix Pharmaceuticals Limited, Grandix Laboratories Limited and Quantum Remedies Private Limited (the "Transferor Companies") with and into Strides Arcolab Limited ("the Transferee Company"), as approved by the Hon'ble High Courts of Judicature at Mumbai, Karnataka and Chennai, a separate reserve account titled Reserve for Business Restructure (BRR) has been created by Fair Valuation of Assets of the Company for adjustment of certain expenses / impairments against the BRR. Such adjustment being at variance with applicable accounting standards, necessary disclosure has been made in the Notes to accounts in Standalone and Consolidated Annual Report.

- ii) The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory

authorities on matters relating to capital markets during the last 3 years. No penalties or strictures have been imposed on the Company by the Stock Exchange or SEBI or any statutory authorities relating to the above.

- iii) The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement.
- iv) As regards the adoption of non-mandatory requirements as contained in Annexure I-D to clause 49 of the Listing Agreement, the Company has implemented the requirements with relation to constitution of Remuneration Committee and matters related therewith.

8. Reappointment of Directors

The requisite details in terms of clause 49(IV) (G) of the Listing Agreement in respect of the Directors getting reappointed at the ensuing AGM are as under:

Mr. K.R Ravishankar

- A graduate, was an entrepreneur before he joined Strides Arcolab Limited
- A Promoter Director of the Company – on the Board since March, 1994
- Carries with him over two decades of experience in pharma industry

Mr. Ravishankar holds 1,232,406 shares representing 3.06% of the paid up share capital of the Company.

Details of companies in which Mr. K.R Ravishankar holds directorships and memberships in Committees:

Sl. No.	Name of the Companies	Committee Membership
1	Agnus Holdings Private Limited, India	
2	Arcolab (India) Private Limited, India	
3	Caryl Pharma Private Limited, India	
4	Chayadeep Properties Private Limited, India	
5	Fraxis Life Sciences Limited, India	
6	Patsys Consulting Private Limited, India	
7	Sequent Research Limited, India	
8	Sequent Scientific Limited, India	Audit Committee
9	Vedic Elements Private Limited,, India	

Mr. K.R Ravishankar is not related to any other Director in the Company.

Dr. Ronald Ling

- Holds an M.A. in Physiological Sciences, an MBBS from the University of London, UK and an MBA from INSEAD Business School.
- Dr. Ronald Ling is a nominee of Symphony Capital Partners (Asia) Pte. Ltd., (previously known as Schroder Capital Partners (Asia) Pte. Ltd.). Has been associated with Symphony since 2001.
- Has more than 16 years of rich experience in the pharma and health care industries and in management consultancy.

Dr. Ling does not hold any share in the Company and is not a Director in any other Company in India and is not related to any other Director in the Company.

9. Disclosure of shareholding of non-executive directors

In terms of Clause 49(IV) (E) (iv) of the Listing Agreement, the shares held by Non-Executive Directors as on December 31, 2009 are as under :

Non-Executive Directors	No. of Shares held
Mr. K.R Ravishankar	1,232,406
Mr. Virtanes Saatci	175,000
Mr. P.M Thampi	1,000

The following entities, in which Mr. K.R Ravishankar is interested, also hold shares in the Company as on December 31, 2009.

Name of the Entity	No. of Shares held
Agnus Holdings Private Limited	1,816,928
Caryl Pharma Private Limited	1,790,002
Arcolab (India) Private Limited	1,912,845
Chayadeep Properties Private Limited	1,132,477

10. Means of Communication

Apart from being published in 'The Economic Times', 'Business Standard', 'Free Press', 'Navshakti' and "Lokmath" the quarterly and half-yearly results of the Company were also submitted to the Stock Exchanges where the Company's shares are listed. These were also put up on the Company's website www.stridesarco.com. The website of the Company also displays the official news releases and presentations made to the institutional investors and analysts from time to time.

11. General Shareholders Information

- a) Annual General Meeting – Day / Date / Time / Venue

Day / Date	Monday, May 31, 2010
Time	1130 hrs
Venue	The Regenza By Tunga, Plot No.37, Sector 30-A, Vashi, Navi Mumbai – 400 703.

- b) Financial Calendar

Financial Reporting for Quarter / Half Year ended	During
March 31, 2010	April, 2010
June 30, 2010	July, 2010
September 30, 2010	October, 2010
December 31, 2010	March, 2011

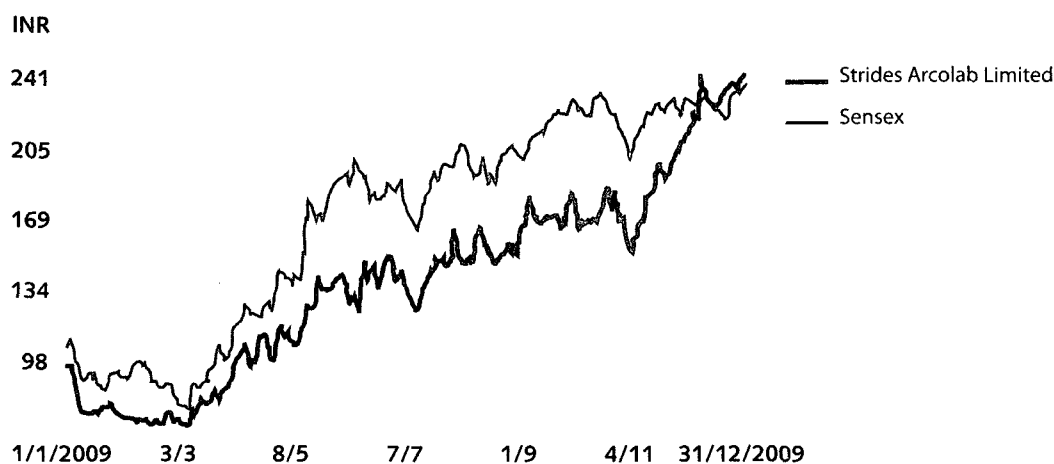
- c) Date of Book closure : May 25, 2010 to May 31, 2010 (both days inclusive)
- d) Dividend Payment Date : Within 30 days from the date of declaration of dividend.
- e) Listing of Equity shares in Stock Exchanges:
The equity shares of the Company are listed on the:
- i) The Bombay Stock Exchange Limited,
Phiroze Jeejeebhoy Towers, Dalal Street, Fort,
Mumbai - 400 023 and
- ii) The National Stock Exchange of India, Exchange
Plaza, 5th Floor, Bandra Kurla Complex, Bandra
(East), Mumbai – 400 051.

The Company has paid listing fees to all the above stock exchanges and there is no outstanding payment as on date.

- f) Stock Code
National Stock Exchange of India Limited : STAR
Bombay Stock Exchange Limited : 532531
- g) ISINs
ISIN of Company's Equity : INE939A01011
ISIN of FCCB USD 40 Million : XS0216943638
ISIN of FCCB USD 100 Million : XS0305351891
- h) Corporate Identification No :
L24230MH1990PLC057062
- i) Market Price Data
The High and Low prices of the shares of the Company at National Stock Exchange of India Limited, Mumbai (NSE) and The Stock Exchange, Mumbai (BSE) for the year ended December 31, 2009 is as under.

Month	NSE			BSE		
	High (Rs.)	Low (Rs.)	Total Traded Qty.	High (Rs.)	Low (Rs.)	Total Traded Qty.
January, 2009	99.80	65.25	876,692	100.00	66.30	405,716
February, 2009	79.00	55.65	2,110,261	78.00	62.35	1,036,989
March, 2009	85.40	60.55	2,249,157	84.65	60.65	707,167
April, 2009	116.00	80.00	4,212,301	116.00	79.05	1,649,631
May, 2009	144.25	97.05	4,794,226	145.00	97.00	2,178,680
June, 2009	155.40	116.00	9,343,740	155.90	115.25	4,232,273
July, 2009	172.40	113.40	2,088,058	172.90	98.00	951,799
August, 2009	169.40	143.00	10,997,649	169.00	143.50	6,409,569
September, 2009	184.80	144.00	9,369,078	185.00	143.85	4,797,834
October, 2009	192.20	152.50	5,484,730	192.00	153.10	3,714,263
November, 2009	216.00	146.70	5,839,346	216.00	147.00	3,328,491
December, 2009	247.70	208.50	4,243,880	248.00	208.55	2,514,642

- j) Performance of Strides Arcolab Limited Share Price to Broad Based Index (BSE Sensex)



k) Registrar and Transfer Agent :
Karvy Computershare Private Limited,
Plot No.17 to 24, Vittalrao Nagar, Madhapur,
Hyderabad – 500 081.
Tel. No. 91-40-2342 0815 to 824
Fax No. 91-40-2342 0814
e-mail id: svraju@karvy.com

l) Share Transfer System
The Company has appointed Karvy Computershare Private Limited, Hyderabad, as its Registrar and Share Transfer Agents to expedite the process of share transfers. The share transfers lodged are being processed on a day-to-day basis and Memorandum of Transfers is generated on a fortnightly basis.

m) Distribution of Share holding as on December 31, 2009

Slab of Shareholding	No. of Shareholders	% to Total Number of Shareholders	Amount	% to paid up capital
1 – 5000	21,214	94.40	13,511,410	3.36
5001- 10000	586	2.61	4,784,160	1.19
10001 - 20000	268	1.19	4,149,680	1.03
20001 - 30000	104	0.46	2,730,760	0.68
30001 - 40000	43	0.19	1,550,490	0.39
40001 - 50000	54	0.24	2,564,380	0.64
50001 - 100000	90	0.40	7,012,680	1.74
100001 and Above	114	0.51	365,852,580	90.97
Total	22,473	100.00	402,156,140	100.00

n) Shareholding Pattern as on December 31, 2009

SL No.	Category	No. of shares held	% to total shareholding
1	Indian Promoters	10,330,928	25.69
2	Mutual Funds and UTI	3,101,561	7.71
3	Banks, Financial Institutions, Insurance Companies	86,362	0.21
4	Foreign Institutional Investors	3,580,613	8.90
5	Private Corporate Bodies	2,858,440	7.11
6	Directors (other than Promoter Directors)	176,000	0.44
7	Indian Public	3,913,910	9.74
8	Non resident Indians / Overseas Corporate Bodies	3,678,944	9.15
9	Foreign Venture Capital	12,452,557	30.96
10	Foreign Nationals	30,000	0.07
11	Trust	7,299	0.02
	TOTAL	40,215,614	100.00

o) Dematerialisation of Shares and Liquidity
The Company's shares are compulsorily traded in dematerialised form. The Company has established connectivity with both the Depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through the Registrars, Karvy Computershare Private Limited.

As on December 31, 2009, 99.34% of the paid-up share capital of the Company representing 39,950,926 shares has been dematerialised.

p) Outstanding Warrants or any Convertible instruments
Foreign Currency Convertible Bonds

(a) The Company had on April 18, 2005 issued USD 40,000,000, 0.5% Foreign Currency Convertible Bonds, due 2010 (FCCBs) at an initial conversion price of Rs.358.70 per share with a fixed rate of exchange on conversion of Rs.43.7767 = USD 1.00 and further upon the terms and conditions as specified in the FCCB Offering Circular.

The FCCBs were listed at the Singapore Stock Exchange.

As permitted by the Reserve Bank of India, during the year, the Company bought back at discount FCCBs aggregating to face value USD 6 Million out of outstanding USD 40 Million 0.5% convertible bonds

On April 19, 2010, the Company has redeemed FCCBs of USD 34 Million which were due for repayment in accordance with the terms of issue of the bonds.

- (b) The Company had on June 26, 2007 issued USD 100 Million 'Zero Coupon Convertible Bonds due 2012' at an initial conversion price of Rs.461.553 per share with a fixed rate of exchange on conversion of Rs.40.70 = USD 1.00 and further upon the terms and conditions as specified in the FCCB Offering Circular. The FCCBs are listed at the Singapore Stock Exchange.

As permitted by the Reserve Bank of India, during the year, the Company bought back at discount FCCBs aggregating to face value USD 20 Million out of outstanding USD 100 Million 0% convertible bonds.

None of the bonds under (a) and (b) above have been offered for conversion.

q) Warrants

On May 27, 2009 a total of 6,200,000 warrants were issued at a price of Rs.91.15 per warrant being the price calculated as specified in Chapter XIII of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 on preferential basis to the following entities / persons who are part of the Promoter Group:

Name of entity / person	No of warrants issued
Netequity Ventures Private Limited	6,180,000
Mr. G. Purushothaman Pillai	10,000
Mr. Mohana Kumar Pillai	10,000
Total	6,200,000

Rs.22.80/- per warrant has been paid in respect of each warrant (being 25% of the exercise price) at the time of allotment and balance amount of Rs.68.35 for each warrant will be payable at the time of exercise of the warrants.

The warrants are exercisable within a period of 18 months from the date of allotment, into an equal number of fully paid-up equity shares of the Company of Rs.10/- each.

29,80,000 equity shares were allotted on conversion of equivalent number of warrants as under:

Name of entity / person	No of shares allotted on conversion
Netequity Ventures Private Limited	29,60,000
Mr. G. Purushothaman Pillai	10,000
Mr. Mohana Kumar Pillai	10,000
Total	29,80,000

r) Employee Stock Options

Statement giving detailed information in terms of Regulation 12 of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is annexed to the Directors' Report.

s) Plant Locations

(a) KRS Gardens, Suragajakkanahalli, Kasaba Hobli, Anekal Taluk, Bangalore - 562 106

(b) 124, Sipcot Industrial Complex, Hosur - 635 126

(c) No. 9-12, Dewan & Sons Industrial Area, Veroor, Palghar, Dist. Thane - 401 404

t) Investors Correspondence

To the Registrars and Share Transfer Agents:

Karvy Computershare Private Limited,
Plot No. 17 to 24,
Vittalrao Nagar, Madhapur,
Hyderabad. 500 081
Tel: 040 - 23420815 to 824,
Fax 040 - 23420814
Email id: svraju@karvy.com

Contact Persons:

Mr. S.V. Raju or Mr. Mohan

To the Company:

Mr. Kannan. N
Company Secretary

Corporate Office:

'Strides House', Bilekahalli,
Bannerghatta Road,
Bangalore - 560 076
Tel. No. 91-80-66580751
Fax No. 91-80-66580800
e-mail id. : kannan.n@stridesarco.com
investors@stridesarco.com

Registered Office:

No. 201, 'Devavrata'
Sector 17, Vashi,
Navi Mumbai - 400 705.
Tel. No. 91-22-27895247
Fax No. 91-22-27892924

The Company's designated email id for investor complaints is investors@stridesarco.com

All Board Members and senior management personnel have confirmed compliance with the Code for the year 2009. A declaration to this effect signed by the CEO of the Company is given below:

"I confirm that the Company has in respect of the year ended December 31, 2009, received from its Board Members as well as senior management personnel affirmation as to compliance with the code of conduct."

12 Code of Conduct

The Board has prescribed Code of Conduct ('Code') for all Board Members and Senior Management of the Company, which is also put on the website of the Company.

Arun Kumar
Vice Chairman and Managing Director

CERTIFICATE

To the Members of Strides Arcolab Limited

We have examined the compliance of conditions of corporate governance by Strides Arcolab Limited ('the Company'), for the year ended on December 31, 2009, as stipulated in clause 49 of the Listing Agreement of the said Company with the said stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above-mentioned Listing Agreement.

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

For DELOITTE HASKINS & SELLS
Chartered Accountants
Registration No. 0080725

V. Balaji
Partner
Membership No.: 203685

Place: Bangalore, India

Date: April 22, 2010

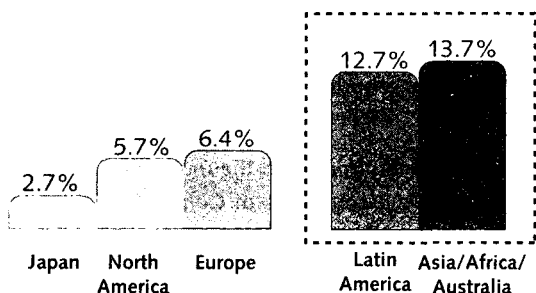
Management Discussion and Analysis

Global pharmaceutical

The global pharmaceutical market reached USD 773 billion in turnover, growing at the rate of 4.8%, in 2008. The two largest markets, the US and Europe, which contributed almost 73% to the global market in 2008, achieved growth rates of 1.4% and 5.8%, respectively. The European market is also expected to grow at a CAGR of 2% to 5% for 2008–2013.

The significant growth in global pharmaceutical market is expected to come from emerging markets. According to IMS Health, emerging markets outperformed developed ones in terms of their growth with a CAGR (2003-2008) of 12-13%, whereas the CAGR of developed economies remained at around 6-8% for the same period.

PHARMACEUTICAL MARKET GROWTH CAGR % 2003-2008



(Source: IMS Health, 2009)

The global pharmaceutical landscape is rapidly changing with big pharmaceutical companies building alternate growth engines and moving away from their singular focus on developed markets and patented products. Along with increased focus on emerging markets big pharmaceutical companies are also seeking increased presence in non-patented prescription drug categories including off-patent drugs, Branded Generics and over-the-counter (OTC) drugs. Presence in these categories is considered critical to building a strong presence in most of the emerging markets. Growing realisation of the opportunity provided by emerging markets and the

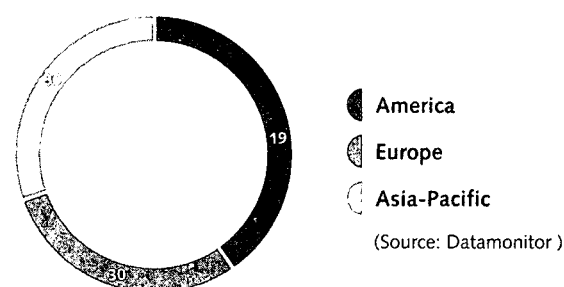
urgency to create firmer footholds ahead of competition, in these markets have accelerated the strategic changeover over the last couple of years.

Global Generic Market Scenario

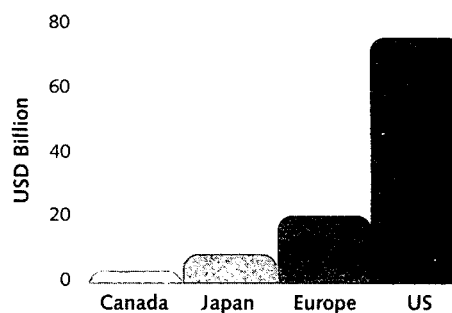
The global generics market is expected to grow at a CAGR of about 10.5% between 2007 and 2012. This growth is expected to be driven by the following factors:

- The estimated USD 116 billion worth of drugs going off-patent over the next five years
- Governments worldwide encouraging the use of generics to counter rising healthcare expenditure – particularly in countries with low generic penetration such as France, Spain, Italy and Japan
- The toughening macro-economic conditions leading to a greater shift towards generics usage.

GLOBAL MARKET GENERIC SIZE

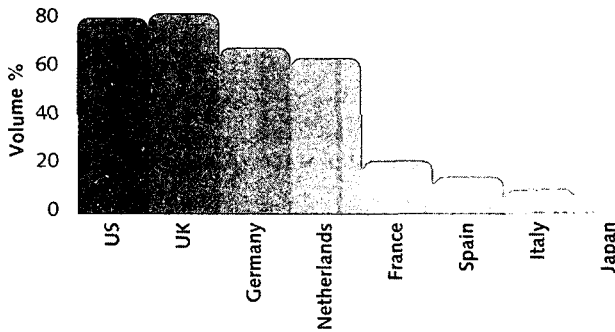


ANNUAL SALES OF DRUGS GOING OFF-PATENT OVER NEXT 5 YEARS



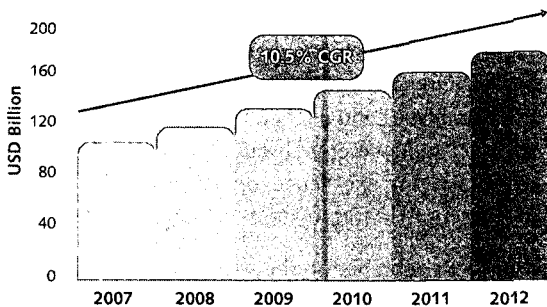
(Source: India-Pharma IIFL report 1Q 2009)

PENETRATING DEVELOPED MARKETS - AN OPPORTUNITY



Source: India-Pharma IIFL report 1Q 2009

GLOBAL GENERIC MARKET FORECAST

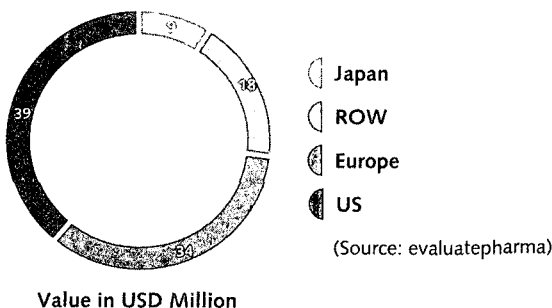


Source: Datamonitor

Global injectables

The global injectables market is estimated at USD 173 billion as on 2009, and it is forecasted to grow at 11% from (2008-11). (Source: IMS data as on September, 2009)

BREAK UP BY REGION - 2009



(Source: evaluatepharma)

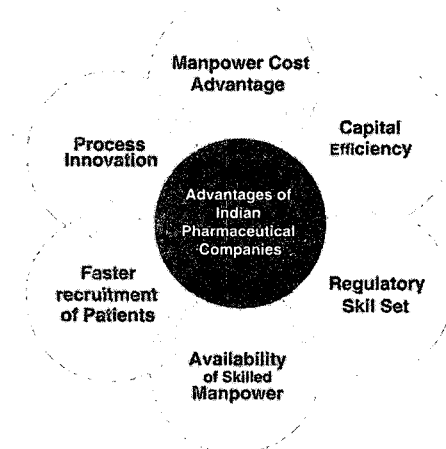
Changing paradigm

An interesting fall-out of big pharmaceutical company's new operating paradigm involving aggressive Branded Generics play in emerging markets, along with generics in regulated markets, has been the hitherto unthinkable partnering of global pharmaceutical players and Indian generics. These partnerships have been catalyzed by big pharmaceutical's need for low-cost, reliable and world class manufacturers with the ability to develop and register a large suite of products across multiple geographies. This is critical for them to operationalise their emerging markets/generic strategies without having to go through the lengthy process of developing these multiple products and then sinking in significant capex for manufacturing capabilities. Indian generics companies benefit by getting the formidable marketing resources of MNC pharmaceutical to sell their products –thereby improving the likelihood of garnering higher market share across products while enhancing capacity utilisation.

Advantages of Indian Pharmaceutical Companies

Indian pharmaceutical companies have emerged as leading pharmaceutical providers to diverse international markets owing to their established credentials in low-cost manufacture, operations and research on the one hand; as well as API process improvements, faster recruitment for clinical trials, skilled manpower, developed regulatory skills and process innovation on the other.

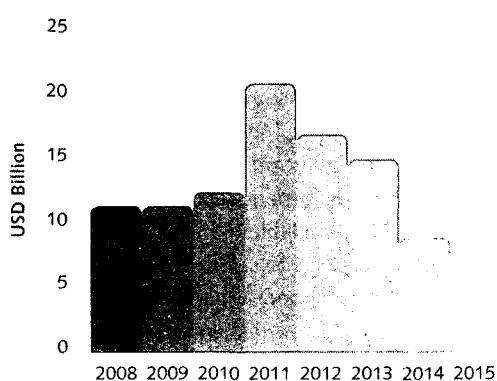
ADVANTAGES OF INDIAN PHARMACEUTICAL COMPANIES



Growth driver

Patent expiries: Patents for products worth USD 105 billion in the US are scheduled for expiry across the next nine years, an opportunity for generic formulators. Countries like India, where companies are focused on growing sales to regulated markets, are prepared to capitalise on this export opportunity.

PATENT EXPIRY (USD BILLION)



(Source: Indian Pharmaceutical Industry - YES BANK / OPPI)

Overview of the Indian economy

- India is among the first few countries in the world to implement a broad-based counter-cyclic policy package to respond to the negative fallout of the global slowdown, and one of the first to emerge out of the global economic slowdown.
- The advance estimates for GDP growth for 2009-10 is pegged at 7.2%; positioning India as the second fastest growing economy after China
- The growth rate in manufacturing sector in December, 2009 was 18.5% – the highest in the past two decades.
- A major concern during the second half of 2009-10 has been the emergence of double digit food inflation. Government has set in motion steps, to bring down the inflation in the next few months and ensure that there is better management of food security in the country.
- Inflation was 9.89% for the month ended January, 2010; and there is a hardening of interest rates
- India's per capita income increased from Rs.37,490 to Rs.40,141 during 2008-09

Indian GDP progression over the period (%)

GDP at factor cost	%
2005-06	9.5
2006-07	9.7
2007-08	9.2
2008-09	6.7
2009-10	7.2

(Source: Central Statistical Organisation)

Strides overview and position

During the year the Company restructured global operations into three separate businesses - Specialty, Pharmaceuticals and Branded Generics. It continued its proactive initiatives in ANDA filing; filed a record 51 in 2009. We partnered with the Ministry of Health, government of India in its efforts to contain "Influenza – A (H1N1)". The Company commenced operation of its state-of-the-art sterile plant with a dedicated oncology unit in Bangalore.

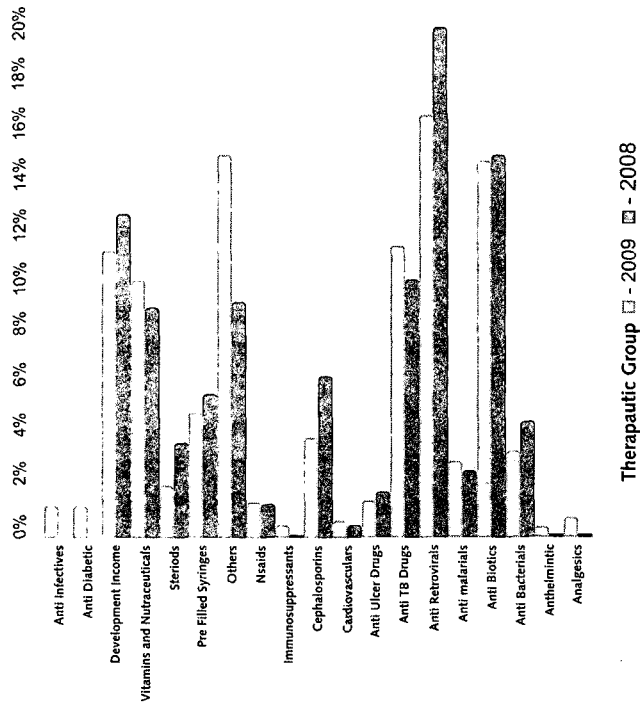
Our main priority was superior customer focus and proactive response. We strategically strengthened our capabilities and aligned ourselves with our partner's requirements through product innovation, manufacturing excellence, operational flexibilities and leveraging IP in formulation technologies.

Our focus centered on the following imperatives:

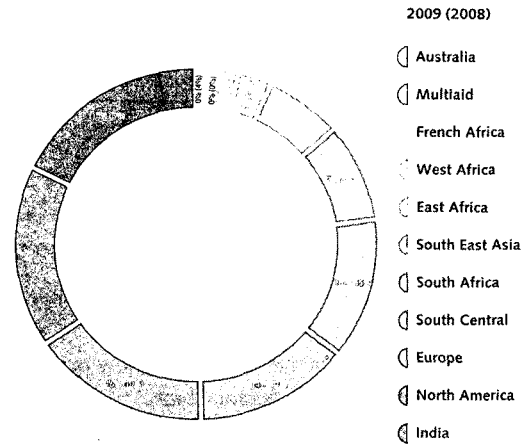
- Continue partnerships with big pharmaceutical and larger Generic companies; reinforcing our position as their most preferred partner
- Expand business in Africa, India and Australasia for Branded Generics
- Expand Grandix business in domestic market, by catering to untapped opportunities

Graphical representation of performance

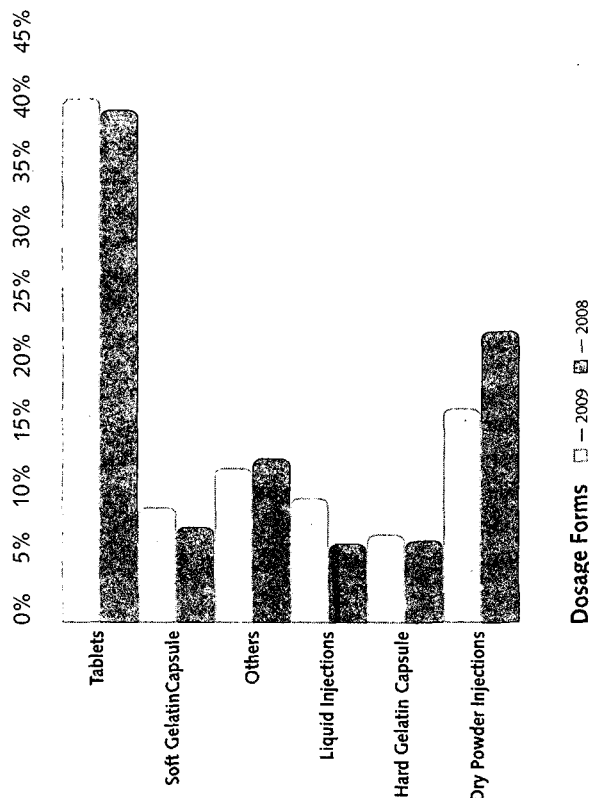
THERAPEUTIC DISTRIBUTION (%)



REVENUE GEOGRAPHICAL DISTRIBUTION



DOSAGE FORMS (%)



Regulatory filing status

	Steriles	Orals	Total
No. of NDAs/ANDAs filed till 2009	91	32	123
No. of NDAs/ANDAs approved till 2009	17	14	31

Financial performance

Accounting policy

We have adopted Accounting standard 30: "Financial Instruments: Recognition and Measurement" and the consequential limited revisions to other applicable Accounting Standards as have been announced by the ICAI. Accordingly, we have changed the designation and measurement principles for all our significant financial assets and liabilities including FCCBs and ECBs. In case where there are conflicts between provisions of AS 30 and Companies Act, 1956, provisions of Companies Act, 1956 has been followed. Accounting standard 30, 31 and 32 are new accounting standards, to be made mandatory from April 1, 2011. These are global standards in line with IAS 39 and are a prelude to IFRS convergence. By adopting Accounting Standard 30 we are progressing towards IFRS convergence.

We made all relevant provisions as were applicable on December 31, 2009.

Standalone

Our robust growth in FY2009 is reflected in the following numbers and derivatives:

(Rs. in Million)

	FY2009	FY 2008
Total income	7,847.44	6,621.33
Profit before tax	1,165.54	44.37
Profit after tax	1,055.14	61.35
Earnings per share (Rs.)	25.46	0.69

Sales and services income increased by 19% from •

- Rs.6,621 Million in FY2008 to Rs.7,847 Million in FY2009, primarily on account of growing scale of operations, proactive marketing, new product launches and building partnerships.
- Profit before tax increased from Rs.44 Million in FY 2008 to Rs.1,166 Million in FY 2009 on account of increased sales and also on account of FCCB buy back at a discount.
- Net worth increased by 146% from Rs.3,759 Million in FY2008 to Rs.9,279 Million in FY2009.
- Debt grew by 12% from Rs.10,975 Million in FY2008 to Rs.12,322 in FY2009 to meet capacity expansion and growth requirements.
- Gross block increased by 60% from Rs.2,675 Million in FY2008 to Rs.4,285 Million in FY2009 on account of capacity expansion and business reorganization.
- Cash-and-bank balances increased by 91% from Rs.164 Million in FY2008 to Rs.314 Million in FY2009.

Consolidated

Our performance is captured in the following table:

(Rs. in Million)

	FY2009	FY2008
Total revenue	13,283.41	13,312.46
Profit before tax	1,429.37	1,148.79
Profit after tax & minority share	1,096.83	1,079.63
Earnings per share (basic) (Rs.)	26.49	26.91

- Operational revenue increased by 23% from Rs.10,803 Million in FY2008 to Rs.13,283 Million in FY2009, on account of enhanced global operations. Total revenue for the FY 2008 included Rs.2,509 Million on account of non-operational income.
- Profit before Tax increased by 24% from Rs.1,145 Million in FY 2008 to Rs.1,429 Million in FY 2009

- Profit after tax and minority interest increased by 2% from Rs.1080 Million in FY 2008 to Rs.1,097 Million in FY 2009
- Net worth increased by 100% from Rs.4,154 Million in FY2008 to Rs.8,310 Million in FY2009.
- Debt increased by 12% from Rs.13,020 Million in FY2008 to Rs.14,569 Million in FY2009 to meet capacity expansion and growth requirements.
- Gross block increased 79% from Rs.5,991 Million in FY2008 to Rs.10,713 Million in FY2009 following the expansion of facilities.
- Cash-and-bank balances increased by 60% from Rs.569 Million in FY2008 to Rs.912 Million in FY2009.

Shareholders may also refer to the write-up under the heading 'Business Divisions' for detailed overview of each business divisions, strategy and outlook.

Risks and Concerns

The management's perception of risks and concerns associated with the business are detailed out in the report on the Risk Management' provided elsewhere in the report.

Intellectual Capital

Details on material developments in human resources front are detailed elsewhere in the report under the title 'Intellectual Capital'

Internal Control Systems and Adequacy

At Strides we have invested significant amounts of time, energy and efforts to build a world-class team as well as to ensure adequate internal controls for our business process and practices across our functions. We have a strong internal audit program within our system and are also supported by an Indian Firm of Chartered Accountants which regularly covers various operations on an ongoing basis.

Our Audit Committee reviews all internal audit comments on a regular basis and we have further strengthened our department of risk mitigation. We have conducted a risk mitigation exercise and are implementing a worldwide risk mitigation program supported by an enhanced IT system.

Auditors' Report

TO THE MEMBERS OF STRIDES ARCOLAB LIMITED

1. We have audited the attached Balance Sheet of STRIDES ARCOLAB LIMITED as at December 31, 2009, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Government of India in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. The Company has early adopted Accounting Standard 30 'Financial Instruments: Recognition and Measurement', along with the limited revision to Accounting Standard 2 'Valuation of Inventories', Accounting Standard 11 'The Effect of Changes in Foreign Exchange Rates', Accounting Standard 19 'Leases', Accounting Standard 21 'Consolidated Financial Statements and Accounting for Investment in Subsidiaries in Separate Financial Statements', Accounting Standard 23 'Accounting for Investments in Associates in Consolidated Financial Statements', Accounting Standard 26 'Intangible Assets', Accounting Standard 27 'Financial Reporting of Interest in Joint Ventures', Accounting Standard 28 'Impairment of Assets', and Accounting Standards 29 'Provisions, Contingent Assets and Contingent Liabilities', arising from the announcement of the Institute of Chartered Accountants of India on March 29, 2008. Pursuant to the above:
 - (i) The Foreign Currency Convertible Bonds (FCCBs or Bonds) have been segregated into two components comprising (a) option component which represents the value of the conversion option given to the FCCB-holders to convert the bonds into equity shares of the Company and (b) debt component which represents the debt to be redeemed in the absence of conversion option being exercised by FCCB-holder, net of issuance costs. The debt component has been recognised and measured at amortised cost and the fair value of the option component has been determined using a valuation model and a charge of Rs.41.12 Million has been recognised in the Profit and Loss Account for the year ended December 31, 2009, being the change in the fair value of embedded option during the year.
 - (ii) Certain US Dollar investments in subsidiaries and joint ventures have been designated as hedged items in a fair value hedge for changes in spot rates and have been restated at the end of the every reporting period. Consequently, a charge of Rs.107.01 Million has been recognised in the Profit and Loss account for the year ended December 31, 2009 as compared to the policy of valuing investments at cost less diminution that is other than temporary, as required under Accounting Standard 13 'Accounting for Investments', notified under section 211(3C) of the Companies Act, 1956.
5. We refer to Note A.2 of Schedule P, regarding the accounting for the Scheme of Arrangement ('the Scheme') between the Company, some of its subsidiaries and their respective shareholders under section 391 to 394 and the other provisions of the Companies Act, 1956, which has been approved by the Hon'ble High Court of Mumbai.
 - (i) As explained in Note A.2.2 (b) of Schedule P, in accordance with the Scheme, the excess of fair value of assets of the Company over the previously carried book values, amounting to Rs.6,891.77 Million has been credited to Reserve for Business Restructuring, instead of such assets being recorded at historical costs or written down value, as required by Accounting Standard 10 'Accounting for Fixed Assets' and Accounting Standard 13 'Accounting for Investments', as applicable.

- (ii) As explained in Note A.2.2(c) of Schedule P, in accordance with the Scheme, certain expenses and impairments amounting to Rs.2,277.77 Million have been debited to the Reserve for Business Restructuring, instead of being charged to the Profit and Loss Account as required by Accounting Standard 5 'Net Profit or Loss for the Period, Prior Period Items'.
6. Attention is invited to Note B.17.1 of Schedule P regarding the excess managerial remuneration of earlier years in respect of which the Company's application is pending with the Central Government.
7. Further to our comments in the Annexure referred to 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 purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of the books;
 - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) subject to our comments in paragraph 5 above and read with our comments in paragraph 4 above, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) on the basis of the written representations received from the directors, as on December 31, 2009, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on December 31, 2009 from being appointed as a director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
 - (f) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 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 the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For DELOITTE HASKINS & SELLS
Chartered Accountants
Registration No. 008072S

Place: Bangalore
Date: February 24, 2010

V. BALAJI
Partner
Membership No. 203685

Annexure to the Auditors' Report

(Referred to in our report of even date)

- (i) In respect of its fixed assets:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
 - (c) Although some of the fixed assets of the Company have been disposed off during the year, in our opinion and according to the information and explanation given to us, the ability of the Company to continue as a going concern is not affected.
- (ii) In respects of its inventories:
- (a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
 - (b) In our opinion, and according to the information and explanation given to us, the procedures for physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iii) Accordingly to the information and explanation given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In respect of loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
- (a) The Company had taken unsecured loans from two parties. At the year-end, the outstanding balances of such loans taken aggregated to Nil and the maximum amount involved during the year was Rs.75.70 Million.
 - (b) The rate of interest and other terms and conditions of such loan are in our opinion, prima facie, not prejudicial to the interests of the Company.
 - (c) The payments of principal amounts and interest have during the year been regular as per stipulations.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items of inventory and fixed assets purchased are of a special nature and suitable alternative sources do not exist for obtaining comparable quotations, there are adequate internal control systems commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services and we have not observed any continuing failure to correct major weaknesses in such internal controls.
- (vi) In respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act 1956, to the best of our knowledge and belief, and according to the information and explanations given to us:
- (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered into the register maintained under the said section have been so entered.
 - (b) In our opinion and having regard to our comments in paragraph (v) above, with regard to purchases of certain items of inventory for which comparative quotes are not available, transactions (excluding loans covered by our comments

under paragraph (iv) above) made in pursuance of such contracts or arrangements, in excess of Rs.5 Lakhs in respect of any party, have been made at prices which are, prima facie, reasonable having regard to the prevailing market prices at the relevant time.

- (vii) The Company has not accepted deposits from public.
- (viii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management has been commensurate with the size of the Company and the nature of its business.
- (ix) We have broadly reviewed the books of account and records maintained by the Company pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (x) In respect of statutory dues:
- (a) According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and any other material statutory dues with the appropriate authorities during the year and there are no undisputed statutory dues as noted above which are outstanding for a period more than six months from the date they became payable.
- (b) According to the information and explanations given to us, details of disputed Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and cess, which have not been deposited as on December 31, 2009 on account of any dispute are given below:

Name of statute	Nature of the dues	Amount (Rupees in Million)	Period to which the amount relates	Forum where dispute is pending
Income - tax Act, 1961	Income Tax (incl. interest)	3.38	AY 1998-99	Income Tax Appellate Tribunal and Commissioner of Income - tax (Appeals)
Income - tax Act, 1961	Income Tax (incl. interest)	3.31	AY 1999-00	Income Tax Appellate Tribunal and Commissioner of Income - tax (Appeals)
Income - tax Act, 1961	Penalty	19.1	AY 2000-01	Commissioner of Income - tax (Appeals)
Income - tax Act, 1961	Penalty	0.70	AY 2001-02	Commissioner of Income - tax (Appeals)
Income - tax Act, 1961	Income Tax (incl. interest)	38.97	AY 2004-05	Commissioner of Income - tax (Appeals)
Income - tax Act, 1961	Income Tax (incl. interest)	121.95	AY 2005-06	Commissioner of Income - tax (Appeals)
Customs and Excise Laws	Excise duty	3.86	Aug-2005	Customs and Excise Service Tax Appellate Tribunal

- (xi) The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses during the year and in the immediately preceding financial year.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions and banks.
- (xiii) The Company has not granted loans and advances on the basis of the security by way of pledge of shares, debentures and securities.

- (xiv) The Company is not a chit fund or a nidhi/mutual benefit fund/ society.
- (xv) The Company is not in the business of dealing or trading in shares, securities, debentures and other investments.
- (xvi) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by wholly owned subsidiary companies from financial institutions, are not prima facie prejudicial to the interest of the Company.
- (xvii) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
- (xviii) According to the information given to us and having regard to the explanation that Foreign Currency Convertible Bonds amounting to Rs.2,100.70 Million are due for redemption / conversion on April 19, 2010, on an overall examination of the Balance Sheet of the Company, other funds raised on short term basis have not been used during the year for long term investment.
- (xix) According to the information and explanations given to us, the price at which the Company has made preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 is not prima facie prejudicial to the interests of the Company.
- (xx) The Company has not issued any debentures.
- (xxi) The Company has not raised any money by public issues during the year.
- (xxii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For DELOITTE HASKINS & SELLS
Chartered Accountants
Registration No. 008072S

Place: Bangalore
Date: February 24, 2010

V. BALAJI
Partner
Membership No. 203685

Balance Sheet

as at December 31, 2009

		(Rupees in Million)		
		Schedule	Dec 31, 2009	Dec 31, 2008
I. SOURCES OF FUNDS				
1. Shareholders' funds				
a)	Share capital	A	893.76	892.11
b)	Monies pending allotment (Refer Note A.2.1 & B.5, Schedule 'P')		141.50	-
c)	Employees stock options outstanding	B	34.53	17.89
d)	Reserves & surplus	C	8,209.50	2,897.33
			9,279.29	3,807.33
2. Loan funds				
a)	Secured loans	D	5,980.89	3,737.35
b)	Unsecured loans		6,341.50	7,237.27
			12,322.39	10,974.62
3. Deferred tax liability (Net) (Refer Note B.18, Schedule 'P')				
			-	58.50
Total			21,601.68	14,840.45
II. APPLICATION OF FUNDS				
1. Fixed assets				
a)	Gross block	E	4,285.31	2,674.67
	Less : Accumulated depreciation		1,016.38	1,062.04
Net block			3,268.93	1,612.63
b)	Capital work-in-progress & advances		112.14	1,454.08
			3,381.07	3,066.71
2. Investments				
			15,180.42	9,395.80
3. Current assets, loans and advances				
a)	Inventories	G	955.03	869.71
b)	Sundry debtors		2,075.27	2,084.40
c)	Unbilled revenues		-	778.84
d)	Cash & bank balances		313.82	163.82
e)	Loans and advances		3,597.85	1,176.28
			6,941.97	5,073.05
Less: Current liabilities & Provisions				
H				
a)	Current liabilities		2,206.30	1,985.96
b)	Provisions		1,695.48	709.15
			3,901.78	2,695.11
Net current assets			3,040.19	2,377.94
4. Profit & loss account				
			-	47.68
Less : Transferred to General Reserve as per Contra			-	47.68
Total			21,601.68	14,840.45
Accounting policies and notes on accounts				
P				
The above schedules form an integral part of the financial statements.				

As per our report of even date
For DELOITTE HASKINS & SELLS
 Chartered Accountants
 V. Balaji
 Partner
 Membership No.203685
 Bangalore, February 24, 2010

For and on behalf of the Board
 Arun Kumar : Vice Chairman & Managing Director
 K.R.Ravishankar : Director
 Kannan.N : Company Secretary

Profit and Loss Account

for the year ended December 31, 2009

(Rupees in Million)			
	Schedule	Dec 31, 2009	Dec 31, 2008
I. INCOME			
1. Sales & services (including export incentives)	I	7,694.42	5,931.38
2. Other income	J	153.02	689.95
Total		7,847.44	6,621.33
II. EXPENDITURE			
1. Materials consumed	K	4,473.36	3,464.85
2. (Increase)/Decrease in stock	L	(119.86)	(44.24)
3. Personnel cost	M	836.60	631.45
4. Operating and other expenses	N	1,367.01	1,215.53
5. Finance charges	O	619.55	654.27
Total		7,176.66	5,921.86
III. PROFIT BEFORE DEPRECIATION, AMORTISATION, EXCEPTIONAL ITEMS AND TAX		670.78	699.47
6. Depreciation & Amortisation	E	226.85	188.77
IV. PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		443.93	510.70
7. Exchange Gain / (Loss) on FCCB, ECB & Forward Exchange contracts (net) (Refer Note B.6, Schedule 'P')		498.61	(1,841.94)
8. Exchange Gain / (Loss) on restatement of Hedged Investments (Refer Note B.6, Schedule 'P')		(107.01)	923.40
9. Changes in fair value of embedded derivatives in FCCBs (Refer Note B.6, Schedule 'P')		(41.12)	452.21
10. Profit on FCCB Buyback (Refer Note B.3, Schedule 'P')		291.17	-
11. Interest reversal on FCCB Buyback (Refer Note B.3, Schedule 'P')		79.96	-
V. PROFIT BEFORE TAX		1,165.54	44.37
Less: Provision for tax			
- Current		164.10	14.00
- Deferred [Net]		(57.05)	(21.00)
- Fringe Benefit Tax		3.35	4.02
- MAT Credit entitlement		-	(14.00)
VI. PROFIT AFTER TAX		1,055.14	61.35
Profit from Continuing Operations		725.29	-
Less: Tax expense		108.94	-
Net profit from Continuing Operations		616.35	-
Profit from Discontinued Operations (Refer Note B.29, Schedule 'P')		440.25	-
Less: Tax expense		1.46	-
Net profit from Discontinued Operations		438.79	-
VII. PROFIT AFTER TAX		1,055.14	61.35
Balance brought forward		(47.68)	(109.03)
VIII. PROFIT AVAILABLE FOR APPROPRIATIONS		1,007.46	(47.68)
IX. APPROPRIATIONS			
Proposed dividend on equity shares		60.32	-
Tax on proposed equity dividend		10.25	-
Dividend on preference shares		88.49	-
Tax on preference dividends		15.04	-
Transfer to general reserve		52.76	-
Balance carried forward to Balance sheet		780.60	(47.68)
X. Total		1,007.46	(47.68)
XI. EARNINGS PER SHARE (Refer Note B.27, Schedule 'P')			
(Face value of Rs.10 each)			
- Basic (in Rs.)		25.46	0.69
- Diluted (in Rs.)		18.06	0.69

Accounting policies and notes on accounts

P

The above schedules form an integral part of the financial statements.

As per our report of even date
For **DELOITTE HASKINS & SELLS**
Chartered Accountants

V. Balaji
Partner
Membership No.203685
Bangalore, February 24, 2010

For and on behalf of the Board

Arun Kumar : Vice Chairman & Managing Director
K.R.Ravishankar : Director
Kannan.N : Company Secretary

Cash Flow Statement

for the year ended December 31, 2009

		(Rupees in Million)	
		Dec 31, 2009	Dec 31, 2008
A.	Cash flow from Operating Activities		
	Net Profit before tax	1,165.54	44.37
	Adjustments for:		
	Depreciation and amortisation	226.85	188.77
	Provision for doubtful debts	-	9.60
	Unbilled Debtors written off	17.55	55.14
	Impairment in brands / Obsolescence in Assets	-	14.22
	Loss on sale of assets	1.14	2.93
	Interest Expenses	542.08	592.64
	Compensation under ESOP Scheme	-	13.16
	Dividend received	-	(20.82)
	Unrealised Exchange (Gain) / Loss (net)	(393.27)	1,381.48
	Interest received	(21.51)	(43.25)
	Profit on FCCB Buyback	(291.17)	-
	Interest reversal on FCCB Buyback	(79.96)	-
	Profit on Sale of Investment	-	(2.21)
	Exchange Gain / (Loss) on restatement of Hedged Investments	107.01	(923.40)
	Changes in fair value of embedded derivatives in FCCBs	41.12	(452.22)
	Operating profit before working capital changes	1,315.38	860.41
	Changes in working capital		
	(Increase)/Decrease in Trade and other receivables	(1,270.01)	515.49
	(Increase)/Decrease in Inventories	(625.34)	(147.63)
	Increase/(Decrease) in Trade and other payables	524.10	(259.85)
	(Increase)/Decrease in Margin money and Unpaid Dividend Accounts	(12.34)	(6.05)
	Net change in working capital	(1,383.59)	101.96
	Cash generated from operations	(68.21)	962.37
	Direct taxes paid	(49.47)	(14.31)
	Net cash from Operating Activities	A	(117.68)
B.	Cash flow from Investing Activities		
	Purchase of fixed assets / CWIP	(844.59)	(1,116.41)
	Investment in subsidiaries / Joint Ventures	(147.89)	(1,342.71)
	Sale of Long term Investments / Return of Investments	-	1,231.69
	Sale of fixed assets	3.08	30.76
	Dividend / Interest received	46.23	74.74
	Net cash used in Investing Activities	B	(943.17)
C.	Cash flow from Financing Activities		
	Proceeds from issue of Shares/ Warrants (Net)	158.87	-
	Buy Back of FCCBs	(705.64)	-
	Proceeds from / (Repayment of) short term borrowings	297.86	(434.50)
	Proceeds from / (Repayment of) long term borrowings	2,117.07	-

		(Rupees in Million)	
		Dec 31, 2009	Dec 31, 2008
Repayment of long term borrowings		(231.13)	(59.86)
Interest paid on borrowings		(452.63)	(429.98)
Net cash generated from Financing Activities	C	1,184.40	(924.34)
Net Increase/(Decrease) in cash and cash equivalents during the year	A+B+C	123.55	(1,098.21)
Effect of exchange differences on restatement of foreign currency cash and cash equivalents		(3.37)	0.14
Cash inflow (net) on account of Merger & Hive off (Refer Note A.2.2 & A.3, Schedule 'P')		17.08	-
Cash and cash equivalents at the beginning of the year		55.08	1,153.15
Cash and cash equivalents at the end of the year		192.34	55.08

Note: Refer Note B.28, Schedule 'P' for notes on Cash Flow Statement

As per our report of even date

For DELOITTE HASKINS & SELLS
Chartered Accountants

V. Balaji
Partner
Membership No.203685
Bangalore, February 24, 2010

For and on behalf of the Board

Arun Kumar : Vice Chairman & Managing Director
K.R.Ravishankar : Director
Kannan.N : Company Secretary

Schedules

forming part of the Balance Sheet as at December 31, 2009

		(Rupees in Million)	
		Dec 31, 2009	Dec 31, 2008
SCHEDULE 'A'			
SHARE CAPITAL			
1. Authorised			
a) Equity			
89,750,000 (Previous year 70,000,000) equity shares of Rs.10 each		897.50	700.00
b) Preference			
620,000 cumulative redeemable preference shares of Rs.1,000 each		620.00	620.00
		1,517.50	1,320.00
2. Issued, subscribed and paid-up			
a) Equity			
40,215,614 (Previous year 40,050,014) equity shares of Rs.10 each fully paid . Of these:		402.15	400.50
i) 3,168,875 equity shares of Rs.10 each were allotted to the Promoters and their associate companies on exercising of the Warrants.			
ii) 210,955 equity shares of Rs.10 each were allotted to the erstwhile share holders of Bombay Drugs & Pharmas Ltd., consequent to amalgamation with the Company.			
iii) 1,251,000 equity shares of Rs.10 each were issued as bonus shares by capitalisation of General Reserve			
iv) 1,912,500 equity shares of Rs.10 each were issued consequent to amalgamation to the shareholders of erstwhile Remed Laboratories (India) Ltd and Plasma Laboratories Ltd			
b) Preference			
491,606, 6% cumulative redeemable preference shares of Rs.1,000 each fully paid (Refer Note B.4, Schedule 'P')		491.61	491.61
Total		893.76	892.11
SCHEDULE 'B'			
EMPLOYEE STOCK OPTIONS OUTSTANDING			
Employee Stock Options Outstanding		75.34	42.83
(Refer Note B.7, Schedule 'P')			
Less : Deferred employee compensation expenses		40.81	24.94
Closing Balance		34.53	17.89
SCHEDULE 'C'			
RESERVES AND SURPLUS			
1. General Reserve			
Opening Balance		191.26	251.34
Add: Transfer from Profit and Loss account		52.76	
Less : Adjustment under transitional provisions of AS-30 (Refer Note B.6, Schedule 'P')		-	60.08
		244.02	191.26
Less: Debit balance in Profit & Loss Account as per contra		-	47.68
Closing Balance		244.02	143.58

Schedules

forming part of the Balance Sheet as at December 31, 2009

		(Rupees in Million)	
		Dec 31, 2009	Dec 31, 2008
2. Capital Reserve			
Opening Balance		225.61	35.74
Add : Forfeiture of amount received towards Share Warrants (Refer Note B.5. Schedule 'P')		-	189.87
Closing Balance		225.61	225.61
3. Capital Redemption Reserve		60.00	60.00
4. Debenture Redemption Reserve (Refer Note B.4 and B.6, Schedule 'P')			
Opening Balance		-	934.71
Less: Reserves created for redemption of FCCBs transferred to Securities Premium Account (Refer Note B.6, Schedule 'P')		-	934.71
Closing Balance		-	-
5. Securities Premium			
Opening Balance		2,468.14	430.53
Add: Additions during the year on fresh issue of shares		19.03	1,967.83
Add: Transfer from Debenture Redemption Reserve Account (Refer Note B.6, Schedule 'P')		-	934.71
Add: Reversal of Premium on redemption of FCCB's and issue expenses on account of buy back (Refer Note B.3, Schedule 'P')		254.83	-
Less : Amortisation of Premium on redemption of FCCB's and issue expenses (Refer Note B.6, Schedule 'P')		603.50	864.93
Closing Balance		2,138.49	2,468.14
6. Reserve for Business Restructure (Refer Note A.2.2, Schedule 'P')			
Net surplus of fair valuation of assets		7,038.54	-
Less: Utilisation during the year		2,277.77	-
Closing Balance		4,760.77	-
Carried forward for future utilisation		2,854.06	-
Reserved for consolidation adjustment (Note: Out of the balance Rs.4,760.77 Million, a sum of Rs.1,906.71 Million has been reserved for adjustment in Consolidated Financial Statements for the year ended December 31, 2009.)		1,906.71	-
Closing Balance		4,760.77	-
7. Profit & Loss Account		780.60	-
Total		8,209.50	2,897.33

Schedules

forming part of the Balance Sheet as at December 31, 2009

		(Rupees in Million)	
		Dec 31, 2009	Dec 31, 2008
SCHEDULE 'D'			
LOAN FUNDS			
A. SECURED LOANS			
1.	Long term loans		
	a) From banks	2,947.87	1,094.43
	b) From others	5.06	15.00
		2,952.93	1,109.43
2.	Short term loans		
	a) From banks (Refer Note 'e' below)	3,027.96	2,627.92
		3,027.96	2,627.92
	Total	5,980.89	3,737.35
Notes :			
a)	Long term loans (other than hire purchase loans) are secured by a pari passu first charge on all movable properties and the immovable properties at certain facilities of the Company. Hire purchase loans from Banks are secured by hypothecation of assets acquired there under.		
b)	Long term loans (other than hire purchase loans) due within one year Rs.524.18 Million (Previous year Rs.231.13 Million). Hire purchase loans from banks due within one year Rs.4.78 Million (Previous year Rs.2.48 Million)		
c)	Short term loans from banks are working capital loans, which are secured by a pari passu first charge on the Company's immovable property located at Navi Mumbai and the current assets of the Company and by a pari passu second charge of certain other immovable properties.		
d)	Some of the above loans amounting to Rs.1,505 Million (Previous year Rs.165 Million)are guaranteed by some of the Directors of the Company in their personal capacities.		
e)	Short term loans from Banks includes Bills discounted with various Banks for Rs.1,044.46 Million (Previous year Rs.974.61 Million) (Refer Note B. 6, Schedule 'P'). These loans are secured by the respective debtors.		
B. UNSECURED LOANS			
1.	Long term loans		
	(Refer Note B.6, Schedule 'P')		
	a) Foreign currency convertible bonds (FCCB's)		
	- Debt Portion of FCCB's	6,166.18	7,051.07
	- Fair value of embedded derivatives in FCCB's	175.32	134.20
	(Note: Foreign Currency Convertible Bonds amounting to Rs.2,100.70 Million are due for redemption / conversion in the month of April 2010)		
		6,341.50	7,185.27
2.	Short term loans		
	a) From banks	-	52.00
		-	52.00
	Total	6,341.50	7,237.27

SCHEDULE -'E'
FIXED ASSETS

Schedules forming part of the Balance Sheet as at

(Rupees in Million)

Sl No	Particulars	GROSS BLOCK							DEPRECIATION / AMORTISATION						NET BLOCK		
		As on Jan 01, 2009	During the Year	Additions		Deletions			As on Dec 31, 2009	Up to Dec 31, 2008	For the Year	Withdrawn On Deletions/ Adjustments	Withdrawn On account of Hive off Refer Note (b) below	Withdrawn On account of Impairment Refer Note (a) below	Up to Dec 31, 2009	As on Dec 31, 2009	As on Dec 31, 2008
				On account of Merger Refer Note (a) below	On account of Fair Valuation Refer Note (a) below	During the Year	On account of Hive off Refer Note (b) below	On account of Impairment Refer Note (a) below									
1	FREEHOLD LAND	22.11	-	34.39	711.01	-	-	-	767.51	-	-	-	-	-	-	767.51	22.11
2	LEASEHOLD LAND	24.62	3.70	-	43.31	-	23.50	-	48.13	-	-	-	-	-	-	48.13	24.62
3	BUILDING	577.57	389.20	27.45	-	-	490.77	-	503.45	120.28	27.41	-	49.56	-	98.13	405.32	457.29
4	FURNITURE & FIXTURES	75.97	63.32	2.38	-	0.28	57.72	-	83.67	31.31	9.12	0.01	14.25	-	26.17	57.50	44.66
5	OFFICE EQUIPMENT & COMPUTERS	85.30	9.76	1.71	-	0.82	27.86	11.76	56.33	41.26	10.14	0.15	13.95	7.32	29.98	26.35	44.04
6	PLANT & MACHINERY	1,777.57	1,326.07	58.69	281.25	4.00	1,726.53	162.78	1,550.27	813.05	157.52	1.10	187.66	110.52	671.29	878.98	964.52
7	MOTOR VEHICLES	20.97	5.73	0.06	-	0.59	0.46	-	25.71	4.96	2.24	0.21	0.14	-	6.85	18.86	16.01
8	REGISTRATIONS & BRANDS (Refer note 'f' below)	35.98	1.01	1,152.30	-	-	-	-	1,189.29	24.98	122.32	-	-	-	147.30	1,041.99	11.00
9	SOFTWARE LICENCES	54.58	13.82	1.92	-	-	9.37	-	60.95	26.20	13.10	-	2.64	-	36.66	24.29	28.38
	TOTAL	2,674.67	1,812.61	1,278.90	1,035.57	5.69	2,336.21	174.54	4,285.31	1,062.04	341.85	1.47	268.20	117.84	1,016.38	3,268.93	1,612.63
	Previous Year	2,541.81	198.64	-	-	65.78	-	-	2,674.67	886.30	188.77	13.03	-	-	1,062.04	1,612.63	1,655.51
	Capital work in progress at cost and advance payments against capital expenditure															112.14	1,454.08
	Total															3,381.07	3,066.71

Note:

- During the year, pursuant to a Scheme of Arrangement (the Scheme) sanctioned by the Honorable High Courts of Judicature, some of the subsidiaries of the Company have been merged with itself effective from January 1, 2009. (Refer Note A.2 of Schedule P)
- During the year, the Company has entered into Business Transfer Agreement (BTA) with Strides Specialties Private Limited (SSPL), a Wholly Owned Subsidiary of the Company for transfer of Specialty Business Undertaking (including R&D Business), on Slump Sale basis. Consequent to which, fixed asset pertaining to the above business to the extent of gross block of Rs.2,336.21 Million and accumulated depreciation of Rs.268.20 Millions have been transferred to Strides Specialties Private Limited (Refer Note. A.3, Schedule 'P')
- Buildings include buildings on leasehold land Rs.75.08 Million (Previous year Rs.177.60 Million).
- Motor Vehicles include Vehicles purchased under Hire purchase schemes amounting to Rs.18.83 Million (Previous year Rs.14.88 Million)
- Additions / Capital work in progress includes interest on borrowings Rs.100.59 Million (Previous year Rs.26.87 Million). Consequent to the Business Transfer Agreement (Refer Point (b) above), the fixed assets transferred to Strides Specialties Private Limited includes interest on borrowing of Rs.100.59 Million.
- Depreciation / Amortisation considered in the Profit and Loss Account is net off Rs.115 Million, being amortisation of Brands fair valued under the Scheme, which are permitted to be debited to BRR. (Refer Note A.2.2, Schedule 'P').

Schedules

forming part of the Balance Sheet as at December 31, 2009

							(Rupees in Million)	
							Dec 31, 2009	Dec 31, 2008
SCHEDULE 'F'								
INVESTMENTS (Unquoted) (Refer Note B.6 , Schedule 'P')								
		Shares	Face Value	Nos	Value	Nos	Value	
1. Long term investments								
Trade investments								
A) Subsidiaries								
i)	Global Remedies Ltd (Refer Note A.2.2 , Schedule 'P')	Equity	Rs.10/-	-	-	10,579,876	119.40	
ii)	Arcolab SA, Switzerland	Equity	SFR 1000	1,000	45.00	1,000	45.00	
iii)	Strides Africa Ltd, British Virgin Islands (Refer Note B.6, Schedule 'P')	Equity	US\$ 1/-	4,522,911	210.11	4,522,911	219.87	
iv)	Strides Arcolab International Ltd, UK	Equity	GBP 1/-	1,000,000	78.38	1,000,000	78.38	
v)	Strides Arcolab International Ltd., UK (formerly known as Strides Arcolab (UK) Ltd., UK) (Share application money)	Equity		-	2,449.60	-	2,449.60	
vi)	Strides Specialties Private Limited (formerly known as Quantum Life Sciences Private Limited)	0.1% Redeemable Preference shares	Rs.100/-	200,000	200.00	200,000	200.00	
Vii)	Strides Specialties Private Limited (formerly known as Quantum Life Sciences Private Limited)(Refer Note A.2 , Schedule 'P')	Equity	Rs.10/-	12,600,000	5,982.20	12,600,000	126.00	
viii)	Strides Specialties Private Limited (Shares pending allotment for transfer of business) (formerly known as Quantum Life Sciences Private Limited) (Refer Note A.3, Schedule 'P')			-	1,000.00	-	-	
ix)	Medgene Pharmaceuticals Private Ltd	Equity	Rs.10/-	-	-	90,000	5.25	
x)	Strides SA Pharmaceutical Pty.Ltd., South Africa	Equity	Rand 1/-	-	-	510	4.69	
xi)	Strides Inc, USA	Equity	US\$ 1/-	13,605,000	614.23	13,605,000	614.23	
xii)	Strides Inc, USA	6% Redeemable Preference Shares	US\$ 1/-	4,010,883	183.87	4,010,883	183.87	

Schedules

forming part of the Balance Sheet as at December 31, 2009

							(Rupees in Million)	
							Dec 31, 2009	Dec 31, 2008
		Shares	Face Value	Nos	Value	Nos	Value	
xiii)	Grandix Pharmaceuticals Limited (Refer Note A.2.2, Schedule 'P')	Equity	Rs.10/-	-	-	4,626,000	1,052.39	
xiv)	Starsmore Limited, Cyprus	Equity	Euro 1	3,500	408.87	2,000	0.12	
xv)	Starsmore Limited, Cyprus (Share application money) (Refer Note B.6, Schedule 'P')	Equity		-	4,318.76	-	4,674.54	
xvi)	Onco Therapies Limited	Equity	Rs.10/-	683,468	364.74	683,468	364.74	
xvii)	Onco Therapies Limited (Equity Shares of Rs.10/- each, partly paid at Rs.3/- per share at a premium of Rs.177/- per share)	Equity	Rs.10/-	543,687	97.86	-	-	
xviii)	Quantum Remedies Private Ltd (Refer Note A.2.2, Schedule 'P')	Equity	Rs.10/-	-	-	-	-	
xix)	Strides Technology & Research Pvt.Ltd	Equity	Rs.10/-	10,000	0.10	-	-	
B)	Joint Ventures							
i)	Akorn Strides LLC, USA (Refer Note B.6 & B.11, Schedule 'P')	Equity		-	69.80	-	73.04	
					16,023.52	10,211.12		
Less:								
Diminution in value of Investments								
i)	Strides Inc, USA	Equity	US\$ 1/-	13,605,000	614.23	13,605,000	614.23	
ii)	Strides Inc, USA	6% Redeemable Preference	US\$ 1/-	4,010,883	183.87	4,010,883	183.87	
iii)	Arcolab SA, Switzerland (Refer Note A.2.2 (c), Schedule 'P')	Equity	SFR 1000	-	45.00	-	17.22	
					843.10	815.32		
Total					15,180.42	9,395.80		
Aggregate value of unquoted investments					15,180.42	9,395.80		
				Nos	Cost	Sale Value	Profit on Sale	
Additions during the year :								
i)	Grandix Pharmaceuticals Limited	Equity		3,000	0.68			
ii)	Onco Therapies Limited	Equity		543,687	97.86			
iii)	Starsmore Limited (Refer Note 2 below)	Equity		1,500	408.75			

Schedules

forming part of the Balance Sheet as at December 31, 2009

			Nos	Cost	Sale Value	Profit on Sale
iv)	Quantum Remedies Private Ltd	Equity	10,000	0.10		
v)	Strides Technology & Research Pvt.Ltd	Equity	10,000	0.10		
vi)	Starsmore Limited	Application Money		146.98		
Deletion during the year :						
i)	Grandix Pharmaceuticals Limited	Equity	18	0.001	0.01	0.009
ii)	Medgene Pharmaceuticals Private Ltd	Equity	90,000	5.25	5.25	-
iii)	Strides SA Pharmaceutical Pty.Ltd., South Africa	Equity	510	4.69	4.69	-

Note:

- 1 All the investment in shares are fully paid other than investment made in the current year in Onco Therapies Limited.
- 2 On account of conversion of Share Application Money outstanding as at December 31, 2008.

		(Rupees in Million)	
		Dec 31, 2009	Dec 31, 2008
SCHEDULE 'G'			
CURRENT ASSETS, LOANS & ADVANCES			
A. Current assets			
1. Inventories (Refer Note A.2 & A.3, Schedule 'P')			
a)	Raw materials and packing materials	628.56	652.10
b)	Work-in-process	87.79	88.80
c)	Finished goods	238.68	128.81
Total		955.03	869.71
2. Sundry Debtors (unsecured) (Refer Note A.2 & A.3, Schedule 'P')			
a)	More than Six months		
	- Considered Good	119.05	103.00
	- Considered Doubtful	22.82	24.85
b)	Others		
	- Considered Good	1,956.22	1,981.40
		2,098.09	2,109.25
Less : Provision for Doubtful Debts		22.82	24.85
Total		2,075.27	2,084.40
3. Unbilled Revenues (Refer Note A.2 & A.3, Schedule 'P')		-	778.84
4. Cash and bank balances (Refer Note A.2 & A.3, Schedule 'P')			
a)	Cash in hand	1.04	0.87
b)	Balance with scheduled banks		
	i) in current account	191.48	54.74
	ii) in margin money account	119.64	107.20
	iii) in fixed deposit account	0.50	0.09

Schedules

forming part of the Balance Sheet as at December 31, 2009

		(Rupees in Million)	
		Dec 31, 2009	Dec 31, 2008
c)	Balance with other banks [Note: In current account Maximum amount during the year - Deutsche Bank, Singapore Rs.0.89 Million (Previous year Rs.288.15 Million) and Yes Bank Rs.1.16 Million (Previous year Rs.1.23 Million)]	1.16	0.92
Total		313.82	163.82
B.	Loans and advances (Refer Note A.2 & A.3, Schedule 'P') (unsecured, considered good)		
a)	Advance recoverable in cash or in kind or for value to be received	276.18	210.65
b)	MAT credit availed	14.00	14.00
c)	Advance income tax and tax deducted at source	418.69	246.86
d)	Deposits with and dues from Government departments	92.74	179.05
e)	Deposits with others	44.93	102.79
f)	Loans and Advances to subsidiaries	464.85	422.93
g)	Receivable from Strides Specialties Private Limited, a wholly owned Subsidiary of the Company, for transfer of Business. (Refer Note A.3, Schedule 'P')	2,286.46	-
Total		3,597.85	1,176.28
Total		6,941.97	5,073.05
SCHEDULE 'H'			
CURRENT LIABILITIES AND PROVISIONS			
A.	Current liabilities (Refer Note A.2 & A.3, Schedule 'P')		
a)	Sundry Creditors		
	- Dues to Micro / Small Enterprises	10.82	2.42
	- Dues to Others	2,114.09	1,647.16
b)	Unclaimed dividend	1.84	1.54
c)	Interest accrued but not due	6.33	14.24
d)	Other Liabilities	24.09	19.67
e)	Advances received from customers	49.13	300.93
Total		2,206.30	1,985.96
B.	Provisions (Refer Note A.2 & A.3, Schedule 'P')		
a)	Leave salary	45.79	58.83
b)	Income taxes	566.06	214.19
c)	Gratuity	39.44	39.79
d)	Proposed equity dividends	60.32	-
e)	Tax on proposed equity dividends	10.25	-
f)	Preference Dividends (Refer Note B.4 & 6, Schedule 'P')	134.28	45.79
g)	Tax on Preference Dividend (Refer Note B.4, Schedule 'P')	15.04	-
h)	Provision for MTM losses on Forward Exchange Contracts (Refer Note B.6, Schedule 'P')	166.80	350.55
i)	Long Term Employee Compensation (Refer Note A.2.2 (c) , Schedule 'P')	657.50	-
Total		1,695.48	709.15
Total		3,901.78	2,695.11

Schedules

forming part of the Profit & Loss Account
for the year ended December 31, 2009

		(Rupees in Million)	
		For the year ended Dec 31, 2009	For the year ended Dec 31, 2008
SCHEDULE 'I'			
SALES & SERVICES			
a)	Sale of products [including sale of traded goods Rs.1,077.94 Million (Previous year Rs.467.36 Million)]	6,826.73	5,190.40
	Less: Excise duty on domestic sales	25.31	28.91
	Net sales	6,801.42	5,161.49
b)	Development Income	834.01	745.63
c)	Contract manufacturing services	48.05	24.26
d)	Export licences & incentives (Net)	10.94	-
	Total	7,694.42	5,931.38
SCHEDULE 'J'			
OTHER INCOME			
a)	Dividend from Long Term Investments	-	20.82
b)	Exchange fluctuation gain (Net)	-	384.85
c)	Other Income (Refer Note B.8, B.9 and B.10, Schedule 'P')	131.50	238.82
d)	Profit on Sale of Investment	-	2.21
e)	Interest Received [Gross of TDS Rs.4.83 Million (Previous year Rs.4.59 Million)]	21.52	43.25
	Total	153.02	689.95
SCHEDULE 'K'			
MATERIALS CONSUMED (Refer Note A.2 & A.3, Schedule 'P')			
	Opening stock	652.10	548.70
	Add: Merger adjustment (Refer Note A.2, Schedule 'P')	5.17	-
	Add: Purchases [including purchase of traded goods Rs.814.27 Million (Previous year Rs.380.43 Million)]	4,743.75	3,568.25
	Less: Stock transferred on account of transfer of business (Refer Note A.3, Schedule 'P')	299.10	-
	Less: Closing stock	628.56	652.10
	Total	4,473.36	3,464.85
SCHEDULE 'L'			
(INCREASE) / DECREASE IN STOCK (Refer Note A.2 & A.3, Schedule 'P')			
i)	Opening stock		
	Work in process	88.80	107.88
	Finished goods	128.81	65.49
	Total	217.61	173.37

Schedules

forming part of the Profit & Loss Account
for the year ended December 31, 2009

		(Rupees in Million)	
		For the year ended Dec 31, 2009	For the year ended Dec 31, 2008
ii)	Merger adjustment (Refer Note A.2, Schedule 'P')		
	Work in process	1.61	-
	Finished goods	84.62	-
		86.23	-
iii)	Stock transferred on account of transfer of business (Refer Note A.3, Schedule 'P')		
	Work in process	50.05	-
	Finished goods	47.18	-
		97.23	-
iv)	Closing stock		
	Work in process	87.79	88.80
	Finished goods	238.68	128.81
		326.47	217.61
	Total	(119.86)	(44.24)
SCHEDULE 'M'			
PERSONNEL COST (Refer Note A.2 & B.17.1 & B.17.5, Schedule 'P')			
	Salaries, wages and allowances	743.88	543.00
	Contribution to provident and other funds	50.26	38.41
	Staff welfare expenses	42.46	50.04
	Total	836.60	631.45
SCHEDULE 'N'			
OPERATING AND OTHER EXPENSES (Refer Note A.2 & B.17.5, Schedule 'P')			
	Power, fuel & water	164.95	140.20
	Consumables	222.94	205.19
	Conversion & Processing charges	43.41	92.90
	Freight & forwarding	209.58	249.41
	Rent	88.70	51.36
	Rates & taxes	16.53	13.66
	Communication charges	18.12	13.03
	Repairs & maintenance		
	- Buildings	10.25	10.78
	- Machinery	15.78	18.94
	- Others	57.89	57.51
	Insurance	9.79	5.89
	Travelling & conveyance	103.22	32.77
	Advertisement & Selling expenses	74.23	29.41
	Commission on sales	60.74	51.57

Schedules

forming part of the Profit & Loss Account
for the year ended December 31, 2009

	(Rupees in Million)	
	For the year ended Dec 31, 2009	For the year ended Dec 31, 2008
Legal & Professional fees (Refer Note B.19, Schedule 'P')	55.88	47.83
Other expenses	72.94	53.99
Impairment in brands / Obsolescence in Assets	-	14.22
Loss on sale of assets	1.14	2.93
Provision for Doubtful Debts	-	9.60
Unbilled Debtors written off	17.55	55.14
Bio Study Expenses	10.72	59.20
Exchange fluctuation Loss (Net)	112.65	-
Total	1,367.01	1,215.53
SCHEDULE 'O'		
FINANCE CHARGES (Refer Note B.17.5, Schedule 'P')		
Bank charges & commission	77.48	61.63
Interest on working capital & other facilities	270.56	258.28
Amortised Interest on Fixed loans and Foreign Currency Convertible Bonds	271.51	334.36
Total	619.55	654.27

SCHEDULE - 'P' - NOTES ON ACCOUNTS

SECTION A: NOTE ON BUSINESS RESTRUCTURE

1. The shareholders of the Company, in their meeting held on April 13, 2009 approved the Scheme of Restructuring that envisaged, inter alia:
 - (a) A Scheme of Arrangement to be filed under Sections 391 to 394 of the Companies Act, 1956 covering the merger of some of the subsidiaries of the Company with itself, fair valuation of some of the assets of the Company and creation of a Reserve for Business Restructuring out of any surpluses arising from these, to be utilised as specified in the Scheme.
 - (b) Transfer of the Specialties business along with Research and Development (R&D) to Strides Specialties Private Limited (SSPL), a wholly owned subsidiary of the Company;

The details of the scheme of restructuring are given below.

2. **Scheme of Arrangement under Sections 391- 394 of the Companies Act, 1956**

2.1 In terms of the Scheme of Arrangement (the Scheme), Global Remedies Limited (GRL), Quantum Remedies Private Limited (QRPL), Grandix Pharmaceuticals Limited (GPL) and Grandix Laboratories Limited (GLL), all subsidiaries of the Company (referred to as 'Transferor Companies'), have been merged with the Company (Transferee Company), upon which the undertaking and the entire business, including all assets and liabilities of the Transferor Companies stands transferred to and vested in the Transferee Company at their fair value as determined by the Board of Directors of the Transferee Company.

QRPL and GRL were engaged in the manufacture of Pharmaceutical formulations and were predominantly acting as a captive manufacturer for the Company and catering to the African Markets. Both GPL and GLL were engaged in the marketing of Branded pharmaceutical products.

The Scheme of Arrangement filed by the Company has been approved by the Honorable High Courts of Judicature at Mumbai, Chennai and Bangalore with an appointed date of January 1, 2009 and an effective date of December 31, 2009 ('the Effective Date'), being the date on which all the requirements under the Companies Act have been completed.

Notes on Accounts

and accounting polices

In terms of the Scheme and upon the Scheme becoming effective:

- (a) the assets and liabilities of the Transferor Companies and the Transferee Company, whether recorded or not, have been recorded at their fair values as determined by the Board of Directors of the Transferee Company;
- (b) the carrying amount of investments in the shares of the Transferor Companies to the extent held by the Transferee Company and Inter-Company balances stand cancelled;
- (c) the face value of the equity shares of the Transferee Company (amounting to Rs.0.14 Million) issued to the minority shareholders of GPL and GLL has been credited to the equity share capital account in the books of the Transferee Company. Since such shares have been allotted on January 19, 2010, such amount has been considered as Share Application Money Pending Allotment in these financial statements.
- (d) the surplus arising out of the excess of assets over the liabilities of the Transferor Companies acquired and recorded by the Transferee Company over the aggregate of carrying amount of investments in the shares of the Transferor Companies to the extent held by the Transferee Company and the face value of the equity shares of the Transferee Company issuable to the minority shareholders of GPL and GLL, and the excess of the fair value of assets and liabilities of the Transferee Company over their previously recorded carrying values, has been credited to the Reserve for Business Restructure (BRR) in the books of the Transferee Company.
- (e) the balance in the Securities Premium Account, as appearing in the books of the Transferee Company may be transferred to BRR, to such extent as determined by the Board.
- (f) expenses incurred by the Company or its subsidiaries in the nature of impairment, diminution, loss, amortisation and/ or write-off of assets/ investments/ intangibles, interest on borrowings for acquisitions, employee compensation expenses, additional depreciation charged or suffered by the Transferee Company on account of fair valuation, scheme expenses and other expenses incurred or arising in the future as may be determined by the Board of Directors of the Transferee Company, have been/ shall be debited to the BRR. The maximum amount that can be written off against the BRR instead of being debited to the Profit and Loss Account on or at any time after January 1, 2009 would be restricted to the balance in the BRR or upto December 31, 2012 and not beyond that.

2.2 The accounting treatment effected for the scheme is as follows:

- (a) For the assets and liabilities of the Transferor Companies:

Particulars	(Rupees in Million)				
	GPL	GLL	GRL	QRPL	Total
Fair value of:					
- Assets	1,448.13	54.14	74.96	117.05	1,694.28
- Liabilities	184.91	25.13	11.04	118.27	339.35
Net Assets acquired	1,263.22	29.01	63.92	(1.22)	1,354.93
Less:					
a. Carrying Value of Investments in Transferor companies	1,053.07	35.45	119.40	0.10	1,208.02
b. Value of Equity Shares of the Company to be issued to Minority Shareholders of the GPL and GLL	0.13	0.01	Nil	Nil	0.14
Balance credited to BRR	210.02	(6.45)	(55.48)	(1.32)	146.77

Notes on Accounts

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Had the Scheme not prescribed the above accounting treatment of crediting the excess of fair value of assets and liabilities over the carrying value of the investment in the Transferor Companies and the equity shares of the Transferee Company issued to the minority shareholders of the Transferor Companies to the BRR, this surplus of Rs.146.77 Million would have been credited to Capital Reserve as required under the Accounting Standard 14 'Accounting for Amalgamations'.

- (b) Upon the Scheme becoming effective, and based on legal advice received, the assets and liabilities of the Transferee Company have been fair valued as determined by the Board of Directors of the Company and the net surplus arising out of such fair valuation (over the carrying value of the respective assets and liabilities prior to the fair valuation) have been credited to the BRR as follows:

Particulars of assets and liabilities fair valued	(Rupees in Million)	
		Amount credited to BRR
(i) Investment in SSPL (a Wholly owned subsidiary of the Company)		5,856.20
(ii) Land		754.32
(iii) Machineries		281.25
Net Amount credited to BRR		6,891.77

Had the Scheme not prescribed the above accounting treatment, in terms of the Company's accounting policy, these assets would continue to have been carried at cost.

- (c) The following expenses incurred during the year have been adjusted against the BRR as per the Scheme:

Particulars	(Rupees in Million)	
		Amount
Impairment of:		
- Fixed Assets		72.70
- Investments		27.78
- Current Assets		902.94
Amortisation of Brands		115.00
Compensation in respect of product returns & early termination of procurement contract		364.57
Deferred Employee Compensation (including cost under ESOP)		677.65
Restructuring & Others Expenses		117.13
Total Expense debited to BRR		2,277.77

Had the Scheme not prescribed the above accounting treatment, these expenses would have been charged to the Profit and Loss Account for the year.

- 2.3 Had the Scheme not provided for recording fair value of assets and liabilities of the Transferee Company and charging the expenses to the BRR, the effect of accounting as per the Accounting Standards issued under the Companies (Accounting Standards) Rules, 2006, would have been as under:

Notes on Accounts and accounting policies

(a) In the Profit and Loss account

		(Rupees in Million)
Particulars		For the year ended Dec 31, 2009
		Increase / (decrease)
Materials Consumed		244.55
Personnel Costs		677.65
Operating & Other Expense		1,140.09
Depreciation & Amortisation		187.70
Provision for 'Other than temporary' impairment in Investments		27.78
Impact on Net Profit after Tax		(2,277.77)
		(Amount in Rupees)
Particulars		For the year ended Dec 31, 2009
Earnings/ (Loss) per share		
- Basic		(31.34)
- Diluted		(31.34)

(b) In the Balance sheet

		(Rupees in Million)
Particulars		As at Dec 31, 2009
		Increase / (decrease)
BRR		(4,760.77)
Profit & Loss Account		(2,277.77)
Investments in SSPL (a Wholly Owned Subsidiary)		(5,856.20)
Land		(754.32)
Reserves and Surplus		146.77
Plant and Machinery		(281.25)

3. **Transfer of the Specialties Business along with R&D to Strides Specialties Private Limited (SSPL), a wholly owned subsidiary of the Company**

Pursuant to the approval of the Shareholders and other authorities as required, the Company has transferred the Specialties Business along with R&D to SSPL on a slump sale basis with effect from the close of business on December 30, 2009 for a consideration of Rs.3,286.46 Million. Details of assets & liabilities transferred to SSPL are as follows:

		(Rupees in Million)
Particulars		Amount
Fixed Assets (Net Block)		2,068.01
Capital Work-in-Progress		458.54
Current Assets, Loans & Advances		1,619.87
Current Liabilities & Provisions		(859.96)
Net Assets Transferred		3,286.46

Out of the above mentioned purchase consideration, a sum of Rs.1,000 Million will be settled by issue of shares of SSPL and the balance consideration of Rs.2,286.46 Million has been included under the head Loans and Advances in Schedule G.

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SECTION B: NOTES ON ACCOUNTS

1. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) - Rs.71.04 Million (Previous year Rs.283.99 Million). Also refer Note 9.

2. Contingent Liabilities

2.1 The Company has given the corporate guarantees to financial institutions and other parties towards credit facilities/ advances, on behalf of subsidiaries up to Rs.1,354.29 Million (Previous Year Rs.1,592.39 Million). However the subsidiaries have used facilities to an extent of Rs.1,186.21 Million (Previous Year 1,296.52 Million) as at the year end. The Company's fixed assets (*pari-passu second charge*) and some of investments in the respective subsidiaries have been offered as security in respect of some of these facilities.

2.2 The Company has, arising from the assessment proceedings relating to earlier years, received demands totaling to Rs.207.12 Million (Previous year Rs.245.49 Million) from the income tax authorities on account of certain disallowances considered by them. The Company has disputed the disallowances and has, preferred appeals against these demands. Pending resolution of the same, no provision has been made in the accounts for such disputed amounts.

2.3 The Company preferred appeal with the CESTAT against the order of the Commissioner of Central Excise for disallowing transfer of centvat credit of Rs.3.86 Million (Previous year Rs 3.86 Million) as on the date of conversion of one of the units of the Company into a 100% EOU.

3. Foreign currency convertible bonds

(a) During the accounting year ending December 31, 2007, the Company had issued Foreign Currency Convertible Bonds (FCCB) amounting to USD 100 Million (Rs.4,070 Million) on June 26, 2007. These bonds carry zero coupon and are to be redeemed on June 27, 2012 (unless converted into Equity Shares) at 145.058% of the Principal amount.

The bonds may be redeemed in whole, but not in part at the option of the Company at any time on or after July 18, 2010 and on and prior to June 20, 2012 with a redemption premium of 7.575% (which is identical to the gross yield in case of redemption at maturity) calculated on a semiannual basis. Up to December 31, 2007, Premium payable on maturity (along with related exchange fluctuation) was transferred from Securities Premium on a pro-rata basis to Debenture Redemption Reserve Account. However, consequent to the early adoption of AS 30 since 2008, the amortisation of redemption premium have been included in the carrying value of the FCCB's. Consequently the entire balance of redemption premium carried in the Debenture Redemption Reserve was transferred back to Securities Premium Account during the year ended December 31, 2008.

The Bonds are convertible at any time on or after August 6, 2007 and up to the close of business on June 20, 2012 by the holders of the Bonds into Shares at the option of the Bondholder, at an initial conversion price of Rs.461.553 per Share with a fixed rate of exchange of Rs.40.70 per USD on conversion. The bonds are listed on Singapore Exchange Securities Trading Limited, Singapore.

(b) During the accounting year ending December 31, 2005, the Company had issued Foreign Currency Convertible Bonds (listed in the Singapore Exchange Securities Trading Limited, Singapore) to the extent of USD 40 Million. These bonds carry an interest rate of 0.5 % p.a. and are to be redeemed on April 19, 2010 (unless converted into Equity Shares) at 136.78% of the Principal amount.

The Bonds may be redeemed in whole, but not in part, at the option of the Company at any time on or after April 18, 2008 but prior to April 19, 2010 with a redemption premium of 6.8% p.a. (which is identical to the gross yield in case of redemption at maturity), calculated on bi-annual basis.

Notes on Accounts and accounting policies

The Bonds are convertible by the Bond holders into shares at any time on or after May 18, 2005 at an initial price of Rs.358.70 per share with a fixed conversion rate of Rs.43.7767 = USD 1.00. The initial conversion price will be subject to adjustment by the Company for Bonus issue, division, consolidation and reclassification of shares etc., as defined in the terms of issue of the Bonds.

In 2005, a reserve for the entire amount of premium payable on redemption was created under Debenture Redemption Reserve with a corresponding adjustment to Securities Premium Account. However, consequent to the early adoption of AS 30 since 2008, the amortisation of redemption premium has been included in the carrying value of the FCCB's. Consequently the entire balance of redemption premium carried under Debenture Redemption Reserve was transferred back to Securities Premium Account during the year ended December 31, 2008.

- (c) As permitted by the Reserve Bank of India (RBI), during the year 2009, the Company bought back FCCB's aggregating to USD 6.00 Million and USD 20 Million from the outstanding bonds issued under FCCB 2005 and FCCB 2007 respectively, at a discount. In terms of such buyback and cancellation / extinguishment of FCCBs, the Financial Statements for the year ended December 31, 2009 include the following:
- A gain of Rs.291.17 Million (net of expenses associated with the Buy-back) is recognised in the Profit & Loss account.
 - Interest accrued from the beginning of the year 2009 till the buyback date amounting to Rs.79.96 Million is reversed and credited to the Profit and Loss Account.
 - Consequential adjustments required to reverse the accrual for redemption premium (including issue expenses) have been recorded in the Securities premium account amounting to Rs.254.82 Million.
- (d) As at December 31, 2009, none of the outstanding bonds had been offered for conversion.

4. Cumulative Redeemable Preference Shares

During the year ending December 31, 2005, the Company had issued 491,606 Cumulative Redeemable Preference shares of Rs.1,000/- each fully paid to K V Pharmaceuticals, USA (KV). The Cumulative Redeemable Preference shares carry dividend of 6% (Rs.60 per share) p.a. The Preference shares are redeemable at par along with accrued unpaid dividend on or before December 31, 2012. If any of these shares are not redeemed on the said date, the redemption price subsequent to December 31, 2012 shall contain an increasing default premium which shall be 10%, if redemption occurs in the year 2013 and an additional 10% per each year thereafter in which the shares are redeemed. These shares are entitled to dividends at the rate of 15%, (Rs.150 per share) after 2012.

During the year ended December 31, 2009, preference dividend pertaining to 2007, 2008 and 2009 amounting to Rs.88.49 Million has been accrued. Preference Dividend unpaid as at December 31, 2009 represents dividends on these preference shares for the years 2005 to 2009. While these dividends have been declared, in accordance with the Share Purchase Agreement with KV, they are due and payable only on or after December 31, 2010, without interest thereon.

5. Share Warrants

As authorised by the share holders of the Company in the Extra Ordinary General meeting held on May 13, 2009, the Board of Directors resolved on May 27, 2009 to allot 6,180,000 warrants to Netequity Ventures Private Limited, a Promoter Group company and 20,000 warrants to relatives of the Promoters, on preferential basis which are convertible into an equivalent number of fully paid up equity shares of Rs.10 each at a price of Rs.91.15 per warrant. These warrants are convertible, in one or more tranches, at any time within a period of 18 months from the date of issue.

An amount of Rs.141.36 Million is included as Monies Pending Allotment in the Balance Sheet as at December 31, 2009 for the upfront monies received towards the allotment of 6,200,000 warrants.

Notes on Accounts

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During 2008, as authorised by the shareholders of the Company in the Extra-Ordinary General meeting held on May 3, 2007, the Company had issued 5,600,000 warrants convertible into an equivalent number of fully paid up equity shares of Rs.10 each at a price of Rs.342.10 per warrant, on preferential basis to Agnus Holdings Private Limited, a promoter group company. These warrants were convertible in one or more tranches, at any time within a period of 18 months from the date of issue. On July 5, 2007, the Company allotted 50,000 shares to Agnus Holdings Private Limited, pursuant to conversion of an equivalent number of warrants. Agnus Holdings Private Limited had not exercised its right for conversion of balance 5,550,000 warrants within the time stipulated under the preferential allotment guidelines. Accordingly, the aforesaid 5,550,000 warrants stood lapsed and upfront money of Rs.189.87 Million received against these warrants were forfeited and credited to Capital Reserve Account.

6. Early Adoption of Accounting Standard-30: Financial Instruments: Recognition and Measurement, issued by Institute of Chartered Accountants of India

Arising from the Announcement of the Institute of Chartered Accountants of India (ICAI) on March 29, 2008, the Company had chosen to early adopt Accounting Standard (AS) 30: 'Financial Instruments: Recognition and Measurement' during the year ended December 31, 2008, with effect from January 1, 2008. Coterminous with this, in the spirit of complete adoption, the Company had also implemented the consequential limited revisions in view of AS 30 to AS 2, 'Valuation of Inventories', AS 11 'The Effect of Changes in Foreign Exchange Rates', AS 19, 'Leases', AS 21 'Consolidated Financial Statements and Accounting for Investments in Subsidiaries in Separate Financial Statements', AS 23 'Accounting for Investments in Associates in Consolidated Financial Statements', AS 26 'Intangible Assets', AS 27 'Financial Reporting of Interests in Joint Ventures', AS 28 'Impairment of Assets' and AS 29 'Provisions, Contingent Liabilities and Contingent Assets' as have been announced by the ICAI.

Consequent to adoption of AS 30 and its transitional provisions from the year ended December 31, 2008, the Company has changed the designation and measurement principles for all its significant financial assets and liabilities. The impact on account of the above measurement of these is as described below:

6.1 Foreign Currency Convertible Bonds (the 'FCCBs' or the 'Bonds')

On adoption of AS 30, the FCCBs are split into two components comprising (a) option component which represents the value of the option in the hands of the FCCB-holders to convert the bonds into equity shares of the Company and (b) debt component which represents the debt to be redeemed in the absence of conversion option being exercised by FCCB-holder, net of issuance costs.

The debt component is recognised and measured at amortised cost while the fair value of the option component is determined using a valuation model with the below mentioned assumptions.

Assumptions used to determine fair value of the options:

Valuation and amortisation method — The Company estimates the fair value of stock options granted using the Black Scholes Merton Model and the principles of the Roll-Geske-Whaley extension to the Black Scholes Merton model. The Black Scholes Merton model along with the extensions above requires the following inputs for valuation of options:

Stock Price as at the date of valuation – The Company's share prices as quoted in the National Stock Exchange Limited (NSE), India have been converted into equivalent share prices in US Dollar terms by applying currency rates as at valuation dates. Further, stock prices have been reduced by continuously compounded stream of dividends expected over time to expiry as per the principles of the Black-Scholes Merton model with Roll Geske Whaley extensions.

Strike price for the option - has been computed in dollar terms by computing the redemption amount in US dollars on the date of redemption (if not converted into equity shares) divided by the number of shares which shall be allotted against such FCCBs.

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Expected Term — The expected term represents time to expiry, determined as number of days between the date of valuation of the option and the date of redemption.

Expected Volatility — Management establishes volatility of the stock by computing standard deviation of the simple exponential daily returns on the stock. Stock prices for this purpose have been computed by expressing daily closing prices as quoted on the NSE into equivalent US dollar terms. For the purpose of computing volatility of stock prices, daily prices for the last one year have been considered as on the respective valuation dates.

Risk-Free Interest Rate — The risk-free interest rate used in the Black-Scholes valuation method is assumed at 7%.

Expected Dividend — Dividends have been assumed to continue, for each valuation date, at the rate at which dividends were earned by shareholders in the last preceding twelve months before the date of valuation.

Measurement of Amortised cost of debt component:

For the purpose of recognition and measurement of the debt component, the effective yield has been computed considering the amount of the debt component on initial recognition, origination costs of the FCCB and the redemption amount if not converted into Equity Shares. To the extent the effective yield pertains to redemption premium and the origination costs, the effective yield has been amortised to the Securities Premium Account as permitted under section 78 of the Companies Act, 1956. The balance of the effective yield is charged to the Profit and Loss Account.

Consequent to the above method of accounting of FCCBs, the following adjustments were made:

During the year ended December 31, 2008:

- (a) Rs.934.71 Million being the previously accrued Debenture Redemption Reserve out of the Securities Premium Account was credited back to Securities Premium Account during the year ended December 31, 2008.
- (b) a sum of Rs.124.68 Million being the amount of FCCB issue expenses previously debited to Securities Premium Account were reversed.
- (c) Rs.443.20 Million and Rs.546.41 Million were debited to Securities Premium Account as at December 31, 2007 and during the year 2008 respectively, towards the amortised interest attributable to the effective yield pertaining to the redemption premium and FCCB issue expenses.
- (d) Rs.202.00 Million being the excess of amortised interest chargeable to Profit and Loss Account as per the policy adopted by the Company over the previously recognised interest cost upto December 31, 2007 was debited to General Reserve Account.
- (e) The difference between the fair value of the option component on the date of issue of the FCCBs and December 31, 2007 amounting to Rs.427.10 Million was credited to the General Reserve Account.
- (f) Rs.63.31 Million being the incremental exchange difference upto December 31, 2007 arising out of the accounting treatment of FCCBs described above was debited to General Reserve Account.

During the year ended December 31, 2009:

- (a) Amortisation of interest (net) and redemption premium (net) on FCCBs amounting to Rs.168.10 Million and Rs.348.68 Million have been respectively recorded in the Profit and Loss account and in the Securities Premium Account.
- (b) Change in the fair values of option component in the FCCBs, being a loss of Rs.41.12 Million has been recorded in the Profit and Loss Account.



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6.2 Hedge Accounting:

The Company has designated certain portion of its investments in Starsmore Limited, Cyprus, Strides Africa Limited, British Virgin islands and Akorn Strides LLC, USA, whose functional currency is US dollars as hedged items in a fair value hedge and to the extent of the hedge items, designated FCCB's availed in US dollars as hedging instruments, to hedge the risk arising from fluctuations in the foreign exchange rate between the Indian Rupee and the US dollar. The carrying values of the designated hedged items and the hedging instruments as at December 31, 2009 is USD 30.55 Million (Previous Year USD 100.55 Million).

Accordingly, applying the fair value hedge accounting principles, the exchange gains/ losses on the hedging instrument is recognised in Profit and Loss Account along with the associated exchange gains/ losses on the restatement of the designated portion of the investments, to the extent the hedges are considered effective.

The exchange fluctuations on restatement of designated portion of the USD denominated investments as referred above have been dealt with in the Profit and Loss account of the respective years of 2009 and 2008 as mentioned below:

- Exchange losses of Rs.107.01 Million during the year ended December 31, 2009
- Exchange gains of Rs.923.40 Million during the year ended December 31, 2008

Under the transitional provisions of the AS 30, the impact of exchange loss arising on restatement of designated portion of the USD denominated investments as of December 31, 2007 amounting to Rs.120.42 Million was debited to the General Reserve Account during year ended December 31, 2008.

- 6.3** The financial assets and liabilities arising out of issue of corporate financial guarantees to third parties are accounted at fair values on initial recognition. Financial assets continue to be carried at fair values. Financial liabilities are subsequently measured at the higher of the amounts determined under AS 29 or the fair values on the measurement date. At December 31, 2009, the fair values of such financial assets are equal to such liabilities and have been set off in the financial statements.
- 6.4** As required under the Companies Act, 1956, Redeemable Preference Shares are included as part of share capital and not as debt and dividend on the preference shares is accounted as dividend as part of appropriation of profits and have not been accrued as interest cost. Due to inadequate profits, preference dividends were not accrued for in the years 2007 and 2008. During 2009, preference dividend pertaining to 2007, 2008 and 2009 amounting to Rs.88.49 Million has been accrued along with the related Dividend distribution taxes.
- 6.5** The Company has availed Bill Discounting facility from Banks which do not meet the de-recognition criteria for transfer of contractual rights to receive cash flows from the Debtors since they are with recourse to the Company. Accordingly, as at December 31, 2009, Sundry Debtor balances include Rs.1,044.46 Million (Previous year Rs.974.61 Million) and the corresponding financial liability to the Banks is included as part of short term secured loans.
- 6.6** Gains/ losses on all the open derivative positions as on December 31, 2009 not designated as hedging instruments have been recognised in the Profit and Loss Account.

7. Employee Stock Option Scheme

- (a) In the extraordinary general meeting held on January 25, 2007, the shareholders approved the issue of 1,000,000 options under the scheme titled "Strides Arcolab ESOP 2006".

The Strides Arcolab ESOP 2006 allows the issue of options to employees of the Company and its subsidiaries (whether in India or abroad). Each option comprises one underlying equity share.

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As per the Scheme, the Compensation committee grants the options to the employees deemed eligible. The exercise price of each option shall not be less than 85% of the "Market Price" as defined in the Scheme. The options granted vest over a period of 3 years from the date of the grant in proportions specified in the Scheme. Options may be exercised within 30 days of vesting.

The difference between the fair price of the share underlying the options granted, on the date of grant of option and the exercise price of the option (being the intrinsic value of the option) representing Stock compensation expense, is expensed over the vesting period.

- (b) The ESOP scheme titled "Strides Arcolab ESOP 2008" was approved by the shareholders through postal ballot on June 18, 2008. 1,500,000 options are covered under the scheme for 1,500,000 shares.

The Remuneration Committee of the Company, on July 22, 2008 has granted 665,000 options under the Strides Arcolab ESOP 2008 scheme to few eligible employees of the Company. The shares covered by such options were 665,000 equity shares.

During the current year, the Remuneration Committee in its meeting held on March 16, 2009 and August 28, 2009 has granted 100,000 and 242,500 options respectively under the Strides Arcolab ESOP 2008 Scheme to few eligible employees of the Company.

The vesting period of these options range over a period of three years. The options may be exercised with in a period of 30 days from the date of vesting.

- (c) The ESOP scheme titled "Strides Arcolab ESOP 2008 (Directors)" was approved by the shareholders through postal ballot on January 12, 2009. 500,000 options are covered under the scheme for 500,000 equity shares.

The Remuneration Committee of the Company, on March 16, 2009 has granted 300,000 options under the Strides Arcolab ESOP 2008 (Directors) scheme to few Directors of the Company. The shares covered by such options were 300,000 equity shares.

The vesting period of these options range over a period of three years. The options may be exercised with in a period of 30 days from the date of vesting.

- (d) During the year, the Shareholders of the Company through postal ballot on June 23, 2009 have accorded to re-price the terms of the unexercised Employee Stock Options (ESOPs) issued under the Strides Arcolab ESOP 2006 and Strides Arcolab ESOP 2008 Schemes to the extent that such re-price/ re-pricing formula is not less than 85% of the closing market price of shares as on the date of re-pricing.

In terms of the Scheme of arrangement referred to in Note A 2.2 (c) of Schedule P, employee compensation costs under the above referred ESOP schemes may be recorded in the BRR. Consequently, during 2009, an amount of Rs.20.15 Million as noted below has been debited to BRR.

Particulars	(Rupees in Million)			
	Strides Arcolab ESOP 2006	Strides Arcolab ESOP 2008	Strides Arcolab ESOP 2008 (Director)	Total
Expense during the year	9.83	7.30	1.46	18.59
Reversal due to lapses	(5.96)	(2.49)	-	(8.45)
Expense due to re-pricing	7.09	2.92	-	10.01
Total	10.96	7.73	1.46	20.15

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(e) Employee stock options details as on the balance sheet date are as follows:

Particulars	(Rupees in Million)			
	During the year 2009		During the year 2008	
	Options (No's)	Weighted average exercise price per option (Rupees)	Options (No's)	Weighted average exercise price per option (Rupees)
Option outstanding at the beginning of the year				
- Strides Arcolab ESOP 2006	920,000	208.08	400,000	256.25
- Strides Arcolab ESOP 2008	665,000	122.15		
Granted during the year:				
- Strides Arcolab ESOP 2006	-	-	600,000	133.00
- Strides Arcolab ESOP 2008	342,500	92.10	665,000	122.15
- Strides Arcolab ESOP 2008 (Director)	300,000	59.00		
Vested during the year:				
- Strides Arcolab ESOP 2006	240,000	105.75	80,000	256.35
- Strides Arcolab ESOP 2008	221,000	105.75		
- Strides Arcolab ESOP 2008 (Director)	-	-		
Exercised during the year:				
- Strides Arcolab ESOP 2006	60,000	105.75		
- Strides Arcolab ESOP 2008	105,600	105.75		
- Strides Arcolab ESOP 2008 (Director)	-	-		
Lapsed during the year:				
- Strides Arcolab ESOP 2006	180,000	187.90	80,000	256.35
- Strides Arcolab ESOP 2008	115,400	122.15		
- Strides Arcolab ESOP 2008 (Director)	-	-		
Options outstanding at the end of the year				
- Strides Arcolab ESOP 2006	680,000	105.75	920,000	208.08
- Strides Arcolab ESOP 2008	786,500	99.81	665,000	122.15
- Strides Arcolab ESOP 2008 (Director)	300,000	59.00		
Options available for Grant				
- Strides Arcolab ESOP 2006	180,000	-	80,000	
- Strides Arcolab ESOP 2008	607,900	-	835,000	
- Strides Arcolab ESOP 2008 (Director)	200,000	-		

(f) The impact on Earnings per Share if the 'fair value' of the options (on the date of the grant) were considered instead of the 'intrinsic value' is as under:

Particulars	(Rupees in Million)	
	Dec 31, 2009	Dec 31, 2008
STRIDES ARCOLAB ESOP:		
Net Profit/ (loss) (as reported)	1,055.14	61.35
Add: stock based employee compensation (intrinsic value)		13.16
Less: stock based compensation expenses determined under fair value method for the grants issued (See note below)	Refer Note below	44.47
Net Profit/ (loss) (proforma)	1,055.14	30.04

Notes on Accounts and accounting policies

Particulars	Dec 31,2009	Dec 31,2008
	Rs.	Rs.
Basic earnings/ (loss) per share (as reported)	25.46	0.69
Basic earnings/ (loss) per share (proforma)	Refer Note below	(0.12)
Diluted earnings/ (loss) per share (as reported)	18.06	0.69
Diluted earnings/ (loss) per share (proforma)	Refer Note below	(0.12)

Note: As per the Scheme approved by the Honourable High Courts of Judicature, expense relating to ESOP is permitted to be recorded in the BRR. Accordingly, there would no impact Earnings per Share if the options were accounted at fair values instead of intrinsic value.

- (g) The fair value of the options has been determined under the Black-Scholes model. The assumptions used in this model for calculating fair value are as below:

Assumptions	Dec 31,2009	Dec 31,2008
Risk Free Interest Rate	8.00%	7.25%
Expected Life	3 years	3 years
Expected Annual Volatility of Shares	57%	48%
Expected Dividend Yield	0.51%	0.59%

8. During the year, the Company received compensation amounting to Rs.20 Million (included in Other Income) for breach of non-compete arrangements entered into with the erstwhile promoter of Grandix Pharmaceuticals Limited, an entity that was acquired by the Company in 2007 and merged into the Company in 2009.
9. During the year 2007, the Company entered into a Subscription and Shareholders agreement with Aspen Pharmacare Holdings Limited (Aspen) under which Aspen subscribed to 49% of the share capital of Onco Therapies Limited (Onco), a subsidiary of the Company. Onco is set up to operate in the Oncology products line of business that the Company is in the process of building up.

In accordance with the agreement referred above, the Company has assigned the voting rights relating to 1% of the share capital of Onco to Aspen under a Voting Rights assignment agreement. Under this agreement, the voting rights in respect of such 1% of the total issued and outstanding share capital of Onco shall be exercised by Aspen from the date of signing of such Voting Rights agreement, in a manner which deem fit.

The Company had entered into another Agreement with Onco to set up an Oncology manufacturing facility in Bangalore, for a consideration of USD 32.50 Million (payable by Onco in equivalent Indian Rupees). Under this agreement the Company had:

- transferred the moveable and immoveable assets relating to the Oncology manufacturing facility and the contracts awarded to various suppliers in connection with the facility; and
- undertaken the obligations of completing the facility, including all financial obligations related thereto.

As at December 31, 2009, the Company has estimated the financial commitment to complete the Oncology facility to be about Rs.228.35 Million (Previous year Rs.333.59 Million)

An amount of Rs.110.00 Million (Previous year Rs.10.00 Million) representing Project management fees & profit recognised on partial completion of the facility under the above arrangement has been accrued under Other Income.

During the year ended December 31, 2009, the Company transferred certain Product Dossiers to Onco in lieu of Preferred Supply Agreement for certain products, entered between the Company and Onco.

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10. Other Income (Item 'c' under Schedule J) for the year ended December 31, 2008 comprises the following:

- a. Company transferred its shareholding in Strides Latina SA, Uruguay to Lakerose Limited, Cyprus, then a step down subsidiary, for a consideration of USD 30.10 Million (equivalent to Rs.1,193.55 Million) and recorded a profit on sale of investment of Rs.2.21 Million.
- b. Company sold certain supply contracts in respect of customers in South East Asian markets to Ascent Pharmahealth Pte Limited, a step down subsidiary, at a consideration of Rs.208.15 Million.

11. Interest in Joint ventures

In terms of the Joint Venture agreement entered into between the Company and Akorn Inc., USA, the Company holds 50% of the total share capital of the joint venture, Akorn Strides LLC, USA.

The Company's aggregate share of the Assets and Liabilities as at December 31, 2009 in the above Joint Venture and the share in the income and expenses of the Joint Venture for the year ended December 31, 2009 are as follows:

		(Rupees in Million)	
	Particulars	Dec 31, 2009	Dec 31, 2008
A	Assets	244.34	169.24
B	Liabilities	61.29	33.26
C	Income	262.33	41.25
D	Expenses	182.61	6.78

The above figures are based on the un-audited financial statements of the Joint Venture entity and have been compiled by the management and relied upon by the Auditors.

- 12.** Unbilled revenue includes income recognised on development services contracts and contracts for production of dossiers, against which no invoices are raised, and are net of advances received against the respective contracts. However, during the current year, pursuant to hive off of Research & Development business to SSPL, unbilled revenue balance as at December 30, 2009 is transferred to SSPL. Refer note A.2 of Schedule P.

13. Particulars of materials consumed and percentage to total consumption of Imported and Indigenous materials.

Since none of the individual items of raw materials and packing materials constitute more than 10% of the consumption, quantitative details in respect of the same have not been given.

Percentage of total consumption of imported and indigenous materials (including packing material and consumables)

Particulars	For the year ended Dec 31, 2009		For the year ended Dec 31, 2008	
	%	Value (Rupees in Million)	%	Value (Rupees in Million)
Imported	39	1,378.29	34	1,054.53
Indigenous	61	2,195.60	66	2,029.89
Total	100	3,573.89	100	3,084.42

Notes on Accounts and accounting polices

14. Quantitative Details

14.1 Licensed and Installed Capacities

Particulars	Units	Licensed Capacity		Installed Capacity	
		As at Dec 31, 2009	As at Dec 31, 2008	As at Dec 31, 2009	As at Dec 31, 2008
Soft Gelatin Plant					
Softgel Capsules	Numbers in Million	** N.A	** N.A	2,645	2,645
Hard Gelatin Plant					
Capsules	Numbers in Million	** N.A	** N.A	450	450
Tablet Plant					
Tablets	Numbers in Million	** N.A	** N.A	2,160	2,160
Beta-lactam Plant					
Capsules and Tablets	Numbers in Million	** N.A	** N.A	# N.A	350
Dry Powder Vials		** N.A	** N.A	# N.A	20
Sterile Products Plant					
Ampoules	Numbers in Million	** N.A	** N.A	# N.A	48
Liquid Vials		** N.A	** N.A	# N.A	48
Pre-filled Syringes		** N.A	** N.A	# N.A	7.5
Dry Powder Vials		** N.A	** N.A	# N.A	16

Installed Capacities are as certified by the management and relied upon by the Auditors. The installed capacities serve multiple purposes and will vary according to product mix.

** Not applicable as the products have been de-licensed.

Not applicable as Beta-lactam Plant & Sterile products Plant have been hived off to Strides Specialties Pvt Ltd.

14.2 Particulars of Production, Sales & Stock-in-Trade

Particulars	(Rupees in Million)													
	Opening Stock		Stock transferred on account of merger (Refer Note 3)		Adjusted Opening Stock		Actual Production	Sales (gross of excise duty)			Stock transferred on account of Hiveoff (Refer Note 3)		Closing Stock	
	Qty (in '000's)	Rupees	Qty (in '000's)	Rupees	Qty (in '000's)	Rupees	Qty (in '000's)	Qty (in '000's)	Rupees	Qty (in '000's)	Rupees	Qty (in '000's)	Rupees	
TABLETS	33,521	47.31	53	0.01	33,574	47.32	1,695,657	1,680,408	2,492.71	-	-	48,824	50.93	
	(64,079)	(29.01)			(64,079)	(29.01)	(1,285,100)	(1,315,658)	(2,099.44)	-	-	(33,521)	(47.31)	
CAPSULES	7,646	40.43	21,438	64.94	29,084	105.37	611,317	596,644	1,109.40	-	-	43,757	93.40	
	(23,150)	(17.86)			(23,150)	(17.86)	(664,774)	(680,278)	(866.92)	-	-	(7,646)	(40.43)	
INJECTIBLES	2,304	40.96	28	3.70	2,332	44.66	130,461	127,797	2,086.38	2,374	47.18	2,623	7.77	
	(1,275)	(18.62)			(1,275)		(66,690)	(65,661)	(1,754.16)	-	-	(2,304)	(40.96)	
						(18.62)								
OTHERS	89	0.11	-	-	89	0.11	3,468	3,247	60.30	-	-	309	1.38	
	-	-			-	-	(3,525)	(3,436)	(2.52)	-	-	(89)	(0.11)	
Total		128.81		68.65		197.46			5,748.79		47.18		153.48	
		(65.49)		-		(65.49)			(4,723.04)		-		(128.81)	

Note:

- 1 Actual Production includes quantities produced by loan licensee on behalf of the Company as well as quantities produced by the Company as a loan licensee for others.
- 2 Figures in brackets related to Previous Year.
- 3 Refer Note A.2 & A.3 of Schedule 'P'

Notes on Accounts and accounting policies

15. Particulars of Traded Goods

None of the items individually account for more than 10% of the total value of the purchases, stock or turnover, hence quantitative details have not been furnished.

16. Details of Research and Development expenditure incurred

Particulars	(Rupees in Million)	
	For the Year ended Dec 31, 2009	For the Year ended Dec 31, 2008
Salaries	192.81	157.49
Materials	139.10	128.82
Professional fees	2.23	2.86
Bio Study Expenses	11.52	59.20
Consumables	107.26	80.58
Interest	2.81	0.01
Traveling expenses	7.69	5.81
Rent	19.63	18.10
Depreciation	25.64	26.72
Others	55.31	41.27
Total	564.00	520.86

The above include costs associated with the development services undertaken for customers and are as certified by the management and relied upon by the Auditors.

- 16.1 As per the requirement of Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology, Government of India, New Delhi, the details of expenditure incurred by the Company towards Research and Development for the period April 01, 2005 to March 31, 2009 are as under:

Particulars	(Rupees in Million)			
	For the Year ended March 31, 2006	For the Year ended March 31, 2007	For the Year ended March 31, 2008	For the Year ended March 31, 2009
A. Revenue Expenditure				
Salaries	62.68	93.03	133.31	177.95
Materials	30.22	72.37	99.43	175.51
Utilities	7.38	12.66	12.49	11.12
Others	102.27	90.85	146.73	183.47
Total Revenue Expenditure (A)	202.55	268.91	391.96	548.05
B. Capital Expenditure				
Buildings	17.42	6.09	0.75	0.77
Capital Equipments and other Fixed Assets	72.63	38.50	21.23	8.48
Total Capital Expenditure (B)	90.05	44.59	21.98	9.25
Total R&D Expenditure (A)+(B)	292.60	313.50	413.94	557.30

These details are as compiled by the management and have not been audited by the Statutory Auditors.

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17. Other information

17.1 Managerial remuneration

Particulars	(Rupees in Million)	
	For the year ended Dec 31, 2009	For the year ended Dec 31, 2008
Computation of Net Profits in accordance with Section 349 of the Companies Act, 1956.		
Profit/ (Loss) before Tax as per Profit & Loss Account	1,165.54	44.37
Add/ (Less) :		
Managerial Remuneration	62.54	4.80
Contribution to Provident Fund & other funds	1.47	1.47
Director's Sitting Fees	1.02	1.32
Profit from services rendered to Onco Therapies Limited (Refer Note B.9, Schedule 'P')	(110.00)	(10.00)
Profit on sale of contracts (Refer Note B.10.b Schedule 'P')	-	(208.15)
Profit on FCCB Buy back (including interest reversal)	(371.13)	-
Loss on sale of assets/ Impairment in Assets	1.25	-
Profit on sale of assets	(0.11)	17.15
Profit on sale of investments	-	(2.21)
	(414.96)	(195.62)
Net Profit/ (Loss) u/s 349 of the Companies Act, 1956	750.58	(151.25)
Maximum managerial remuneration available to the Managing Director (including Commission) @ 5%	37.53	4.80
Commission payable to Managing Director	-	-
Remuneration paid by the Company to the Managing Director		
Salary & Allowances	35.49	29.19
Contribution to Provident fund and other funds	1.47	1.47
Total (A)	36.96	30.66
Sitting Fees paid to Non-whole time Directors	1.02	1.32
Total (B)	1.02	1.32
Total (A) + (B)	37.98	31.98

Excess managerial remuneration paid to Managing director and Whole time Director for the year ended December 31, 2007 amounting to Rs.27.05 Million has been approved by the Central Government and is transferred from advances recoverable to the Profit & Loss Account in 2009

The managerial remuneration paid to Managing Director for the year ended December 31, 2008 excludes Rs.24.39 Million which is subject to the approval of the Central Government. This amount is included in advances recoverable under Schedule G.B (a) of the financial statements. The company's application to the Central Government in this connection is pending with the authorities as on date.

Note: The details of managerial remuneration stated in the above table exclude leave encashment and gratuity costs (for which separate actuarial valuations are not available).

Notes on Accounts and accounting policies

17.2 CIF Value of Imports

Particulars	(Rupees in Million)	
	For the Year ended Dec 31, 2009	For the Year ended Dec 31, 2008
Capital goods	129.08	432.62
Raw materials	1,373.39	1,093.50
Other goods	225.86	23.67
Total	1,728.33	1,549.79

17.3 Expenditure in foreign currency

Particulars	(Rupees in Million)	
	For the Year ended Dec 31, 2009	For the Year ended Dec 31, 2008
Travel expenses	8.90	10.35
Commission	47.03	49.06
Interest	58.01	73.41
Brand fees	4.45	3.74
Professional fees	42.82	14.99
Membership & Subscription	5.47	0.32
Business Development Expenses	13.98	19.42
Others	60.02	47.85
Total	240.68	219.14

17.4 Earnings in foreign exchange

Particulars	(Rupees in Million)	
	For the Year ended Dec 31, 2009	For the Year ended Dec 31, 2008
FOB Value of exports of goods/ contract	5,452.22	4,629.04
Development Income & Income from Product Dossier sales	834.01	745.63
Interest	9.78	17.55
Local sales (proceeds received/ receivable in foreign currency)	3.44	386.85
Total	6,299.45	5,779.07

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17.5 Expenditure debited to the Profit & Loss Account excludes the following expenditure capitalised

Particulars	(Rupees in Million)	
	For the Year ended Dec 31, 2009	For the Year ended Dec 31, 2008
Interest	100.59	26.87
Product development costs	168.11	75.35
Personnel Cost	30.29	11.74
Rent	13.45	18.05
Total	312.44	132.01

18. Taxation

- (a) Provision for deferred tax has been made in accordance with the requirements of Accounting Standard 22 "Accounting for taxes on income".
- (b) The net deferred tax liability comprises the tax impact arising from timing differences on account of :

Particulars	(Rupees in Million)	
	For the Year ended Dec 31, 2009	For the Year ended Dec 31, 2008
Depreciation	(106.33)	(573.97)
Section 43B disallowances	70.22	23.38
Business losses and unabsorbed depreciation	31.83	378.46
Timing Difference on Account of Merger (Refer Note A.2 of Schedule 'P')	4.28	--
Total	--	(172.13)
Deferred Tax liability (net) relating to the above	--	58.50

Recognition of Deferred tax assets with respect to unabsorbed depreciation has been done only in cases where there are corresponding timing differences creating deferred tax liabilities and the amount of such assets recognised is restricted to the extent of such liabilities. Deferred Tax assets in respect of business losses are recognised based on the criteria of virtual certainty.

19. Remuneration to Auditors

Particulars	(Rupees in Million)	
	For the Year ended Dec 31, 2009	For the Year ended Dec 31, 2008
Audit fees (including fees for undertaking Limited reviews)	6.00	3.50
Other matters	2.10	1.76
Service tax	0.83	0.59
Out of pocket expenses	0.45	0.30

Notes on Accounts and accounting policies

20. Related Party Transactions :

Names of Related Parties:

Wholly owned subsidiaries : **Direct Holding:**

Arcolab Limited SA, Switzerland
 Global Remedies Limited, India (merged with the Company w.e.f January 1, 2009)
 Strides Technology & Research Pvt Ltd.,
 Strides Specialties Pvt Limited (formerly Quantum Life Sciences Pvt Ltd.)
 Starsmore Limited, Cyprus
 Strides Africa Limited, British Virgin Islands
 Strides Arcolab International Limited, U.K (SAIL)
 Medgene Pharmaceuticals Pvt Ltd. India (Upto April 24, 2009)

Indirect Holding:

Pharma Strides Canada Corporation
 Linkace Limited, Cyprus
 Plus Farma ehf (w.e.f 30.12.2009)
 Farma Plus AS (w.e.f 30.12.2009)
 Quantum Remedies Private Limited (merged with the Company w.e.f January 1, 2009)
 Strides Specialties (Holdings) Limited, Mauritius
 Strides Specialties (Holdings) Cyprus Limited (previously known as Powercoast Limited).
 Strides Pharmaceuticals (Holdings) Limited, Mauritius
 Strides Specialty (Cyprus) Limited
 Strides Arcolab Polska Sp.z o.o, Poland
 Strides Arcolab UK Limited, UK
 Strides Australia Pty Limited, Australia
 Medgene Pharmaceuticals Pvt Ltd. India (From April 24, 2009)
 Strides Pharma (Cyprus) Limited, Cyprus

Other Subsidiaries:

Direct Holding:

Strides Inc. USA
 Onco Therapies Ltd, India
 Grandix Pharmaceutical Limited, India (merged with the Company w.e.f January 1, 2009)

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Indirect Holding:

Ascent Pharmahealth Limited, Australia
Strides S.A. Pharmaceuticals Pty. Limited, South Africa
Ascent Pharmahealth Asia Pte Limited, Singapore
Beltapharm S.p.A., Italy
Drug Houses of Australia (Asia) Pte. Limited, Singapore
Co Pharma Ltd, UK
Formule Naturelle (Pty) Limited , South Africa
Genepharm Newzealand Limited, Newzealand
Genepharm Pty Limited, Australia
Grandix Laboratories Limited, India (merged with the Company w.e.f January 1, 2009)
Pharmasava Australia Pty Ltd., Australia
Green Cross Pharma Pte Ltd., Singapore
Strides Arcolab Hong Kong Limited, Hong Kong
Strides Arcolab Malaysia SDN. BHD, Malaysia
Strides Arcolab SDN BHD, Brunei
Strides CIS Limited, Cyprus (Previously known as Raycom Limited)
Strides Vital Nigeria Limited, Nigeria

Joint Ventures (JV):

Akorn Strides LLC, USA
Farma Plus AS, Norway (Upto December 29, 2009)
Laboratorios Domac Spain (Upto December 30, 2009)
Plus Farma ehf, Iceland (Upto December 29, 2009)
Onco Laboratories Limited, Cyprus (formerly Powercliff Ltd.)
Sagent Strides LLC, USA

Notes on Accounts and accounting polices

Key Management Personnel:	Mr. Arun Kumar (Vice Chairman & Managing Director)
Enterprises owned or significantly influenced by key management personnel and relatives of key management personnel	<p>Agnus Global Holdings Pte Limited</p> <p>Agnus Holdings Private Limited</p> <p>Agnus IPCO Limited, BVI</p> <p>Arcolab (India) Private Limited</p> <p>Atma Projects</p> <p>Caryl Pharma Private Limited</p> <p>Chayadeep Properties Private Limited</p> <p>Everron Systems (India) Limited</p> <p>Fraxis Life Sciences Limited</p> <p>Keerthapathi Ravishankar – HUF</p> <p>Mrs. Deepa Arunkumar</p> <p>Mrs. K Saraswathi</p> <p>Netequity Ventures Private Limited</p> <p>Nous Infosystems Private Limited</p> <p>Patsys Consulting Private Limited</p> <p>Sequent Scientific Limited (previously PI Drugs & Pharmaceuticals Limited), India</p> <p>Sequent Research Limited , India</p> <p>Sequent European Holdings Limited</p> <p>Sequent Global Holdings Limited, Mauritius</p> <p>Sequent Scientific Limited</p> <p>Vedic Elements Private Limited</p> <p>Mr. G.P Pillai</p> <p>Mr. Mohan Kumar Pillai</p>

Associates	<p>Aspen Venezuela CA (formerly Casa de Representaciones Sumifarma CA), Venezuela</p> <p>Cellofarm Ltda, Brazil</p> <p>Pharmalatina Holdings Limited (formerly Lakerose Ltd.), Cyprus</p> <p>Solara SA De CV, Mexico</p> <p>Strides Latina, SA, Uruguay</p> <p>Aspen Labs SA De CV (formerly Strides Mexicana SA De CV), Mexico</p>
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Note: Related parties are as identified by the Company and relied upon by the Auditors.

SL No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Associates		Joint Ventures		Key Management Personnel		(Rupees in Million) Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
		31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
18	Strides Inc.	-	-	91.97	-	-	-	-	-	-	-	-	-
19	Strides Specialties Private Limited (formerly Quantum Life Sciences Pvt Limited)	3.86	3.17	-	-	-	-	-	-	-	-	-	-
20	Strides Vital Nigeria Limited	-	-	153.59	325.42	-	-	-	-	-	-	-	-
Sales Return / Discount													
1	Ascent Pharmahealth Asia Pte Limited (formerly Strides Singapore Pte Limited)	-	-	0.74	-	-	-	-	-	-	-	-	-
2	Cellofarm Ltda	-	-	5.13	88.52	59.36	-	-	-	-	-	-	-
3	Co Pharma Limited	-	-	0.49	-	-	-	-	-	-	-	-	-
4	Genepharma	-	-	-	-	-	-	-	-	-	-	-	-
5	Solara S.A. de C.V.	-	-	-	-	1.07	-	-	-	-	-	-	-
6	Strides Arcolab Polska Sp.z.o.o	0.24	-	-	-	-	-	-	-	-	-	-	-
7	Strides CIS Limited	-	-	-	5.29	-	-	-	-	-	-	-	-
8	Strides Specialties Private Limited (formerly Quantum Life Sciences Pvt Limited)	0.02	-	-	-	-	-	-	-	-	-	-	-
9	Strides Vital Nigeria Limited	-	-	0.94	-	-	-	-	-	-	-	-	-
Sales of fixed assets													
1	Cellofarm Ltda	-	0.25	-	-	-	-	-	-	-	-	0.08	-
2	Drug Houses of Australia (Asia) Pte Limited	-	0.69	-	0.02	-	-	-	-	-	-	-	-
3	Onco Therapies Limited	-	-	147.12	567.07	-	-	-	-	-	-	-	0.20
4	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)	-	-	-	-	-	-	-	-	-	-	-	-
5	Solara S.A. de C.V.	-	-	-	-	0.34	1.26	-	-	-	-	-	-
6	Strides Arcolab Polska Sp.z.o.o	1.82	-	-	-	-	-	-	-	-	-	-	-
7	Strides Vital Nigeria Limited	-	-	-	9.34	-	-	-	-	-	-	-	-

SL No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Associates		Joint Ventures		Key Management Personnel		(Rupees in Million) Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08
Transfer of Supply Contracts													
1	Ascent Pharmahealth Asia Pte Limited (formerly Strides Singapore Pte Limited)			-	208.15								
Transfer of Specialties Business (including R&D)		3,286.46											
Interest and Other Income													
1	Arcolab Limited SA	0.02	-										
2	Cellofarm Ltda	-	3.09			-	0.49	-	6.45				
3	Onco Therapies Limited		-	120.15									
4	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)											-	23.38
5	Solara S.A. de C.V.	-	0.54					-	1.12				
6	Strides Arcolab International Limited	9.32	14.41										
7	Strides Arcolab Polska Sp.z.o.o	1.43	1.18										
8	Strides Vital Nigeria Limited			0.38	-								
Purchase of materials													
1	Arcolab Limited SA	-	0.01										
2	Cellofarm Ltda					-	0.27						
3	Co Pharma Limited			1.58	-								
4	Genepharm			0.57	-								
5	Laboratorios Domac S L							-	1.55				
6	Onco Therapies Limited			0.76	-								
7	Pharma Strides Canada Corporation			-	0.53								
8	Quantum Remedies Private Limited (merged with the Company w.e.f. January 01, 2009)	-	13.56										
9	Sequent Research Limited											40.09	7.79

SL No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Associates		Joint Ventures		Key Management Personnel		(Rupees in Million) Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08
10	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)											502.48	17.41
11	Strides Arcolab Polska Sp.z.o.o	28.51	-										
12	Strides Inc.			-	0.60								
13	Strides Italia S r L	-	0.43									0.88	-
14	Strides Specialties Private Limited (formerly Quantum Life Sciences Pvt Limited)	-	24.81										
Purchase of Machinery/Assets													
1	Atma Projects											15.88	-
2	Cellofarm Ltda					-	16.62						
3	Strides Inc.			-	164.06								
Jobwork Charges payable													
1	Global Remedies Limited (merged with the Company w.e.f. 1st January 2009)	-	54.00										
2	Strides Specialties Private Limited (formerly Quantum Life Sciences Pvt Limited)	51.45	62.16										
3	Quantum Remedies Private Limited (merged with the Company w.e.f. 1st January 2009)	-	0.19										
4	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)											0.01	0.30
Payment of Brand Fees													
1	Strides Africa Limited	4.45	5.91										
Interest Paid													
1	Agnus Holdings Private Limited											0.17	-
2	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)											2.61	-

SL No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Associates		Joint Ventures		Key Management Personnel		(Rupees in Million) Enterprises owned or significantly influenced by key management personnel or their relatives.	
		Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08
17	Strides Specialties Private Limited (formerly Quantum Life Sciences Pvt Limited)	0.03	0.02										
18	Strides Vital Nigeria Limited				0.04	-							
19	Sequent European Holdings Limited										-	316.33	
Reimbursement of Expenses Incurred on behalf of													
1	Akorn Strides LLC							3.43	-				
2	Ascent Pharmahealth Asia Pte Limited (formerly Strides Singapore Pte Limited)			-	0.19								
3	Ascent Pharmahealth Limited			0.20	-								
4	Aspen Labs SA De CV (formerly Strides Mexicana SA De CV)					-	0.40						
5	Beltapharm S.p.A			-	0.18								
6	Cellofarm Ltda						7.41						
7	Co Pharma Limited			1.30	-								
8	Grandix Pharmaceuticals Limited (merged with the Company w.e.f. 1st January 2009)			-	3.98								
9	Medgene Pharmaceuticals Private Limited	3.43	11.21										
10	Onco Therapies Limited			82.50	5.89								
11	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)											12.22	-
12	Strides Africa Limited	0.08	6.34										
13	Strides Arcolab International Limited	-	6.24										
14	Strides Arcolab Polska Sp.z.o.o	3.70	-										

SL No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Associates		Joint Ventures		Key Management Personnel		(Rupees in Million) Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08
		15	Strides Specialties Private Limited (formerly Quantum Life Sciences Pvt Limited)	8.13	6.67								
16	Strides Vital Nigeria Limited			0.09	0.85								
Rent Paid													
1	Atma Projects											30.01	20.28
2	Chayadeep Properties Private Limited											42.74	40.35
Loans / advances given / Repaid by Company													
1	Agnus Holdings Private Limited											4.50	-
2	Ascent Pharmahealth Limited			0.03	1.00								
3	Atma Projects											-	64.30
4	Aspen Venezuela CA (formerly Casa de Representaciones Sumifarma CA)					0.03	0.36	-	0.02				
5	Cellofarm Ltda	-	0.06			0.28	0.78	-	4.74				
6	Global Remedies Limited (merged with the Company w.e.f. 1st January 2009)	-	3.47										
7	Grandix Pharmaceuticals Limited (merged with the Company w.e.f. 1st January 2009)			-	2.02								
8	Linkace Limited	35.95	0.70										
9	Medgene Pharmaceuticals Private Limited	11.33	2.51										
10	Onco Therapies Limited			30.93	0.05								
11	Onco Laboratories Limited (formerly Powercliff Limited)							-	5.85				
12	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)											70.00	2.93

SL No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Associates		Joint Ventures		Key Management Personnel		(Rupees in Million) Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08
13	Strides Specialties Private Limited (formerly Quantum Life Sciences Pvt Limited)	395.10	216.48										
14	Solara S.A. de C.V.					-	2.15	-	0.07				
15	Starsmore Limited	162.44	-										
16	Strides Africa Limited	2.60	1.88										
17	Strides CIS Limited			4.59	-								
18	Strides Inc.			0.01	-								
19	Strides Italia S r L	-	2.87										
20	Strides Latina S.A					2.78	0.09						
21	Ascent Pharmahealth Asia Pte Limited (formerly Strides Singapore Pte Limited)			-	0.15								
22	Strides Vital Nigeria Limited			0.01	0.34								
23	Strides Arcolab Polska Sp.z.o.o	16.64	6.12										
24	Strides Arcolab International Limited	18.13	99.77										
25	Arun Kumar									-	24.39		
Loans / advances taken by company / repaid to company													
1	Agnus Holdings Private Limited											4.50	-
2	Cellofarm Ltda					-	289.24	-	1.76				
3	Global Remedies Limited (merged with the Company w.e.f. 1st January 2009)	-	0.40										
4	Linkace Limited	25.51	-										
5	Medgene Pharmaceuticals Private Limited	-	8.88										
6	Onco Therapies Limited			118.79	-								

SL No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Associates		Joint Ventures		Key Management Personnel		(Rupees in Million) Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08
Refund of application monies received from													
1	Starsmore Limited	-	618.49										
2	Strides Arcolab International Limited	-	372.68										
Guarantees given on behalf of													
1	Cellofarm Ltda					-	219.11						
2	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)											-	746.00
3	Strides Arcolab Polska Sp.z.o.o	656.83	642.93										
4	Linkace Limited	697.80	730.35										
Investments sold													
1	Strides Latina, SA	-	1,193.55										
2	Strides SA Pharmaceuticals Pty Limited	4.69	-										
3	Medgene Pharmaceuticals Private Limited	5.25	-										
Forfeiture of amount received for share warrants													
1	Agnus Holdings Private Limited											-	189.87
Deposits given													
1	Atma Projects											19.30	20.70
2	Chayadeep Properties Private Limited											16.61	-
Advances Receivable/(Payable) as at													
1	Ascent Pharmahealth Asia Pte Limited (formerly Strides Singapore Pte Limited)			-	0.36								
2	Ascent Pharmahealth Limited			0.28	-								
3	Aspen Labs SA De CV (formerly Strides Mexicana SA De CV)					0.46	0.49						

SL No.	Nature of Transactions	Wholly Owned Subsidiaries		Other Subsidiaries		Associates		Joint Ventures		Key Management Personnel		(Rupees in Million) Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08
24	Strides Inc, USA			-	(39.34)								
25	Strides Latina				-	7.31	4.82						
26	Strides SA Pharmaceuticals Pty Limited			(0.99)	-								
27	Strides Specialties Private Limited (formerly Quantum Life Sciences Pvt Limited)	2,393.67	187.85										
28	Strides Vital Nigeria Limited			1.59	1.36								
29	Strides Technology & Research (P) Limited	0.01	-										
30	Arun Kumar									24.39	42.68		
31	K.R.Ravishankar									-	8.75		
Creditors Balance as at (net of Advance paid)													
1	Chayadeep Properties Private Limited											(0.05)	41.97
2	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)											(219.52)	(4.08)
Loans receivable as at													
1	Strides Arcolab International Limited	180.49	185.81										
2	Strides Arcolab Polska Sp.z.o.o	16.41	-										
Debtors Balance as at (Net of advance received)													
1	Akorn Strides LLC							74.59	(46.99)				
2	Arcolab Limited S A	0.85	1.12										
3	Ascent Pharmahealth Asia Pte Limited (formerly Strides Singapore Pte Limited)			84.62	59.77								
4	Aspen Venezuela CA (formerly Casa de Representaciones Sumifarma CA)					65.85	66.95						
5	Cellofarm Ltda					307.24	454.83						
6	Co-Pharma Limited			78.60	12.06								

Notes on Accounts and accounting policies

21. Leases

The Company's significant leasing arrangements are mainly in respect of factory buildings, residential and office premises. The aggregate lease rentals payable on these leasing arrangements charged to the Profit and Loss account is Rs.88.69 Million (Previous year Rs.51.36 Million).

The Company has entered into non-cancelable lease agreements for its facilities and office premises. The tenure of lease ranges from 3 years to 15 years. The said lease arrangements have an escalation clause wherein lease rental is subject to an increment ranging from 6% to 10%. Details of the lease commitment at the year end are as follows:

Particulars	Rupees in Million	
	Dec 31, 2009	Dec 31, 2008
Up to one year	38.78	63.80
From one year to five years	166.69	289.74
Above five years	166.28	574.41
Total	371.75	927.95

The Company has given on an operating lease, certain plant and machinery to its step down wholly owned subsidiary Strides Arcolab Polska Sp.z.o.o. Details relating to these assets are as follows:

Particulars	Rupees in Million	
	Dec 31, 2009	Dec 31, 2008
Gross carrying amount of assets leased	44.96	44.96
Accumulated depreciation	7.66	4.32
Future minimum lease income under the initial term:		
Not later than one year	1.84	0.97
Later than one year but not later than 5 years	30.70	32.13
Later than 5 years	7.68	8.03

22. Loans and advances include amounts due from Directors, Rs.24.71 Million (Previous year Rs.51.76 Million). Maximum amount due during the year Rs.51.76 Million (Previous year Rs.51.76 Million).

The above amount includes due from Directors of Rs.24.39 Million (Previous year Rs.51.44 Million), being excess managerial remuneration of earlier years, referred in clause 17.1 above.

23. The information disclosed in Schedule H.A (a) to the financial statements with regard to Micro and Small enterprises is based on information collected by the management based on enquiries made with the creditors which have been relied upon by the auditors.

24. Transfer Pricing

The Finance Act, 2001, has introduced, with effect from assessment year 2002-03 (effective April 1, 2001), detailed Transfer Pricing regulations ('regulations') for computing the income from 'international transactions' between 'associated enterprises' on an 'arm's length' basis. These regulations, inter alia, also require the maintenance of prescribed documents and information including furnishing a report from an Accountant which is to be filed with the Income tax authorities.

The Company has undertaken necessary steps to comply with the Transfer Pricing regulations. The Management is of the opinion that the international transactions are at arm's length, and hence the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

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25. Since the Company prepares consolidated financial statements, segment information has not been provided in these financial statements.
26. As required under Section 205(C) of the Companies Act, 1956 the Company has transferred Rs.0.09 Million (Previous Year Rs.0.08 Million) to the Investor Education and Protection Fund (IEPF) during the year. As on December 31, 2009, no amount was due for transfer to the IEPF.

27. Earnings per Share

Particulars	(Rupees in Million)	
	For the year ended Dec 31, 2009	For the year ended Dec 31, 2008
Profit after tax as per the Profit & Loss Account	1,055.14	61.35
Preference Dividend and tax there on	(34.51)	(34.51)
Profit attributable to Equity Shareholders	1,020.63	26.84
Interest Expense & Exchange fluctuation gain on Foreign Currency Convertible Bonds (FCCBs) (Net)	(26.20)	251.94
Profit/ (Loss) attributable to Equity Shareholders (on dilution)	994.43	278.78
Weighted Average number of Shares for Basic EPS	40,094,560	38,837,769
Add: Effect of Warrant, Employee Stock Options outstanding & FCCBs	14,969,745	13,693,439
Weighted Average Number of equity shares for diluted EPS	55,064,305	52,531,208
Nominal value of equity shares (Rs.)	10.00	10.00
Earnings Per Share		
- Basic	25.46	0.69
- Diluted	18.06	0.69

Note:

- In the absence of profits in 2008, no preference dividends and tax thereon has been accrued for in the Profit and Loss account. However these have been considered for determining Earnings per share.
- The amount of preference dividend for 2009 does not include the amount of any preference dividends accrued in the Profit & Loss Account in the current year in respect of previous years since the same has been considered for determining Earnings per share in respective years.
- The FCCBs outstanding are anti dilutive and hence ignored for the purposes of computing Diluted Earnings per share for the year 2008.

28. Cash flow statement

- (a) The Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard – 3 on “Cash Flow Statements” issued under Section 211(3C) of Companies Act, 1956.
- (b) Interest paid is inclusive of and purchase of Fixed Assets excludes, interest capitalised Rs.100.59 Million (Previous year Rs.26.87 Million).

Notes on Accounts and accounting policies

- (c) Reconciliation of Cash and Cash Equivalents to Cash and bank balances included in Schedule G.A.4.

Particulars	(Rupees in Million)	
	As at Dec 31, 2009	As at Dec 31, 2008
Cash in hand	1.04	0.87
Balance with Scheduled banks	189.64	53.20
Balance with other banks -represents unutilised monies out of the issue of Foreign Currency Convertible Bonds. These monies can be utilised for certain specified purposes for which the Bonds were issued.	1.16	0.92
Fixed Deposits	0.50	0.09
Cash and Cash equivalents	192.34	55.08
Margin money not included above	119.64	107.20
Unpaid dividend Accounts not included above	1.84	1.54
Cash and bank balances as per Schedule G	313.82	163.82

29. During the year, pursuant to the approval of the Shareholders and other authorities as required, the Company has transferred the Specialty Pharmaceutical Business along with R&D to Strides Specialties Private Limited (SSPL) on a slump sale basis with effect from the close of business on December 30, 2009 for a consideration of Rs.3,286.46 Million (Refer Note A.3, Schedule 'P'). The results of the discontinued business were as under:

Particulars	(Rupees in Million)
	For the Year ended Dec 31, 2009
Revenue	2,946.83
Operating Expense	(2,500.58)
Profit / (Loss) before tax	440.25
Tax Expense	(1.46)
Profit / (Loss) after tax	438.79

The net Cashflow from the discontinued operations were as under:

Operating Activities Rs.790.22 Million
Financing Activities (Rs.757.30) Million
Investing Activities Rs.128.40 Million

30. **Employee Benefits (Gratuity):**

Sl. No.	Particulars	(Rupees in Million)	
		Dec 31, 2009	Dec 31, 2008
1	Components of employer expense		
1	Current Service cost	14.95	6.08
2	Interest cost	5.20	2.76
3	Expected return on plan assets	(1.87)	(1.72)
4	Curtailment cost/ (credit)	-	-
5	Settlement cost/ (credit)	-	-
6	Past Service Cost	-	-

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		(Rupees in Million)	
Sl. No.	Particulars	Dec 31, 2009	Dec 31, 2008
7	Actuarial Losses/ (Gains)	(2.59)	25.41
8	Total expense recognised in the Statement of Profit & Loss	15.69	32.53
II	Actual Contribution and Benefits Payments for year ended December 31, 2009.		
1	Actual benefit payments	2.60	3.30
2	Actual Contributions	3.23	5.46
III	Net asset/ (liability) recognised in balance sheet as at December 31, 2009		
1	Present value of Defined Benefit Obligation (DBO)	85.57	64.39
2	Fair value of Plan Assets	27.33	24.60
3	Funded status [Surplus/ (Deficit)]	(58.24)	(39.79)
4	Unrecognised Past Service Costs	-	-
5	Net asset/ (liability) recognised in balance sheet (without considering transfer on account of Hiveoff of business) (Refer Note A. 3 of Schedule P)	(58.24)	(39.79)
6	Net asset/ (liability) transferred on account of De-merger (Refer Note A. 3 of Schedule P)	(18.80)	--
7	Net assets / (liability) recognised in balance sheet	(39.44)	(39.79)
IV	Change in Defined Benefit Obligations during the year ended December 31, 2009		
1	Present Value of DBO at beginning of period	64.39	34.51
2	Current Service cost	14.95	6.08
3	Interest cost	5.20	2.76
4	Curtailment cost/ (credit)	-	-
5	Settlement cost/ (credit)	-	-
6	Plan amendments	-	-
7	Acquisitions (Refer Note A. 2 of Schedule P)	5.98	-
8	Actuarial (gains)/ losses	(2.35)	24.33
9	Benefits paid	(2.60)	(3.29)
10	Present Value of DBO at the end of period	85.57	64.39
V	Change in Fair Value of Assets during the year ended December 31, 2009		
1	Plan assets at beginning of period	24.60	21.50
2	Acquisition Adjustment	-	-
3	Actuarial (gains)/ losses	0.24	-
4	Actual return on plan assets	1.86	0.94
5	Actual Company contributions	3.23	5.46
6	Benefits paid	(2.60)	(3.30)
7	Plan assets at the end of period	27.33	24.60
VI	Assumptions		
1	Discount Rate	7.50%	8.00%
2	Expected Return on plan assets	7.50%	8.00%
3	Salary escalation	10.00%	7.00%

Note:

- The estimate of future salary increase considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

Notes on Accounts and accounting policies

2. In the absence of information relating to category wise breakup of Plan Assets, the same has not been disclosed.

31. Disclosures relating to Financial instruments to the extent not disclosed elsewhere in Schedule P

31.1 Breakup of Allowance for Credit Losses is as under:

Particulars	(Rupees in Million)	
	Dec 31, 2009	Dec 31, 2008
Provision for Bad and Doubtful Debts at the beginning of the Year	24.85	15.25
Adjustment on account of Merger (Refer Note A. 2 of Schedule P)	9.99	-
Additional Provision during the year	--	11.03
Provision reversed/ written off during the year	12.02	1.43
Provision for Bad and Doubtful Debts at the end of the Year	22.82	24.85

31.2 Details on Derivatives Instruments & Un-hedged Foreign Currency Exposures

The following derivative positions are open as at December 31, 2009. While these transactions have been undertaken to act as economic hedges for the Company's exposures to various risks in foreign exchange markets, they have not qualified as hedging instruments in the context of the rigour of such classification under Accounting Standard 30. These instruments are therefore classified as held for trading and gains/ losses recognised in the Profit and Loss Account.

i. The Company has entered into the following derivative instruments

- (a) Forward Exchange Contracts [being a derivative instrument], which are not intended for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.

The following are the outstanding Forward Exchange Contracts entered into by the Company as on December 31, 2009.

Currency	Amount	Buy/Sell	Cross Currency
AUD	2,100,000	Sell	Rupees

- (b) Interest Rate Swaps to hedge against fluctuations in interest rate changes: No. of contracts: Nil (Previous year : Nil)
- (c) Currency Swaps (other than forward exchange contracts stated above) to hedge against fluctuations in changes in exchange rate. No. of contracts: Nil (Previous Year: Nil)

Notes on Accounts and accounting policies

- II. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Receivable/ (Payable) Rupees in Million	Receivable/ (Payable) in Foreign currency in Million	Receivable/ (Payable) Rupees in Million	Receivable/ (Payable) in Foreign currency in Million
At Dec 31, 2009		At Dec 31, 2008	
(1,858.74)	USD	(39.96)	USD (151.08)
227.80	EURO	3.40	EURO 2.55
35.93	AUD	0.86	AUD 2.03
(1.27)	CAD	(0.03)	CAD (0.18)
99.82	GBP	1.33	GBP 0.71
(0.98)	JPY	(1.94)	JPY 6.46
1.97	CHF	0.04	CHF 0.00

- III. Derivative Instruments (causing an un-hedged foreign currency exposure) as at December 31, 2009:

Option contracts

Currency	Amount	Buy/Sell	Cross Currency
USD	64,000,000	Sell	Rupees
USD	54,000,000	Buy	Rupees

- IV. Gain on Forward Exchange Derivative contracts (Net) included in the Profit and Loss account for year ended December 31, 2009 amounts Rs.117.87 Million (Previous Year: Loss (Net) Rs.454.27 Million)

31.3 Categories of Financial Instruments

(a) Loans and Receivables:

The following financial assets in the Balance Sheet have been classified as Loans and Receivables as defined in Accounting Standard 30. These are carried at amortised cost less impairment if any.

The carrying amounts are as under:

Particulars	(Rupees in Million)	
	Dec 31, 2009	Dec 31, 2008
Sundry Debtors	2,075.27	2,084.40
Advance recoverable in cash	44.56	93.53
Loans and Advances to subsidiaries	2,751.31	422.93
Cash and Bank Balances	313.82	163.82

In the opinion of the management, the carrying amounts above are reasonable approximations of fair values of the above financial assets.

Notes on Accounts and accounting policies

(b) Financial Liabilities Held at Amortised Cost

The following financial liabilities are held at amortised cost. The Carrying amount of Financial Liabilities is as under:

Particulars	(Rupees in Million)	
	Dec 31, 2009	Dec 31, 2008
Secured Loans		
Long term loans	2,952.93	1,109.43
Short term loans	3,027.96	2,627.92
Unsecured Loans		
Long term loans		
Foreign currency convertible bonds (debt component)	6,166.18	7,051.07
Short term loans (Unsecured)		
From banks	-	52.00
Current Liabilities		
Sundry Creditors	2,124.91	1,649.58
Unclaimed dividend	1.84	1.54
Interest accrued but not due	6.33	14.24
Other Liabilities	24.09	19.67
Provision For		
Leave salary	45.79	58.83
Gratuity	39.44	39.79
Long Term Employee Compensation	657.50	-
Equity dividend (including dividend distribution tax)	70.57	-
Preference dividend (including dividend distribution tax)	149.32	45.79

Note: Interest expense calculated using effective interest rate method as prescribed in Accounting Standard 30 for financial liabilities that are carried at amortised cost is Rs.271.51 Million (Previous Year Rs.334.36 Million)

(c) Financial Liabilities Held for Trading

The option component of Foreign Currency Convertible Bonds (FCCBs) has been classified as held for trading, being a derivative under Accounting Standard 30. Refer Note B.6 of Schedule P on FCCBs. The carrying amount of the option component was Rs.175.32 Million as at December 31, 2009 and Rs.134.20 Million as at December 31, 2008. The difference in carrying value between the two dates, amounting to Rs.41.12 Million is taken as loss to the Profit and Loss Account of the year in accordance with provisions of Accounting Standard 30.

The fair value of the option component has been determined using a valuation model. Refer to Note B.6 above on FCCBs for detailed disclosure on the valuation method.

(d) There are no financial assets / liabilities in the following categories:

- **Financial assets:**
 - o Carried at fair value through profit and loss designated at such at initial recognition.
 - o Held to maturity
 - o Available for sale (other than investment in Subsidiaries & Joint Venture)
- **Financial liabilities:**
 - o carried at fair value through profit and loss designated as such at initial recognition.

Notes on Accounts and accounting polices

31.4 Financial assets pledged

The following financial assets have been pledged:

(Rupees in Million)				
Financial Asset	Carrying value Dec 31, 2009	Carrying value Dec 31, 2008	Liability/Contingent Liability for which pledged as collateral	Terms and conditions relating to pledge
I. Margin Money with Banks				
A. Margin Money for Letter of Credit	90.83	80.89	Letter of Credit	The Margin Money is interest bearing deposit with Banks. These deposits can be withdrawn on the maturity of all Open Letters of Credit.
B. Margin Money for Bank Guarantee	10.07	26.31	Bank Guarantee	The Margin Money is interest bearing deposit with Banks. These deposits are against Performance Guarantees. These can be withdrawn on the satisfaction of the purpose for which the Guarantee is provided.
C. Other Margin Money	18.74	-	Margin Money as Guarantee for Loan Interest.	This is interest bearing deposit, equivalent to 3 months Interest payable on Term Loan of Rs.500 Million borrowed from YES bank, kept as per Financial covenant. This deposit can be withdrawn at the end of the tenure.
II. Sundry debtors	1,044.46	974.61	Bills discounted	The Bills discounted with Banks are secured by the Receivable.

31.5 Nature and extent of risks arising from financial instruments

The main financial risks faced by the Company relate to fluctuations in interest and foreign exchange rates, the risk of default by counterparties to financial transactions, and the availability of funds to meet business needs. The Balance Sheet as at December 31, 2009 is representative of the position through the year. Risk management is carried out by a central treasury department under the guidance of the Management.

Interest rate risk

Interest rate risk arises from long term borrowings. Debt issued at variable rates exposes the Company to cash flow risk. Debt issued at fixed rate exposes the Company to fair value risk. In the opinion of the management, interest rate risk during the year under report was not substantial enough to require intervention or hedging through derivatives or other financial instruments. For the purposes of exposure to interest risk, the Company considers its net debt position evaluated as the difference between financial assets and financial liabilities held at fixed rates and floating rates respectively as the measure of exposure of notional amounts to interest rate risk. This net debt position is quantified as under:

Financial Assets/ Liabilities:

Particulars	(Rupees in Million)	
	2009	2008
Fixed		
Financial Assets	301.18	293.66
Financial liabilities	(6,831.35)	(7,123.32)
	(6,530.17)	(6,829.66)

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Particulars	(Rupees in Million)	
	2009	2008
Floating		
Financial Assets	2,570.27	236.56
Financial liabilities	(5,315.72)	(3,717.10)
	(2,745.45)	(3,480.54)

Credit risk

Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions. Credit risk also arises from trade receivables and other financial assets.

The credit risk arising from receivables is subject to concentration risk in that the receivables are predominantly denominated in USD and any appreciation in the INR will affect the credit risk. Further, the Company is not significantly exposed to geographical distribution risk as the counterparties operate across various countries across the Globe.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Company's reputation. Liquidity risk is managed using short term and long term cash flow forecasts.

The following is an analysis of undiscounted contractual cash flows payable under financial liabilities and derivatives as at December 31, 2009. (Figures in brackets relates to Previous Year)

Financial Liabilities	(Rupees in Million)					
	1 year	1 and 2 years	2 and 3 years	3 and 4 years	4 and 5 years	5 years & above
Bank Borrowings	3,552.14 (2,859.05)	786.29 (371.12)	699.15 (279.97)	583.82 (182.59)	227.29 (91.29)	120.00 -
Interest payable on borrowings	11.34 (14.32)	-	-	-	-	-
Hire Purchase liabilities	4.78 (2.48)	1.90 (2.23)	0.51 (0.41)	- (0.13)	-	-
Other Borrowings	2,099.97 -	- (2,306.64)	4,066.21 -	- (4,744.43)	-	-
Trade and other payables not in net debt	2,199.97 (1,971.72)	-	-	-	-	-
Fair Value of Options embedded in FCCBs	1.96 -	- (11.06)	173.36 -	- (123.15)	-	-
Fair value of Forward exchange derivative contracts	166.80 (174.12)	- (176.43)	-	-	-	-
Total	8,036.96 (5,021.69)	788.19 (2,867.48)	4,939.23 (280.38)	583.82 (5,050.30)	227.29 (91.29)	120.00 -

For the purposes of the above table, undiscounted cash flows have been applied. Undiscounted cash flows will differ from fair values. Foreign currency liabilities have been computed applying spot rates on the Balance Sheet date.

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Foreign exchange risk

The Company is exposed to foreign exchange risk principally via:

- Debt availed in foreign currency
- Net investments in subsidiaries and joint ventures in foreign currencies
- Exposure arising from transactions relating to purchases, revenues, expenses etc to be settled in currencies other than Indian Rupees, the functional currency of the respective entities.

31.6 The Company has designated its investments in certain subsidiaries whose functional currency is US dollars as hedged items in a fair value hedge and certain loans availed in US dollars as hedging instruments to hedge the risk arising from fluctuations in the foreign exchange rate between the Indian Rupee and the US dollar. The carrying values of the financial liabilities designated as hedging instruments as at December 31, 2009 is Rs.1,421.19 Million (Previous year Rs.4,897.97 Million).

31.7 The (loss)/ gain arising on the dollar loans designated as hedging instruments recognised in the Profit and Loss Account during the year ended December 31, 2009 is Rs.107.01 Million [Previous year (Rs.923.40 Million)]. The (loss)/ gain arising from investments in certain subsidiaries designated as hedged items as much as is attributable to the hedged foreign exchange risk recognised in the Profit and Loss Account for the year ended December 31, 2009 is Rs.(107.01) Million (Previous year Rs.923.40 Million).

31.8 Sensitivity analysis as at December 31, 2009

Financial instruments affected by interest rate changes include Secured Long term loans from banks, Secured Long term loans from others, Secured Short term loans from banks and Unsecured Short term loans from banks. The impact of a 1% change in interest rates on the profit of an annual period will be Rs.121.35 Million (Previous year Rs.108.29 Million) assuming the loans as of December 31, 2009 continue to be constant during the annual period. This computation does not involve a revaluation of the fair value of loans as a consequence of changes in interest rates. The computation also assumes that an increase in interest rates on floating rate liabilities will not necessarily involve an increase in interest rates on floating rate financial assets.

Financial instruments affected by changes in foreign exchange rates include FCCBs, External Commercial Borrowings (ECBs), investments in subsidiaries, loans in foreign currencies to erstwhile subsidiaries and loans to subsidiaries and joint ventures. The Company considers US Dollar and the Euro to be principal currencies which require monitoring and risk mitigation. The Company is exposed to volatility in other currencies including the Great Britain Pounds (GBP) and the Australian Dollar (AUD).

Particulars	Increase/ (Decrease) in Equity in 2009	Increase/ (Decrease) in Equity in 2008
A 5% appreciation in the US dollar	(92.94)	(123.02)
A 5% depreciation in the US dollar	92.94	123.02
A 5% appreciation in the Euro	11.39	8.72
A 5% depreciation in the Euro	(11.39)	(8.72)
A 5% appreciation in the Australian Dollar	1.80	3.43
A 5% depreciation in the Australian Dollar	(1.80)	(3.43)
A 5% appreciation in the GBP	4.99	2.52
A 5% depreciation in the GBP	(4.99)	(2.52)

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For the purposes of the above table, it is assumed that the carrying value of the financial assets and liabilities as at the end of the respective financial years remains constant thereafter. The exchange rate considered for the sensitivity analysis is the Exchange Rate prevalent as at December 31, 2009.

In the opinion of the management, impact arising from changes in the values of trading assets (including derivative contracts, trade receivables, trade payables, other current assets and liabilities) is temporary and short term in nature and would vary depending on the levels of these current assets and liabilities substantially from time to time and even on day to day basis and hence are not useful in an analysis of the long term risks which the Company is exposed to.

32. Consequent to the merger of certain subsidiaries into the Company and the Hiveoff of certain business during the year (Refer Note A, Schedule 'P'), the figures for the current year are not comparable with those of the previous year. To the extent relevant the previous year's figures have been regrouped in line with the current year.

SECTION C: SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of financial statements

The financial statements are prepared under the historical cost convention on accrual basis except for certain financial & other assets, liabilities which are measured on fair value basis as permitted by the Accounting Standards or as per the Scheme of Arrangement approved by the Honorable High Courts of Judicature.

2. Revenue

2.1 Revenue from export sales is recognised on the basis of the shipping bills for exports. Revenue from domestic sales is recognised based on the passage of title to goods which generally coincides with dispatch. Sales include excise duty and are stated net of discounts, other taxes, and sales returns.

2.2 Revenue from development services:

- (a) In respect of contracts which require development on end to end basis, revenue is recognised based on technical estimates of the stage of work.
- (b) In respect of other development contracts, revenue is recognised on the basis of the performance milestones provided in the contract.

2.3 Revenue from sale of dossiers is recognised on percentage completion method. The extent of completion is determined based on costs incurred and the total cost for completion of the contracts.

2.4 Revenue from contract manufacturing is recognised based on the services rendered in accordance with the terms of the contract.

2.5 Export incentives are accounted on accrual basis and include estimated realisable values/ benefits from special import licenses and benefits under Duty Entitlement Pass Book schemes, wherever applicable.

2.6 Dividend income is recognised whenever the right to receive dividends is established.

2.7 Interest and other income is recognised on accrual basis

3. Fixed Assets

Fixed assets and intangibles (other than in-house product development costs) are recorded at their acquisition cost and subsequent improvements thereto except in case of assets which are recorded at fair value as per the Scheme of Arrangement approved by the Honorable High Courts of Judicature. Cost includes related pre-operative project expenditure and interest on

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borrowings attributable to the funds borrowed in respect of qualifying assets, for the period up to completion of construction or when the assets are ready to be put to use, as applicable. In-house product development costs are capitalised in accordance with Paragraph 8 below.

4. Impairment of Assets

As at each Balance Sheet date, the carrying amount of fixed assets is tested for impairment if impairment conditions exist. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is determined:

- (a) in the case of an individual asset, at the higher of the net selling price and value in use.
- (b) in the case of cash generating units, at the higher of the unit's net selling price and the value in use.

Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.

5. Depreciation/ Amortisation

Depreciation is provided under the straight-line method at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956, based on technical estimates that indicate the useful lives would be comparable with or higher than those arrived at using these rates.

In the case of the following assets, depreciation is provided/ amortised under the straight line method over the useful life of the assets as follows:

Dies and Punches	: 4 years
Registrations and Brands	: 5 to 10 years
Software Licenses	: 5 years

With respect to assets carried at fair value cost, depreciation is provided / amortised under the straight line method over the useful life of the respective assets.

Individual assets costing less than Rs.5,000 are depreciated in full in the year of purchase.

6. Inventories

Inventories comprise raw materials, packing materials, consumables, work in process and finished goods. These are valued at the lower of cost and net realisable value. Cost is determined as follows:

Raw materials, packing materials and consumables	weighted average basis
Work in process	at material cost and an appropriate share of production overheads
Finished Goods	material cost and an appropriate share of production overheads and excise duty, wherever applicable

7. Employee benefits

The Company's contribution to Provident Fund is charged to revenue on accrual basis.

Leave balances standing to the credit to the employees that are expected to be availed in the short term are provided for on full cost basis. Liability for unavailed leave considered to be long term is carried based on an actuarial valuation.

Liability for gratuity is funded with SBI Life Insurance Company Limited. Gratuity expenses for the year are accounted based on actuarial valuation carried out as at the end of the fiscal year. The obligation 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

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of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Short term employee benefits like medical, leave travel, etc are accrued based on the terms of employment on a time proportion basis.

The Company has introduced Long Term Employee Compensation Plan under which certain employees are eligible for retention and performance linked payouts. These payouts are accrued as services are rendered and or when the specific performance criteria are met.

8. Research & Development Expenditure

Development expenses incurred on specific/ identified in-house developed products are capitalised from the date on which the Company is able to demonstrate technical feasibility and probable future economic benefits in respect of the products. The amount capitalised comprises expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

Other development and research expenses are charged to the Profit and Loss account / BRR.

Fixed assets acquired for Research & Development activities are capitalised and depreciated in accordance with the policy of the Company in paragraph 1.3 and 1.5 above.

9. Foreign currency transactions

The transactions denominated in foreign currency are recorded at the exchange rates prevailing on the date of the transaction. Monetary items denominated in foreign currencies at year end are translated at the exchange rate prevailing on the date of the balance sheet. Exchange differences on settlement or restatement are adjusted in the profit & loss account.

10. Investments

Current investments are carried at lower of cost and fair market value. Provision is made to recognise decline, if any, in the carrying value.

Long-term investments are valued at cost less impairment considered to be other than temporary, except for investments which are:

- a. Designated as hedged items for changes in the spot rate of the foreign currency underlying in the investment. Such investments are carried at fair values by restating the underlying foreign currency at the closing spot rates.
- b. Recorded at fair value as per the Scheme of Arrangement approved by the Honorable High Courts of Judicature.

11. Leases

Lease arrangements, where the risks and rewards incident to ownership of an asset substantially vest with the lessor, are classified as operating leases and the lease rentals thereon are charged to the Profit and Loss Account on accrual basis. Assets acquired under finance lease arrangements are recognised as an asset and a liability is setup at the inception of the lease, at an amount equal to lower of the fair value of leased assets or the present value of the future minimum lease payments.

12. Financial Assets, Financial Liabilities, Financial Instruments, Derivatives and Hedge Accounting

- (a) The Company classifies its financial assets into the following categories: financial instruments at fair value through profit and loss, loans and receivables, held to maturity investments and available for sale financial assets.

Financial assets of the Company mainly include cash and bank balances, sundry debtors, loans and advances and derivative financial instruments with a positive fair value.

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Financial liabilities of the Company mainly comprise secured and unsecured loans, sundry creditors, accrued expenses and derivative financial instruments with a negative fair value.

Financial assets/ liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when all of risks and rewards of the ownership have been transferred. The transfer of risks and rewards is evaluated by comparing the exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred assets.

Available for sale financial assets (not covered under other Accounting Standards) are carried at fair value, with changes in fair value being recognised in Equity, unless they are designated in a Fair value hedge relationship, where such changes are recognised in the Profit and Loss account. Loans and receivables, considered not to be in the nature of Short-term receivables, are discounted to their present value. Short-term receivables with no stated interest rates are measured at original invoice amount, if the effect of discounting is immaterial. Non-interest-bearing deposits, meeting the criteria of financial asset, are discounted to their present value.

Financial liabilities held for trading and liabilities designated at fair value, are carried at fair value through profit and loss.

Other financial liabilities are carried at amortised cost using the effective interest method. The Company measures the short-term payables with no stated rate of interest at original invoice amount, if the effect of discounting is immaterial.

Financial liabilities are derecognised when extinguished.

(b) Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial markets pricing models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value.

(c) Derivative financial instruments

The Company is exposed to foreign currency fluctuations on foreign currency assets and liabilities. The Company limits the effects of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives. The Company enters into forward exchange financial instruments where the counterparty is a bank. Changes in fair values of these financial instruments that do not qualify as a Cash flow hedge accounting are adjusted in the Profit and Loss.

(d) Hedge Accounting

Some financial instruments and derivatives are used to hedge interest rate, exchange rate, commodity and equity exposures and exposures to certain indices. Where derivatives are held for risk management purposes and when transactions meet the criteria specified in Accounting Standard 30, the Company applies fair value hedge accounting or cash flow hedge accounting as appropriate to the risks being hedged.

(e) Fair value hedge accounting

Changes in the fair value of financial instruments and derivatives that qualify for and are designated as fair value hedges are recorded in the Profit and Loss Account, together with changes in the fair value attributable to the risk being hedged in the hedged asset or liability.

If the hedged relationship no longer meets the criteria for hedge accounting, it is discontinued.

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13. Employee Stock Option Schemes

Employee stock options are accounted in accordance with the guidelines stipulated by SEBI and Guidance Note on Accounting for Employee Share-based Payments. The difference between the market price of the shares underlying the options granted on the date of grant of option and the option price is expensed under 'Personnel cost'.

14. Income Tax

Income Tax comprises the current tax provision and the net change in the deferred tax asset or liability during the year. Deferred tax assets and liabilities are recognised for the future tax consequences arising out of temporary differences between the carrying values of the assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applicable on the Balance Sheet date. Deferred tax assets are recognised and carried forward to the extent that there is a reasonable/ virtual certainty (as applicable) that sufficient future taxable income will be available against which such deferred tax asset can be realised. The effect on deferred tax assets and liabilities resulting from change in tax rates is recognised in the income statement in the period of enactment of the change.

15. Use of estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Examples of such estimates include the useful life of fixed assets (including intangible assets), provision for doubtful debts/ advances, provision for employee benefits, allowances for slow moving/ non moving inventory, provision for tax, estimate of percentage of completion of work under contracts for development services and sale of dossiers.

Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

16. Provisions and Contingencies

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation. Contingent liabilities are not recognised but are disclosed in the notes to financial statements.

Bangalore, February 24, 2010

For and on behalf of the Board

Arun Kumar – Vice Chairman & Managing Director

K. R. Ravishankar - Director

Kannan. N – Company Secretary

Balance Sheet Abstract and Company's General Profile

1. Statement Pursuant to Part IV of Schedule VI to the Companies Act, 1956

I. Registration Details

Registration No.	11-57062
State Code	11
Balance Sheet Date	31.12.2009

(Rupees in thousands)

II. Capital Raised during the year

Public Issue	Nil
Bonus Issue	Nil
Rights Issue	Nil
Private Placement (Equity & Preference)	165,600

III. Position of mobilisation and development of Funds

Total Liabilities	21,601,677
Total Assets	21,601,677
Sources of Funds	
Share Capital	893,762
Monies pending allotment	141,495
Employee Stock Options Outstanding	34,535
Reserves and Surplus	8,209,499
Secured Loans	5,980,891
Unsecured Loans	6,341,494
Deferred Tax Liability	-
Application of Funds	
Net Fixed Assets	3,381,091
Investments	15,180,418
Net Current Assets	3,040,168
Miscellaneous Expenditure	Nil

IV. Performance of the Company

Turnover (Total Income)	7,847,442
Total Expenditure	6,681,899
Profit Before Tax	1,165,542
Profit After Tax	1,055,144
Earnings per share (Rs.) (on profit after taxes)	25.46
Dividend Rate (%)	15%

V. Generic Names of three Principal Products / Service of the Company (as per monetary terms)

Item Code No.	30039090
Product Description	Lamivudine
Item Code No.	30039090
Product Description	Efavirenz
Item Code No.	30019099
Product Description	Enoxaparin Sodium

2. Disclosure as per clause 32 of the listing agreement

Loans and advances in the nature of loans given to subsidiaries, associates and others:

			(Rupees in Million)	
Name of the Company	Relationship	Amount outstanding at December 31, 2009	Maximum balance outstanding during the year	
Strides Arcolab International Limited	Wholly – Owned subsidiary	180.49	189.42	
Strides Arcolab Polska SP.Z.o.o	Wholly – Owned subsidiary	16.41	16.64	

3. Disclosure required in terms of clause 13.5A of Chapter XIII on Guidelines for preferential issues, SEBI (Disclosure and Investor Protection) Guidelines, 2000.

Particulars	(Rupees in Million)	
	Amount	Amount
Total amount received from issue of fully convertible debentures		
Total amount received from issue of warrants		141.36
Amount utilised:		
Purpose for which the money received has been utilized :		
a. Capital expenditure	28.00	
b. Working capital	113.36	
Unutilised monies as on December 31, 2009		-

For and on behalf of the Board

Arun Kumar - Vice Chairman & Managing Director

K.R.Ravishankar - Director

Kannan.N - Company Secretary

Bangalore, February 24, 2010

Auditors' Report

On Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF STRIDES ARCOLAB LIMITED

1. We have audited the attached Consolidated Balance Sheet of STRIDES ARCOLAB LIMITED ("the Company") and its subsidiaries, (collectively referred to as "the Group") as at December 31, 2009, the consolidated Profit and Loss account and the consolidated Cash Flow Statement for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries and joint ventures whose financial statements reflect total assets (net) of Rs.12,314.25 Million as at December 31, 2009, total revenues of Rs.6,731.46 Million and net cash outflows amounting to Rs.131.60 Million for the year ended on that date, as considered in these financial statements. In respect of these subsidiaries and joint ventures:
 - (a) the financial statements of the subsidiaries and joint ventures, whose financial statements reflect total assets (net) of Rs.10,536.08 Million as at December 31, 2009, total revenues of Rs.5,381.89 Million and net cash outflows amounting to Rs.140.26 Million for the year ended on that date, as considered in these financial statements have been audited by other auditors and where applicable, their conversion based on accounting principles generally accepted in India have been reported upon by other accountants. These reports have been furnished to us, and our opinion, in so far as it relates to amounts included in respect of these subsidiaries is based solely on the audit report of other auditors/ accountants;
 - (b) the financial statements of the subsidiaries and joint ventures, whose financial statements reflect total assets (net) of Rs.1,778.17 Million as at December 31, 2009 and total revenues of Rs.1,349.57 Million and net cash inflows amounting to Rs.8.66 Million for the year ended on that date, as considered in these financial statements have been compiled by the management and have not been subject to audit by independent auditors.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21, 'Consolidated Financial Statements and Accounting for Investments in Subsidiaries in Separate Financial Statements' and Accounting Standard 27, 'Financial reporting of interests in Joint Ventures'.
5. The Company has early adopted Accounting Standard 30 'Financial Instruments: Recognition and Measurement', along with the limited revision to Accounting Standard 2 'Valuation of Inventories', Accounting Standard 11 'The Effect of Changes in Foreign Exchange Rates', Accounting Standard 19 'Leases', Accounting Standard 21 'Consolidated Financial Statements and Accounting for Investment in Subsidiaries in Separate Financial Statements', Accounting Standard 23 'Accounting for Investments in Associates in Consolidated Financial Statements', Accounting Standard 26 'Intangible Assets', Accounting Standard 27 'Financial Reporting of Interest in Joint Ventures', Accounting Standard 28 'Impairment of Assets', and Accounting Standards 29 'Provisions, Contingent Assets and Contingent Liabilities', arising from the announcement of the Institute of Chartered Accountants of India on March 29, 2008. Pursuant to the above:
 - (i) The Foreign Currency Convertible Bonds (FCCBs or Bonds) have been segregated into two components comprising (a) option component which represents the value of the conversion option given to the FCCB-holders to convert the bonds into equity shares of the company and (b) debt component which represents the debt to be redeemed in the

absence of conversion option being exercised by FCCB-holder, net of issuance costs. The debt component has been recognised and measured at amortised cost and the fair value of the option component has been determined using a valuation model and a charge of Rs.41.12 Million has been recognised in the Profit and Loss Account for the year ended December 31, 2009, being the change in the fair value of embedded option during the year.

- (ii) The Group has designated its net investment in foreign operations of a subsidiary of the Company, whose functional currency is US dollars, as hedged items, and certain FCCBs and External Commercial Borrowings (ECBs) payable in US dollars as hedging instruments, to hedge the foreign exchange risk arising out of fluctuations between the India Rupee and the US Dollar. The exchange fluctuations arising from the restatement of the designated hedging instruments has been recognised in Hedging Reserve account as per the requirements of Accounting Standard 30. Accordingly, a credit of Rs.154.02 Million has been recognised in the Hedging Reserve account for the year ended December 31, 2009.
6. We refer to Note B.2 of Schedule Q regarding the accounting for the Scheme of Arrangement ('the Scheme') between the Company, some of its subsidiaries and their respective shareholders under section 391 to 394 and the other provisions of the Companies Act, 1956, which has been approved by the Hon'ble High Court of Mumbai.
- (i) As explained in Note B.2.2 (b) of Schedule Q, in accordance with the Scheme, the excess of fair value of assets of the Company over the previously carried book values, amounting to Rs.6,891.77 Million has been credited to Reserve for Business Restructuring, instead of such assets being recorded at historical costs or written down value, as required by Accounting Standard 10 'Accounting for Fixed Assets' and Accounting Standard 13 'Accounting for Investments', as applicable.
- (ii) As explained in Note B.2.2(c) of Schedule Q, in accordance with the Scheme, certain expenses and impairments amounting to Rs.4,184.48 Million have been debited to the Reserve for Business Restructuring, instead of being charged to the Profit and Loss Account as required by Accounting Standard 5 'Net profit or Loss for the Period, Prior Period Items'.
7. Attention is invited to Note C.24 of Schedule Q regarding the excess managerial remuneration of earlier years in respect of which the Company's application is pending with the Central Government.
8. Subject to our comments in paragraph 3(b) above, and read with our comments in paragraph 5 and paragraph 6 above, based on our audit and on consideration of the reports of other auditors/accountants on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India,
- i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at December 31, 2009;
- ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
- iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For DELOITTE HASKINS & SELLS
Chartered Accountants
Registration No. 008072S

Place: Bangalore
Date: February 24, 2010

V. BALAJI
Partner
Membership No. 203685

Consolidated Balance Sheet

as at December 31, 2009

(Rupees in Million)			
	Schedule	Dec 31, 2009	Dec 31, 2008
I . SOURCES OF FUNDS			
1. Shareholders' funds			
a) Share capital	A	893.76	892.11
b) Monies pending allotment (Refer Note B.2.1 and C.7, Schedule 'Q')		141.50	-
c) Employees stock options outstanding	B	34.53	17.89
d) Reserves & surplus	C	7,240.92	3,244.11
		8,310.71	4,154.11
2. Minority Interest			
		2,585.04	1,802.84
3. Loan funds			
	D		
a) Secured loans		7,786.98	5,660.11
b) Unsecured loans		6,781.74	7,360.01
		14,568.72	13,020.12
4. Deferred tax liability (Net) (Refer Note C.17, Schedule 'Q')			
		34.15	87.42
Total		25,498.62	19,064.49
II . APPLICATION OF FUNDS			
1. Fixed Assets			
	E		
a) Gross block		10,713.26	5,991.11
Less : Accumulated Depreciation		2,241.06	2,201.23
Net block		8,472.20	3,789.88
b) Capital work-in-progress & advances		846.56	2,595.53
		9,318.76	6,385.41
2. Goodwill (on consolidation)			
		10,093.69	5,905.35
3. Investments			
	F	3,413.61	3,464.01
4. Deferred Tax Asset (Net) (Refer Note C.17, Schedule 'Q')			
		11.13	43.36
5. Current assets, loans and advances			
	G		
a) Inventories		2,334.20	1,731.20
b) Sundry debtors (Refer Note C.8.5, Schedule 'Q')		4,160.63	3,375.11
c) Unbilled revenues		303.31	542.17
d) Cash & bank balances		912.01	569.55
e) Loans and advances		1,750.67	1,257.18
		9,460.82	7,475.21
Less: Current liabilities & provisions			
	H		
a) Current liabilities		5,056.60	3,599.23
b) Provisions		1,742.79	610.59
		6,799.39	4,209.82
Net current assets		2,661.43	3,265.39
6. Miscellaneous expenditure (To the extent not written off or adjusted)			
	I	-	0.97
Total		25,498.62	19,064.49

Basis of Consolidation,

Accounting policies and notes on accounts

The above schedules form an integral part of the financial statements.

Q

As per our report of even date
For DELOITTE HASKINS & SELLS
Chartered Accountants

V. Balaji
Partner
Membership No.203685

Bangalore, February 24, 2010

For and on behalf of the Board

Arun Kumar : Vice Chairman & Managing Director
K.R.Ravishankar : Director
Kannan.N : Company Secretary

Consolidated Profit and Loss Account

for the year ended December 31, 2009

(Rupees in Million)			
	Schedule	Dec 31, 2009	Dec 31, 2008
I. INCOME			
1. Sales & services	J	13,047.71	10,203.31
2. Other income	K	235.70	3,109.15
Total		13,283.41	13,312.46
II. EXPENDITURE			
1. Materials consumed	L	7,272.95	5,596.31
2. Increase/(Decrease) in stock	M	(265.29)	(356.29)
3. Personnel cost	N	1,808.07	1,800.05
4. Operating and other expenses	O	2,361.67	2,466.97
5. Finance charges	P	759.07	846.97
Total		11,936.47	10,354.01
III. PROFIT BEFORE DEPRECIATION, AMORTISATION & INCOME TAX		1,346.94	2,958.45
6. Depreciation	E	491.90	398.97
7. Amortisation of miscellaneous expenditure		0.97	1.66
IV. PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		854.07	2,557.82
8. Exceptional Items			
Profit on sale of plant (Refer Note C.12, Schedule 'Q')		113.65	-
Impairment in Investments (Refer Note A.2.g Schedule 'Q')		-	(1,655.94)
Exchange fluctuation gain / (loss) (net) (Refer Note C.12, Schedule 'Q')		131.64	(205.31)
Profit on FCCB buyback (Refer Note C.5, Schedule 'Q')		291.17	-
Interest reversal on FCCB buyback (Refer Note C.5, Schedule 'Q')		79.96	-
Changes in fair value options embedded in FCCB's (Refer Note C.8, Schedule 'Q')		(41.12)	452.22
V. PROFIT BEFORE TAX		1,429.37	1,148.79
Less: Provision for tax:			
- Current		285.82	115.68
- Deferred (Net)		(60.71)	(23.50)
- Fringe benefit tax		3.38	7.76
- MAT Credit entitlement		(9.50)	(14.00)
- Prior year taxes		-	22.00
VI. PROFIT / (LOSS) AFTER TAX BEFORE SHARE OF MINORITY INTEREST AND ASSOCIATE		1,210.38	1,040.85
Less: Share of Profit / (Loss) of Minority Interest		113.55	(38.78)
PROFIT AFTER MINORITY INTEREST AND SHARE FROM ASSOCIATE		1,096.83	1,079.63
Balance brought forward		765.47	243.97
Consolidation adjustment		79.43	(547.28)
VII. PROFIT AVAILABLE FOR APPROPRIATIONS		1,941.73	776.32
VIII. APPROPRIATIONS			
Proposed Dividend on Equity shares		60.32	-
Tax on dividends		10.25	4.75
Dividend on preference shares		88.49	-
Tax on preference dividends		15.04	-
Transfer to General reserve		52.76	6.10
Balance carried forward to balance sheet		1,714.87	765.47
Total		1,941.73	776.32
IX. Earnings / (Loss) per share (Face value of Rs.10 each)			
- Basic (in Rs.)		26.49	26.91
- Diluted (in Rs.)		19.67	24.70
(Refer Note C.20, Schedule 'Q')			

Basis of Consolidation,
Accounting policies and notes on accounts Q
The above schedules form an integral part of the financial statements.

As per our report of even date
For DELOITTE HASKINS & SELLS
Chartered Accountants

V. Balaji
Partner
Membership No.203685

Bangalore, February 24, 2010

For and on behalf of the Board

Arun Kumar : Vice Chairman & Managing Director
K.R.Ravishankar : Director
Kannan.N : Company Secretary

Consolidated Cash Flow Statement

for the year ended December 31, 2009

	(Rupees in Million)	
	Dec 31, 2009	Dec 31, 2008
A. Cash flow from Operating Activities		
Net Profit/(Loss) before tax	1,429.37	1,148.79
Adjustments for:		
Add: Depreciation and amortisation	492.87	404.36
Compensation under ESOP Scheme	-	13.16
Bad debts written off and Provision for doubtful debts	-	96.91
Unbilled debtors written off	8.78	64.42
Impairment / Obsolescence in assets	-	14.22
Interest on borrowings	681.98	771.23
Impairment in investments	-	1,655.94
Unrealised Exchange (Gain)/Loss	(293.20)	216.31
Less: Profit on FCCB Buyback	291.17	-
Interest reversal on FCCB Buyback	79.96	-
Changes in fair value of embedded derivatives in FCCB's	(41.12)	452.22
Profit on sale of investments (Net)	-	2,509.04
Profit on sale of assets (Net)	112.70	1.02
Interest received	20.14	79.58
Operating profit before working capital changes	1,856.95	1,343.48
Changes in working capital		
(Increase)/Decrease in Trade and other receivables	(1,589.36)	(287.84)
(Increase)/Decrease in Inventories	(795.19)	(611.22)
Increase/(Decrease) in Trade and other payables	1,267.74	817.69
(Increase)/Decrease in Margin money	(13.36)	13.33
Net change in working capital	(1,130.17)	(68.04)
Cash generated from operations	726.78	1,275.44
Direct taxes paid	(88.13)	(97.95)
Net cash from Operating Activities	A 638.65	1,177.49
B. Cash flow from Investing Activities		
Purchase of fixed assets / CWIP	(1,310.59)	(3,028.38)
Sale of fixed assets	203.70	49.50
Purchase of investments	(419.85)	(4,034.76)
Sale/redemption of investments	30.16	4,744.78
Dividend / Interest received	20.14	79.58
Net cash used in Investing Activities	B (1,476.44)	(2,189.28)
C. Cash flow from Financing Activities		
Proceeds from issue of share capital / Share warrants	158.87	-
Buyback of FCCBs	(705.64)	-
Proceeds from long term borrowings	2,260.99	1,308.87
Repayment of long term borrowings	(414.85)	(499.32)

		(Rupees in Million)	
		Dec 31, 2009	Dec 31, 2008
Proceeds from short term borrowings (Net)		280.73	(59.12)
Dividends paid		-	(6.89)
Tax paid on equity and preference dividend		(4.75)	-
Interest paid on borrowings		(658.96)	(609.20)
Net cash generated from Financing Activities	C	916.39	134.34
Net Increase /(Decrease) in Cash and Cash Equivalents	(A+B+C)	78.60	(877.45)
Cash and cash equivalents at the beginning of the year		458.75	1,793.40
Effect of exchange differences on restatement of foreign currency cash and cash equivalents		(2.99)	0.06
Consolidation adjustment		253.49	(457.26)
Cash and cash equivalents at the end of the year		787.85	458.75

Note: Refer Note C.22, Schedule 'Q' for notes on Cash Flow Statement

Basis of Consolidation,

Accounting policies and notes on accounts – Schedule 'Q'

As per our report of even date

For DELOITTE HASKINS & SELLS
Chartered Accountants

V. Balaji
Partner
Membership No.203685
Bangalore, February 24, 2010

For and on behalf of the Board

Arun Kumar : Vice Chairman & Managing Director
K.R.Ravishankar : Director
Kannan.N : Company Secretary

Schedules

forming part of the Consolidated Balance Sheet
as at December 31, 2009

		(Rupees in Million)	
		Dec 31, 2009	Dec 31, 2008
SCHEDULE A			
SHARE CAPITAL			
1. Authorised			
a)	Equity		
	89,750,000 (Previous year 70,000,000) equity shares of Rs.10 each	897.50	700.00
b)	Preference		
	620,000 cumulative redeemable preference shares of Rs.1,000 each	620.00	620.00
		1,517.50	1,320.00
2. Issued, subscribed and paid-up			
a)	Equity		
	40,215,614 (Previous year 40,050,014) equity shares of Rs.10 each fully paid. Of these:	402.15	400.50
i)	3,168,875 equity shares of Rs.10 each were allotted to the Promoters and their associate companies on exercising of the Warrants.		
ii)	210,955 equity shares of Rs.10 each were allotted to the erstwhile share holders of Bombay Drugs & Pharmas Ltd., consequent to amalgamation with the Company		
iii)	1,251,000 equity shares of Rs.10 each were issued as bonus shares by capitalisation of General Reserve		
iv)	1,912,500 equity shares of Rs.10 each were issued consequent to amalgamation to the shareholders of erstwhile Remed Laboratories (India) Ltd and Plama Laboratories Ltd		
v)	50,000 equity shares of Rs.10 each were issued for consideration other than cash		
b)	Preference		
	491,606 6% cumulative redeemable preference shares of Rs.1,000 each fully paid	491.61	491.61
(Refer Note C.6, Schedule 'Q')			
Total		893.76	892.11
SCHEDULE B			
EMPLOYEE STOCK OPTIONS OUTSTANDING			
	Employee Stock Options Outstanding (Refer Note C.9, Schedule 'Q')	75.34	42.83
	Less : Deferred employee compensation expenses	40.81	24.94
Closing Balance		34.53	17.89
SCHEDULE C			
RESERVES AND SURPLUS			
1. General Reserve			
	Opening Balance	332.30	265.85
Add:	Transfer from Profit and loss account	52.76	6.10
	Adjustments under transitional provisions of AS - 30 (Refer Note C.8, Schedule 'Q')	-	60.35

Schedules

forming part of the Consolidated Balance Sheet
as at December 31, 2009

		(Rupees in Million)	
		Dec 31, 2009	Dec 31, 2008
	Less: Adjustment on account of Merger	19.77	-
	Closing Balance	365.29	332.30
2.	Capital Redemption Reserve	60.00	60.00
3.	Debenture redemption reserve (Refer Note C.8 Schedule 'Q')		
	Opening Balance	-	934.71
	Less: Reserves created for redemption of FCCBs transferred to Securities Premium	-	(934.71)
	Closing Balance	-	-
4.	Securities Premium		
	Opening Balance	2,468.14	430.53
	Add: Additions during the year on fresh issue of shares	19.03	1,967.83
	Transfer from Debenture Redemption Reserve Account (Refer Note C.5 & C.8, Schedule 'Q')	-	934.71
	Add: Reversal of premium on redemption of FCCB's and issue expenses on account of buy back (Refer Note C.5, schedule 'Q')	254.82	-
	Less: Amortisation of Premium on redemption of FCCBs and issue expenses (Refer Note C.8, Schedule 'Q')	603.50	864.93
	Closing Balance	2,138.49	2,468.14
5.	Exchange Reserve (on consolidation)		
	Opening Balance	474.01	(335.43)
	Add: Transactions during the year	224.51	809.43
	Closing Balance	698.52	474.00
6.	Capital Reserve		
	On Consolidation	202.11	90.64
	Forfeiture of Monies received towards Share Warrants	225.60	225.60
	Closing Balance	427.71	316.24
7.	Reserve for Business Restructure (Refer Note B.2.2, Schedule 'Q')		
	Net Surplus on Fair valuation of Assets	7,038.54	-
	Less : Utilisation during the year	4,184.48	-
	Closing Balance	2,854.06	-
8.	Hedge Reserve (Refer Note C.8, Schedule 'Q')	(1,018.02)	(1,172.04)
9.	Profit & Loss Account	1,714.87	765.47
	Total	7,240.92	3,244.11

Schedules

forming part of the Consolidated Balance Sheet
as at December 31, 2009

		(Rupees in Million)	
		Dec 31, 2009	Dec 31, 2008
SCHEDULE D			
LOAN FUNDS			
SECURED LOANS			
1. Long term loans			
a)	From banks	4,663.82	2,807.74
b)	From others	5.06	15.00
		4,668.88	2,822.74
2. Short term loans			
From banks (Refer Note C.8, Schedule 'Q')		3,118.10	2,837.37
		3,118.10	2,837.37
Total		7,786.98	5,660.11
UNSECURED LOANS			
a)	From banks	-	60.90
b)	From others	440.24	113.84
c)	Foreign Currency Convertible Bonds:		
	- Debt portion of FCCBs (Refer Note C.8, Schedule 'Q')	6,166.18	7,051.07
	- Fair value of embedded derivatives in FCCB's (Refer Note C.8, Schedule 'Q')	175.32	134.20
Total		6,781.74	7,360.01

Notes on above :

- a) Loans under different categories are secured against certain moveable and immovable assets of the parent company or concerned subsidiary
- b) Some of the above loans are guaranteed by some of the Directors of the Company in their personal capacities.
- c) Long term loans from financial institutions and banks (other than hire purchase loans) due within one year Rs.886.69 Million (Previous year Rs.436.93 Million). Hire purchase loans due within one year Rs.4.78 Million (Previous year Rs.2.83 Million)
- d) Short term loans from Banks includes Bills discounted with Banks Rs.1,044.46 Million (Previous year Rs.974.61 Million)
These loans are secured by the respective debtors. (Refer Note C.8, Schedule 'Q')
- e) Foreign Currency Convertible Bonds amounting to Rs.2,100.70 Million is due for redumption/conversion in the month of April 2010.

SCHEDULE - 'E'
FIXED ASSETS

forming part of the Consolidated Balance Sheet as at

(Rupees in Million)

SL No	Particulars	As on Jan 1, 2009	Consolidation adjustment	GROSS BLOCK				As on Dec 31, 2009	Up to Dec 31, 2008	DEPRECIATION / AMORTISATION				NET BLOCK		
				During the Year	On account of Fair Valuation (Refer Note below)	Impairment adjustment (Refer Note below)	During the Year			Consolidation adjustment	For the year	Withdrawn on account of		Up to Dec 31, 2009	As on Dec 31, 2009	As on Dec 31, 2008
												Impairment (Refer Note below)	On Deletions / Adjustment			
1	Freehold Land	79.40	(0.23)	-	725.26	-	-	804.43	-	-	-	-	-	-	804.43	79.40
2	Leasehold Land	24.60	-	12.31	43.31	-	-	80.22	-	-	-	-	-	-	80.22	24.60
3	Building	1,291.99	(53.71)	921.39	-	24.24	102.29	2,033.14	237.83	(46.09)	60.29	14.82	0.13	237.08	1,796.06	1,054.16
4	Leasehold Improvements	25.63	(1.14)	-	-	-	24.49	-	25.63	(1.14)	-	-	24.49	-	-	-
5	Furniture & Fixtures	240.42	12.04	124.28	-	9.48	3.24	364.02	117.21	12.61	37.94	4.59	3.29	159.88	204.14	123.21
6	Office Equipment	165.97	(21.29)	13.31	-	20.29	18.24	119.46	115.46	(34.75)	12.57	12.31	22.73	58.24	61.22	50.51
7	Plant & Machinery	3,005.34	(216.23)	1,964.26	281.25	269.14	83.46	4,682.02	1,288.19	(184.69)	228.51	172.24	83.32	1,076.45	3,605.57	1,717.15
8	Motor Vehicles	60.63	(2.91)	11.94	-	8.74	1.10	59.82	26.21	(8.53)	7.26	2.40	0.22	22.32	37.50	34.42
9	Registrations, brands, trade marks (Refer Note 6 below)	1,028.59	194.86	121.52	1,150.00	-	-	2,494.97	357.77	46.24	245.45	-	2.58	646.88	1,848.09	670.82
10	Software Licences	68.54	(7.18)	13.82	-	-	-	75.18	32.93	(2.55)	14.89	-	5.06	40.21	34.97	35.61
	Total	5,991.11	(95.79)	3,182.83	2,199.82	331.89	232.82	10,713.26	2,201.23	(218.90)	606.91	206.36	141.82	2,241.06	8,472.20	3,789.88
	Previous Year	5,947.48	(637.69)	778.54	-	-	97.22	5,991.11	1,659.75	180.03	398.97	-	37.52	2,201.23	3,789.88	4,287.73
	Capital Work-in-Progress at cost and advance payments against capital expenditure														846.56	2,595.53
	Total														9,318.76	6,385.41

Note:

- During the year, pursuant to a Scheme of Arrangement (the Scheme) sanctioned by the Honorable High Courts of Judicature, some of the subsidiaries of the Company have been merged with itself effective from January 1, 2009. In accordance with the Scheme, the Company has fair valued certain fixed assets as follows. (Refer Note B.2 of Schedule Q)
The excess of fair value over carrying value of:
a) Land of subsidiary companies Rs.14.25 Million
b) Brands Rs.1,150.00 Million
c) Land of the Company Rs.754.32 Million
d) Machineries of the Company Rs.281.25 Million
- Buildings include buildings on leasehold land Rs.169.16 Million (Previous year Rs.190.94 Million).
- Motor Vehicles include Vehicles purchased under Hire purchase schemes amounting to Rs.18.83 Million (Previous year Rs.14.88 Million).
- Additions / Capital work in progress includes interest on borrowings Rs.123.27 Million (Previous year Rs.26.87 Million).
- Depreciation / Amortisation considered in the Profit and Loss Account of net off of Rs.115 Million, being amortisation of Brands fair valued under the Scheme, which is permitted to be debitted to BRR.

Schedules

forming part of the Consolidated Balance Sheet
as at December 31, 2009

		(Rupees in Million)	
		Dec 31, 2009	Dec 31, 2008
SCHEDULE F			
INVESTMENTS (Unquoted)			
1. Long term investments			
Trade investments [at cost less permanent diminution in value (if any)]			
a)	Lakerose Ltd, Cyprus		
	Investment in 9,772 equity shares of Euro 1 each.	5,030.87	5,265.54
	Less: Diminution in value of investments	(1,774.27)	(1,801.53)
		3,256.60	3,464.01
b)	Red Vault Investments Pty Limited, Australia	157.01	-
	Investment in 1,050 Equity shares of AU\$ 1 each		
c)	Strides Italia S.r.L, Italy	60.15	62.96
	Investment in 286,900 equity shares of Euro 1 each.		
	Less: Diminution in value of investments	(60.15)	(62.96)
Total		3,413.61	3,464.01
SCHEDULE G			
CURRENT ASSETS, LOANS & ADVANCES			
A. Current assets			
1. Inventories			
a)	Raw materials and packing materials	1,094.40	812.26
b)	Work-in-process	145.60	117.19
c)	Finished goods	1,094.20	801.75
		2,334.20	1,731.20
2. Sundry debtors (unsecured)			
a)	More than six months		
	-Considered Good	862.80	138.53
	-Considered Doubtful	68.60	73.79
		931.40	212.32
b)	Others		
	-Considered Good	3,297.83	3,236.58
	-Considered Doubtful	42.08	-
		4,271.31	3,448.90
Less : Provision for Doubtful Debts		110.68	73.79
		4,160.63	3,375.11

Schedules

forming part of the Consolidated Balance Sheet
as at December 31, 2009

		(Rupees in Million)	
		Dec 31, 2009	Dec 31, 2008
3.	Unbilled revenues (Refer Note B.2 & C.14 ,Schedule 'Q')	303.31	542.17
4.	Cash and bank balances		
a)	Cash in hand	4.06	2.08
b)	Balance with banks		
i)	In current accounts	781.52	453.30
ii)	In margin money and deposit accounts	122.32	109.18
iii)	In Fixed deposit account	4.11	4.99
		912.01	569.55
B.	Loans and advances		
	(unsecured, considered good)		
a)	Advance recoverable in cash or in kind or for value to be received	877.89	474.04
b)	Advance income tax and tax deducted at source	461.74	376.98
c)	Deposits with and dues from Government departments	241.26	258.49
d)	Deposits with others	169.78	147.67
		1,750.67	1,257.18
Total		9,460.82	7,475.21
SCHEDULE H			
CURRENT LIABILITIES AND PROVISIONS			
A.	Current liabilities		
a)	Sundry creditors	4,410.23	3,356.39
b)	Unclaimed dividend	1.84	1.91
c)	Interest accrued but not due	6.41	21.92
d)	Other liabilities	99.67	114.96
e)	Advances received from customers	538.45	104.05
Total		5,056.60	3,599.23
B.	Provisions		
a)	Leave salary	92.44	86.00
b)	Gratuity and other employee benefits	123.23	82.05
c)	Taxes	649.73	391.99
d)	Proposed equity dividend	60.32	-
e)	Tax on equity dividends	10.25	4.76
f)	Long Term Employee compensation (Refer Note B.2.2 (c) , Schedule 'Q')	657.50	-
g)	Preference dividend (Refer Note C 6, Schedule 'Q')	134.28	45.79
h)	Tax on Preference dividend (Refer Note C.6, Schedule 'Q')	15.04	-
Total		(A + B) 1,742.79	610.59
		6,799.39	4,209.82

Schedules

forming part of the Consolidated Profit & Loss Account
for the year ended December 31, 2009

		(Rupees in Million)	
		Dec 31, 2009	Dec 31, 2008
SCHEDULE I			
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
a)	Other development expenses	-	0.97
Total		-	0.97
SCHEDULE J			
SALES & SERVICES			
a)	Sale of products	11,968.49	9,608.15
	Less: Excise duty	-	-
	Net Sales	11,968.49	9,608.15
b)	Development Income	720.05	553.74
c)	Licensing Income	289.99	-
d)	Contract manufacturing services	58.24	41.42
e)	Export licences & incentives (net)	10.94	-
Total		13,047.71	10,203.31
SCHEDULE K			
OTHER INCOME			
a)	Exchange fluctuation gain (net)	-	407.54
b)	Miscellaneous income	215.45	108.71
c)	Profit on Sale / Disposal of investments (net) (Refer Note C.24, Schedule 'Q')	-	2,509.04
d)	Profit on Sale / Disposal of assets	0.11	4.28
e)	Interest received	20.14	79.58
Total		235.70	3,109.15
SCHEDULE L			
MATERIALS CONSUMED (Refer Note B.2, Schedule 'Q')			
Raw materials & packing materials			
	Opening stock	812.26	858.18
	Consolidation adjustment	(4.78)	(246.24)
		807.48	611.94
Add:	Purchases	7,559.87	5,796.63
Less:	Closing stock	1,094.40	812.26
Total		7,272.95	5,596.31
SCHEDULE M			
INCREASE / (DECREASE) IN STOCK			
i)	Opening stock		
	Work in process	117.19	172.13
	Finished goods	801.75	980.80
		918.94	1,152.93

Schedules

forming part of the Consolidated Profit & Loss Account
for the year ended December 31, 2009

		(Rupees in Million)	
		Dec 31, 2009	Dec 31, 2008
ii)	Consolidation adjustment		
	Work in process	(1.68)	(48.05)
	Finished goods	57.24	(542.23)
		55.56	(590.28)
iii)	Closing stock		
	Work in process	145.59	117.19
	Finished goods	1,094.20	801.75
		1,239.79	918.94
Total		(265.29)	(356.29)
SCHEDULE N			
PERSONNEL COST (Refer Note B.2, Schedule 'Q')			
	Salaries, wages and allowances	1,645.43	1,551.82
	Contribution to provident and other funds	100.91	149.09
	Staff welfare expenses	61.73	99.14
Total		1,808.07	1,800.05
SCHEDULE O			
OPERATING AND OTHER EXPENSES (Refer Note B.2, Schedule 'Q')			
	Power, fuel & water	245.78	308.06
	Consumables	268.65	275.90
	Conversion & Processing charges	43.41	43.67
	Excise duty paid	1.41	2.00
	Freight & forwarding	376.61	383.30
	Rent	184.54	151.14
	Rates & taxes	94.10	84.35
	Communication charges	39.30	43.18
	Repairs & maintenance		
	- Buildings	14.10	18.58
	- Machinery	44.28	69.92
	- Others	81.08	81.26
	Insurance	32.51	35.52
	Travelling & conveyance	163.98	145.05
	Advertisement & Selling expenses	263.06	223.47
	Commission on sales	94.33	111.35
	Legal and Professional fees	201.28	176.68
	Other expenses	115.03	137.99
	Impairment in brands / Obsolescence in Assets	-	14.22
	Provision for doubtful debts	-	96.91
	Unbilled debtors written off	8.78	64.42
	Exchange fluctuation Loss (net)	90.41	-
Total		2,362.64	2,466.97

Schedules

forming part of the Consolidated Profit & Loss Account for the year ended December 31, 2009

	(Rupees in Million)	
	Dec 31, 2009	Dec 31, 2008
SCHEDULE P		
FINANCE CHARGES		
Bank charges & commission	77.09	75.74
Interest on working capital and other facilities	332.68	359.97
Interest on Fixed loans and Foreign Currency Convertible Bonds	349.30	411.26
	759.07	846.97

Notes on Accounts and accounting policies

SCHEDULE 'Q'

Basis of Consolidation, Significant Accounting Policies and Notes on Accounts:

A. Basis of Consolidation

The Consolidated Financial Statements relate to Strides Arcolab Limited (the Company), its subsidiary companies and joint ventures, together "the Group". The Financial Statements of the entities in the Group used in the consolidation are drawn up to the same reporting date as of the Company, i.e. December 31, 2009.

1. Principles of Consolidation:

The Consolidated Financial Statements have been prepared on the following basis:

- The Financial Statements of the Company and its subsidiary companies have been consolidated on a line by line basis by adding together like items of assets, liabilities, income and expense. The intra-group balances, intra-group transactions and unrealised profits or losses have been eliminated fully.
- Share of profit / loss, assets and liabilities in the jointly controlled entities have been consolidated on a line by line basis by adding together like items of assets, liabilities, incomes and expenses on a proportionate basis to the extent of the Company's equity interest in such entity. The intra-group balances, intra-group transactions and unrealised profits or losses have been eliminated to the extent of the Company's share in the entity.
- The excess of cost to the Company of its investments in the subsidiary companies over its share of the equity of the subsidiary companies, at the dates on which the investments in the subsidiary companies were made, is recognised as 'goodwill', being an asset in the Consolidated Financial Statements. Where the share of the equity in the subsidiary companies as on the date of investment is in excess of cost of investment of the Company, it is recognised as 'Capital Reserve' and shown under the head 'Reserves & Surplus'.
- Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments as stated above.
- Investment in Associates has been accounted under the equity method as per Accounting Standard -23, Accounting for investments in Associates in Consolidated Financial Statements.

Notes on Accounts and accounting policies

2. Information on Subsidiary Companies, Associates & Joint Ventures:

a. The following companies are considered in the consolidated financial statements:

SL. No.	Name of the entity	Country of Incorporation	Ownership at Dec 31, 2009 held by	Status	% ownership held either directly or through subsidiaries as at Dec 31, 2009	% ownership held either directly or through subsidiaries as at Dec 31, 2008
1.	Arcolab SA	Switzerland	Strides Arcolab Ltd, India (Strides)	Subsidiary	100%	100%
2.	Global Remedies Ltd	India	Strides	Subsidiary	-	100%
3.	Strides, Inc.	USA	84.53% held by Strides and 11.18% held by SAIL, UK	Subsidiary	95.71%	95.71%
4.	Strides S.A. Pharmaceuticals Pty Ltd	Republic of South Africa	Linkace Limited	Subsidiary	51%	51%
5.	Medgene Pharmaceuticals Pvt Ltd	India	Quantum Life Sciences	Subsidiary	100%	100%
6.	Strides Specialties Pvt Limited (formerly Quantum Life Sciences Pvt Ltd)	India	Strides	Subsidiary	100%	100%
7.	Strides Africa Ltd	British Virgin Islands	Strides	Subsidiary	100%	100%
8.	Strides Latina, SA	Uruguay	Pharmalatina Holdings Ltd, Cyprus	Associate	49%	49%
9.	Pharma Strides Canada Corporation	Canada	Strides Inc	Subsidiary	100%	100%
10.	Solara SA De CV	Mexico	Strides Latina SA, Uruguay	Associate	49%	49%
11.	Cellofarm Ltda.	Brazil	Pharmalatina Holdings Ltd, Cyprus	Associate	49%	49%
12.	Akorn Strides LLC	USA	Strides	Joint Venture	50%	50%
13.	Strides Arcolab International Ltd (formerly known as Strides Arcolab (UK) Ltd)	UK	Strides	Subsidiary	100%	100%
14.	Beltapharm S.p.A	Italy	Strides Arcolab International Ltd, UK (SAIL)	Subsidiary	96.57%	70%
15.	Strides Australia Pty Ltd	Australia	SAIL	Subsidiary	100%	100%

Notes on Accounts

and accounting policies

Sl. No.	Name of the entity	Country of Incorporation	Ownership at Dec 31, 2009 held by	Status	% ownership held either directly or through subsidiaries as at Dec 31, 2009	% ownership held either directly or through subsidiaries as at Dec 31, 2008
16.	Strides Arcolab Polska Sp.Z o.o	Poland	Linkace Ltd, Cyprus	Subsidiary	100%	100%
17.	Ascent Pharmahealth (Asia) Pte Ltd	Singapore	Ascent Pharmahealth Ltd, Australia (APH)	Subsidiary	57.33%	55.46%
18.	Drug Houses of Australia (Asia) Pte Ltd	Singapore	Ascent Pharmahealth (Asia) Pte Ltd (APHA)	Subsidiary	57.33%	55.46%
19.	Strides CIS Ltd (formerly known as Raycom Ltd)	Cyprus	Linkace Ltd, Cyprus	Subsidiary	51%	51%
20.	Strides Arcolab UK Ltd	UK	SAIL	Subsidiary	100%	100%
21.	Laboratorios Domac SL	Spain	SAIL	Joint Venture	-	50%
22.	Plus Farma ehf	Iceland	SAIL	Subsidiary	100%	50%
23.	Farma Plus AS	Norway	SAIL	Subsidiary	100%	50%
24.	Ascent Pharmahealth Asia (Hong Kong) Ltd (formerly Strides Arcolab Hong Kong Ltd)	Hong Kong	APHA	Subsidiary	57.33%	55.46%
25.	Ascent Pharmahealth Asia (Malaysia) SDN BHD. (formerly Strides Arcolab Malaysia SDN. BHD)	Malaysia	APHA	Subsidiary	57.33%	55.46%
26.	Starsmore Ltd	Cyprus	Strides	Subsidiary	100%	100%
27.	Pharmalatina Holdings Limited (formerly Lakerose Ltd)	Cyprus	Starsmore Ltd, Cyprus	Associate	49%	49%
28.	Linkace Ltd	Cyprus	Starsmore Ltd, Cyprus	Subsidiary	100%	100%
29.	Onco Laboratories Limited (formerly Powercliff Ltd)	Cyprus	Starsmore Ltd, Cyprus	Joint Venture	50%	50%
30.	Aspen Venezuela CA (formerly Casa de Representaciones Sumifarma CA)	Venezuela	Pharmalatina Holdings Ltd,(formerly Lakerose Limited) Cyprus	Associate	49%	49%
31.	Strides Technology & Research Pvt Ltd	India	Strides	Subsidiary	100%	-

Notes on Accounts

and accounting policies

SL. No.	Name of the entity	Country of Incorporation	Ownership at Dec 31, 2009 held by	Status	% ownership held either directly or through subsidiaries as at Dec 31, 2009	% ownership held either directly or through subsidiaries as at Dec 31, 2008
32.	Strides Vital Nigeria Ltd	Nigeria	Strides Africa Ltd, BVI	Subsidiary	74%	74%
33.	Sagent Strides LLC.	Wyoming, USA	SAIL	Joint Venture	50%	50%
34.	Co Pharma Ltd	UK	43.72% held by Linkace Ltd, Cyprus and 7.28% held by SAIL	Subsidiary	51%	51%
35.	Ascent Pharmahealth Asia (B) SDN BHD. (formerly Strides Arcolab SDN. BHD.)	Brunei	APHA	Subsidiary	57.33%	55.46%
36.	Formule Naturelle (Pty) Ltd	South Africa	Linkace Ltd, Cyprus	Subsidiary	80%	80%
37.	Grandix Pharmaceuticals Ltd	India	Strides	Subsidiary	-	99.98%
38.	Grandix Laboratories Ltd	India	Grandix Pharmaceuticals Ltd	Subsidiary	-	99.98%
39.	Onco Therapies Ltd	India	Strides	Joint Venture	51%	51%
40.	Pharmasava Australia Pty Ltd	Australia	APH	Subsidiary	57.33%	-
41.	Ascent Pharmahealth Ltd	Australia	Linkace Ltd, Cyprus	Subsidiary	57.33%	55.46%
42.	Geneparm (Australia) Ltd	New Zealand	APH	Subsidiary	57.33%	55.46%
43.	Geneparm Pty Ltd	Australia	APH	Subsidiary	57.33%	55.46%
44.	Aspen Labs SA De CV (formerly Strides Mexicana SA De CV)	Mexico	99% held by Strides Latina and 1% held by SAIL, UK	Associate	49%	49%
45.	Quantum Remedies Pvt Ltd	India	Strides	Subsidiary	-	100%
46.	Green Cross Pharma Pte Limited	Singapore	APHA	Subsidiary	57.33%	-
47.	Strides Pharma (Cyprus) Limited	Cyprus	Linkace Limited	Subsidiary	100%	-

Notes on Accounts

and accounting polices

SL. No.	Name of the entity	Country of Incorporation	Ownership at Dec 31, 2009 held by	Status	% ownership held either directly or through subsidiaries as at Dec 31, 2009	% ownership held either directly or through subsidiaries as at Dec 31, 2008
48.	Strides Specialties (Holdings) Cyprus Limited (formerly known as Powercoast Ltd)	Cyprus	Strides Specialties Pvt Ltd Mauritius	Subsidiary	100%	-
49.	Strides Specialties (Holdings) Limited	Mauritius	Strides Specialties Pvt Ltd India	Subsidiary	100%	-
50.	Strides Pharmaceuticals (Holdings) Limited	Mauritius	Linkace Limited	Subsidiary	100%	-
51.	Strides Specialty (Cyprus) Limited	Cyprus	Strides Specialties (Holdings) Cyprus Limited	Subsidiary	100%	-
52.	Strides Pharmaceutical (Mauritius) Limited	Mauritius	Strides Pharma (Holdings) Limited Mauritius	Subsidiary	100%	-

b. In respect of entities in Sl No.4, 5, 6, 9, 14, 15, 17, 18, 22, 23, 29, 32, 34, 36, 41,42, & 46 (previous year 2, 4, 5, 9, 14, 15, 17, 18, 23, 29, 32, 34, 36, 37, 38, 41 & 42) the Company's cost of investment is in excess of its share of equity on the date of investment and the difference has been recognised as Goodwill. In respect of 16 and 39 (Previous year 39) the companies net worth is in excess of the cost of investment on the date of acquisition and the difference has been recognised as capital reserve.

c. Transfers of entities within the Group.

During the year, as part of certain restructuring / strategic reasons, certain entities within the Group were reorganised. The summary of the same are as follows:

- Global Remedies Limited, Grandix Pharmaceuticals Limited, Grandix Laboratories Limited, and Quantum Remedies Private Limited, all subsidiaries of the Company were merged into the Company with effect from January 1, 2009 (Refer Note B.2, Schedule 'Q').
- Investments in Medgene Pharmaceuticals Private Limited held by the Company were transferred to Strides Specialties Private Limited (formerly known as Quantum Life Sciences Private Limited).
- Investments in Strides SA Pharmaceuticals Limited held by the Company has been transferred to Linkace Limited

Subsequent to December 31, 2009, Green Cross Pharma, a subsidiary of Ascent Pharmahealth, Singapore has been merged with Drug House of Australia, with effect from January 1, 2010.

d. During the year, the Companies stated in the table below were acquired / disposed and the Consolidated Financial Statements include / exclude the balances disclosed in the table relating to these companies. (Figures disclosed are as stated in the consolidated financials of the respective subsidiaries as at the balance sheet date / date of disposal).

Notes on Accounts and accounting policies

Particulars	(Rupees in Million)		
	Acquisition Green Cross Pharma	Acquisition Plus Farma AS (acquisition relates to the balance 50% holdings)	Disposal Laboratoires Domac
Date	07.04.2009	30.12.2009	30.12.2009
Liabilities			
Loans	-	179.71	27.48
Current Liabilities & Provisions	128.31	65.15	0.72
Deferred tax liability	-	0.10	(5.96)
Assets			
Fixed Assets	-	8.42	7.14
Goodwill	-	175.62	-
Investments	-	-	-
Current Assets	147.01	70.17	20.54
Profit / (Loss) after Tax	10.44	(0.61)	(9.91)

- e. The following subsidiaries were set up during the year:
- Pharmasava Australia Pty Limited , Australia
 - Strides Technology & Research Pvt Ltd., India
 - Strides Pharma (Cyprus) Limited , Cyprus
 - Strides Specialties (Holdings) Cyprus Limited , Cyprus (formerly known as Powercost Limited)
 - Strides Specialties (Holdings) Limited , Mauritius
 - Strides Specialty (Cyprus) Limited, Cyprus
- f. Further, during the year, the group has acquired the additional 50% Investments in Plus Farma ehf, Iceland, consequent to which Farma Plus AS, Norway and Plus Farma ehf, Iceland have become wholly owned subsidiaries of the group.
- g. During 2008, the Group had entered into a series of agreements with the Aspen Group under which, the Group had decided to dispose its 49% in Pharmalatina Holdings Limited, Cyprus (formerly known as Lakerose Limited), and a holding company for the operations in the Latin American region. As part of these arrangements, the Group had entered into a Put and Call option agreement (the Agreement) with the Aspen Group (a party that holds 51% interest in Pharmalatina Holdings Limited), which provided for the Group to exit from the Latin American operations at a consideration based on a specified EBITDA multiple in respect of EBITDA relating to a defined measurement period and based on such terms as defined in the Agreement. The EBITDA measurement period ended on June 30, 2009.
- As on date, both the Group and the Aspen group are negotiating the terms of the exit and pending completion of such discussions, the Put and Call option have not been exercised by either party to the Agreement.
- The Agreement referred above also provided that the Group will not be eligible for dividends or profits in respect of its 49% interest in the Associate (referred above). Accordingly, the Group has not consolidated the results of the Latin American operations in these consolidated financial statements (with effect from July 1, 2008).

Notes on Accounts

and accounting policies

During the year 2008 the group had assessed the Investment in Lakerose Limited for impairment and accordingly recognised an impairment loss of USD 38.14 Million (Rs.1,655.94 Million). The provision for impairment loss is restated at year end rates in the financial statements.

In connection with the above venture with Aspen, the Company has effective March 1, 2008, provided a guarantee of USD 75 Million to Aspen, which shall, subject to approval from the appropriate authorities, be increased to USD 152.5 Million. This guarantee has been vide Binding Heads Agreement revised at USD 75 Million to Aspen, to be reviewed annually by the Group & Aspen.

- h. For purposes of consolidation under Accounting Standard 21 'Consolidated Financial Statements and Accounting for Investment in Subsidiaries in Separate Financial Statements', Onco Therapies Limited (Onco) is treated as a Joint venture, since the Company (which holds 51% of the equity in Onco) has assigned its Voting rights relating to 1% of the outstanding capital of Onco to Aspen Pharmicare Holdings Limited, South Africa (Aspen), an entity that holds 49% equity in Onco. (See note C.11, Schedule 'Q').
- i. Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the Company's financial statements.
- j. The Consolidated Financial Statements include the share of assets, liabilities, income and Expenses aggregating to amounts indicated below, which are included on the basis of Un-audited financial statements in respect of the following:
 - Arcolab SA, Switzerland,
 - Strides Inc, USA,
 - Pharma Canada Corporation, Canada,
 - Strides Arcolab Polska SP Zo.o, Poland
 - Formule Naturalle Pty Limited , Republic of South Africa
 - Green Cross Pharma, Singapore
 - Strides SA Pharmaceuticals Pty Ltd, Republic of South Africa,
 - Strides Africa Ltd, British Virgin Islands,
 - Strides Australia Pty Limited, Australia
 - Akorn Strides LLC, USA
 - Strides Arcolab UK Ltd, UK,
 - Sagent Strides LLC, USA,
 - Ascent Pharmhealth Asia (Hong Kong) Limited (formerly known as Strides Arcolab Hong Kong Ltd, Hong Kong,)
 - Ascent Pharmhealth Asia (Malaysia) Limited (formerly known as Strides Arcolab Malaysia SDN, BHD, Malaysia)
 - Laboratorios Domac, Spain,
 - Plus Farma ehf, Iceland,
 - Ascent Pharmahealth Asia (B) SDN BHD Brunei (formerly known as Strides Arcolab SDN, BHD, Brunei)
 - Strides CIS Limited, Cyprus (formerly known as Raycom Limited)
 - Farma Plus AS, Norway
 - Pharmasava Australia Pty Limited , Australia

Notes on Accounts and accounting policies

- Strides Technology & Research Private Limited, India
- Strides Pharma (Cyprus) Limited, Cyprus
- Strides Specialties (Holdings) Cyprus Limited, Cyprus (formerly known as Powercost Limited)
- Strides Specialties (Holdings) Limited, Mauritius
- Strides Specialty (Cyprus) Limited, Cyprus

Particulars	(Rupees in Million)
	Amount
Loans	1,817.31
Fixed Assets	1,484.98
Current Assets	1,115.04
Current Liabilities & Provisions	922.58
Income	1,586.26
Expenditure	1,572.04

k. Exchange Adjustments :

On Consolidation,

- in the case of non-integral operations, assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Revenue and expenses are translated at yearly average exchange rates prevailing during the year. Exchange differences arising out of these translations are included in 'Exchange Reserve' under Reserves and Surplus.
- in the case of integral operations, assets and liabilities (other than non-monetary items), are translated at the exchange rate prevailing on the balance sheet date. Non monetary items are carried at historical cost. Revenue and expenses are translated at yearly average exchange rates prevailing during the year. Exchange differences arising out of these translations are charged to the Profit and Loss account.

B. NOTE ON BUSINESS RESTRUCTURE

1. The shareholders of the Company, in their meeting of April 13, 2009 approved a Scheme of Restructuring that envisaged, inter alia:
 - (a) A Scheme of Arrangement to be filed under Sections 391 to 394 of the Companies Act, 1956 covering the merger of some of the subsidiaries of the Company with itself, fair valuation of some of the assets of the Company and creation of a Reserve for Business Restructuring out of any surpluses arising from these, to be utilised as specified in the Scheme.
 - (b) Transfer of the Specialties business along with Research and Development (R&D) to Strides Specialties Private Limited (SSPL), a wholly owned subsidiary of the Company;

The details of the Scheme of Restructuring are given below.

2. Scheme of Arrangement under Sections 391- 394 of the Companies Act, 1956
 - 2.1 In terms of the Scheme of Arrangement (the Scheme), Global Remedies Limited (GRL), Quantum Remedies Private Limited (QRPL), Grandix Pharmaceuticals Limited (GPL) and Grandix Laboratories Limited (GLL), all subsidiaries of the Company (referred to as 'Transferor Companies'), have been merged with the Company (Transferee Company), upon which the undertaking and the entire business, including all assets and liabilities of the Transferor

Notes on Accounts

and accounting policies

Companies stands transferred to and vested in the Transferee Company at their fair value as determined by the Board of Directors of the Transferee Company.

QRPL and GRL were engaged in the manufacture of Pharmaceutical formulations and were predominantly acting as a captive manufacturer for the Company and catering to the African Markets. Both GPL and GLL were engaged in the marketing of Branded pharmaceutical products.

The Scheme of Arrangement filed by the Company has been approved by the High Courts of Judicature at Mumbai, Chennai and Bangalore with an appointed date of January 1, 2009 and an effective date of December 31, 2009 ('the Effective Date'), being the date on which all the requirements under the Companies Act have been completed.

In terms of the Scheme and upon the Scheme becoming effective:

- (a) the assets and liabilities of the Transferor Companies and the Transferee Company, whether recorded or not, have been recorded at their fair values as determined by the Board of Directors of the Transferee Company;
- (b) the carrying amount of investments in the shares of the Transferor Companies to the extent held by the Transferee Company and Inter-Company balances stand cancelled;
- (c) the face value of the equity shares of the Transferee Company (amounting to Rs.0.14 Million) issued to the minority shareholders of GPL and GLL has been credited to the equity share capital account in the books of the Transferee Company. Since such shares have been allotted on January 19, 2010, such amount has been considered as Share Application Money Pending Allotment in these financial statements.
- (d) the surplus arising out of the excess of assets over the liabilities of the Transferor Companies acquired and recorded by the Transferee Company over the aggregate of carrying amount of investments in the shares of the Transferor Companies to the extent held by the Transferee Company and the face value of the equity shares of the Transferee Company issuable to the minority shareholders of GPL and GLL, and the excess of the fair value of assets and liabilities of the Transferee Company over their previously recorded carrying values, has been credited to the Reserve for Business Restructure (BRR) in the books of the Transferee Company.
- (e) the balance in the Securities Premium Account, as appearing in the books of the Transferee Company may be transferred to BRR, to such extent as determined by the Board.
- (f) expenses incurred by the Company or its subsidiaries in the nature of impairment, diminution, loss, amortisation and/ or write-off of assets/ investments/ intangibles, interest on borrowings for acquisitions, employee compensation expenses, additional depreciation charged or suffered by the Transferee Company on account of fair valuation, scheme expenses and other expenses or arising in the future as may be determined by the Board of Directors of the Transferee Company, have been/ shall be debited to the BRR. The maximum amount that can be written off against the BRR instead of being debited to the Profit and Loss Account on or at any time after January 1, 2009 would be restricted to the balance in the BRR or upto December 31, 2012 and not beyond that.

2.2 The accounting treatment effected for the scheme is as follows:

- (a) For the assets and liabilities of the Transferor Companies. The excess of fair value of assets and liabilities over the carrying value of the investment in the Transferor Companies and the equity shares of the Transferee Company issued to the minority shareholders of the Transferor Companies amounting to Rs.146.77 Million has been credited to the BRR.

Notes on Accounts and accounting policies

Had the Scheme not prescribed the above accounting treatment, this surplus of Rs.146.77 Million would have been credited to Capital Reserve as required under the Accounting Standard 14 'Accounting for Amalgamations'.

- (b) Upon the Scheme becoming effective, and based on legal advice received, the assets and liabilities of the Transferee Company have been fair valued as determined by the Board of Directors of the Company and the net surplus arising out of such fair valuation (over the carrying value of the respective assets and liabilities prior to the fair valuation) have been credited to the BRR as follows:

(Rupees in Million)	
Particulars of assets and liabilities fair valued	Amount credited to BRR
(i) Investment in SSPL (a Wholly owned subsidiary of the Company)	5,856.20
(ii) Land	754.32
(iii) Machineries	281.25
Net Amount credited to BRR	6,891.77

Consequent to the above referred fair valuation of Investment in SSPL, the Goodwill in these consolidated financial statements is higher to the extent of Rs.5,856.20 Million.

Had the Scheme not prescribed the above accounting treatment, in terms of the Company's accounting policy, Land and Machineries would continue to have been carried at cost and Goodwill in these consolidated financial statements would have been lower as referred in the previous paragraph.

- (c) The following expenses incurred during the year have been adjusted against the BRR as per the Scheme:

(Rupees in Million)	
Particulars	Amount
Impairment of:	
- Fixed Assets	72.70
- Goodwill	1,934.49
- Current Assets	902.94
Amortisation of Brands	115.00
Compensation in respect of product returns & early termination of procurement contract	364.57
Long term Employee Compensation (including cost under ESOP of Rs.20.15 Million)	677.65
Restructuring & Others Expenses	117.13
Total Expense debited to BRR	4,184.48

Had the Scheme not prescribed the above accounting treatment, these expenses would have been charged to the Profit & Loss Account for the year.

Notes on Accounts and accounting policies

2.3 Had the Scheme not provided for recording fair value of assets and liabilities of the Transferee Company and charging the expenses to the BRR, the effect of accounting as per the Accounting Standards issued under the Companies (Accounting Standards) Rules, 2006, would have been as under:

(a) In the Profit and Loss account

Particulars	(Rupees in Million)
	For the year ended Dec 31, 2009
	Increase/ (decrease)
(i) Materials consumed	244.55
(ii) Personnel costs	677.65
(iii) Operating and Other expenses	1,140.09
(iv) Depreciation and Amortisation	187.70
(v) Impairment of Goodwill	1,934.49
(vi) Net Profit after tax	(4,184.48)

Particulars	(Amount in Rupees)
	For the year ended Dec 31, 2009
Earnings/ (Loss) per share	
Basic	(77.87)
Diluted	(77.87)

(b) In the Balance sheet

Particulars	(Rupees in Million)
	At Dec 31, 2009
	Increase/ (decrease)
BRR	(2,854.06)
Profit & Loss Account	(4,184.48)
Goodwill	(5,856.20)
Land	(754.32)
Machineries	(281.25)
Reserves and Surplus	146.77

3. The transfer of the Specialties Business along with Research & Development (R&D) as discussed in Note B.1(b) above, is within the group and has no impact in these Consolidated Financial Statements of the Group.

C. OTHER NOTES ON ACCOUNTS

1. Capital Commitments

1.1 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of Advances) Rs.314.32 Million (Previous year Rs.289.78 Million.) Also refer note 11 below.

1.2 The Company's subsidiary had earlier entered into a Share Purchase Agreement (SPA) with the promoters of Beltapharm S.p.A, which, inter alia, included a put option clause. As per this clause, the promoters of Beltapharm S.p.A, had an option to exercise a Put option requiring the Company to acquire the balance 30% of the shares held by the promoters after the expiry of three years from January 1, 2006. Such put option may be exercised by the promoters at any time during twelve months succeeding the end of the three year period. The price payable for the purchase of the put option shares shall be computed in the manner provided for in the SPA. On exercise of the option by the promoters, the minimum capital commitment would be Euro 1.15 Million – (Rs.78.73 Million).

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During the current year the Group has entered into an Addendum to the SPA dated September 14, 2009, with promoters of Beltapharm S.p.A under which the Group has acquired 26.57% of interest in Beltapharm S.p.A from the promoters for a total purchase consideration of Euro 1.02 Million (Rs.70.13 Million). The Group also entered into a revised put option for the balance 3.43% of Beltapharm S.p.A held by the promoter. On exercise of the revised put option by the promoters, the maximum capital commitment would be Euro 0.13 Million – (Rs.8.81 Million).

- 1.3 The Share purchase agreement entered into between Linkace Limited and Aspen Group towards acquisition of Formule Naturelle Pty Ltd, South Africa, provides for a Put and Call option feature, wherein Aspen Group has the Put option to sell its holding of 20% stake in Formule Naturelle Pty Ltd to Linkace Limited at an agreed multiple of earnings achieved during the prescribed period ended December 31, 2008. The Group is in the process of determining the earnings for the transaction.
- 1.4 The Share purchase agreement entered into between Linkace Limited and Aspen Group provides for a Put option feature on the shares held by Aspen Group in Co Pharma Limited, UK (Co Pharma) for its stake of 49% to be exercised anytime during the period from July 01, 2009 to December 31, 2011 for a consideration to be calculated on the basis of enterprise value of Co Pharma which shall be computed by multiplying the EBITDA determined with reference to Co Pharma's then latest audited financial statements by 7 times and adjusted for net debts. The minimum consideration payable under this agreement for the 49% shareholding is GBP 2.25 Million (Rs.159.21 Million) & the maximum is GBP 8 Million (Rs.566.08 Million)
2. **Contingent Liabilities**
 - 2.1 During the year, the Company has withdrawn the corporate guarantee amounting up to Rs.209.34 Million (USD 4.5 Million), provided to Cellofarm Ltda.
 - 2.2 The Company has, arising from the assessment proceedings relating to earlier years received demands totaling to Rs.207.12 Million (Previous year Rs.245.49 Million) from the income tax authorities on account of certain disallowances considered by them. The Company has disputed the disallowances and has preferred appeals against these demands. Pending resolution of the same, no provision has been made in the accounts for such disputed amounts.
 - 2.3 The Company preferred appeal with the CESTAT against the order of the Commissioner of Central Excise for disallowing transfer of cenvat credit of Rs.3.86 Million (Previous year Rs.3.86 Million) as on the date of conversion of one of the units of the Company into a 100% EOU.
3. The Company has provided a Guarantee to the extent of USD 75 Million in connection with the strategic alliance entered into by the Group with Aspen Pharmacare Holdings, Republic of South Africa (Aspen Group).
4. As on December 31, 2009, the group assessed the value of Goodwill relating to its wholly owned subsidiary, Linkace Limited, Cyprus for impairment, if any. Based on such analysis the Group estimated the impairment to the extent of USD 41.58 Million (Rs.1,934.49 Million) and has accounted for the same in the BRR as provided for under the Scheme (Refer Note B.2.2(c) of Schedule 'Q')
5. **Foreign currency convertible bonds:**
 - (a) During the accounting year ending December 31, 2007, the Company had issued Foreign Currency Convertible Bonds (FCCB) amounting to USD 100 Million (Rs.4,070 Million) (FCCB 100 Million) on June 26, 2007. These bonds carry zero coupon and are to be redeemed on June 27, 2012 (unless converted into Equity Shares) at 145.058 per cent of the Principal amount.

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The bonds may be redeemed in whole, but not in part at the option of the Company at any time on or after July 18, 2010 and on and prior to June 20, 2012 with a redemption premium of 7.575 per cent (which is identical to the gross yield in case of redemption at maturity) calculated on a semiannual basis. Up to December 31, 2007, Premium payable on maturity (along with related exchange fluctuation) was transferred from Securities Premium on a pro-rata basis to Debenture Redemption Reserve Account. However, consequent to the early adoption of AS 30 since 2008, the amortisation of redemption premium have been included in the carrying value of the FCCB's. Consequently the entire balance of redemption premium carried in the Debenture Redemption Reserve was transferred back to Securities Premium Account during the year ended December 31, 2008.

The Bonds are convertible at any time on or after August 6, 2007 and up to the close of business on June 20, 2012 by the holders of the Bonds into Shares at the option of the Bondholder, at an initial conversion price of Rs.461.553 per Share with a fixed rate of exchange of Rs.40.70 per USD on conversion. The bonds are listed on Singapore Exchange Securities Trading Limited, Singapore.

- (b) During the accounting year ending December 31, 2005, the Company had issued Foreign Currency Convertible Bonds (listed in the Singapore Exchange Securities Trading Limited, Singapore) to the extent of USD 40 Million (FCCB 40 Million). These bonds carry an interest rate of 0.5 % p.a. and are to be redeemed on April 19, 2010 (unless converted into Equity Shares) at 136.78% of the Principal amount.

The Bonds may be redeemed in whole, but not in part, at the option of the Company at any time on or after April 18, 2008 but prior to April 19, 2010 with a redemption premium of 6.8% per annum (which is identical to the gross yield in case of redemption at maturity), calculated on bi-annual basis.

The Bonds are convertible by the Bond holders into shares at any time on or after May 18, 2005 at an initial price of Rs.358.70 per share with a fixed conversion rate of Rs.43.7767 = USD 1.00. The initial conversion price will be subject to adjustment by the Company for Bonus issue, division, consolidation and reclassification of shares etc., as defined in the terms of issue of the Bonds.

In 2005, a reserve for the entire amount of premium payable on redemption was created under Debenture Redemption Reserve with a corresponding adjustment to Securities Premium Account. However, consequent to the early adoption of AS 30 since 2008, the amortisation of redemption premium has been included in the carrying value of the FCCB's. Consequently the entire balance of redemption premium carried under Debenture Redemption Reserve was transferred back to Securities Premium Account during the year ended December 31, 2008.

- (c) As permitted by the Reserve Bank of India (RBI), during the year 2009, the Company bought back FCCB's aggregating to USD 6.00 Million and USD 20 Million from the outstanding bonds issued under FCCB 2005 and FCCB 2007 respectively, at a discount. In terms of such buyback and cancellation / extinguishment of FCCBs, the Financial Statements for the year ended December 31, 2009 include the following:
- A gain of Rs.291.17 Million (net of expenses associated with the Buy-back) is recognised in the Profit and Loss account.
 - Interest accrued from the beginning of the year 2009 till the buyback date amounting to Rs.79.96 Million is reversed and credited to the Profit and Loss account.
 - Consequential adjustments required to reverse the accrual for redemption premium (including issue expenses) have been recorded in the Securities premium account amounting to Rs.254.82 Million.
- (d) As at December 31, 2009, none of the outstanding bonds has been offered for conversion.

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6. Cumulative Redeemable Preference Shares:

During the year ending December 31, 2005, the Company had issued 491,606 Cumulative Redeemable Preference shares of Rs.1,000/- each fully paid to K V Pharmaceuticals, USA (KV). The Cumulative Redeemable Preference shares carry dividend of 6% (Rs.60 per share) per annum. The Preference shares are redeemable at par along with accrued unpaid dividend on or before December 31, 2012. If any of these shares are not redeemed on the said date, the redemption price subsequent to December 31, 2012 shall contain an increasing default premium which shall be 10%, if redemption occurs in the year 2013 and an additional 10% per each year thereafter in which the shares are redeemed. These shares are entitled to dividends at the rate of 15%, (Rs.150 per share) after 2012.

During the year ended December 31, 2009, preference dividend pertaining to 2007, 2008 and 2009 amounting to Rs.88.49 Million has been accrued. Preference Dividend unpaid as at December 31, 2009 represents dividends on these preference shares for the years 2005 to 2009. While these dividends have been declared, in accordance with the Share Purchase Agreement with KV, they are due and payable only on or after December 31, 2010, without interest thereon.

7. Share Warrants

As authorised by the share holders of the Company in the Extra Ordinary General meeting held on May 13, 2009, the Board of Directors resolved on May 27, 2009 to allot 6,180,000 warrants to Netequity Ventures Private Limited, a Promoter Group company and 20,000 warrants to relatives of the Promoters, on preferential basis which are convertible into an equivalent number of fully paid up equity shares of Rs.10 each at a price of Rs.91.15 per warrant. These warrants are convertible, in one or more tranches, at any time within a period of 18 months from the date of issue.

An amount of Rs.141.36 Million is included as Monies Pending Allotment in the Balance Sheet as at December 31, 2009 for the upfront monies received towards the allotment of 6,200,000 warrants.

During 2008, as authorised by the shareholders of the Company in the Extra-Ordinary General meeting held on May 3, 2007, had issued 5,600,000 warrants convertible into an equivalent number of fully paid up equity shares of Rs.10 each at a price of Rs.342.10 per warrant, on preferential basis to Agnus Holdings Private Limited, a promoter group company. These warrants were convertible in one or more tranches, at any time within a period of 18 months from the date of issue. On July 5, 2007, the Company allotted 50,000 shares to Agnus Holdings Private Limited, pursuant to conversion of an equivalent number of warrants. Agnus Holdings Private Limited had not exercised its right for conversion of balance 5,550,000 warrants within the time stipulated under the preferential allotment guidelines. Accordingly, the aforesaid 5,550,000 warrants stood lapsed and upfront money of Rs.189.87 Million received against these warrants were forfeited and credited to Capital Reserve Account.

8. Early Adoption of Accounting Standard – 30: Financial Instruments: Recognition and Measurement, issued by Institute of Chartered Accountants of India:

Arising from the Announcement of the Institute of Chartered Accountants of India (ICAI) on March 29, 2008, the Group has chosen to early adopt Accounting Standard 30: Financial Instruments: Recognition and Measurement. Coterminous with this, in the spirit of complete adoption, the Group has also implemented the consequential limited revisions in view of AS 30 to Accounting Standards (AS) 2 'Valuation of Inventories,' AS 11 'The Effects of Changes in Foreign Exchange Rates', AS 19 'Leases', AS 21 'Consolidated Financial Statements and Accounting for Investments in Subsidiaries in Separate Financial Statements', AS 27 'Financial Reporting of Interests in Joint Ventures', AS 28 'Impairment of Assets' and AS 29 'Provisions, Contingent Liabilities and Contingent Assets' as have been announced by the ICAI.

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Consequent to adoption of AS 30 and the transitional provisions from the year ended December 31, 2008, the Company has changed the designation and measurement principles for all its significant financial assets and liabilities. The impact on account of the above measurement of these is as described below:

8.1 Foreign Currency Convertible Bonds (the 'FCCBs' or the 'Bonds')

On adoption of AS 30, the FCCBs are split into two components comprising (a) option component which represents the value of the option in the hands of the FCCB-holders to convert the bonds into equity shares of the Company and (b) debt component which represents the debt to be redeemed in the absence of conversion option being exercised by FCCB-holder, net of issuance costs.

The debt component is recognised and measured at amortised cost while the fair value of the option component is determined using a valuation model with the below mentioned assumptions.

Assumptions used to determine fair value of the options:

Valuation and amortisation method — The Company estimates the fair value of stock options granted using the Black Scholes Merton Model and the principles of the Roll-Geske-Whaley extension to the Black Scholes Merton model. The Black Scholes Merton model along with the extensions above requires the following inputs for valuation of options:

Stock Price as at the date of valuation – The Company's share prices as quoted in the National Stock Exchange Limited (NSE), India have been converted into equivalent share prices in US Dollar terms by applying currency rates as at valuation dates. Further, stock prices have been reduced by continuously compounded stream of dividends expected over time to expiry as per the principles of the Black-Scholes Merton model with Roll Geske Whaley extensions.

Strike price for the option - has been computed in dollar terms by computing the redemption amount in US dollars on the date of redemption (if not converted into equity shares) divided by the number of shares which shall be allotted against such FCCBs.

Expected Term — The expected term represents time to expiry, determined as number of days between the date of valuation of the option and the date of redemption.

Expected Volatility — Management establishes volatility of the stock by computing standard deviation of the simple exponential daily returns on the stock. Stock prices for this purpose have been computed by expressing daily closing prices as quoted on the NSE into equivalent US dollar terms. For the purpose of computing volatility of stock prices, daily prices for the last one year have been considered as on the respective valuation dates.

Risk-Free Interest Rate — The risk-free interest rate used in the Black-Scholes valuation method is assumed at 7%.

Expected Dividend — Dividends have been assumed to continue, for each valuation rate, at the rate at which dividends were earned by shareholders in the last preceding twelve months before the date of valuation.

Measurement of Amortised cost of debt component:

For the purpose of recognition and measurement of the debt component, the effective yield has been computed considering the amount of the debt component on initial recognition, origination costs of the FCCB and the redemption amount if not converted into Equity Shares. To the extent the effective yield pertains to redemption premium and the origination costs, the effective yield has been amortized to the Securities Premium Account as permitted under section 78 of the Companies Act, 1956. The balance of the effective yield is charged to the Profit and Loss Account.

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Consequent to the above method of accounting of FCCBs, the following adjustments were made during the year

During the year ended December 31, 2008:

- a. Rs. 934.71 Million being the previously accrued Debenture Redemption Reserve out of the Securities Premium Account was credited back to Securities Premium Account during the year ended December 31, 2008.
- b. a sum of Rs. 124.68 Million being the amount of FCCB issue expenses previously debited to Securities Premium Account were reversed.
- c. Rs. 443.20 Million and Rs. 546.41 Million were debited to Securities Premium Account as at December 31, 2007 and during the year 2008 respectively, towards the amortised interest attributable to the effective yield pertaining to the redemption premium and FCCB issue expenses.
- d. Rs. 202.00 Million being the excess of amortised interest chargeable to Profit and Loss Account as per the policy adopted by the Company over the previously recognised interest cost upto December 31, 2007 was debited to General Reserve Account.
- e. The difference between the fair value of the option component on the date of issue of the FCCBs and December 31, 2007 amounting to Rs. 427.10 Million was credited to the General Reserve Account.
- f. Rs. 63.31 Million being the incremental exchange difference upto December 31, 2007 arising out of the accounting treatment of FCCBs described above was debited to General Reserve Account.

During the year ended December 31, 2009:

- a. Amortisation of interest and redemption premium (net) on FCCBs amounting to Rs. 168.10 Million and Rs. 348.67 Million have been respectively recorded in the Profit and Loss account and in the Securities Premium Account.
- b. Change in the fair values of option component in the FCCBs, being a loss of Rs. 41.12 Million has been recorded in the Profit & Loss Account.

8.2 Hedge of Net Investment in Foreign Operations:

The Group has designated certain portions of its net investments in the consolidated operations of Starsmore Limited, whose functional currency is US dollars, as hedged items, and certain FCCB's and ECB's payable in US dollars as hedging instruments, to hedge the foreign exchange risk arising out of fluctuations between the Indian Rupee and the US Dollar. The carrying values of the designated hedged items and the hedging instruments as at December 31, 2009 is USD 50 Million (USD 128 Million at December 31, 2008).

Accordingly, the exchange fluctuations arising on restatement of the hedging instruments, to the extent relating to the portion of the hedge considered effective, has been recorded in a Hedging reserve account as per the requirements of Accounting Standard 30. The accumulated exchange losses recognised in the Hedging reserve as at December 31, 2009 is Rs. 1,018.02 Million (Rs. 1,172.08 Million at December 31, 2008).

- 8.3** The financial assets and liabilities arising out of issue of corporate financial guarantees to third parties are accounted at fair values on initial recognition. Financial assets continue to be carried at fair values. Financial liabilities are subsequently measured at the higher of the amounts determined under AS 29 or the fair values on the measurement date. At December 31, 2009, the fair values of such financial assets are equal to such liabilities and have been set off in the financial statements.

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- 8.4** As required under the Companies Act, 1956, Redeemable Preference Shares are included as part of share capital and not as debt and dividend on the preference shares is accounted as dividend as part of appropriation of profits and have not been accrued as interest cost. Due to inadequate profits, preference dividends were not accrued for in the years 2007 and 2008. During 2009, preference dividend pertaining to 2007, 2008 and 2009 amounting to Rs.88.49 Million has been accrued along with the related Dividend distribution taxes.
- 8.5** The Company has availed Bill Discounting facility from Banks which do not meet the de-recognition criteria for transfer of contractual rights to receive cash flows from the Debtors since they are with recourse to the Company. Accordingly, as at December 31, 2009, Sundry Debtor balances include Rs.1,044.46 Million (Previous year Rs.974.61 Million) and the corresponding financial liability to the Banks is included as part of short term secured loans.
- 8.6** Gains/ losses on all the open derivative positions as on December 31, 2009 not designated as hedging instruments have been recognised in the Profit and Loss Account.

9. Employee Stock Option Scheme:

- a. In the extraordinary general meeting held on January 25, 2007, the shareholders approved the issue of 1,000,000 options under the scheme titled "Strides Arcolab ESOP 2006".

The Strides Arcolab ESOP 2006 allows the issue of options to employees of the Company and its subsidiaries (whether in India or abroad). Each option comprises one underlying equity share.

As per the Scheme, the Compensation committee grants the options to the employees deemed eligible. The exercise price of each option shall not be less than 85 per cent of the "Market Price" as defined in the Scheme. The options granted vest over a period of 3 years from the date of the grant in proportions specified in the Scheme. Options may be exercised within 30 days of vesting.

The difference between the fair price of the share underlying the options granted, on the date of grant of option and the exercise price of the option (being the intrinsic value of the option) representing Stock compensation expense, is expensed over the vesting period.

- b. The ESOP scheme titled "Strides Arcolab ESOP 2008" was approved by the shareholders through postal ballot on June 18, 2008. 1,500,000 options are covered under the scheme for 1,500,000 shares.

The Remuneration Committee of the Company, on July 22, 2008 has granted 665,000 options under the Strides Arcolab ESOP 2008 scheme to few eligible employees of the Company. The shares covered by such options were 665,000 equity shares.

During the current year, the Remuneration Committee in its meeting held on March 16, 2009 and August 28, 2009 has granted 100,000 and 242,500 options respectively under the Strides Arcolab ESOP 2008 Scheme to few eligible employees of the Company.

The vesting period of these options range over a period of three years. The options may be exercised with in a period of 30 days from the date of vesting.

- c. The ESOP scheme titled "Strides Arcolab ESOP 2008 (Directors)" was approved by the shareholders through postal ballot on January 12, 2009. 500,000 options are covered under the scheme for 500,000 equity shares.

The Remuneration Committee of the Company, on March 16, 2009 has granted 300,000 options under the Strides Arcolab ESOP 2008 (Directors) scheme to few Directors of the Company. The shares covered by such options were 300,000 equity shares.

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The vesting period of these options range over a period of three years. The options may be exercised within a period of 30 days from the date of vesting.

- d. During the year, the Shareholders of the Company through postal ballot on June 23, 2009 have accorded to re-price the terms of the unexercised Employee Stock Options (ESOPs) issued under the Strides Arcolab ESOP 2006 and Strides Arcolab ESOP 2008 Schemes to the extent that such re-price/ re-pricing formula is not less than 85% of the closing market price of shares as on the date of re-pricing.

In terms of the Scheme of arrangement referred to in Note A 2.2 (c) of Schedule P, employee compensation costs under the above referred ESOP schemes may be recorded in the BRR. Consequently, during 2009, an amount of Rs.20.15 Million as noted below has been debited to BRR.

(Rupees in Million)				
Particulars	Strides Arcolab ESOP 2006	Strides Arcolab ESOP 2008	Strides Arcolab ESOP 2008 (Director)	Total
Expense during the year	9.83	7.30	1.46	18.59
Reversal due to lapses	(5.96)	(2.49)	-	(8.45)
Expense due to re-pricing	7.09	2.92	-	10.01
Total	10.96	7.73	1.46	20.15

- e. Employee stock options details as on the balance sheet date are as follows:

Particulars	During the year 2009		During the year 2008	
	Options (No's)	Weighted average exercise price per option (Rs.)	Options (No's)	Weighted average exercise price per option (Rs.)
Option outstanding at the beginning of the year				
- Strides Arcolab ESOP 2006	920,000	208.08	400,000	256.25
- Strides Arcolab ESOP 2008	665,000	122.15		
Granted during the year:				
- Strides Arcolab ESOP 2006	-	-	600,000	133.00
- Strides Arcolab ESOP 2008	342,500	92.10	665,000	122.15
- Strides Arcolab ESOP 2008 (Director)	300,000	59.00		
Vested during the year:				
- Strides Arcolab ESOP 2006	240,000	105.75	80,000	256.35
- Strides Arcolab ESOP 2008	221,000	105.75		
- Strides Arcolab ESOP 2008 (Director)	-	-		
Exercised during the year:				
- Strides Arcolab ESOP 2006	60,000	105.75		
- Strides Arcolab ESOP 2008	105,600	105.75		
- Strides Arcolab ESOP 2008 (Director)	-	-		
Lapsed during the year				
- Strides Arcolab ESOP 2006	180,000	187.90	80,000	256.35
- Strides Arcolab ESOP 2008	115,400	122.15		
- Strides Arcolab ESOP 2008 (Director)	-	-		

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Particulars	During the year 2009		During the year 2008	
	Options (No's)	Weighted average exercise price per option (Rs.)	Options (No's)	Weighted average exercise price per option (Rs.)
Options outstanding at the end of the year				
- Strides Arcolab ESOP 2006	680,000	105.75	920,000	208.08
- Strides Arcolab ESOP 2008	786,500	99.81	665,000	122.15
- Strides Arcolab ESOP 2008 (Director)	300,000	59.00		
Options available for Grant				
- Strides Arcolab ESOP 2006	180,000	-	80,000	
- Strides Arcolab ESOP 2008	607,900	-	835,000	
- Strides Arcolab ESOP 2008 (Director)	200,000	-		

- f. The impact on Earnings per Share if the 'fair value' of the options (on the date of the grant) were considered instead of the 'intrinsic value' is as under:

Particulars	(Rupees in Million)	
	Dec 31, 2009	Dec 31, 2008
STRIDES ARCOLAB ESOP:		
Net Profit/ (loss) (as reported)	1,096.84	1,079.63
Add: stock based employee compensation (intrinsic value)		13.16
Less: stock based compensation expenses determined under fair value method for the grants issued (See note below)	Refer Note Below	44.47
Net Profit/ (loss) (proforma)	1,096.84	1,048.32
	Rs.	Rs.
Basic earnings/ (loss) per share (as reported)	26.49	26.91
Basic earnings/ (loss) per share (proforma)	Refer Note below	26.10
Diluted earnings/ (loss) per share (as reported)	19.36	24.70
Diluted earnings/ (loss) per share (proforma)	Refer Note below	23.89

Note: As per the Scheme approved by the Honourable High Courts of Judicature, expense relating to ESOP is permitted to be recorded in the BRR. Accordingly, there would no impact Earnings per Share if the options were accounted at fair values instead of intrinsic value.

- g. The fair value of the options has been determined under the Black-Scholes model. The assumptions used in this model for calculating fair value are as below:

Assumptions	Dec 31, 2009	Dec 31, 2008
Risk Free Interest Rate	8.00%	7.25%
Expected Life	3 years	3 years
Expected Annual Volatility of Shares	57%	48%
Expected Dividend Yield	0.51%	0.59%

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10. During the year, the Company received compensation amounting to Rs.20 Million for breach of non-compete arrangements entered into with the erstwhile promoter of Grandix Pharmaceuticals Limited, an entity that was acquired by the Company in 2007 and merged into the Company in 2009. This amount has been included in Other income under Schedule K.
11. The Company entered into a Subscription and Shareholders agreement with Aspen under which Aspen subscribed to 49% of the share capital of Onco Therapies Limited (Onco). Onco is set up to operate in the Oncology products line of business that the Company is in the process of building up.

In accordance with the agreement referred above, the Company is required to sell to Aspen at a future date, 1% of the total issued and outstanding equity share capital of Onco on terms as documented in a Voting rights assignment agreement dated November 26, 2007. Under this agreement, any voting rights that may accrue in respect of such 1% of the total issued and outstanding share capital of Onco shall be exercised by Aspen from the date of signing of such Voting Rights agreement, in a manner which it deems fit,

The Company has entered into another Agreement with Onco to transfer its Oncology manufacturing facility, being put up in Bangalore, for a consideration amounting to USD 32.50 Million (payable by Onco in equivalent Indian Rs.). Under this agreement the Company has:

- a. transferred, the moveable and immoveable assets relating to the Oncology manufacturing facility and contracts awarded to various suppliers in connection with the facility; and
- b. undertaken the obligations of completing the facility, including all financial obligations related thereto.

As at December 31, 2009, the Company has estimated the financial commitment to complete the Oncology facility to be about Rs.111.89 Million (Previous year Rs.163.46 Million)

An amount of Rs.53.90 Million (Previous year Rs.4.90 Million) representing Project management fees & profit recognised on partial completion of the facility under the above arrangement has been accrued under Other Income.

During the year ended December 31, 2009, the Company transferred certain Dossiers to Onco in lieu of Preferred Supply Agreement for certain products, entered between the Company and Onco.

12. Exceptional items for the current year include net profit of Rs.113.65 Million, recognised on sale of the manufacturing facility owned by Strides Inc a subsidiary located in USA.

Exchange fluctuation gains / (losses) classified under Exceptional Items include exchange fluctuation on FCCB's, ECB's, Forward Exchange Contracts and intra group loans.

13. Interest in Joint ventures

The Company's aggregate share of the Assets and Liabilities (as at December 31, 2009) in the below mentioned Joint Ventures and the share in the income and expenses of the Joint Ventures for the year ended December 31, 2009 is as follows:

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(Rupees in Million)						
SL. No.	Particulars	Akorn Strides LLC	Sagent Strides LLC	Onco Therapies Limited	Powercliff Limited	Plus Farma ehf
A	Assets	183.05 (169.24)	99.23 (71.81)	651.37 (659.73)	595.37 (365.21)	- (265.29)
B	Liabilities	61.29 (33.26)	28.96 (-)	111.68 (240.92)	36.31 (3.20)	- (257.50)
C	Expenses	182.62 (6.78)	73.32 (-)	65.35 (17.91)	1.68 (2.41)	- (206.45)
D	Income	262.33 (41.25)	72.63 (-)	72.06 (50.27)	289.71 (0.02)	- (199.67)
E	Capital Commitments	-	-	-	-	-

Note:

- a. The figures pertaining to Akorn Strides LLC, Sagent LLC Strides and Plus Farma ehf are based on the unaudited financial statements of the respective entities compiled by the management of the Company and relied upon by the Auditors.
 - b. Figures in brackets relates to previous year ended December 31, 2008.
 - c. As at December 31, 2009, Plus Farma ehf, is a subsidiary within the Group.
14. Unbilled revenue includes income recognised on development services contracts and contracts for production of dossiers, against which no invoices are raised, and are net of advances received against the respective contracts.
15. **Details of Research and Development expenditure incurred:**

(Rupees in Million)		
Particulars	For the Year ended Dec 31, 2009	For the Year ended Dec 31, 2008
Salaries	192.81	157.49
Materials	139.10	128.82
Bio Study Expenses	11.52	59.20
Professional fees	2.23	2.86
Consumables	107.26	84.82
Interest	2.81	0.01
Travelling expenses	7.69	5.81
Advertisement expenses	-	5.71
Rent	19.63	18.10
Depreciation	25.64	26.72
Others	55.31	40.35
Total	564.00	529.89

The above include costs associated with the development services undertaken for customers and are as certified by the management, and relied upon by the Auditors.

16. **Consolidated Segment Information**

During the year ended December 31, 2009, the Group operated in only one business Segment viz 'Pharmaceuticals'. Consequently no separate Primary Segment disclosures have been made.

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Information about Secondary Segment

Geographic Segment

Revenue attributable to location of customers is as follows:

Geographic location	(Rupees in Million)			
	Revenue from external customers for the year ended Dec 31, 2009		Revenue from external customers for the year ended Dec 31, 2008	
	(Rs. in Million)	%	(Rs. in Million)	%
Africa	1,948.98	15%	2,333.96	23%
North America & Europe	5,637.35	43%	4,188.18	41%
South & Central America	1,077.87	8%	1,609.32	16%
India	1,491.98	12%	776.81	8%
Rest of the World	2,891.53	22%	1,295.03	12%
Total	13,047.71	100.0%	10,203.30	100%

Segment assets based on their location are as follows:

Geographic location	(Rupees in Million)			
	Carrying amount of Segment Assets	Additions To Fixed assets	Carrying amount of segment assets	Additions to Fixed assets
	At Dec 31, 2009		At Dec 31, 2008	
Africa	1,026.20	16.52	1,665.40	28.23
North America & Europe	6,689.43	574.85	5,194.84	926.95
South & Central America	617.90	-	535.21	-
India	9,396.51	754.63	5,554.83	1,388.04
Rest of the World	587.79	87.85	533.37	22.21
Total	18,317.83	1,433.85	13,483.65	2,365.43

Note: Additions to fixed assets disclosed above do not include assets on the date of acquisition in respect of new subsidiaries that have been consolidated during the year.

17. Deferred Taxation

Tax provision has been made in accordance with the requirements of Accounting Standard 22 "Accounting for taxes on income".

The deferred tax balances included in the balance sheet comprises the tax impact arising from timing differences on account of the following:

Particulars	(Rupees in Million)	
	For the year ended Dec 31, 2009	For the year ended Dec 31, 2008
Depreciation	(210.53)	(622.22)
Section 43B Disallowances	0.34	22.69
Business Loss	41.28	330.61
Others	63.80	1.69
	(105.11)	(267.23)
Deferred tax liability (Net) relating to the above	34.15	87.42

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Particulars	(Rupees in Million)	
	For the year ended Dec 31, 2009	For the year ended Dec 31, 2008
Depreciation	(48.64)	(38.45)
Section 43B Disallowances	-	(7.85)
Business Loss	2.18	118.37
Others	100.34	70.91
	53.88	142.98
Deferred tax Assets (Net) relating to the above	11.15	43.36

Recognition of Deferred tax assets with respect to unabsorbed depreciation has been done only in cases where there are corresponding timing differences creating Deferred tax liabilities and the amount of such assets recognised is restricted to the extent of such liabilities. Deferred Tax assets in respect of business losses are recognised based on the criteria of virtual certainty.

18. Related Party Transactions:

Names of Related Parties:

Joint Ventures (JV)	<ul style="list-style-type: none"> • Akorn Strides LLC, USA • Laboratorios Domac S L, Spain (up to December 30, 2009) • Plus Farma ehf. Iceland (up to December 29, 2009) • Farma Plus AS, Norway (Wholly owned subsidiary of Plus Farma ehf, Iceland) (up to December 29, 2009) • Onco Laboratories Limited (formerly Powercliff Limited), Cyprus • Sagent Strides LLC, USA • Onco Therapies Limited, India
Associates	<ul style="list-style-type: none"> • Pharma Latinaholdings Limited (formerly Lakerose Ltd,) an Associate of Starsmore Ltd w.e.f July 1, 2008. • Cellofarm Ltda, (Wholly owned subsidiary of Lakerose Ltd, Cyprus) an Associate w.e.f July 1, 2008. • Strides Latina SA, (Wholly owned subsidiary of Lakerose Ltd, Cyprus) an Associate w.e.f July 1, 2008. • Solara, (Wholly owned subsidiary of Strides Latina SA, Uruguay) an Associate w.e.f July 1, 2008. • Aspen Venezuela CA (formerly Casa de Representaciones Sumifarma CA (a subsidiary of Strides Latina SA, Uruguay) an Associate w.e.f July 1, 2008. • Aspen Labs SA De CV (formerly Strides Mexicana SA De CV) (subsidiary of Strides Latina SA, Uruguay) an Associate w.e.f July 1, 2008.
Key Management Personnel	<ul style="list-style-type: none"> • Mr. Arun Kumar – Vice Chairman & Managing Director • Mr.V.Madhusudhan • Mr. Lincoln Gomes • Mr. Mark Bisset • Mr. Mohana Kumar Pillai • Mr. Manikandan • Mr. Germano Mackrodt

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Enterprises owned or significantly influenced by key management personnel and relatives of Key Management Personnel	<ul style="list-style-type: none">• Agnus Global Holdings Pte Limited• Agnus Holdings Private Limited• Agnus IPCO Limited, BVI• Arcolab (India) Private Limited• Atma Projects• Caryl Pharma Private Limited• Chayadeep Properties Private Limited• Everron Systems (India) Limited• Fraxis Life Sciences Limited• Keerthapathi Ravishankar – HUF• Mrs. Deepa Arunkumar• Mrs. K Saraswathi• Netequity Ventures Private Limited• Nous Infosystems Private Limited• Patsys Consulting Private Limited• Sequent Scientific Limited (previously PI Drugs & Pharmaceuticals Limited), India• Sequent Research Limited , India• Sequent European Holdings Limited• Sequent Global Holdings Limited, Mauritius• Sequent Scientific Limited• Vedic Elements Private Limited• Mr. G.P Pillai
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Note:

Related parties disclosed above are as identified by the Management and relied upon by the Auditors.

(Rupees in Million)								
Nature of Transactions	Associates		Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08
Sales of materials/services								
1	Akorn Strides LLC		199.34	25.79				
2	Aspen Venezuela CA (formerly Casa de Representaciones Sumifarma CA)	192.71	59.75		42.59			
3	Cellofarm Limited	784.40	630.72		164.53			
4	Laboratorios Domac S.L			3.88	-			
5	Onco Laboratories Limited (formerly Powercliff Limited)			123.18	187.38			
6	Sagent Strides LLC			102.74	58.83			
7	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)						20.37	1.09
8	Solara S.A. de C.V.	90.07	15.09	-	29.66			
Sales Return / Discount								
1	Cellofarm Limited	59.36	88.52					
2	Solara S.A. de C.V.	1.07	-					
Sales of fixed assets								
1	Cellofarm Limited			-	0.04			
2	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)						-	0.20
3	Solara S.A. de C.V.	0.34	1.26		-			
Interest and Other Income								
4	Cellofarm Limited	-	0.49	-	3.23			
5	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)						-	23.38
6	Solara S.A. de C.V.	-	-	-	0.56			
Purchase of materials								
1	Cellofarm Limited	-	0.27		-			
2	Laboratorios Domac S L			-	0.78			
3	Sequent Research Limited						40.09	7.79
4	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)						502.48	17.41
5	Strides Italia S r L						0.88	
Purchase of Machinery/Assets								
1	Atma Projects						15.88	-

Nature of Transactions		(Rupees in Million)							
		Associates		Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08
2	Cellofarm Limited	-	16.62						
Jobwork Chrges payable									
1	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)							0.01	0.30
Interest Paid									
1	Agnus Holdings Private Limited							0.17	-
2	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)							2.61	-
Managerial Remuneration									
1	Arun Kumar					36.96	4.80		
2	Mark Bisset					18.09	9.72		
3	V.Madhusudhan					-	5.64		
4	Lincoln Gomes					-	2.75		
5	Mohan Kumar Pillai					12.59	13.09		
6	Manikandan					-	16.63		
7	Germano Mackrodt					-	1.29		
Reimbursement of Expenses Incurred by									
1	Cellofarm Limited	21.75	112.03	-	0.06				
2	Onco Laboratories Limited (formerly Powercliff Limited)			0.49	-				
3	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)							0.03	0.01
4	Sequent European Holdings Limited							316.33	-
Reimbursement of Expenses Incurred on behalf of									
1	Akorn Strides LLC			1.72	-				
2	Aspen Labs SA De CV (formerly Strides Mexicana SA De CV)	-	0.40						
3	Cellofarm Limited	7.41							
4	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)							12.22	-
Rent Paid									
1	Atma Projects							30.01	20.28
2	Chayadeep Properties Private Limited							42.74	40.35
Loans / advances given / Repaid by Company									

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		(Rupees in Million)							
Nature of Transactions		Associates		Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
		Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08
1	Agnus Holdings Private Limited							4.50	-
2	Atma Projects							-	64.30
3	Aspen Venezuela CA (formerly Casa de Representaciones Sumifarma CA)	0.03	0.36		0.01				
4	Celofarm Limited	0.28	0.78		2.37				
5	Onco Laboratories Limited (formerly Powercliff Limited)			-	2.93				
6	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)							70.00	2.93
7	Solara S.A. de C.V.	-	2.15	-	0.04				
8	Strides Latina S.A	2.78	0.09						
9	Arun Kumar					-	24.39	-	
Loans / advances taken by company / repaid to company									
1	Agnus Holdings Private Limited							4.50	-
2	Celofarm Limited	-	289.24	-	0.88				
3	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)							70.00	119.17
4	Solara S.A. de C.V.	-	51.11		-				
Receipt of Share application monies against warrants									
1	Netequity Ventures Private Limited							140.90	-
2	G.P Pillai							0.23	-
3	Mohan Kumar Pillai							0.23	-
Guarantees given on behalf of									
1	Celofarm Limited	-	219.11		-				
2	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)							-	746.00
Investments sold									
1	Sequent European Holdings Limited							-	6.18
2	Laboratorios Domac S L							26.16	-
Forfeiture of amount received for share warrants									
1	Agnus Holdings Private Limited							-	189.87
Deposits given									
1	Atma Projects							19.30	20.70

		(Rupees in Million)							
Nature of Transactions	Associates		Joint Ventures		Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives		
	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	Year Ended 31.12.09	Year Ended 31.12.08	
2	Chayadeep Properties Private Limited						16.61	-	
Advances Receivable/(Payable) as at									
1	Aspen Labs SA De CV (formerly Strides Mexicana SA De CV)		0.46	0.49					
2	Aspen Venezuela CA (formerly Casa de Representaciones Sumifarma CA)		3.64	3.78					
3	Atma Projects						41.71	83.14	
4	Cellofarm Limited		(1.97)	(2.36)					
5	Pharmalatina Holdings Limited (formerly Lakerose Limited)		0.24	0.23					
6	Solara S.A. de C.V.		2.32	2.43					
7	SeQuent Research Limited						2.31	(0.96)	
8	Strides Latina		7.31	4.82					
9	Arun Kumar					24.39	42.68		
10	K.R.Ravishankar					-	8.75		
11	Sequent Global Holdings Limited						33.72	17.11	
12	Agnus Global Holdings Limited						37.34	38.34	
13	Sequent European Holdings Limited						4.67	120.83	
Creditors Balance as at (net of Advance paid)									
1	Chayadeep Properties Private Limited						(0.05)	41.97	
2	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)						(219.52)	(4.08)	
Debtors Balance as at (Net of advance received)									
1	Akorn Strides LLC				37.30	(23.50)			
2	Aspen Venezuela CA (formerly Casa de Representaciones Sumifarma CA)		65.85	66.95					
3	Cellofarm Limited		307.24	454.83					
4	Onco Laboratories Limited (formerly Powercliff Limited)				-	(292.73)			
5	Sagent Strides LLC				18.76	(23.98)			
6	Sequent European Holdings Limited						-	114.67	
7	Sequent Scientific Limited (formerly P I Drugs & Pharmaceuticals Limited)						-	(5.75)	
8	Solara S.A. de C.V.		11.14	15.74					
9	Strides Italia S r L						-	(2.30)	

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19. Leases

The group's significant leasing arrangements are mainly in respect of factory buildings, residential and office premises. The aggregate lease rentals payable on these leasing arrangements charged to the Profit and Loss account is Rs.184.54 Million (Previous year Rs.151.14 Million).

The Group has entered into non-cancelable lease agreements for its facilities and office premises. The tenure of lease ranges from 3 years to 15 years. The said lease arrangements have an escalation clause wherein lease rental is subject to an increment ranging from 6% to 15%. Details of the lease commitment at the yearend are as follows:

Particulars	(Rupees in Million)	
	For the year ended Dec 31, 2009	For the year ended Dec 31, 2008
Not Later than one year	139.86	92.07
Later than one year up to five years	493.50	338.56
Later than five years	723.38	574.41

20. Earnings per share :

Particulars	(Rupees in Million)	
	For the year ended Dec 31, 2009	For the year ended Dec 31, 2008
Profit after tax as per the Profit & Loss Account	1,096.84	1,079.64
Preference Dividend and tax there on	(34.51)	(34.51)
Profit attributable to Equity Shareholders	1,062.33	1,045.13
Interest Expense & Exchange fluctuation gain on Foreign Currency Convertible Bonds (FCCBs) etc., (Net)	(20.79)	251.94
Profit/ (Loss) attributable to Equity Shareholders (on dilution)	1,083.12	1,297.07
Weighted Average number of Shares for Basic EPS	40,094,560	38,837,769
Add: Effect of Warrant, Employee Stock Options outstanding & FCCBs	14,969,746	13,693,439
Weighted Average Number of equity shares for diluted EPS	55,064,306	52,531,208
	Rupees	Rupees
Nominal value of equity shares (Rs.)	10.00	10.00
Earnings Per Share		
- Basic	26.49	26.91
- Diluted	19.67	24.70

Note:

- In the absence of profits in 2008, no preference dividends and tax thereon has been accrued for in the Profit and Loss account. However these have been considered for determining Earnings per share in both the years.
- The amount of preference dividend for 2009 does not include the amount of any preference dividends accrued in the Profit & Loss Account in the current year in respect of previous years since the same has been considered for determining Earning per share in respective years.
- For the year 2008, FCCBs outstanding are anti dilutive and hence ignored for the purposes of computing Diluted Earnings per share.

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21. Loans and advances include amounts due from Directors being excess managerial remuneration of Rs.24.39 Million (Previous year Rs.51.44 Million). The Company's application in respect of the excess managerial remuneration is pending for approval with the Central Government.

Excess managerial remuneration paid to Managing director and Whole time Director for the year ended December 31, 2007 amounting to Rs.27.05 Million has been approved by the Central Government and is transferred from advances recoverable to the Profit & Loss Account in 2009.

22. Cash flow statement

- a. The Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard – 3 on "Cash Flow Statements", issued under Section 211 (3C) of Companies Act, 1956
- b. Interest paid is inclusive of and purchase of Fixed Assets excludes, interest capitalised Rs.100.59 Million (Previous year Rs.26.87 Million).
- c. Reconciliation of Cash and Cash Equivalents to Cash and Bank balances included in Schedule G.A.4:

Particulars	(Rupees in Million)	
	As at Dec 31, 2009	As at Dec 31, 2008
Cash in hand	4.06	2.08
Balance with banks in current accounts [Includes unutilised monies Rs.1.16 Million (Previous year Rs.0.92 Million) out of the issue of Foreign Currency Convertible Bonds. These monies can be utilised for certain specified purposes for which the Bonds were issued].	783.79	456.67
Cash and cash equivalents	787.85	458.75
Margin money not included above	122.32	109.18
Unpaid dividend accounts not included above	1.84	1.62
Cash and bank balances as per Schedule G.A.4	912.01	569.55

23. Employee benefits pertaining to overseas subsidiaries have been accrued based on their respective local labour laws.

Details of Gratuity benefits provided to employees in the Company and its subsidiaries in India.

SL. No.	Particulars	(Rupees in Million)	
		As at Dec 31, 2009	As at Dec 31, 2008
I	Components of employer expense		
1	Current Service cost	15.53	7.08
2	Interest cost	5.34	3.30
3	Expected return on plan assets	(1.87)	(2.01)
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Past Service Cost	-	-
7	Actuarial Losses/(Gains)	(2.89)	28.81
8	Total expense recognised in the Statement of Profit & Loss	16.11	37.18

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		(Rupees in Million)	
SL. No.	Particulars	As at Dec 31, 2009	As at Dec 31, 2008
II	Actual Contribution and Benefits Payments for year ended December 31, 2009.		
1	Actual benefit payments	2.60	3.58
2	Actual Contributions	3.23	8.97
III	Net asset/(liability) recognised in balance sheet as at December 31, 2009		
1	Present value of Defined Benefit Obligation (DBO)	91.41	75.79
2	Fair value of Plan Assets	27.33	30.74
3	Funded status [Surplus/(Deficit)]	(64.09)	(45.05)
4	Unrecognised Past Service Costs	-	-
5	Net asset/(liability) recognised in balance sheet	(64.09)	(45.05)
IV	Change in Defined Benefit Obligations during the year ended December 31, 2009		
1	Present Value of DBO at beginning of period	75.79	41.68
2	Current Service cost	15.53	7.08
3	Interest cost	5.34	3.30
4	Curtailement cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Plan amendments	-	-
7	Acquisitions	-	-
8	Actuarial (gains)/ losses	(2.65)	27.66
9	Benefits paid	(2.60)	(3.57)
10	Present Value of DBO at the end of period	91.41	75.79
V	Change in Fair Value of Assets during the year ended December 31, 2009		
1	Plan assets at beginning of period	30.74	24.15
2	Acquisition Adjustment	-	-
3	Actual return on plan assets	1.87	1.20
4	Actual Company contributions	3.23	8.97
5	Actuarial gains/(losses)	(5.04)	-
6	Benefits paid	(2.60)	(3.58)
7	Plan assets at the end of period	28.20	30.74
VI	Assumptions		
1	Discount Rate	7.5%	6% to 8%
2	Expected Return on plan assets	Up to 7.5%	Up to 8%
3	Salary escalation	8% to 15%	5% to 15%

Note:

- The estimate of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
- In the absence of information relating to category wise breakup of Plan Assets, the same has not been disclosed.

24. Profit on sale of disposal of investment in 2008 under Schedule K includes the following:

- Profit of Rs.752.80 Million relating to the sale of 51% interest in Pharamalatina Holdings (formerly Lakerose Ltd),
- Profit of Rs.2104.99 Million on disposal of interest in South East Asia business held through Ascent Pharmahealth Asia Pte Ltd, (formerly Strides Singapore Pte Ltd).
- Loss on disposal of investment in Strides Italia S r L Rs.345.45 Million.

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25. Disclosures relating to Financial instruments to the extent not disclosed elsewhere in Schedule Q.

25.1 Breakup of Allowance for Credit Losses is as under:

Particulars	(Rupees in Million)	
	Dec 31, 2009	Dec 31, 2008
Provision for Bad and Doubtful Debts at the beginning of the Year	73.79	153.21
Additional Provision during the year	19.27	96.91
Less: Consolidation adjustment	(31.60)	174.90
Provision reversed during the year	13.98	1.43
Provision for Bad and Doubtful Debts at the end of the Year	110.68	73.79

25.2 Details on Derivatives Instruments & Un-hedged Foreign Currency Exposures:

The following derivative positions are open as at December 31, 2009. While these transactions have been undertaken to act as economic hedges for the Company's exposures to various risks in foreign exchange markets, they have not qualified as hedging instruments in the context of the rigour of such classification under Accounting Standard 30. These instruments are therefore classified as held for trading and gains/ losses recognised in the Profit and Loss Account.

I. The Company has entered into the following derivative instruments

- (a) Forward Exchange Contracts [being a derivative instrument], which are not intended for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.

The following are the outstanding Forward Exchange Contracts entered into by the Company as on December 31, 2009.

Currency	Amount	Buy/Sell	Cross Currency
AUD	2,100,000	Sell	Rupees

- (b) Interest Rate Swaps to hedge against fluctuations in interest rate changes: No. of contracts: Nil (Previous year : Nil)
- (c) Currency Swaps (other than forward exchange contracts stated above) to hedge against fluctuations in changes in exchange rate. No. of contracts: Nil (Previous Year: Nil)

II. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Receivable / (Payable) in INR		Receivable / (Payable) In Foreign currency		Receivable / (Payable) in INR		Receivable / (Payable) In Foreign currency	
(7,040.01)	USD	(151.33)	(7,517.73)	USD	(154.39)		
(196.06)	EURO	(2.93)	218.23	EURO	3.18		
245.69	AUD	5.87	0.58	AUD	19.75		
(1.27)	CAD	(0.03)	(7.32)	CAD	(0.18)		
109.62	GBP	1.46	50.32	GBP	0.71		
(0.98)	JPY	(1.94)	3.49	JPY	6.46		
1.97	CHF	0.40	2.69	CHF	0.06		

III. Derivative instruments (causing an un-hedged foreign currency exposure) as at December 31, 2009:

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a. Options Contracts

Currency	Amount	Buy/Sell	Cross Currency
USD	64,000,000	Sell	Rupees
USD	54,000,000	Buy	Rupees

- IV. Gain on Forward Exchange Derivative contracts (Net) included in the Profit and Loss account for year ended December 31, 2009 amounts Rs.117.87 Million (Previous Year: Loss (Net) Rs.454.27 Million)

25.3 Categories of Financial Instruments

a. Loans and Receivables:

The following financial assets in the Balance Sheet have been classified as Loans and Receivables as defined in Accounting Standard 30. These are carried at amortised cost less impairment if any.

The carrying amounts are as under:

Particulars	(Rupees in Million)	
	Dec 31, 2009	Dec 31, 2008
Sundry Debtors	4,160.63	3,375.10
Advance recoverable in cash	595.76	288.16
Cash and Bank Balances	912.01	569.55

In the opinion of the management, the carrying amounts above are reasonable approximations of fair values of the above financial assets.

b. Financial Liabilities Held at Amortised Cost

The following financial liabilities are held at amortised cost. The Carrying amounts of Financial Liabilities are as under:

Particulars	(Rupees in Million)	
	Dec 31, 2009	Dec 31, 2008
Secured Loans:		
Long term loans	4,668.88	2,822.74
Short term loans	3,118.10	2,837.37
Unsecured Loans		
Long term loans:		
Foreign currency convertible bonds (debt component)	6,166.18	7,051.07
Short term loans:		
From banks	-	60.90
From others	440.24	113.84
Current Liabilities		
Sundry Creditors	4,410.23	3,356.39
Unclaimed dividend	1.84	1.91
Interest accrued but not due	6.41	21.92
Other Liabilities	99.67	114.96
Provision For:		
Leave salary	92.44	86.00

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Particulars	(Rupees in Million)	
	Dec 31, 2009	Dec 31, 2008
Gratuity & other employee benefits	123.23	82.05
Long Term Employee Compensation	657.50	-
Equity Dividend (including dividend distribution tax thereon)	70.57	4.76
Preference Dividend (including dividend distribution tax thereon)	149.32	45.79

c. Financial Liabilities Held for Trading

The option component of Foreign Currency Convertible Bonds (FCCBs) has been classified as held for trading, being a derivative under Accounting Standard 30. Refer Note B.6 of Schedule P on FCCBs. The carrying amount of the option component was Rs.175.32 Million as at December 31, 2009 and Rs.134.20 Million as at December 31, 2008. The difference in carrying value between the two dates, amounting to Rs.41.12 Million is taken as loss to the Profit and Loss Account of the year in accordance with provisions of Accounting Standard 30.

The fair value of the option component has been determined using a valuation model. Refer to Note C. 8 above on FCCBs for detailed disclosure on the valuation method.

25.4 Financial assets pledged

The following financial assets have been pledged:

Financial Asset	Carrying value Dec 31, 2009	Carrying value Dec 31, 2008	Liability / Contingent Liability for which pledged as collateral	(Rupees in Million)
				Terms and conditions relating to pledge
I. Investment in Subsidiary	3,162.90	2,546.82	Loan from Banks	The Shares have been pledged against specific Borrowing, the charge will be extinguished on repayment of the Loan.
II. Margin Money with Banks				
A. Margin Money for Letter of Credit	101.61	80.89	Letter of Credit	The Margin Money is interest bearing deposit with Banks. These deposits can be withdrawn on the maturity of all Open Letters of Credit.
B. Margin Money for Bank Guarantee	14.98	28.29	Bank Guarantee	The Margin Money is interest bearing deposit with Banks. These Deposits are against Performance Guarantees. These can be withdrawn on the satisfaction of the purpose for which the Guarantee is provided.
C. Other Margin Money	5.73	-	Margin Money as Guarantee for Loan to Subsidiary	The Margin Money is interest bearing deposit with Banks. This Deposit is against Guarantees for Loan advanced to Subsidiary.
III. Sundry debtors	1,044.46	933.46	Bills discounted	The Bills discounted with Banks are secured by the Receivable

25.5 Nature and extent of risks arising from financial instruments

The main financial risks faced by the Company relate to fluctuations in interest and foreign exchange rates, the risk of default by counterparties to financial transactions, and the availability of funds to meet business needs. The Balance Sheet as at December 31, 2009 is representative of the position through the year. Risk management is carried out by a central treasury department under the guidance of the Management.

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Interest rate risk

Interest rate risk arises from long term borrowings. Debt issued at variable rates exposes the Company to cash flow risk. Debt issued at fixed rate exposes the Company to fair value risk. In the opinion of the management, interest rate risk during the year under report was not substantial enough to require intervention or hedging through derivatives or other financial instruments. For the purposes of exposure to interest risk, the Company considers its net debt position evaluated as the difference between financial assets and financial liabilities held at fixed rates and floating rates respectively as the measure of exposure of notional amounts to interest rate risk. This net debt position is quantified as under:

Financial assets / (liabilities)

Particulars	(Rupees in Million)	
	Dec 31, 2009	Dec 31, 2008
Fixed		
Financial Assets	789.69	460.37
Financial liabilities	(8,987.57)	(7,129.86)
	(8,197.88)	(6,669.49)
Floating		
Financial Assets	--	--
Financial liabilities	(5,405.83)	(5,756.06)
	(5,405.83)	(5,756.06)

Credit risk

Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions. Credit risk also arises from trade receivables and other financial assets.

The credit risk arising from receivables is subject to concentration risk in that the receivables are predominantly denominated in USD and any appreciation in the INR will affect the credit risk. Further, the Company is not significantly exposed to geographical distribution risk as the counterparties operate across various countries across the Globe.

Liquidity risk

Liquidity risk is managed using short term and long term cash flow forecasts.

The following is an analysis of undiscounted contractual cash flows payable under financial liabilities and derivatives as at December 31, 2009. (Figures in brackets relates to Previous Year)

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Financial Liabilities	(Rupees in Million)					
	1 year	1 and 2 years	2 and 3 years	3 and 4 years	4 and 5 years	beyond 5 years
Banks Borrowings	3,999.78	1,177.57	1,141.08	933.40	356.51	161.35
	(3,403.66)	(710.58)	(701.56)	(518.30)	(282.39)	(213.04)
Interest payable on borrowings	11.42	-	-	-	-	-
	(14.32)	-	-	-	-	-
Hire Purchase Liabilities	4.78	1.90	0.51	-	-	-
	(2.48)	(2.23)	(0.41)	(0.13)	-	-
Other Borrowings	2,545.30	-	4,066.21	-	-	-
	-	(2,306.64)	-	(4,744.43)	-	-
Trade and other payables not in net debt	4,511.74	-	-	-	-	-
	(3,480.49)	-	-	-	-	-
Fair Value of Options	1.96	-	173.36	-	-	-
	-	(11.05)	-	(123.15)	-	-
Fair value of Forward exchange derivative contracts	166.80	-	-	-	-	-
	(174.12)	(165.61)	-	-	-	-
	11,241.78	1,179.47	5,381.16	933.40	356.51	161.35
	(7,075.52)	(3,196.11)	(701.97)	(5,386.01)	(282.39)	(213.04)

For the purposes of the above table, undiscounted cash flows have been applied. Undiscounted cash flows will differ from carrying values in the financial statements and the fair values. Floating interest rates have been computed by applying interest rates on the Balance Sheet date. Foreign currency liabilities have been computed applying spot rates on the Balance Sheet date.

Foreign exchange risk

The Company is exposed to foreign exchange risk principally via:

- Debt availed in foreign currency
- Net investments in subsidiaries and joint ventures that in foreign currencies
- Exposure arising from transactions relating to purchases, revenues, expenses etc., to be settled (outside the Group) in currencies other than the functional currency of the respective entities.

25.6 Sensitivity analysis as at December 31, 2009:

Financial instruments affected by interest rate changes include Secured Long term loans from banks, Secured Long term loans from others, Secured Short term loans from banks and Unsecured Short term loans from banks. The impact of a 1% change in interest rates on the profit of an annual period will be Rs.143.84 Million (Previous year Rs.128.77 Million) assuming the loans as of December 31, 2009 continue to be constant during the annual period. This computation does not involve a revaluation of the fair value of loans as a consequence of changes in interest rates. The computation also assumes that an increase in interest rates on floating rate liabilities will not necessarily involve an increase in interest rates on floating rate financial assets.

Financial instruments affected by changes in foreign exchange rates include FCCBs, External Commercial Borrowings (ECBs), loans in foreign currencies to erstwhile subsidiaries and joint ventures. The Company considers

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US Dollar and the Euro to be principal currencies which require monitoring and risk mitigation. The Company is exposed to volatility in other currencies including the Great Britain Pounds (GBP) and the Australian Dollar (AUD).

Particulars	Increase /(Decrease) in Equity in 2009	Increase /(Decrease) in Equity in 2008
A 5% appreciation in the US dollar	(352.00)	(142.88)
A 5% depreciation in the US dollar	352.00	142.88
A 5% appreciation in the Euro	(9.80)	10.91
A 5% depreciation in the Euro	9.80	(10.91)
A 5% appreciation in the Australian Dollar	12.28	0.99
A 5% depreciation in the Australian Dollar	(12.28)	(0.99)
A 5% appreciation in the GBP	5.48	2.51
A 5% depreciation in the GBP	(5.48)	(2.51)

For the purposes of the above table, it is assumed that the carrying value of the financial assets and liabilities as at the end of the respective financial years remains constant thereafter. The exchange rate considered for the sensitivity analysis is the Exchange Rate prevalent as at 31.12.2009.

In the opinion of the management, impact arising from changes in the values of trading assets (including derivative contracts, trade receivables, trade payables, other current assets and liabilities) is temporary and short term in nature and would vary depending on the levels of these current assets and liabilities substantially from time to time and even on day to day basis and hence are not useful in an analysis of the long term risks which the Company is exposed to.

26. Previous year's figures have been recast / restated, wherever necessary, to conform to the current year's classification.

D. SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of financial statements

The financial statements are prepared under the historical cost convention on accrual basis except for certain financial and other assets, liabilities which are measured on fair value basis as permitted by the Accounting Standards or as per the Scheme of Arrangement approved by the Honorable High Courts of Judicature.

2. Revenue

- 2.1 Revenue from export sales is recognised on the basis of the shipping bills for exports. Revenue from domestic sales is recognised based on the passage of title to goods which generally coincides with despatch. Sales include excise duty and are stated net of discounts, other taxes, and sales returns.

2.2 Revenue from development services :

- a) In respect of contracts which require development on end to end basis, revenue is recognised based on technical estimates made by the Company of the stage of work.
- b) In respect of other development contracts, revenue is recognised on the basis of the performance milestones provided in the contract.

- 2.3 Licensing Revenues are recognised based on terms of the contract.

- 2.4 Revenue from contract manufacturing is recognised based on the services rendered in accordance with the terms of the contract.

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- 2.5 Export incentives are accounted on accrual basis and include estimated realisable values/ benefits from special import licenses and benefits under Duty Exemption Pass Book schemes, wherever applicable.
- 2.6 Dividend income is recognised whenever the right to receive dividends is established.
- 2.7 Other income is recognised when such income accrue to the Group.

3. Fixed Assets

Fixed assets and intangibles (other than in-house product development costs) are recorded at their acquisition cost and subsequent improvements thereto except in case of assets which are recorded at fair value as per the Scheme of Arrangement approved by the Honorable High Courts of Judicature. Cost includes related pre-operative project expenditure and interest on borrowings attributable to the funds borrowed in respect of qualifying assets, for the period up to completion of construction or when the assets are ready to be put to use, as applicable. In-house product development costs are capitalised in accordance with Paragraph 8 below.

4. Impairment of Assets

As at each Balance Sheet date, the carrying amount of fixed assets is tested for impairment. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is determined:

- in the case of an individual asset, at the higher of the net selling price and value in use.
- in the case of cash generating units, at the higher of the unit's net selling price and the value in use.

Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.

5. Depreciation

Depreciation is provided under the straight-line method based on the following useful lives

SL No.	Nature of Asset	Useful life (range)
1	Building	4 to 65 years
2	Plant and Machinery	3 to 25 years
3	Furniture's & Fixtures	5 to 16 years
4	Office Equipments	5 to 12 years
5	Motor Vehicles	5 to 12 years
6	Software licenses	5 years
7	Registration & Brands	Not exceeding 10 years

Individual assets costing less than Rs.5,000 are depreciated in full in the year of purchase.

With respect to assets carried at fair value as permitted under the scheme, depreciation / ammortisation is recorded under the straight line method over the balance useful life of the respective assets.

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6. Inventories

Inventories comprise raw materials, packing materials, work in process and finished goods. These are valued at the lower of cost and net realisable value. Cost is determined as follows:

Raw materials, packing materials and consumables	on weighted average basis
Work in process	at material cost and an appropriate share of production overheads
Finished Goods	at material cost and an appropriate share of production overheads and excise duty, wherever applicable

7. Employee benefits

Contributions to defined contribution schemes are charged to revenue on accrual basis.

Leave balances standing to the credit to the employees that are expected to be availed in the short term are provided for on full cost basis. Liability for unavailed leave considered to be long term is carried based on an actuarial valuation.

Liability for gratuity in respect of Employees in entities within India is funded and are accounted based on actuarial valuation under the Projected Unit Credit Method carried out as at the end of the fiscal year. The obligation 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 plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Short term employee benefits like medical, leave travel, etc are accrued based on the terms of employment on a time proportion basis.

In respect of foreign subsidiaries, liabilities with respect to Employee benefits are accrued based on the laws applicable in those Countries.

8. Research & Development Expenditure

Development expenses incurred on specific / identified in-house developed products are capitalised from the date on which the Company is able to demonstrate technical feasibility and probable future economic benefits in respect of the products. The amount capitalised comprises expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

Other development and research expenses are charged to the Profit and Loss account/ BRR.

Fixed assets acquired for Research & Development activities are capitalised and depreciated in accordance with the policy of the Company in paragraph 3 and 5 above.

9. Foreign currency transactions

The transactions denominated in foreign currency are recorded at the exchange rates prevailing on the date of the transaction. Monetary items denominated in foreign currencies at year end are translated at the exchange rate prevailing on the date of the balance sheet. Exchange differences on settlement or restatement are adjusted in the profit & loss account.

10. Investments

Current investments are carried at lower of cost and fair market value. Provision is made to recognise decline, if any, in the carrying value.

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Long-term investments are valued at cost less impairment considered to be other than temporary, except for investments which are:

- a. designated as hedged items for changes in the spot rate of the foreign currency underlying in the investment. Such investments are carried at fair values by restating the underlying foreign currency at the closing spot rates.
- b. Recorded at fair value as per the Scheme of Arrangement approved by the Honorable High Courts of Judicature.

11. Leases

Lease arrangements, where the risks and rewards incident to ownership of an asset substantially vest with the lessor, are classified as operating leases and the lease rentals thereon are charged to the Profit and Loss Account on accrual basis. Assets acquired under finance lease arrangements are recognised as an asset and a liability is setup at the inception of the lease, at an amount equal to lower of the fair value of leased assets or the present value of the future minimum lease payments.

12. Financial Assets, Financial Liabilities, Financial Instruments, Derivatives and Hedge Accounting.

- (a) The Company classifies its financial assets into the following categories: financial instruments at fair value through profit and loss, loans and receivables, held to maturity investments and available for sale financial assets.

Financial assets of the Company mainly include cash and bank balances, sundry debtors, loans and advances and derivative financial instruments with a positive fair value.

Financial liabilities of the Company mainly comprise secured and unsecured loans, sundry creditors, accrued expenses and derivative financial instruments with a negative fair value.

Financial assets/ liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when all of risks and rewards of the ownership have been transferred. The transfer of risks and rewards is evaluated by comparing the exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred assets.

Available for sale financial assets (not covered under other Accounting Standards) are carried at fair value, with changes in fair value being recognised in Equity, unless they are designated in a Fair value hedge relationship, where such changes are recognised in the Profit and Loss account. Loans and receivables, considered not to be in the nature of Short-term receivables, are discounted to their present value. Short-term receivables with no stated interest rates are measured at original invoice amount, if the effect of discounting is immaterial. Non-interest-bearing deposits, meeting the criteria of financial asset, are discounted to their present value.

Financial liabilities held for trading and liabilities designated at fair value, are carried at fair value through profit and loss.

Other financial liabilities are carried at amortised cost using the effective interest method. The Company measures the short-term payables with no stated rate of interest at original invoice amount, if the effect of discounting is immaterial.

Financial liabilities are derecognised when extinguished.

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(b) Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial markets pricing models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value.

(c) Derivative financial instruments

The Group is exposed to foreign currency fluctuations on foreign currency assets and liabilities. The Group limits the effects of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives. The Group enters into forward exchange financial instruments where the counterparty is a bank. Changes in fair values of these financial instruments that do not qualify as a Cash flow hedge accounting are adjusted in the Profit and Loss.

(d) Hedge Accounting

Some financial instruments and derivatives are used to hedge interest rate, exchange rate, commodity and equity exposures and exposures to certain indices. Where derivatives are held for risk management purposes and when transactions meet the criteria specified in Accounting Standard 30, the Group applies fair value hedge accounting or cash flow hedge accounting or hedging of a net investment in a foreign operation as appropriate to the risks being hedged.

(e) Fair value hedge accounting

Changes in the fair value of financial instruments and derivatives that qualify for and are designated as fair value hedges are recorded in the Profit and Loss Account, together with changes in the fair value attributable to the risk being hedged in the hedged asset or liability.

If the hedged relationship no longer meets the criteria for hedge accounting, it is discontinued.

(f) Hedges of Net Investments

Hedges of net investments in foreign operations, including monetary items that are accounted for as part of net investment are accounted as follows: the effective portion of the gain or loss on the hedging instrument is recognised in shareholders equity and the ineffective portion recognised in the Profit and Loss Account. The cumulative gain or loss previously recognised in equity is recognised in the Profit and Loss Account on the disposal / partial disposal of the foreign operation.

Hedges of net investments may include non-derivative liabilities as well as derivative financial instruments although for a non-derivative financial liability only the foreign exchange risk is designated as the hedged risk.

13. Employee Stock Option Schemes

Employee stock options are accounted in accordance with the guidelines stipulated by SEBI. The difference between the market price of the shares underlying the options granted on the date of grant of option and the option price is expensed under 'Personnel cost'.

14. Income Tax

Income Tax comprises the current tax provision and the net change in the deferred tax asset or liability during the year. Deferred tax assets and liabilities are recognised for the future tax consequences arising out of temporary differences between the carrying values of the assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applicable on the Balance Sheet date. Deferred tax



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assets are recognised and carried forward to the extent that there is a reasonable / virtual certainty (as applicable) that sufficient future taxable income will be available against which such deferred tax asset can be realised. The effect on deferred tax assets and liabilities resulting from change in tax rates is recognised in the income statement in the period of enactment of the change.

15. Segment Reporting

The accounting policies adopted for the segment reporting are in line with the accounting policies of the Group. Revenue and expenses have been identified to segments on the basis of the nature of their relationship to the business and operating activities of the segment. Revenue and expenses, which relate to the Group as a whole and are not allocable to segments on a reasonable basis, have been included under 'Unallocable income / expenses'. Intersegment sales are made at prevailing market prices.

16. Use of estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Examples of such estimates include the useful life of fixed assets (including intangible assets), provision for doubtful debts/advances, provision for employee benefits, allowances for slow moving / non moving inventory, provision for tax, estimate of percentage of completion of work under contracts for development services and sale of dossiers.

Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates

17. Provisions and Contingencies

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation. Contingent liabilities are not recognised but are disclosed in the notes to financial statements.

For and on behalf of the Board

Arun Kumar : Vice Chairman & Managing Director
K.R.Ravishankar : Director
Kannan.N : Company Secretary

Bangalore, February 24, 2010

186 Breakup of Cash and Bank Balances

(Rupees in Million)												
Location	Cash on hand		Bank balance		Overnight deposit		Cash and Cash equivalents		Margin Money		Total	
	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008
Akorn Strides LLC	-	-	18.06	46.04	-	-	18.06	46.04	-	-	18.06	46.04
Arcolab Limited SA	-	-	27.71	30.93	-	-	27.71	30.93	-	-	27.71	30.93
Ascent Pharmahealth Ltd	0.67	0.53	191.74	28.80	-	-	192.41	29.33	-	-	192.41	29.33
Beltapharm S p A	0.29	0.20	-	2.30	-	-	0.29	2.50	-	-	0.29	2.50
Cash in transit	-	-	-	11.93	-	-	-	11.93	-	-	-	11.93
Co Pharma Ltd	-	0.04	0.54	38.55	-	-	0.54	38.59	-	-	0.54	38.59
Drug Houses of Australia (Asia) Pte ltd	0.08	0.08	73.80	40.62	-	-	73.88	40.70	-	-	73.88	40.70
Farma plus AS	-	-	24.05	7.85	-	-	24.05	7.85	-	-	24.05	7.85
Formule Naturalle (Pty) Ltd	-	0.00	54.77	-	-	-	54.77	-	-	-	54.77	0.01
Global Remedies Ltd	-	0.03	-	2.35	-	-	-	2.38	-	0.11	-	2.49
Grandix Laboratories Ltd	-	0.00	-	2.47	-	-	-	2.47	-	-	-	2.47
Grandix Pharmaceuticals Ltd	-	0.09	-	10.58	-	-	-	10.67	-	0.39	-	11.05
Green Cross Pharma Pte Ltd	-	-	3.25	-	-	-	3.25	-	-	-	3.25	-
Linkace Ltd	-	-	1.67	4.00	-	-	1.67	4.00	-	-	1.67	4.00
Medgene pharmaceuticals pvt ltd	-	0.00	0.05	0.04	-	-	0.05	0.04	-	0.02	0.05	0.06
Onco Therapies Ltd	0.03	0.01	51.48	0.42	-	-	51.50	0.43	2.68	1.40	54.18	1.83
Plus farma ehf	1.81	-	-	2.32	-	-	1.81	2.32	-	-	1.81	2.32
Onco Laboratories Ltd (formerly Powercliff Ltd)	-	-	0.38	0.01	-	-	0.38	0.01	-	-	0.38	0.01
Strides Specialty Pvt.Ltd (formerly known as Quantum Life sciences Pvt Ltd)	0.02	0.00	5.72	2.60	1.00	1.00	6.74	3.61	-	-	6.74	3.61
Quantum Remedies Pvt Ltd	-	0.00	-	2.03	-	0.50	-	2.53	-	-	-	2.53
Strides (CIS) Limited	-	-	4.98	0.03	-	-	4.98	0.03	-	-	4.98	0.03
Sagent Strides LLC	-	-	0.02	0.02	-	-	0.02	0.02	-	-	0.02	0.02

Location	(Rupees in Million)											
	Cash on hand		Bank balance		Overnight deposit		Cash and Cash equivalents		Margin Money		Total	
	'Dec 31, 2009	'Dec 31, 2008	'Dec 31, 2009	'Dec 31, 2008	'Dec 31, 2009	'Dec 31, 2008	'Dec 31, 2009	'Dec 31, 2008	'Dec 31, 2009	'Dec 31, 2008	'Dec 31, 2009	'Dec 31, 2008
Starmore Ltd	-	-	0.58	0.88	-	3.39	0.58	4.28	-	-	0.58	4.28
Strides Africa Ltd	-	-	0.55	4.57	-	-	0.55	4.57	-	-	0.55	4.57
Strides Arcolab International Ltd	-	-	51.09	1.46	-	-	51.09	1.46	-	-	51.09	1.46
Strides Arcolab Ltd	1.04	0.87	198.38	55.65	0.50	0.09	199.92	56.61	119.64	107.20	319.57	163.81
Strides Arcolab Polska SP Z.oo	0.10	0.12	4.24	40.93	-	-	4.34	41.04	-	-	4.34	41.04
Strides Arcolab UK Ltd	-	-	-	-	-	-	-	-	-	-	-	0.01
Strides Australia Pty Ltd	-	-	0.08	0.12	-	-	0.09	0.13	-	-	0.08	0.13
Strides Inc	-	0.01	17.93	2.51	-	-	17.93	2.52	-	-	17.93	2.52
Strides SA Pharmaceuticals Pty Ltd	-	-	0.08	0.14	-	-	0.08	0.15	-	0.05	0.08	0.20
Strides Singapore Pte Ltd	-	-	48.67	7.11	-	-	48.67	7.11	-	-	48.67	7.11
Strides Vital Nigeria Ltd	0.02	0.09	1.60	105.17	2.61	-	4.23	105.25	-	-	4.23	105.26
Strides Technology & Research Pvt Ltd	-	-	0.10	-	-	-	0.10	-	-	-	0.10	-
TOTAL	4.06	2.08	781.52	453.30	4.11	4.98	789.69	460.37	122.32	109.17	912.01	569.55

Statement pursuant to section 212 of the Companies Act, 1956, relating to subsidiary companies.

(Rupees in Million)									
						The net aggregate amount of the subsidiary Companies Profit/(Loss) so far as it concerns the members of the holding Company.			
						a) Not dealt with in the holding Company's accounts.		b). Dealt with in holding Company's accounts	
Name of Subsidiary Company	Country	The financial year of the Subsidiary Companies ended on	Date from which they became subsidiary Companies	a) Number of shares held by Strides Arcolab Limited with its nominees in the subsidiaries at the end of the financial year of the subsidiary Companies	b) Extent of interest of holding Company at the end of the financial year of the subsidiary Companies.	i) For the financial year ended December 31, 2009	ii) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries	i) For the financial year ended December 31, 2009	ii) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries
Arcolab Limited SA	Switzerland	December 31, 2009	April 1, 2001	1,000 (previous year 1000) Equity shares of the face value of SFR 1000/- each fully paid up	100%	1.24	(6.61)	Nil	Nil
Ascent Pharmahealth Asia (B) SDN BHD (subsidiary of Ascent Pharmahealth Asia Pte Ltd)	Brunei	December 31, 2009	December 24, 2007	1 (previous year 1) share of Brunei dollars one each	57.33%	(0.39)	(0.05)	Nil	Nil
Ascent Pharmahealth Asia (Hong Kong) Limited (subsidiary of Ascent Pharmahealth Asia Pte Ltd)	Hong Kong	December 31, 2009	March 9, 2007	1 (previous year 1) ordinary shares of 10 HKD each fully paid up	57.33%	(0.37)	(0.22)	Nil	Nil
Ascent Pharmahealth Asia (Malaysia) SDN BHD (subsidiary of Ascent Pharmahealth Asia Pte Ltd)	Malaysia	December 31, 2009	March 21, 2007	2 (previous year 2) ordinary shares of 1 MYR each fully paid up	57.33%	(0.47)	(0.08)	Nil	Nil
Ascent Pharmahealth Asia Pte Ltd (subsidiary of Ascent Pharmahealth Limited)	Singapore	December 31, 2009	July 28, 2006	1 (previous year 1) equity shares of SGD 1 each fully paid up	57.33%	28.19	123.01	Nil	Nil

(Rupees in Million)									
						The net aggregate amount of the subsidiary Companies Profit/(Loss) so far as it concerns the members of the holding Company.			
						a) Not dealt with in the holding Company's accounts.		b). Dealt with in holding Company's accounts	
Name of Subsidiary Company	Country	The financial year of the Subsidiary Companies ended on	Date from which they became subsidiary Companies	a) Number of shares held by Strides Arcolab Limited with its nominees in the subsidiaries at the end of the financial year of the subsidiary Companies	b) Extent of interest of holding Company at the end of the financial year of the subsidiary Companies.	i) For the financial year ended December 31, 2009	ii) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries	i) For the financial year ended December 31, 2009	ii) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries
Ascent Pharmahealth Limited (subsidiary of Linkace Limited)	Australia	December 31, 2009	August 1, 2008	143,009,600 (previous year 138,335,205) equity shares of AUD 1 each fully paid up	57.33 %	85.24	(1.39)	Nil	Nil
Beltapharm S.p.A (subsidiary of Strides Arcolab International Ltd)	Italy	December 31, 2009	January 1, 2006	1,406,072 (previous year 1,019,200) equity shares of EURO 1 each fully paid up	96.57%	(25.67)	13.94	Nil	Nil
Co-Pharma Ltd (subsidiary held through Linkace Limited, Cyprus and Strides Arcolab International Ltd)	UK	December 31, 2009	December 1, 2007	7,344 (Previous year 7,344) equity shares of GBP 1each fully paid up	51%	(51.59)	(11.88)	Nil	Nil
Drug Houses of Australia (Asia) Pte Ltd(subsidiary of Ascent Pharamhealth Asia Pte Ltd)	Singapore	December 31, 2009	September 26, 2006	1500000 (previous year 1500000) equity shares of SGD 1 each fully paid up	57.33%	183.33	146.86	Nil	Nil
Farma Plus AS (subsidiary of Plus Farma ehf)	Norway	December 31, 2009	December 30, 2009	600,000 Equity shares of NOK1/- each fully paid up	100%	7.99	-	Nil	Nil
Formule Naturelle (Proprietary) Ltd (subsidiary of Linkace Limited)	South Africa	December 31, 2009	December 28, 2007	400 (previous year 400) equity shares of ZAR 1 each fully paid up	80%	22.61	12.43	Nil	Nil
Genepharm (Australia) Limited, (subsidiary of Ascent Pharmahealth Limited)	Newzealand	December 31, 2009	August 1, 2008	100 equity shares of AUD 1 each fully paid up	57.33%	0.00	-	Nil	Nil

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(Rupees in Million)									
						The net aggregate amount of the subsidiary Companies Profit/(Loss) so far as it concerns the members of the holding Company.			
						a) Not dealt with in the holding Company's accounts.		b). Dealt with in holding Company's accounts	
Name of Subsidiary Company	Country	The financial year of the Subsidiary Companies ended on	Date from which they became subsidiary Companies	a) Number of shares held by Strides Arcolab Limited with its nominees in the subsidiaries at the end of the financial year of the subsidiary Companies	b) Extent of interest of holding Company at the end of the financial year of the subsidiary Companies	i) For the financial year ended December 31, 2009	ii) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries	i) For the financial year ended December 31, 2009	ii) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries
Genepharm Pty Ltd(subsidiary of Ascent Pharmahealth Limited)	Australia	December 31, 2009	August 1, 2008	200 (Previous year 200) equity shares of AUD 1 each fully paid up	57.33%	36.37	-	Nil	Nil
Green Cross Pharma Pte Ltd (subsidiary of Ascent Pharmhealth Asia Pte Ltd)	Singapore	December 31, 2009	April 7, 2009	250,000 Equity shares of S \$1/- each	57.33%	131.42	-	Nil	Nil
Linkace Limited (subsidiary of Starsmore Limited)	Cyprus	December 31, 2009	August 6, 2007	2,000 (previous year 2,000) ordinary shares of Euro 1/- each	100%	(146.29)	1,623.13	Nil	Nil
Medgene Pharmaceuticals Private Limited [(subsidiary of Strides Specialties Private Limited, (formerly Quantum Life Sciences Private Limited)]	India	December 31, 2009	December 16, 2005	100,000 (Previous year 100,000) Equity shares of the face value of Rs.10/- each fully paid up.	100%	(3.00)	(39.21)	Nil	Nil
Onco Therapies Limited	India	December 31, 2009	August 14, 2007	683,468 (Previous year 478,429) equity shares of Rs.10 each fully paid up and 543,687 equity shares of Rs.10 each, Rs.3/- paid up.(Previous year Nil)	51%	29.17	31.88	Nil	Nil

(Rupees in Million)									
						The net aggregate amount of the subsidiary Companies Profit/(Loss) so far as it concerns the members of the holding Company.			
						a) Not dealt with in the holding Company's accounts.		b). Dealt with in holding Company's accounts	
Name of Subsidiary Company	Country	The financial year of the Subsidiary Companies ended on	Date from which they became subsidiary Companies	a) Number of shares held by Strides Arcolab Limited with its nominees in the subsidiaries at the end of the financial year of the subsidiary Companies	b) Extent of interest of holding Company at the end of the financial year of the subsidiary Companies	i) For the financial year ended December 31, 2009	ii) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries	i) For the financial year ended December 31, 2009	ii) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries
Pharma Strides Canada Corporation (subsidiary of Strides Inc)	Canada	December 31, 2009	April 1, 2002	10,000 (previous year 10,000) equity shares of face value CAD 1/- each fully paid up	100%	(5.34)	(21.41)	Nil	Nil
Pharmasava Australia Pty Ltd (Subsidiary of Ascent Pharmahealth Limited)	Australia	December 31, 2009	January 15, 2009	1 equity shares of Aud 1 each fully paid up	57.33%	-	-	Nil	Nil
Plus Farma ehf (subsidiary of Strides Arcolab International Ltd)	Iceland	December 31, 2009	December 30, 2009	605,451 equity shares of Euro 1/- each	100%	(8.60)	-	Nil	Nil
Starsmore Limited	Cyprus	December 31, 2009	July 24, 2007	3,500 (previous year 2,000) ordinary shares of Euro 1 fully paid up	100%	(15.70)	1,785.90	Nil	Nil
Strides Africa Limited	British Virgin Islands	December 31, 2009	October 1, 2003	4,522,911 (previous year 4,522,911) shares of the face value of USD 1/- each fully paid up	100%	(49.32)	(61.24)	Nil	Nil
Strides Arcolab International Ltd	United Kingdom	December 31, 2009	December 31, 2005	1,000,000 (previous year 1000,000) equity shares of GBP 1 each fully paid up	100%	(76.97)	4.15	Nil	Nil
Strides Arcolab Polska Sp.Z o.o (subsidiary of Linkace Limited)	Poland	December 31, 2009	May 17, 2006	5,619 equity shares of PLN 6734.01 each (previous year 5,619 equity shares of PLN 6734.01) fully paid up	100%	(5.50)	(46.83)	Nil	Nil

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(Rupees in Million)									
						The net aggregate amount of the subsidiary Companies Profit/(Loss) so far as it concerns the members of the holding Company.			
						a) Not dealt with in the holding Company's accounts.		b) Dealt with in holding Company's accounts	
Name of Subsidiary Company	Country	The financial year of the Subsidiary Companies ended on	Date from which they became subsidiary Companies	a) Number of shares held by Strides Arcolab Limited with its nominees in the subsidiaries at the end of the financial year of the subsidiary Companies	b) Extent of interest of holding Company at the end of the financial year of the subsidiary Companies	i) For the financial year ended December 31, 2009	ii) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries	iii) For the financial year ended December 31, 2009	iv) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries
Strides Arcolab UK Ltd (subsidiary of Strides Arcolab International Ltd)	United Kingdom	December 31, 2009	May 16, 2006	1 (previous year 1) equity shares of GBP 1 each fully paid up	100%	NIL	Nil	Nil	Nil
Strides Australia Pty Ltd (subsidiary of Strides Arcolab International Ltd)	Australia	December 31, 2009	August 23, 2006	100 (previous year 100) equity shares of AUD 1 each fully paid up	100%	(0.05)	(44.25)	Nil	Nil
Strides CIS Limited (subsidiary of Linkace Limited)	Cyprus	December 31, 2009	January 1, 2008	1,020 (previous year 1,020) ordinary shares of Euro 1 fully paid up	51%	4.35	(0.63)	Nil	Nil
Strides Inc.	USA	December 31, 2009	August 30, 1999	13,605,000 (previous year 13,605,000) Equity shares of the face value of USD 1/- each fully paid up. 4,010,883 (previous year 4,010,883) Preference shares of the face value of USD 1/- each fully paid up.	95.71% 100%	(92.71)	(852.48)	Nil	Nil
Strides Pharma (Cyprus) Limited (subsidiary of Linkace Limited)	Cyprus	December 31, 2009	December 3, 2009	1000 Equity shares of USD 1/- each fully paid	100%	-	-	Nil	Nil
Strides S.A. Pharmaceuticals Pty Ltd (subsidiary of Linkace Limited)	Republic of South Africa	December 31, 2009	September 16, 2003	510 (Previous year 510) Equity shares of the face value of ZAR 1/- each fully paid up.	51%	0.13	0.08	Nil	Nil

(Rupees in Million)									
						The net aggregate amount of the subsidiary Companies Profit/(Loss) so far as it concerns the members of the holding Company.			
						a) Not dealt with in the holding Company's accounts.		b). Dealt with in holding Company's accounts	
Name of Subsidiary Company	Country	The financial year of the Subsidiary Companies ended on	Date from which they became subsidiary Companies	a) Number of shares held by Strides Arcolab Limited with its nominees in the subsidiaries at the end of the financial year of the subsidiary Companies	b) Extent of interest of holding Company at the end of the financial year of the subsidiary Companies.	i) For the financial year ended December 31, 2009	ii) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries	i) For the financial year ended December 31, 2009	ii) For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries
Strides Specialties (Holdings) Limited (subsidiary of Strides Specialties Private Limited)	Mauritius	December 31, 2009	December 15, 2009	1 Equity shares of USD 1/- each fully paid	100%	-	-	Nil	Nil
Strides Specialties (Holdings) Cyprus Limited (subsidiary of Strides Specialties (Holdings) Limited)	Cyprus	December 31, 2009	December 30, 2009	3016 Equity shares of USD 1/- each fully paid	100%	-	-	Nil	Nil
Strides Specialties Private Limited, (formerly Quantum Life Sciences Private Limited)	India	December 31, 2009	March 3, 2004	12,600,000 (previous year 12,600,000) Equity shares of the face value of Rs.10/- each fully paid up. 200,000 - 0.1% redeemable preference share of the face value of Rs.100/- each fully paid up.	100% 100%	(21.03)	(94.79)	Nil	Nil
Strides Specialty (Cyprus) Limited (subsidiary of Strides Specialties (Holdings) Cyprus Limited)	Cyprus	December 31, 2009	December 3, 2009	1000 Equity shares of USD 1/- each fully paid	100%	-	-	Nil	Nil
Strides Technology and Research Private Limited	India	December 31, 2009	April 6, 2009	10,000 Equity shares of Rs.10/- each fully paid	100%	-	-	Nil	Nil
Strides Vital Nigeria Limited (subsidiary of Strides Africa Limited)	Nigeria	December 31, 2009	November 2, 2007	7,400,000 (previous year 7,400,000) equity shares of NGN 1 each fully paid up	74%	5.02	(9.83)	Nil	Nil

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Key Information pertaining to Subsidiary companies Financial Statements as at December 31, 2009

(Rupees in Million)											
Name of the Subsidiary	Country of Incorporation	Capital (includes Monies pending allotment)	Reserves	Total Assets	Total Liabilities	Investment	Turnover	Profit before Tax	Tax Provision	Profit after Tax	Proposed dividend
Arcolab Limited SA	Switzerland	45.17	(14.51)	30.66	30.66	-	(2.65)	1.24	-	1.24	-
Ascent Pharmahealth (Asia) Pte Ltd	Singapore	658.76	272.00	930.80	930.80	807.67	547.15	27.40	(0.79)	28.19	126.74
Ascent Pharmahealth Asia (B) SDN BHD formerly Strides Arcolab SDN BHD	Brunei	0.00	(0.53)	(0.53)	(0.53)	-	-	(0.39)	-	(0.39)	-
Ascent Pharmahealth Asia (Hong Kong) Limited (formerly Strides Arcolab Hong Kong Ltd)	Hong Kong	0.00	(1.00)	(1.00)	(1.00)	-	(0.04)	(0.37)	-	(0.37)	-
Ascent Pharmahealth Asia (Malaysia) SDN BHD (formerly Strides Arcolab Malaysia SDN BHD)	Malaysia	0.00	(0.74)	(0.74)	(0.74)	-	(0.02)	(0.47)	-	(0.47)	-
Ascent Pharmahealth Limited	Australia	4,934.92	(884.53)	4,528.14	4,528.14	1,238.33	2,540.80	126.87	41.63	85.24	-
Beltapharm S.p.A	Italy	96.98	(5.80)	363.73	363.73	-	460.72	(20.43)	5.23	(25.67)	-
Co-Pharma Ltd	UK	1.08	82.45	83.53	83.53	-	242.91	(51.59)	-	(51.59)	-
Drug Houses of Australia (Asia) Pte Ltd	Singapore	49.71	393.55	450.42	450.42	-	790.92	215.82	32.49	183.33	96.72
Farma Plus AS	Norway	4.78	48.50	66.90	66.90	-	213.78	8.81	0.83	7.99	-
Formule Naturelle (Proprietary) Ltd	South Africa	0.003	275.18	275.18	275.18	-	181.18	35.35	12.74	22.61	-
Genepharm (Australia) Limited	Newzealand	0.004	355.83	963.13	963.13	1,843.31	2,662.92	211.59	80.17	131.42	-
Genepharm Pty Ltd	Australia	0.008	-	0.008	0.008	-	-	-	-	-	-
Green Cross Pharma Pte Ltd	Singapore	8.28	39.97	48.25	48.25	-	251.18	42.74	6.37	36.37	-
Linkace Limited	Cyprus	894.57	1,567.95	3,209.41	3,209.41	4,285.41	-	(146.29)	-	(146.29)	-
Medgene Pharmaceuticals Private Limited	India	1.00	(45.55)	(44.35)	(44.35)	-	-	(2.99)	0.02	(3.00)	-
Onco Therapies Limited	India	20.26	1,241.45	1,277.20	1,277.20	-	141.30	13.17	(16.00)	29.17	-
Pharma Strides Canada Corporation	Canada	0.44	(24.87)	17.29	17.29	-	(4.09)	(5.34)	-	(5.34)	-
Pharmasava Australia Pty Ltd	Australia	0.00	-	0.00	-	-	-	-	-	-	-
Plus Farma ehf	Iceland	40.33	(62.76)	323.58	323.58	363.60	(0.03)	(8.60)	-	(8.60)	-
Starsmore Limited	Cyprus	4,180.23	2,408.93	6,906.02	6,906.02	6,623.24	(0.01)	(15.70)	-	(15.70)	-
Strides Africa Limited	British Virgin Islands	210.41	(108.83)	235.13	235.13	120.95	4.11	(49.32)	-	(49.32)	-
Strides Arcolab International Ltd	UK	2,277.98	(108.44)	2,363.39	2,363.39	393.96	-	(78.79)	(1.81)	(76.97)	-

Name of the Subsidiary	Country of Incorporation	Capital (includes Monies pending allotment)	Reserves	Total Assets	Total Liabilities	Investment	Turnover	Profit before Tax	Tax Provision	Profit after Tax	Proposed dividend	(Rupees in Million)
Strides Arcolab Polska Sp.z o.o	Poland	150.95	55.63	892.77	892.77	-	312.38	(10.82)	(5.33)	(5.50)	-	-
Strides Arcolab UK Ltd	UK	-	-	-	-	-	-	-	-	-	-	-
Strides Australia Pty Ltd	Australia	0.00	(52.75)	(52.74)	(52.74)	-	-	(0.05)	-	(0.05)	-	-
Strides CIS Limited	Cyprus	0.14	2.85	2.99	2.99	-	5.14	4.35	-	4.35	-	-
Strides Inc.	USA	935.33	(1,344.06)	162.00	162.00	20.04	71.53	(92.58)	0.13	(92.71)	-	-
Strides Pharma (Cyprus) Limited	Cyprus	0.00	-	-	-	-	-	-	-	-	-	-
Strides S.A. Pharmaceuticals Pty Ltd	Republic of South Africa	0.01	(0.27)	9.26	9.26	-	5.07	0.28	0.14	0.13	-	-
Strides Specialties (Holdings) Limited	Mauritius	0.00	-	-	-	-	-	-	-	-	-	-
Strides Specialties (Holdings) Cuprus Limited	Cyprus	0.00	-	-	-	-	-	-	-	-	-	-
Strides Specialties Private Limited, formerly Quantum Life Sciences Private Limited	India	1,146.00	64.18	3,519.83	3,519.83	12.75	105.58	(21.03)	0.01	(21.03)	-	-
Strides Specialty (Cyprus) Limited	Cyprus	0.00	-	-	-	-	-	-	-	-	-	-
Strides Technology and Research Private Limited	India	0.10	-	0.10	0.10	-	-	-	-	-	-	-
Strides Vital Nigeria Limited	Nigeria	3.05	(6.70)	161.51	161.51	-	541.55	5.66	0.64	5.02	-	-

Equity History of the Company

Date	Particulars	Number of Shares Issued	Cumulative Number of Shares Issued	Face Value per share (Rs.)	Equity Share Capital issued (Rs.)	Equity Share Capital (Cumulative) (Rs.)
28-Jun-90	Subscribers to Memorandum of Association	50	50	100.00	5,000	5,000
31-Jan-91	Preferential Issue	4,010	4,060	100.00	401,000	406,000
29-Mar-91	Preferential Issue	1,940	6,000	100.00	194,000	600,000
31-Mar-92	Preferential Issue	4,000	10,000	100.00	400,000	1,000,000
28-Jan-93	Preferential Issue	15,000	25,000	100.00	1,500,000	2,500,000
11-Mar-94	Preferential Issue	20	25,020	100.00	2,000	2,502,000
11-Apr-94	Reclassification of nominal value of shares from Rs.100 each to Rs.10 each	-	250,200	10.00	-	2,502,000
30-Apr-94	Issue of Bonus Shares	1,251,000	1,501,200	10.00	12,510,000	15,012,000
01-Sep-94	Preferential Issue	1,160,300	2,661,500	10.00	11,603,000	26,615,000
01-Sep-94	Allotment under ESOP	22,950	2,684,450	10.00	229,500	26,844,500
22-Jan-97	Preferential Issue	918,980	3,603,430	10.00	9,189,800	36,034,300
06-Dec-97	Preferential Issue	400,000	4,003,430	10.00	4,000,000	40,034,300
13-May-99	Preferential Issue on conversion of Fully Convertible Debentures	4,363,636	8,367,066	10.00	43,636,360	83,670,660
13-May-99	Preferential Issue	221,000	8,588,066	10.00	2,210,000	85,880,660
13-Jul-99	Preferential Issue	516,500	9,104,566	10.00	5,165,000	91,045,660
24-Aug-99	Allotment to erstwhile shareholders of Remed Laboratories (India) Limited consequent to its amalgamation with the Company	1,200,000	10,304,566	10.00	12,000,000	103,045,660
24-Aug-99	Preferential Issue	1,702,000	12,006,566	10.00	17,020,000	120,065,660
24-Aug-99	Allotment to erstwhile shareholders of Global Remedies Private Limited consequent to its acquisition by the Company	50,000	12,056,566	10.00	500,000	120,565,660
22-Sep-99	Preferential Issue	850,000	12,906,566	10.00	8,500,000	129,065,660
07-Dec-99	Allotment to erstwhile shareholders of Plama Laboratories Limited consequent to its amalgamation with the Company	712,500	13,619,066	10.00	7,125,000	136,190,660
27-Jun-01	Preferential issue on conversion of Cumulative Convertible Preference Shares	3,144,445	16,763,511	10.00	31,444,450	167,635,110

Date	Particulars	Number of Shares Issued	Cumulative Number of Shares Issued	Face Value per share (Rs.)	Equity Share Capital issued (Rs.)	Equity Share Capital (Cumulative) (Rs.)
27-Jun-01	Preferential Issue on conversion of Cumulative Convertible Preference Shares	3,144,445	16,763,511	10.00	31,444,450	167,635,110
24-Jan-02	Allotment to erstwhile shareholders of Bombay Drugs & Pharmas Limited consequent to its amalgamation with the Company.	210,955	16,974,466	10.00	2,109,550	169,744,660
14-Feb-02	Preferential Issue	13,714,286	30,688,752	10.00	137,142,860	306,887,520
11-Dec-03	Preferential Issue on conversion of warrants	3,068,875	33,757,627	10.00	30,688,750	337,576,270
02-Feb-05	Preferential Issue	1,196,662	34,954,289	10.00	11,966,620	349,542,890
05-Jul-07	Preferential Issue on conversion of warrants	50,000	35,004,289	10.00	500,000	350,042,890
08-Mar-08	Preferential Issue on conversion of Convertible Debentures	4,000,000	39,004,289	10.00	40,000,000	390,042,890
17-Jun-08	Preferential Issue on conversion of Convertible Debentures	1,045,725	40,050,014	10.00	10,457,250	400,500,140
13-Aug-09	Allotment under ESOP	47,000	40,097,014	10.00	470,000	400,970,140
27-Aug-09	Allotment under ESOP	58,600	40,155,614	10.00	586,000	401,556,140
26-Nov-09	Allotment under ESOP	30,000	40,185,614	10.00	300,000	401,856,140
03-Dec-09	Allotment under ESOP	30,000	40,215,614	10.00	300,000	402,156,140
19-Jan-10	Allotment to erstwhile shareholders of Grandix Pharmaceuticals Limited consequent to its amalgamation with the Company.	12,822	40,228,436	10.00	128,220	402,284,360
19-Jan-10	Allotment to erstwhile shareholders of Grandix Laboratories Limited consequent to its amalgamation with the Company.	702	40,229,138	10.00	7,020	402,291,380
24-Feb-10	Preferential Issue on conversion of warrants	2,560,000	42,789,138	10.00	25,600,000	427,891,380
15-Mar-10	Preferential Issue on conversion of warrants	420,000	43,209,138	10.00	4,200,000	432,091,380

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(Rupees in Million)						
Financials:	2009	2009	2008	2007	2006	2005
	In USD mio					
Income, Profit & Dividend						
Total Income	285.54	13,283.41	13,312.46	8,696.25	7,601.98	5,293.44
EBIDTA	45.25	2,105.04	3,805.42	1,029.44	1,409.56	1,158.77
Depreciation & Amortisation	10.57	491.90	400.63	377.14	336.18	235.75
Exceptional Items	(12.37)	(575.30)	1,409.03	299.12	-	-
Profit After Tax (PAT)	23.58	1,096.83	1,079.63	(501.21)	402.29	485.64
Equity Dividend	1.30	60.32	-	-	69.90	69.90
Dividend rate %	15.00	15.00	-	-	20.00	20.00
Assets & liabilities						
Net Worth						
Equity Share Capital	8.64	402.15	400.50	350.04	349.54	349.54
Preference Share Capital	10.57	491.61	491.61	491.61	491.61	491.61
Monies pending allotment	3.04	141.50	-	189.87	354.31	138.90
Reserves & surplus	155.65	7,240.92	3,244.10	1,729.65	2,585.13	2,123.71
Total Net Worth	177.91	8,276.18	4,136.21	2,761.17	3,780.59	3,103.76
Long Term	100.36	4,668.88	2,822.74	2,820.20	2,473.58	1,366.62
Short Term	76.49	3,558.34	3,012.11	2,419.40	1,274.58	1,200.99
FCCB / FCD's	136.32	6,341.50	7,185.27	7,534.29	1,770.40	1,802.00
ESOP	0.74	34.53	17.89	4.73	-	-
Borrowings:	313.17	14,568.72	13,020.12	12,773.89	5,518.56	4,369.61
Minority Interest	55.57	2,585.04	1,802.84	169.34	527.20	361.91
Deferred tax Liability	0.73	34.15	87.43	106.76	196.22	128.50
Total liabilities	548.12	25,498.62	19,064.49	15,815.89	10,022.57	7,963.78
Represented by						
Fixed Assets:						
Gross Block	230.29	10,713.26	5,991.11	5,947.48	5,667.18	3,537.06
Net Block	182.12	8,472.20	6,385.41	7,427.91	5,816.32	3,837.10
Goodwill	216.98	10,093.69	5,905.35	5,527.48	1,695.12	1,281.06
Investments	73.38	3,413.61	3,464.01	19.45	14.97	0.31
Deferred tax Asset	0.24	11.13	43.36	2.50	-	-
Net Current Assets	57.21	2,661.43	3,265.39	2,832.18	2,487.49	2,821.03
Miscellaneous Expenditure	-	-	0.97	6.37	8.67	24.28
Profit & Loss account	-	-	-	-	-	-
Total Assets	529.92	24,652.06	19,064.49	15,815.89	10,022.57	7,963.78
Key Indicators						
Earnings Per Share (EPS)	0.57	26.49	26.91	(15.57)	10.55	13.43
Cash Earnings Per Share (CEPS)	1.01	46.90	91.73	22.60	37.11	31.67
Book Value	4.09	190.05	91.00	32.71	65.33	51.80
Debt : Equity Ratio	-	1.38:1	2.42:1	3.75:1	1.12:1	1.02:1
Debt : Equity Ratio	-	1.33	2.42	3.75	1.12	1.02
Operating Profit Margin (%)	-	15.85	28.59	11.84	18.54	21.89
Net Profit Margin (%)	-	8.26	8.11	(5.76)	5.29	9.17
Return on Net Worth (RONW %)	-	13.25	26.10	(18.15)	10.64	15.65

* 1 USD = Rs.46.52 (Exchange rate as on December 31, 2009)

Strides Arcolab Limited

Registered Office

201, Devavrata,
Sector 17, Vashi,
Navi Mumbai 400 705, India.
Tel.: (91) 22 – 27893199
Fax No. (91) 22 – 27892942

Statutory Auditors

Deloitte Haskins & Sells
Deloitte Centre, Anchorage II,
100/2, Richmond road,
Bangalore 560 025, India.

Advocates and Solicitors

DSK Legal, 4th Floor,
Express Towers, Nariman Point,
Mumbai 400 021, India.

Corporate Office

'Strides House', Bilekahalli
Bannerghatta Road,
Bangalore 560 076, India.
Tel.: (91) 80 – 66580738/739
Fax No. (91) 80 – 66580700/800
Email: info@stridesarco.com
Website: www.stridesarco.com

R & D Centre

Strides Technology And Research,
Bilekahalli, Bannerghatta Road,
Bangalore 560 076, India.
Tel.: (91) 80 – 66580290
Fax No. (91) 80 – 66580200/300

Registrars

Karvy Computershare Private Limited,
Plot No.17 to 24, Vittalrao Nagar, Madhapur,
Hyderabad – 500 081.
Tel. No. 91-40-2342 0815 to 824
Fax No. 91-40-2342 0814
e-mail id: svraju@karvy.com

Bankers and Financial Institutions

State Bank of India,
Central Bank of India
IDBI Bank Limited
State Bank of Hyderabad,
Axis Bank Limited,
State Bank of Indore, Punjab National
Bank, Technology Development Board,
Standard Chartered Bank.
Ratnakar Bank Limited

GLOBAL PLANTS

Oral Dosage Forms Facility - I

'KRS Gardens', Suragajakannahalli,
Anekal Taluk, Bangalore 560 106, India.

Oral Dosage Form Facility - II

124, Sipcot Industrial Complex,
Hosur – 635 126, India.

Oral Dosage Form Facility - III

Plot No. 9-12, Dewan & Sons Indl. Area,
Veroor, Palghar, Dist. Thane 401 404
Maharashtra, India.

Beta-lactams Facility

Bilekahalli, Bannerghatta Road,
Bangalore 560 076, India.

Cephalosporins Facility

Bilekahalli, Bannerghatta Road,
Bangalore 560 076, India.

Sterile Products Division - I

Bilekahalli, Bannerghatta Road,
Bangalore 560 076, India.

Sterile Products Division - II

Plot No. 284-A, Bommasandra Jigani Link
road, Industrial Area, Jigani Village, Jigani
Hobli, Anekal Taluk, Bangalore 562 106.

Onco Therapies Limited

Plot No. 284-B, Bommasandra Jigani Link
Road, Industrial Area, Jigani Village, Jigani
Hobli, Anekal Taluk, Bangalore 562 106.

Penems Facility

Estrada Doutor Lorival Martins Beda,
926 – 968 28110-000- Donana - Campos dos
Goytacazes- Rio de Janeiro- Brazil.

Penicillins Facility

Estrada Doutor Lorival Martins Beda,
926 – 968 28110-000- Donana - Campos dos
Goytacazes- Rio de Janeiro- Brazil

Strides Arcolab Polska Sp. Zo.o

ul.Daniszewska 10 03-230 Warszawa NIP
813-34-15-000, Poland.

Strides Vital Nigeria Limited

Gate No. 02, Ladipo Oluwole Avenue,
Opposite Cocoa warehouse, Off Oba
Akran Road, Ikeja Industrial Area, Ikeja
Lagos, Nigeria.

Beltapharm SpA

20095 Cusano MIL.
(MI) – Via Stelvio, 66 Italy.

Drug Houses of Australia (Asia) Pte Limited

#2 Chia ping road, Haw Par Tiger Balm
Building, Singapore 619968.

GLOBAL OFFICES

Australia

151-153, Clarendon Street, South
Melbourne, Victoria 3205,
Australia.

Cameroon

BP 1834, Rue DUBOIS de Saligny,
AKWA, Douala, Cameroon.

South Africa

4, Angus Crescent, Longmeadow East,
Modderfontein, 1644,
Republic of South Africa.

Tchad

BP 1167, N'Djamena, Tchad.

Chennai

"Jamals Sonu Terrace", 42, Loganathan
Nagar, 100 Feet road, Chennai - 600 094.

Vietnam

377/80 Le Dai Hanh Street, Ward 11,
District 11, HCMC, Vietnam.

United Kingdom

Unit 4, Metro Centre, Tolpits Lane,
Watford, Hertfordshire, WD18 9SS, UK.

Myanmar

343 Second floor, BO Aung Kyaw street,
Kyauktada Township, Yangon, Myanmar.

Strides Inc.,

201, S. Main Street – Ste.3
Lambertville, NJ 08530.

Norway

Sorkedalsveien,
10B 0369, Oslo, Norway.

Strides Arcolab Limited

Strides House, Bilekahalli, Bannerghatta Road,
Bangalore - 560 076 India.

Tel: 091-080-6658 0000, 6658 0600.

Website: www.stridesarco.com

E mail: info@stridesarco.com